

**Lincoln University**  
**A Component Unit of the State of Missouri**  
Independent Auditor's Reports and Financial Statements  
June 30, 2019 and 2018

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## Independent Auditor's Report

Board of Curators  
Lincoln University  
Jefferson City, Missouri

### Report on the Financial Statements

We have audited the accompanying financial statements of Lincoln University (the "University"), a component unit of the State of Missouri, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Lincoln University as of June 30, 2019 and 2018, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in *Note 1* to the financial statements, in 2019, the reporting entity changed to exclude Lincoln University Foundation, Inc. (the “Foundation”) and include certain special purpose funds previously reported by the Foundation. The Foundation was previously reported as a discretely presented component unit of the University. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, pension information and other postemployment benefit information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University’s basic financial statements. The accompanying schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the Auxiliary System Revenue Fund – Schedules of Revenues and Expenses and the Athletic Facilities Revenue Fund – Schedule of Revenues and Expenses as listed in the table of contents, are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the Auxiliary System Revenue Fund – Schedules of Revenues and Expenses and the Athletic Facilities Revenue Fund – Schedule of Revenues and Expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019, on our consideration of Lincoln University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

**BKD, LLP**

Springfield, Missouri  
October 31, 2019

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Management's Discussion and Analysis**  
**Years Ended June 30, 2019 and 2018**

The objective of management's discussion and analysis is to help readers of Lincoln University's financial statements better understand the financial position and operating activities for the years ended June 30, 2019 and 2018, with selected comparative information for the year ended June 30, 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and related footnotes to the financial statements.

***Lincoln University***

Lincoln University is an academic institution that is part of the State of Missouri system of higher education. Founded in 1866 through the cooperative efforts of the enlisted men and officers of the 62<sup>nd</sup> and 65<sup>th</sup> Colored Infantries, Lincoln University was designed to meet the educational and social needs of freed African-Americans. While remaining committed to this purpose, the University has expanded its historical mission to embrace the needs of a significantly broader higher education population. Our current mission statement further delineates the University's character and historical nature:

Lincoln University is a historically black, 1890 land-grant, public, comprehensive institution that provides excellent educational opportunities including theoretical and applied learning experiences to a diverse population within a nurturing, student-centered environment.

**Academic Programs**

The academic programs of the University are organized under two Colleges: the College of Arts and Sciences and the College of Agriculture, Environmental and Human Sciences; and three Schools: Education, Business and Nursing, along with the Office of Graduate Studies. During fiscal year 2018, Lincoln University offered nine undergraduate degrees: Bachelor of Arts (B.A.), Bachelor of Liberal Studies (B.L.S.), Bachelor of Science (B.S.), Bachelor of Science in Education (B.S.Ed.), and Bachelor of Science in Nursing (B.S.N.), Associate of Arts (A.A.), Associate of Applied Science (A.A.S.) and Associate of Science (A.S.).

The Office of Graduate Studies coordinates all graduate programs with all business graduate degree programs being offered using an online modality. The University offers five graduate degrees: Master of Arts (M.A.) with majors in history, sociology and sociology/criminal justice; Master of Education (M.Ed.) with majors in school teaching and guidance and counseling; Master of Business Administration (M.B.A.) with an emphasis in management, accounting, public administration/policy and management information systems; Master of Science (M.S.) in environmental science, natural sciences and integrated agricultural systems. The Master of Arts (M.A.) in education with an emphasis in Historical Black Colleges and Universities (HBCU). A new degree program, Education Specialist (Ed.S.) in Clinical Mental Health Counseling was approved by the Board of Curators in September 2018 and was instituted in Spring 2019.

## Using the Annual Financial Report

The University's financial statements consist of a series of financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). A summary of significant accounting policies followed by the University is included in *Note 1* to the financial statements of this report.

*The Statement of Net Position* – This statement presents information on all University assets, deferred outflows, liabilities and deferred inflows. Assets and liabilities are generally measured using current values. One notable exception is the capital assets, which are stated at historical cost less an allowance for depreciation.

*Statement of Revenues, Expenses and Changes in Net Position* – This statement presents a summary of revenues and expenses classified as either operating or nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. The operating deficit, is primarily a result of the classification of state appropriations as nonoperating revenue. Also, this statement reflects a change in the University's net position based upon revenues in excess of expenses.

*Statement of Cash Flows* – This statement classifies cash inflows and outflows into the following classifications: operating activities, noncapital financing activities, capital and related financing activities and investing activities. This information is useful in assessing the University's ability to meet maturing financial obligations.

## Statement of Net Position

A summarized comparison of the University's assets, deferred outflows of resources, liabilities and deferred inflows of resources and net position at June 30, 2019, 2018 and 2017, is as follows:

### Net Position, End of Year

	2019	2018	2017
	(In Millions)		
<b>Assets and Deferred Outflows of Resources</b>			
Current assets	\$ 30.9	\$ 31.6	\$ 29.7
Capital assets, net	81.8	86.4	87.5
Other noncurrent assets	24.6	3.4	3.4
Deferred outflows of resources	<u>11.6</u>	<u>14.3</u>	<u>13.9</u>
Total assets and deferred outflows of resources	<u>148.9</u>	<u>135.7</u>	<u>134.5</u>
<b>Liabilities and Deferred Inflows of Resources</b>			
Current liabilities	24.7	7.9	7.6
Noncurrent liabilities	64.2	66.2	62.6
Deferred inflows of resources	<u>3.4</u>	<u>1.5</u>	<u>1.3</u>
Total liabilities and deferred inflows of resources	<u>92.3</u>	<u>75.6</u>	<u>71.5</u>
<b>Net Position</b>			
Net investment in capital assets	64.3	66.4	66.5
Restricted – nonexpendable	0.1	0.1	0.1
Restricted – expendable	4.7	4.6	3.4
Unrestricted	<u>(12.5)</u>	<u>(11.0)</u>	<u>(7.0)</u>
Total net position	<u>\$ 56.6</u>	<u>\$ 60.1</u>	<u>\$ 63.0</u>

In fiscal year 2019, the University ended its affiliation with the Lincoln University Foundation, Inc. Due to this separation, the 2019 and 2018 financial data was restated and now includes the activity of the special purpose funds transferred to the University from the Foundation. Please note that the 2017 financial data was not restated.

During the 2019 fiscal year, total assets and deferred outflows of resources increased by \$13.2 million, total liabilities and deferred inflows of resources increased by \$16.7 million. The total net position decreased by \$3.5 million compared to fiscal year 2018. In fiscal year 2019, the University's current assets of \$30.9 million were sufficient to cover current liabilities of \$24.7 million. The current ratio decreased to 1.3 in 2019 from 3.9 in 2018. The change in current ratio for 2019 is due to timing of refunding the 2007 series revenue bonds. Refer to revenue bonds section for more information.

The University's liabilities and deferred inflows of resources totaled \$92.3 million at June 30, 2019, and \$75.6 million at June 30, 2018. Noncurrent liabilities totaled \$64.2 million in 2019 and \$66.2 million in 2018. Noncurrent liabilities are comprised of net pension liability as required by Governmental Accounting Standards Board (GASB) Statements No. 68 and No. 71 (see *Note 6*), postemployment benefit liability as required by GASB Statement No. 75 (see *Note 7*) as well as bonds and notes payable. The change in liabilities and deferred inflows of resources in fiscal year 2019 was primarily a result of a decrease in net pension liability of \$1.1 million and a decrease in long-term debt of \$0.7 million due to the refunding of the 2007 series revenue bonds.

### **Statement of Revenues, Expenses and Changes in Net Position**

The statement of revenues, expenses and changes in net position presents the University's results of financial activity for the year.

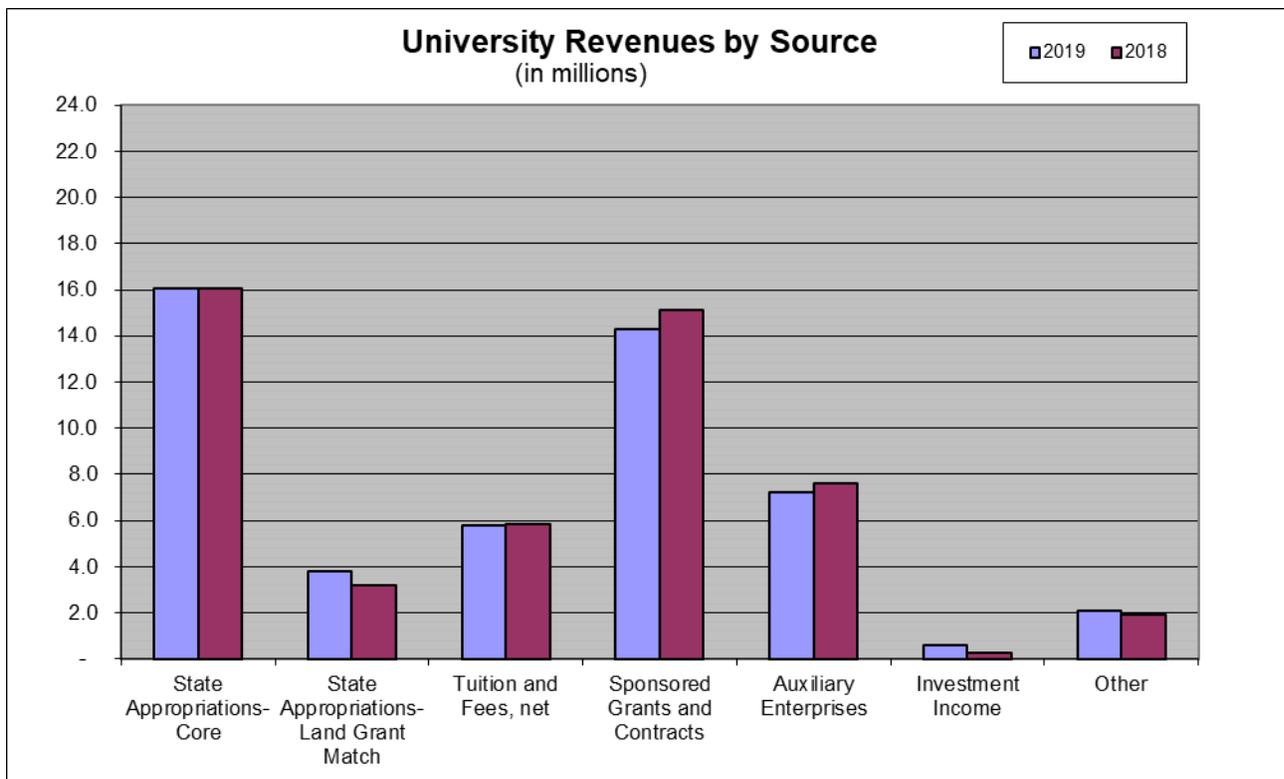
A summarized comparison of the University's revenues, expenses and changes in net assets for the years ended June 30, 2019, 2018 and 2017, is as follows:

	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>(In Millions)</b>		
Operating revenues	\$ 13.0	\$ 13.6	\$ 14.2
Operating expenses	<u>51.6</u>	<u>52.0</u>	<u>55.0</u>
Operating loss	(38.6)	(38.4)	(40.8)
Net nonoperating revenues	<u>36.0</u>	<u>34.7</u>	<u>39.1</u>
Income (loss) before other revenues, expenses, gains or losses	(2.6)	(3.7)	(1.7)
Impairment gain on fire damage, net of insurance recovery	—	—	1.6
Loss on President's Residence tornado damage, net of insurance recovery	(1.0)	—	—
Capital appropriations	—	0.2	1.1
Capital grants and gifts	<u>0.1</u>	<u>0.7</u>	<u>0.9</u>
Increase (decrease) in net position	<u>(3.5)</u>	<u>(2.8)</u>	<u>1.9</u>
Net position, beginning of year, as previously reported	60.1	63.6	—
Cumulative effect of change in accounting principle	<u>—</u>	<u>(0.7)</u>	<u>—</u>
Net position, beginning of year, as restated	<u>60.1</u>	<u>62.9</u>	<u>61.1</u>
Net position, end of year	<u>\$ 56.6</u>	<u>\$ 60.1</u>	<u>\$ 63.0</u>

The total operating loss for fiscal year 2019 was \$38.6 million, most of which was offset by nonoperating revenues of \$36.0 million. The largest component of nonoperating revenues is state appropriations followed by federal grants and contracts. Although, these revenues support operating expenses, Governmental Accounting Standards Board (GASB) mandates that these revenues be recorded as nonoperating revenues. Despite decreased operating expenses, the decrease in operating and nonoperating revenues was such that there was an overall loss of \$2.6 million in fiscal year 2019, a decrease of \$1.1 million compared to the overall loss of \$3.7 million in fiscal year 2018. This difference is due primarily to an increase of \$1.3 million in net nonoperating revenues which is comprised primarily of an increase in state appropriations of \$0.6 million allocated for the University’s Land Grant Mission as well as an increase in federal appropriation of \$0.5 million as compared to fiscal year 2018.

**Revenues (Operating and Nonoperating)**

The following graph displays the components of the University’s revenues for fiscal years 2019 and 2018:



As shown above, the largest component of total revenues (operating and nonoperating) is core state appropriations followed by sponsored grants and contracts. Core state appropriations account for 32 percent of University revenues. For fiscal year 2018, the University was appropriated \$16.1 million, net of 3 percent reserves. For fiscal year 2019, the University was appropriated \$66.1 million, net of 3 percent reserves. Also in fiscal year 2019, there was a net increase of \$.6 million in land grant match compared to fiscal year 2018 with net land grant match appropriations totaling \$3.8 million in fiscal year 2019 and \$3.2 million in fiscal year 2018.

Student tuition and fees revenue of \$5.8 million is shown net of \$9.0 million in scholarship allowances, \$2.5 million in tuition discounts and \$0.3 million in bad debt.

The following table represents the details of the University's grants and contracts revenue for the year ended June 30, 2019:

Federal sources	
Department of Agriculture	\$ 4,130,735
Department of Education (excluding financial aid)	2,631,643
Department of Defense	197,314
Department of Health and Human Services	342,793
National Aeronautics and Space Administration	17,268
National Science Foundation	343,627
Other Federal Sources	<u>63,092</u>
Total federal sources	<u>\$ 7,726,472</u>

### **Operating Revenues**

The following table summarizes the University's operating revenues by source for the years ended June 30, 2019, 2018 and 2017:

#### **Operating Revenues**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
	(In Millions)		
Tuition and fees, net	\$ 5.8	\$ 5.8	\$ 6.8
Grants and contracts	0.2	0.2	0.2
Sales and services of educational activities	0.1	0.1	0.1
Auxiliary enterprises, net	6.6	7.0	6.7
Other	<u>0.3</u>	<u>0.5</u>	<u>0.4</u>
Total operating revenues	<u>\$ 13.0</u>	<u>\$ 13.6</u>	<u>\$ 14.2</u>

In fiscal year 2019, operating revenues decreased slightly from fiscal year 2018. Tuition and fees remained steady. The steady revenues from tuition and fees were offset by a decrease of \$0.4 million in Auxiliary Enterprises, due to a reduction in participation in room and board plans. As well as a decrease of \$0.2 million in other operating revenues primarily due to a settlement between the University and its telecommunications provider in 2018.

Overall operating revenues for fiscal year 2018 decreased by \$0.6 million from fiscal year 2017. Tuition and fees decreased in fiscal year 2018 by \$1.0 million compared to fiscal year 2017. This decrease in tuition and fees is a result of a decrease in enrollment despite a 2 percent increase in tuition and fee rates. The reduction in net tuition and fees was also due to an increase of \$0.4 million in scholarship allowances, \$0.4 million in tuition discounts and \$0.1 million in bad debt compared to fiscal year 2017. Net auxiliary enterprises increased by \$0.3 million compared to fiscal year 2017. This growth is a result of both a 3 percent increase in room and board rates as well as an increase in the number of residential students compared to fiscal year 2017.

## Operating Expenses

The following table summarizes the University's operating expenses for the years ended June 30, 2019, 2018 and 2017:

	2019	2018	2017
	(In Millions)		
Compensation	\$ 20.9	\$ 20.7	\$ 23.7
Benefits	10.0	10.7	9.7
Contractual services	8.8	8.9	8.7
Supplies and materials	1.2	1.3	1.5
Depreciation and amortization	5.5	5.4	5.8
Utilities/communications	1.9	2.0	1.8
Scholarships and fellowships	0.1	0.1	0.2
Other	<u>3.2</u>	<u>2.9</u>	<u>3.6</u>
Total operating expenses	<u>\$ 51.6</u>	<u>\$ 52.0</u>	<u>\$ 55.0</u>

Operating expenses in 2019 decreased to \$51.6 million from \$52.0 million in 2018. The largest component of operating expenses is compensation which increased by \$0.2 million compared to 2018. Other operating expenses grew by \$0.2 million from 2018. This increase was due to costs related to the refunding of the 2007 series revenue bonds. Benefits decreased by \$0.7 million primarily due to the fluctuation in net pension expense related to GASB Statements No. 68 and No. 71. All other categories predominately remained steady.

During fiscal year 2018, operating expenses were \$52.0 million, a decrease of \$3.0 million compared to 2017. The largest component of operating expenses is compensation which decreased by \$3.0 million in 2018 due to a net reduction in employees of 15 percent. The second largest component of operating expenses is benefits which increased by \$1.0 million primarily due to an increase in net pension expense related to GASB Statements No. 68 and No. 71. As a result of anticipated reductions in state matching funds associated with the federal appropriations from the U.S. Department of Agriculture, National Institute of Food and Agriculture, the University reduced expenses associated with the Extension and Research programs. This reduction, along with a reduction in travel expenses, accounts for a decrease in other expenses of \$0.7 million.

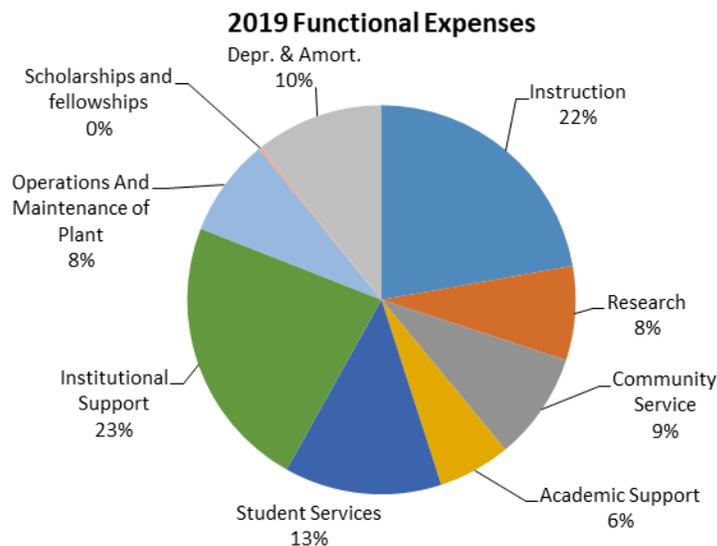
In addition to their natural (object) classification, it is also informative to review operating expenses by function. A comparative summary of the University's expenses by functional classification for the years ended June 30, 2019, 2018 and 2017, is as follows:

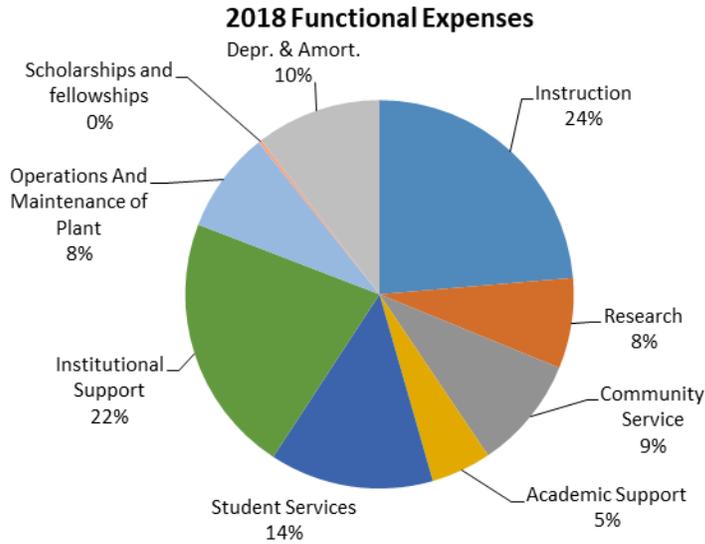
### Expenses by Functional Category

	2019	2018	2017
	(In Millions)		
Instruction	\$ 11.4	\$ 12.3	\$ 13.3
Research	4.0	3.9	4.5
Community service	4.7	4.9	5.9
Academic support	3.1	2.6	2.8
Student services	6.8	7.1	7.6
Institutional support	11.8	11.2	10.6
Operations and maintenance of plant	4.2	4.4	4.3
Scholarships and fellowships	0.1	0.2	0.2
Depreciation and amortization	5.5	5.4	5.8
Total expenses	\$ 51.6	\$ 52.0	\$ 55.0

The University's total operating expenses directly support the primary mission of the University: Instruction, Research and Community Service. In 2019, the total of these three categories was \$20.1 million or 38.9 percent of the total expenses compared to \$21.1 million or 40.6 percent of total expenses in 2018. Institutional Support and Instruction are the largest components of expenses by functional category. In fiscal year 2019, instruction expense decreased by \$0.9 million compared to fiscal year 2018 due to pension expense fluctuations related to GASB Statements No. 68 and No. 71 as well as an increase in the separation of long-term instructors.

The following graphic illustrations present total expenses by function:





### **Nonoperating Revenues and Expenses**

The following table summarizes the University's nonoperating revenues and expenses for the years ended June 30, 2019, 2018 and 2017:

#### **Nonoperating Revenues and Expenses**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>(In Millions)</b>		
State appropriations	\$ 19.9	\$ 19.3	\$ 18.1
Federal grants and contracts	14.0	14.6	20.3
State grants and contracts	0.3	0.3	0.3
Interest on indebtedness	(1.1)	(1.1)	(1.0)
Investment income	0.6	0.2	0.1
Other	<u>2.3</u>	<u>1.4</u>	<u>1.3</u>
<b>Total nonoperating revenues and expenses</b>	<b>\$ <u>36.0</u></b>	<b>\$ <u>34.7</u></b>	<b>\$ <u>39.1</u></b>

State appropriations is the largest component of the University's nonoperating revenues followed by federal grants and contracts. State appropriations increased by \$0.6 million in 2019 due to an increase in the land grant match portion. The federal grants and contracts decreased by \$0.6 million in 2019 due to the reduction in competitive grants awarded to the University. Other nonoperating revenues increased by \$0.9 million in 2019 primarily due to an increase in other grants and contracts of \$0.1 million, a decrease in the recorded loss on the disposal of capital assets of \$0.6 million and an increase in contributions of \$0.2 million due to the merging of the former foundation special purpose accounts with the University.

### **Statement of Cash Flows**

The primary purpose of the statement of cash flows is to provide information about the cash receipts and disbursements of an entity during a period. This statement also aids in the assessment of an entity's ability to generate future net cash flows, ability to meet obligations as they come due and needs for external financing.

The following table summarizes the University's cash flows for the years ended June 30, 2019, 2018 and 2017:

### Cash Flows

	2019	2018	2017
	(In Millions)		
<b>Cash Provided by (Used in)</b>			
Operating activities	\$ (27.9)	\$ (26.8)	\$ (33.1)
Noncapital financing activities	35.5	34.4	39.1
Capital and related financing activities	12.4	(4.1)	(5.6)
Investing activities	(2.8)	(6.9)	4.2
<b>Net Increase in Cash and Cash Equivalents</b>	17.2	(3.4)	4.6
<b>Cash and Cash Equivalents, Beginning of the Year</b>	9.4	12.8	7.6
<b>Cash and Cash Equivalents, End of the Year</b>	\$ 26.6	\$ 9.4	\$ 12.2

In fiscal year 2019, cash and cash equivalents increased by \$17.2 million compared to 2018. Approximately \$27.9 million of cash was used for operating activities, offset by \$35.5 million of cash provided by noncapital financing activities. Noncapital financing activities, as defined by GASB, include state appropriations and federal and state grants and contract revenues received for other than capital purposes.

The change in operating activities in 2019 was an overall increase in cash used of \$1.1 million. The change in operating activities relates to the overall increase in cash used for expenses, a decrease in cash provided by tuition and fees, a decrease in cash provided by federal grants and contracts, and a slight decrease in auxiliary enterprise activities.

There was an increase in cash received from noncapital financing activities in 2019 of \$1.1 million. The change in noncapital financing activities was affected by an increase in state appropriations for land grant match as well as non-federal grants and contracts.

The net increase in cash received for capital and related financing activities in 2019 compared to 2018 was \$16.5 million. The change was due to the timing of the refunding of the 2007 series revenue bonds.

Cash used by investing activities in fiscal year 2019 was \$2.8 million compared to \$6.9 million in 2018. This is a decrease of \$4.1 million. By comparison, the University purchased \$5.8 million less in investments, while the sales of investments decreased by \$2.0 million. Interest revenue increased by \$0.3 million in fiscal year 2019 compared to 2018. The University's investment options are restricted to United States Treasury Securities, Government Sponsored Enterprises, collateralized public deposits, bankers' acceptances, commercial paper and bank repurchase agreements collateralized by those obligations.

In fiscal year 2018, cash and cash equivalents decreased by \$3.4 million compared to 2017. Approximately \$26.8 million of cash was used for operating activities, offset by \$34.4 million of cash provided by noncapital financing activities. Noncapital financing activities, as defined by GASB, include state appropriations and federal and state grants and contract revenues received for other than capital purposes.

During fiscal year 2018, cash used for operating activities decreased by \$6.9 million compared to 2017. The change in operating activities relates to the overall decrease in cash used for expenses related to payments to suppliers and employees. The net cash provided by noncapital financing activities decreased by \$4.7 million primarily due to the reduction in gifts and grants for other than capital purposes.

Cash used for capital and related financing activities in 2018 was \$4.1 million, a decrease of \$1.5 million compared to 2017. This decrease was primarily due to a decrease in capital state appropriations in 2018 and the receipt of insurance proceeds due to the fire at Dickinson Research Center in 2017.

Cash provided by investing activities in fiscal year 2018 decreased by \$11.1 million compared to 2017 due to an increasingly favorable investment market. In comparison to 2017, the University purchased \$8.6 million more in investments, while the sales of investments decreased by \$2.7 million.

### **Capital Assets**

At June 30, 2019, the University had approximately \$81.8 million invested in capital assets, net of accumulated depreciation of approximately \$112.5 million. At June 30, 2018, the University had approximately \$86.4 million invested in capital assets, net of accumulated depreciation of approximately \$108.8 million.

Depreciation charges for the current year totaled approximately \$5.5 million. The following table summarizes the University's capital assets, net of accumulated depreciation, as of June 30, 2019, 2018 and 2017.

#### **Capital Assets, Net**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>(In Millions)</b>		
Land and land improvements	\$ 7.4	\$ 7.8	\$ 7.7
Buildings	69.3	73.7	73.9
Furniture, fixtures and equipment	3.7	3.3	3.8
Infrastructure	0.7	0.6	0.3
Library materials	0.1	0.1	0.1
Construction in progress	<u>0.6</u>	<u>0.9</u>	<u>1.7</u>
Total capital assets, net	<u>\$ 81.8</u>	<u>\$ 86.4</u>	<u>\$ 87.5</u>

Major projects that began in fiscal year 2018 and completed in fiscal year 2019 include the Dawson Hall chiller replacement (\$397,983), and the Anthony Hall window replacement (\$293,837). These projects are funded by local funds.

Major projects that began in fiscal year 2019 that will complete in fiscal year 2020 include the repairs to the President's Residence at 601 Jackson St. (\$2,000,000) due to the tornado that hit Jefferson City, Missouri, in May 2019.

## Revenue Bonds

As of June 30, 2019, the University had approximately \$35.6 million in outstanding revenue bonds compared to \$22.7 million in 2018, an increase of \$12.9 million. This increase is due to the timing of the refunding of the 2007 series revenue bonds. This timing anomaly caused the University to receive the proceeds of the bond refunding by the end of fiscal year 2019; however, the payment of the original 2007 revenue bond debt was not processed until fiscal year 2020.

### Revenue Bond Debt

	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>(In Millions)</b>		
Revenue bonds	\$ <u>35.6</u>	\$ <u>22.7</u>	\$ <u>24.3</u>

## Student Enrollment

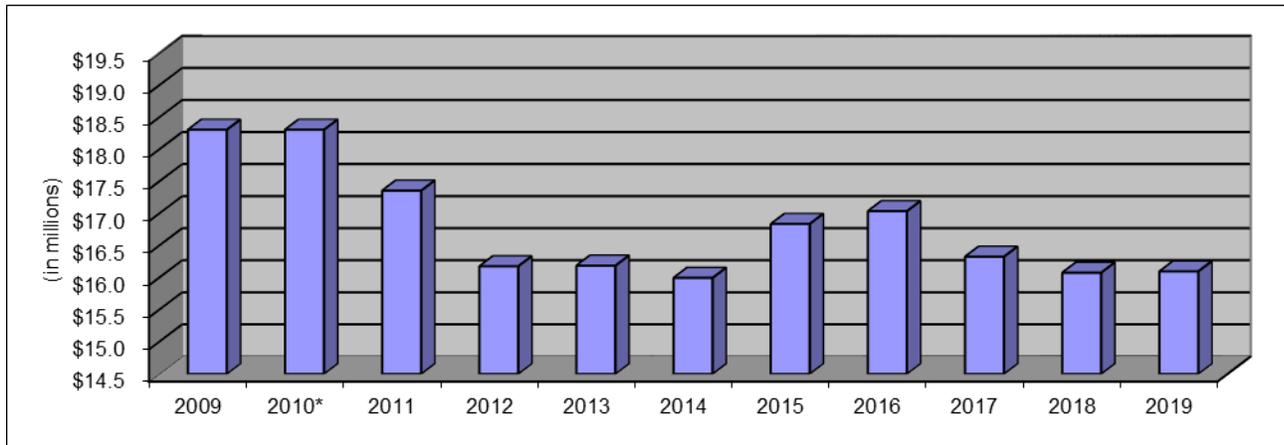
Following are highlights of student demographics for the fall 2018, 2017 and 2016 semesters of fiscal years 2019, 2018 and 2017, respectively.

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Undergraduate	2,377	2,512	2,618
Graduate	<u>101</u>	<u>107</u>	<u>120</u>
Total students	<u>2,478</u>	<u>2,619</u>	<u>2,738</u>
Full-time	1,730	1,844	1,902
Part-time	748	775	836
Male	1,040	1,117	1,167
Female	1,438	1,502	1,571
Credit hours generated	28,316	30,341	32,191
Student full-time equivalent	1,899	2,035	2,160
Resident	938	979	911
Commuter	<u>1,540</u>	<u>1,640</u>	<u>1,827</u>
Total students	<u>2,478</u>	<u>2,619</u>	<u>2,738</u>

	<b>2019</b>	<b>2018</b>	<b>2017</b>
In-state	1,877	1,949	2,164
Out-state	532	612	510
International	<u>69</u>	<u>58</u>	<u>64</u>
<b>Total students</b>	<u><u>2,478</u></u>	<u><u>2,619</u></u>	<u><u>2,738</u></u>
Total number of degrees awarded	459	409	379
Number of students in dual-credit courses	418	448	461
Associate degree programs	5	5	6
Bachelor degree programs	42	42	45
Graduate degree programs	<u>14</u>	<u>14</u>	<u>14</u>
<b>Total degree programs</b>	<u><u>61</u></u>	<u><u>61</u></u>	<u><u>65</u></u>

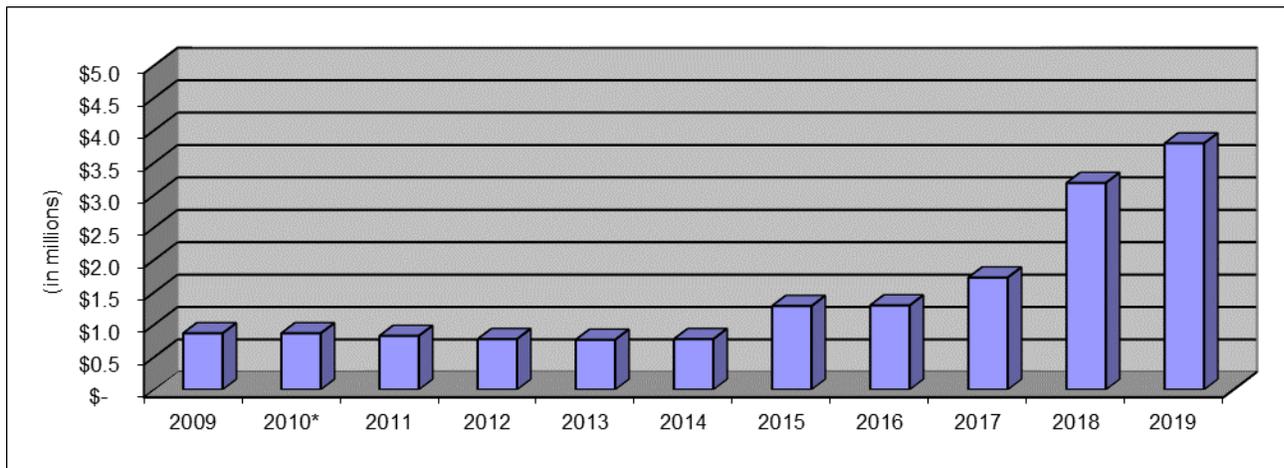
**Trends**

**Core State Appropriations by Fiscal Year**



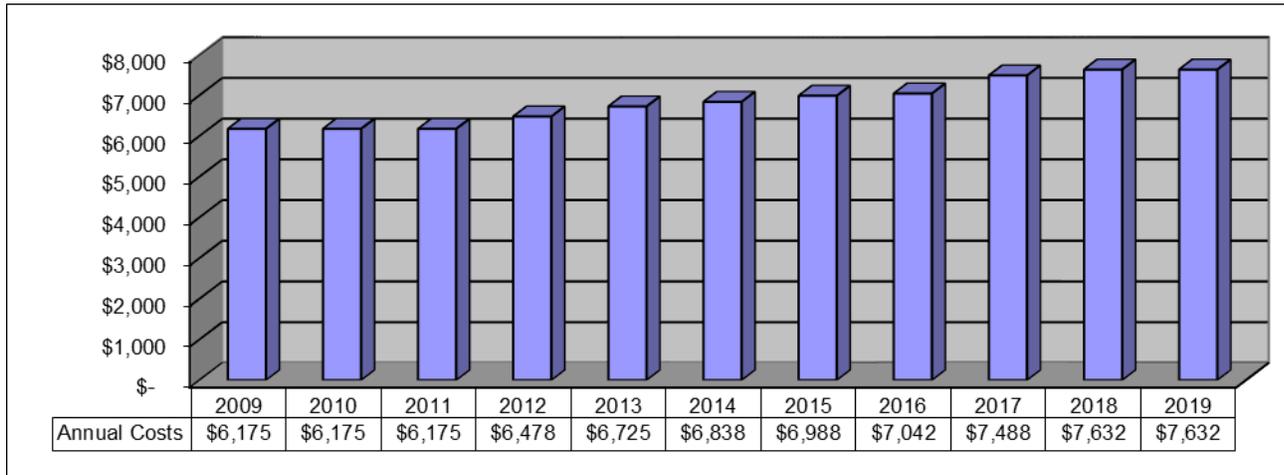
*\*Excludes the one-time state appropriations for the Caring for Missourian program.*

**Land Grant Match State Appropriations by Fiscal Year**

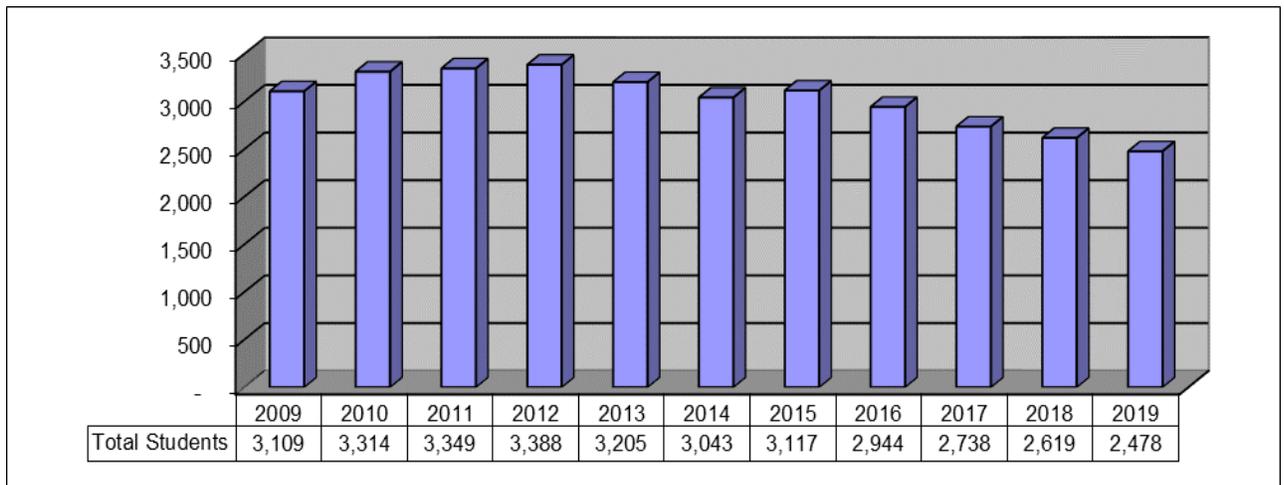


The University receives approximately \$7.1 million in federal land grant capacity funding annually. The land grant capacity funding must be matched on a dollar for dollar basis with state resources. As of 2019, the University received \$3.8 million in state appropriations for the land grant mission, leaving a match shortfall of \$3.3 million.

**Full-Time Resident Tuition and Required Fees per Year**



**Student Enrollment for Fall Semesters by Fiscal Year**



**Fiscal Year 2020 Outlook**

**General Fund Operating Budget**

The Lincoln University Board of Curators approved a \$37.1 million general fund operating budget for fiscal year 2020. State appropriations are the largest component of the 2020 budget. In 2020, the University anticipates state appropriations of \$20,826,086. This amount reflects a \$1.0 million gross increase in core appropriations from the amount received in fiscal year 2019.

## **Capital Projects**

Upcoming projects identified for design and/or construction during fiscal year 2020 include the construction of a new Dickinson Research Center, new satellite Extension Office in Sikeston, Missouri, Mitchell Hall rehabilitation project, Pawley Theatre renovation project and the KJLU Radio Station Relocation project. Projects will be funded by Title III, 1890 Facilities grant funds, local funds, insurance proceeds and National Park Service grant funding.

## **Other Significant Factors**

Lincoln University and the Lincoln University Foundation have been longtime partners in fundraising for the betterment of Lincoln University and its students. That partnership expired on December 31, 2018. At this time, the University has decided to move in a new direction consistent with best practices in higher education fundraising. Due to this separation, the 2019 financial data includes the activity of the special purpose funds transferred to the University from the Foundation, and the 2018 financial data has been restated to include the same for comparison. Please note that the 2017 financial data was not restated.

The comprehensive evaluation with reaffirmation of accreditation by the Higher Learning Commission (HLC) is set for 2022 – 2023. Lincoln University is reviewed for accreditation based on HLC's Standard Pathway. The University will begin its internal assurance of compliance process in fall 2019 appointing necessary committees to complete the reaffirmation of accreditation.

The Accreditation Commission for Education in Nursing (ACEN) accredited the Bachelor of Science in Nursing (BSN) program after a site visit in November 2015. The entire nursing program was reviewed for reaccreditation in October 2017 leading to continuing accreditation. The next site visit for the Nursing Program is scheduled for Fall of 2025. The Nursing Program continues to exceed the national average for the National Council Licensure Examination (NCLEX) pass rate.

Lincoln University's Social Work program was accredited by the Council on Social Work Education (CSWE) in 2013. The program is currently undergoing the reaffirmation of continuing accreditation.

The School of Business was accredited by Accreditation Council for Business Schools and Programs (ACBSP) in August 2003. Our first reaffirmation of accreditation occurred in August 2013. The next reaffirmation is scheduled for 2023 for the School of Business.

The University is currently reviewing all of its academic programs and gearing up to pursue programmatic accreditation for education programs.

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Statements of Net Position**  
**June 30, 2019 and 2018**

**Assets and Deferred Outflows of Resources**

	<b>2019</b>	<b>2018 (Restated - Note 1)</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 8,988,895	\$ 7,328,157
Short-term investments	16,523,126	17,918,690
Due from Lincoln University Foundation, Inc.	-	643,049
Accounts receivable, net of allowance; 2019 – \$810,917, 2018 – \$818,255	890,773	1,398,463
Federal and state grants receivable	4,464,783	4,057,171
Capital project receivable	-	61,696
Prepaid expenses	3,710	6,963
Other	79,319	269,367
	<u>30,950,606</u>	<u>31,683,556</u>
<b>Total current assets</b>		
	<u>30,950,606</u>	<u>31,683,556</u>
<b>Noncurrent Assets</b>		
Restricted cash equivalents	17,651,263	1,471,223
Restricted investments	4,764,849	-
Short-term endowment investments	319,993	631,000
Long-term endowment investments	1,321,214	947,000
Bond insurance costs	562,746	390,205
Capital assets, net	81,830,078	86,373,226
	<u>106,450,143</u>	<u>89,812,654</u>
<b>Total noncurrent assets</b>		
	<u>106,450,143</u>	<u>89,812,654</u>
<b>Total assets</b>		
	<u>137,400,749</u>	<u>121,496,210</u>
<b>Deferred Outflows of Resources</b>		
Loss on refunding of bonds	135,441	191,485
Deferred outflows of resources related to pension	11,487,481	14,072,943
	<u>11,622,922</u>	<u>14,264,428</u>
<b>Total deferred outflows of resources</b>		
	<u>11,622,922</u>	<u>14,264,428</u>
<b>Total assets and deferred outflows of resources</b>		
	<u>\$ 149,023,671</u>	<u>\$ 135,760,638</u>

## Liabilities, Deferred Inflows of Resources and Net Position

	<b>2019</b>	<b>2018 (Restated - Note 1)</b>
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 2,358,893	\$ 1,707,722
Accrued compensated absences	610,616	613,452
Unearned revenue	4,488,962	3,822,893
Current portion of long-term debt	17,288,811	1,752,737
Total current liabilities	<u>24,747,282</u>	<u>7,896,804</u>
<b>Noncurrent Liabilities</b>		
Deposits held in custody for others	13,870	45,995
Accrued compensated absences	541,490	566,264
Total other postemployment benefit liability	624,695	792,104
Long-term debt	21,526,624	22,202,739
Net pension liability	41,490,650	42,624,658
Total noncurrent liabilities	<u>64,197,329</u>	<u>66,231,760</u>
Total liabilities	<u>88,944,611</u>	<u>74,128,564</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows of resources related to pension	<u>3,432,751</u>	<u>1,489,643</u>
<b>Net Position</b>		
Net investment in capital assets	64,357,234	66,461,761
Restricted nonexpendable for endowment	56,814	51,564
Restricted expendable for		
Research	286,018	260,937
Debt service	(409,815)	84,742
Term endowment	1,380,729	1,359,248
Other	3,441,878	2,897,801
Unrestricted	<u>(12,466,549)</u>	<u>(10,973,622)</u>
Total net position	<u>56,646,309</u>	<u>60,142,431</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 149,023,671</u>	<u>\$ 135,760,638</u>

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018 (Restated - Note 1)</b>
<b>Operating Revenues</b>		
Tuition and fees (net of scholarship allowances of \$8,978,890 – 2019 and \$9,512,064 – 2018 and bad debt expense of \$300,388 – 2019 and \$489,907 – 2018)	\$ 5,806,165	\$ 5,852,061
Federal grants and contracts	197,314	179,822
State grants and contracts	-	26,440
Sales and services of educational activities	29,885	50,305
Auxiliary enterprises (net of scholarship allowances of \$313,843 – 2019 and \$329,283 – 2018 and bad debt expense of \$75,033 – 2019 and \$122,249 – 2018)	6,646,197	6,990,887
Other	278,785	544,805
	<b>12,958,346</b>	<b>13,644,320</b>
<b>Operating Expenses</b>		
Compensation and benefits	30,888,181	31,400,187
Contractual services	8,774,403	8,889,177
Travel	1,189,739	1,187,175
Supplies and materials	1,285,199	1,376,127
Scholarships and fellowships	160,265	152,551
Depreciation and amortization	5,479,793	5,409,988
Communications	65,894	71,290
Utilities	1,897,252	1,909,971
Other	1,789,785	1,601,669
	<b>51,530,511</b>	<b>51,998,135</b>
	<b>(38,572,165)</b>	<b>(38,353,815)</b>
<b>Operating Loss</b>		
<b>Nonoperating Revenues (Expenses)</b>		
State appropriations	19,856,087	19,274,087
Federal grants and contracts	14,083,841	14,601,198
Recovery of administrative costs	8,200	8,510
State and local grants and contracts	301,253	288,234
Contributions	507,598	279,228
Student fees for capital projects	593,037	640,802
Loss on disposal of capital assets	(43,897)	(615,051)
Investment income	609,001	264,722
Interest on capital asset-related debt	(1,064,201)	(1,082,818)
Other nonoperating revenues	1,247,338	1,052,557
	<b>36,098,257</b>	<b>34,711,469</b>
Net nonoperating revenues (expenses)	<b>36,098,257</b>	<b>34,711,469</b>

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018 (Restated - Note 1)</b>
<b>Loss Before Other Revenues, Expenses, Gains or Losses</b>	\$ (2,473,908)	\$ (3,642,346)
<b>Loss on President's Residence Tornado Damage</b>	(1,036,582)	-
<b>Capital Appropriations – State</b>	-	155,899
<b>Capital Grants and Gifts</b>	<u>14,368</u>	<u>752,270</u>
<b>Decrease in Net Position</b>	(3,496,122)	(2,734,177)
<b>Net Position, Beginning of Year</b>	<u>60,142,431</u>	<u>62,876,608</u>
<b>Net Position, End of Year</b>	<u><u>\$ 56,646,309</u></u>	<u><u>\$ 60,142,431</u></u>

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Statements of Cash Flows**  
**Years Ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b> <b>(Restated -</b> <b>Note 1)</b>
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 5,751,767	\$ 5,940,402
Grants and contracts	197,314	206,262
Payments to suppliers	(13,551,434)	(12,953,700)
Payments to employees	(27,664,223)	(27,325,810)
Sales and services of auxiliary enterprises	6,915,273	7,090,347
Sales and services of educational activities	29,885	50,305
Other receipts and deposits	436,708	423,901
Net cash used in operating activities	<u>(27,884,710)</u>	<u>(26,568,293)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	19,856,087	19,274,087
Gifts and grants for other than capital purposes	15,221,496	13,868,571
Other receipts	1,233,652	1,061,067
Net cash provided by noncapital financing activities	<u>36,311,235</u>	<u>34,203,725</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
State appropriations for capital improvements	-	225,873
Capital grants and gifts	82,110	957,407
Student fees for capital projects	593,037	640,801
Purchase of capital assets	(2,065,178)	(5,407,989)
Proceeds from capital debt	16,421,103	2,232,552
Principal paid on capital debt	(1,752,737)	(1,731,930)
Capital asset disposals and damages	(21,087)	-
Interest paid on capital debt	(1,019,504)	(1,047,151)
Net cash provided by (used in) capital and related financing activities	<u>12,237,744</u>	<u>(4,130,437)</u>
<b>Cash Flows from Investing Activities</b>		
Investment income	609,001	264,722
Proceeds from sales and maturities of investments	22,703,911	24,736,479
Purchases of investments	(26,136,403)	(31,909,683)
Net cash used in investing activities	<u>(2,823,491)</u>	<u>(6,908,482)</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	17,840,778	(3,403,487)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>8,799,380</u>	<u>12,202,867</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 26,640,158</u>	<u>\$ 8,799,380</u>

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Statements of Cash Flows**  
**Years Ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018 (Restated - Note 1)</b>
<b>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</b>		
Cash and cash equivalents	\$ 8,988,895	\$ 7,328,157
Restricted cash equivalents	17,651,263	1,471,223
Total cash and cash equivalents	\$ 26,640,158	\$ 8,799,380
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (38,572,165)	\$ (38,353,815)
Depreciation and amortization	5,479,793	5,409,988
Operating expenses paid by Lincoln University Foundation, Inc.	-	240,634
Changes in operating assets and liabilities		
Receivables, net	536,629	336,415
Prepaid expenses, bond insurance costs and other assets	3,251	5,182
Deferred outflows of resources related to pension	2,585,462	(424,434)
Accounts payable and accrued liabilities	1,500,364	1,668,609
Deposits held in custody for others	(32,125)	(3,050)
Accrued compensated absences	(27,610)	(45,777)
Total other postemployment benefit liability	(167,409)	(35,021)
Net pension liability	(1,134,008)	4,447,155
Deferred inflows of resources related to pension	1,943,108	185,821
Net Cash Used in Operating Activities	\$ (27,884,710)	\$ (26,568,293)
<b>Supplemental Cash Flows Information</b>		
Accounts payable incurred for capital asset purchases	\$ 8,342	\$ 181,602
Capital project receivable incurred for construction in progress	\$ -	\$ 61,696

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

Lincoln University (the “University”) is a state-assisted university with its campus located in Jefferson City, Missouri, operating under the jurisdiction of a nine-member Board of Curators that is appointed by the Governor and confirmed by the Senate of the State of Missouri. The University is a component unit of the State of Missouri. Major federally funded student financial aid programs in which the University participates include the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work-Study and Federal Direct Loan Programs. The University extends unsecured credit to students.

***Change in Reporting Entity – Lincoln University Foundation, Inc.***

Lincoln University Foundation, Inc. (the “Foundation”) is a legally separate, tax-exempt organization. The University has historically considered the Foundation a component unit of the University and discretely presented the Foundation in the University’s financial statements, because the restricted resources held by the Foundation can only be used by, or for the benefit of, the University.

Effective December 31, 2018, the Board of Curators of the University made null and void the Memorandum of Understanding with the Foundation, therefore ceasing all affiliation between the University and the Foundation. The University’s financial statements for the years ended June 30, 2019 and 2018 do not present the Foundation as a discretely presented component unit as the Foundation no longer meets the requirements for discrete presentation at June 30, 2019.

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

In March 2019, the University took possession of special purpose funds supporting the operation of University departments that were previously administered by the Foundation. To show financial information for the new reporting entity for the years ended June 30, 2019 and 2018, the following financial statement lines were restated for the year ended June 30, 2018:

	<b>As Restated</b>	<b>As Previously Reported</b>	<b>Effect of Change</b>
<b>Statement of Net Position</b>			
Due from Lincoln University			
Foundation, Inc.	\$ 643,049	\$ -	\$ 643,049
Total current assets	31,683,556	31,040,507	643,049
Total assets	121,496,210	120,853,161	643,049
Unrestricted net position	(10,973,622)	(11,616,671)	643,049
<b>Statement of Revenues, Expenses and Changes in Net Position</b>			
Operating expenses			
Compensation and benefits	31,400,187	31,395,980	4,207
Contractual services	8,889,177	8,882,236	6,941
Travel	1,187,175	1,160,621	26,554
Supplies and materials	1,376,127	1,325,399	50,728
Scholarships and fellowships	152,551	146,770	5,781
Other	1,601,669	1,455,246	146,423
Total operating expenses	51,998,135	51,757,501	240,634
Operating loss	(38,353,815)	(38,113,181)	(240,634)
Nonoperating revenues (expenses)			
Contributions	279,228	-	279,228
Net nonoperating revenues	34,711,469	34,432,241	279,228
Net position, beginning of year	62,876,608	62,272,153	604,455
Net position, end of year	60,142,431	59,499,382	643,049
<b>Statement of Cash Flows</b>			
Operating loss	(38,353,815)	(38,113,181)	(240,634)
Operating expenses paid by Lincoln University Foundation, Inc.	240,634	-	240,634

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

***Basis of Accounting and Presentation***

The financial statements of the University have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific (such as state appropriations), investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. The University first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

***Cash Equivalents***

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2019 and 2018, cash equivalents consisted of money market treasury funds held with brokers.

***Investments and Investment Income***

Investments in U.S. Treasury, U.S. agency and government-sponsored enterprises obligations and money market mutual funds are carried at fair value. Fair value is determined using quoted market prices. Investments in nonnegotiable certificates of deposit and repurchase agreements are carried at cost.

Investment income consists of interest and dividend income and the net change for the year in the fair value of investments carried at fair value.

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

***Accounts Receivable***

Accounts receivable consists of tuition and fee charges to students and charges for auxiliary enterprise services provided to students, faculty and staff. Accounts receivable is recorded net of estimated uncollectible amounts.

***Capital Project Receivable***

On February 5, 2015, the Board of Curators approved a Cost Share Agreement for Architect Services through Construction of a Joint Multipurpose Facility with the City of Jefferson Parks and Recreation Commission. The agreement states that each party will pay for one-half of the cost of the architect to perform the work identified in the architect's services proposal dated January 27, 2015, at a cost not to exceed \$789,932 plus additional agreed-upon reimbursable expenses. On February 9, 2016, the City of Jefferson Parks and Recreation Commission signed a Letter of Commitment stating that the Commission would pay 60 percent of the original construction contract value of \$11,569,803. The University invoices the Parks and Recreation Commission 60 percent of the contractor's invoice on a monthly basis. As of June 30, 2019 and 2018, the outstanding balance due to the University was \$0 and \$61,696, respectively.

***Bond Insurance Costs***

Bond insurance costs incurred on the revenue bond issues have been capitalized and are being amortized over the life of the bonds using the straight-line method. Total amortization was \$20,537 for the years ended June 30, 2019 and 2018.

***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the University:

Land improvements	20 years
Buildings	40 years
Building improvements	27 years
Infrastructure	40 years
Furniture, fixtures and equipment	6 – 10 years
Library materials	5 years
Software	4 years

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

The University capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized was:

	<b>2019</b>	<b>2018</b>
Total interest expense incurred on borrowings for project	\$ -	\$ 23,046
Interest income from investment of proceeds of borrowings for project	-	-
Net interest cost capitalized	\$ -	\$ 23,046
Interest capitalized	\$ -	\$ 23,046
Interest charged to expense	1,064,201	1,082,818
Total interest incurred	\$ 1,064,201	\$ 1,105,864

***Capital Asset Impairment***

The University evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss.

Impairment losses of \$1,036,582 and \$0 were recognized for the years ended June 30, 2019 and 2018, respectively, due to damage to the president's residence sustained in the May 2019 tornado.

The loss is included in loss on president's residence tornado damage in the accompanying statements of revenues, expenses and changes in net position. The loss was determined based on deflated depreciated replacement cost approach.

***Deferred Outflows of Resources***

The University reports the consumption of net position that relates to future reporting periods as deferred outflows of resources in a separate section of its statements of net position.

***Compensated Absences***

University policies permit full-time employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits when earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time

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off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

***Unearned Revenue***

Unearned revenue represents student fees and advances on grants and contract awards for which the University has not met all of the applicable eligibility requirements.

***Risk Management***

The University is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to workers' compensation and natural disasters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The State of Missouri self-insures workers' compensation benefits for all state employees, including University employees. Claims are administered by the Missouri Office of Administration, Risk Management Section.

***Cost-Sharing Defined Benefit Pension Plan***

As a component unit of the State of Missouri, the University participates in the Missouri State Employees' Plan (MSEP), a cost-sharing multiple-employer defined benefit pension plan as defined by GASB 68. MSEP is administered by the Missouri State Employee's Retirement System (MOSERS), also a component unit of the State of Missouri. In accordance with the provision of GASB 68, the University accounts for and reports its participation in the single-employer plan as if it was a cost-sharing employer. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of MOSERS and additions to/deductions from MOSERS' fiduciary net position has been determined on the same basis as they are reported by MOSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Defined Benefit Other Postemployment Benefit Plan***

The University has a single-employer defined benefit other postemployment benefit (OPEB) plan, providing health insurance to certain retired professor emeriti. For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

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***Deferred Inflows of Resources***

The University reports the acquisition of net position that relates to future reporting periods as deferred inflows of resources in a separate section of its statements of net position.

***Net Position***

Net position of the University is classified in four components on its statements of net position.

- Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the University, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.
- Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the University, such as permanent endowments.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

***Classification of Revenues***

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues include activities that have the characteristics of exchange transactions, such as

- (1) student tuition and fees, net of scholarship allowances
- (2) sales and services of auxiliary enterprises
- (3) interest on student loans

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as

- (1) gifts and contributions
- (2) other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*
- (3) GASB No. 34, such as state appropriations and investment income.

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***Tuition and Fees Revenue***

Tuition and fees revenue is recognized in the terms to which it relates. The summer term is allocated by number of days falling within each fiscal year.

***Scholarship Discounts and Allowances***

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, are recorded as nonoperating revenues and other governmental grants are recorded as operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance.

***Tuition Discount Programs***

Student tuition and fee revenues are reduced by tuition discounts awarded to qualifying students. Currently the University offers tuition discounts for participants in the Neighboring States Program and Midwest Student Exchange Program where in-state tuition rates are granted to out-of-state students. The University also offers a graduate tuition reduction to University graduates where undergraduate rates are charged for the first nine graduate hours.

***Income Taxes***

As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income.

**Note 2: Deposits, Investments and Investment Income**

***Deposits***

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The University's deposit policy for custodial credit risk requires compliance with the provisions of state law which requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts.

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State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Missouri; bonds of any city having a population of not less than two thousand, county, school district or special road district of the State of Missouri; bonds of any state; a surety bond having an aggregate value at least equal to the amount of the deposits; tax anticipation notes issued by any first class county; irrevocable standby letters of credit issued by a Federal Home Loan Bank; or out-of-state municipal bonds rated in the highest category by a nationally recognized statistical rating agency.

At June 30, 2019 and 2018, the University's bank balances were \$8,592,469 and \$7,964,020, respectively. None of these deposits were exposed to custodial credit risk at June 30, 2019 and 2018.

**Investments**

The University may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements.

At June 30, 2019 and 2018, the University had the following investments and maturities:

Type	<b>June 30, 2019</b>				
	Fair Value	<b>Maturities in Years</b>			
		<b>Less than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More than 10</b>
Certificates of deposit	\$ 2,387,431	\$ 319,993	\$ 2,067,438	\$ -	\$ -
U.S. Treasury obligations	5,557,153	5,557,153	-	-	-
Money market treasury funds	17,589,968	17,589,968	-	-	-
Government-sponsored enterprises obligations	14,984,598	10,965,972	4,018,626	-	-
	<u>\$ 40,519,150</u>	<u>\$ 34,433,086</u>	<u>\$ 6,086,064</u>	<u>\$ -</u>	<u>\$ -</u>

Type	<b>June 30, 2018</b>				
	Fair Value	<b>Maturities in Years</b>			
		<b>Less than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More than 10</b>
Certificates of deposit	\$ 2,072,000	\$ 1,125,000	\$ 947,000	\$ -	\$ -
U.S. Treasury obligations	9,471,790	9,471,790	-	-	-
Money market treasury funds	1,410,433	1,410,433	-	-	-
Government-sponsored enterprises obligations	7,952,900	7,952,900	-	-	-
	<u>\$ 20,907,123</u>	<u>\$ 19,960,123</u>	<u>\$ 947,000</u>	<u>\$ -</u>	<u>\$ -</u>

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Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University minimizes the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by managing the duration of the portfolio in a manner which satisfies the anticipated liquidity needs of the University. The repurchase agreements are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2019 and 2018, the University’s investments in government-sponsored enterprises obligations not directly guaranteed by the U.S. government were rated AA+ by Standard & Poor’s and Aaa by Moody’s Investor Service.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the University’s investments in repurchase agreements at June 30, 2019 and 2018, are held by the counterparties in other than the University’s name. The University’s investment policy does not address how securities underlying repurchase agreements are to be held.

Concentration of Credit Risk – The University places no limit on the amount that may be invested in any one issuer. At June 30, 2019 and 2018, the University’s investments in government-sponsored enterprises obligations of the following entities constituted the following percentages of total investments:

	<b>2019</b>	<b>2018</b>
Federal National Mortgage Association (FNMA)	10%	7%
Federal Home Loan Mortgage Corporation (FHLMC)	10%	0%
Federal Home Loan Bank (FHLB)	15%	24%
Federal Farm Credit Bank (FFCB)	2%	7%

**Summary of Carrying Values**

The carrying values of deposits and investments shown above are included in the statements of net position as follows:

	<b>2019</b>	<b>2018</b>
Carrying value		
Deposits	\$ 9,050,190	\$ 7,388,947
Investments	40,519,150	20,907,123
	\$ 49,569,340	\$ 28,296,070

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Deposits and investments are included in the following statements of net position captions:

	<b>2019</b>	<b>2018 (Restated - Note 1)</b>
Cash and cash equivalents	\$ 8,988,895	\$ 7,328,157
Short-term investments	16,523,126	17,918,690
Restricted cash equivalents	17,651,263	1,471,223
Restricted investments	4,764,849	-
Short-term endowment investments	319,993	631,000
Long-term endowment investments	1,321,214	947,000
	\$ 49,569,340	\$ 28,296,070

***Investment Income***

Investment income for the years ended June 30, 2019 and 2018, consisted of:

	<b>2019</b>	<b>2018</b>
Interest and dividend income	\$ 359,557	\$ 140,341
Net realized and unrealized losses on investments	249,444	124,381
	\$ 609,001	\$ 264,722

**Note 3: Endowment Funds**

The University's endowment funds are substantially composed of term endowment funds received from the U.S. Department of Education Title III program and state matching funds of \$1,104,000. The grant provisions require the University to maintain the endowment corpus for 20 years. After the termination of the grant period, the University may use the endowment fund corpus plus any endowment fund income for any educational purpose. Endowment fund income is defined as the total value of the endowment fund established minus the endowment fund corpus. Each year the University is allowed to spend no more than 50 percent of the total aggregate endowment fund income related to the grant award. During the years ended June 30, 2019 and 2018, \$0 was transferred out of the endowment fund to the operating fund.

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**Note 4: Capital Assets**

Capital assets activity for the years ended June 30, 2019 and 2018, were:

	Beginning Balance	2019			Ending Balance
		Additions	Disposals	Transfers	
Land	\$ 3,756,167	\$ -	\$ -	\$ -	\$ 3,756,167
Land improvements	6,974,550	-	-	-	6,974,550
Buildings and improvements	147,756,625	382,041	1,565,383	328,022	146,901,305
Infrastructure	4,849,942	110,744	-	-	4,960,686
Furniture, fixtures and equipment	28,839,207	1,428,319	1,250,380	-	29,017,146
Library materials	2,157,392	5,594	-	-	2,162,986
Construction in progress	897,818	26,918	-	(328,022)	596,714
	<u>195,231,701</u>	<u>1,953,616</u>	<u>2,815,763</u>	<u>-</u>	<u>194,369,554</u>
Less accumulated depreciation					
Land improvements	2,957,950	349,028	-	-	3,306,978
Buildings and improvements	74,041,726	4,109,522	592,049	-	77,559,199
Infrastructure	4,176,081	71,865	-	-	4,247,946
Furniture, fixtures and equipment	25,528,429	928,569	1,186,207	-	25,270,791
Library materials	2,154,289	273	-	-	2,154,562
	<u>108,858,475</u>	<u>5,459,257</u>	<u>1,778,256</u>	<u>-</u>	<u>112,539,476</u>
Net capital assets	<u>\$ 86,373,226</u>	<u>\$ (3,505,641)</u>	<u>\$ 1,037,507</u>	<u>\$ -</u>	<u>\$ 81,830,078</u>

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	Beginning Balance	Additions	2018		Ending Balance
			Disposals	Transfers	
Land	\$ 3,887,991	\$ 76,293	\$ 208,117	\$ -	\$ 3,756,167
Land improvements	6,562,871	641,606	295,689	65,762	6,974,550
Buildings and improvements	144,365,856	2,354,499	457,319	1,493,589	147,756,625
Infrastructure	4,437,031	405,411	-	7,500	4,849,942
Furniture, fixtures and equipment	28,737,436	580,065	478,294	-	28,839,207
Library materials	2,159,117	715	2,440	-	2,157,392
Construction in progress	1,675,356	790,280	967	(1,566,851)	897,818
	<u>191,825,658</u>	<u>4,848,869</u>	<u>1,442,826</u>	<u>-</u>	<u>195,231,701</u>
Less accumulated depreciation					
Land improvements	2,749,238	316,608	107,896	-	2,957,950
Buildings and improvements	70,391,840	3,929,464	279,578	-	74,041,726
Infrastructure	4,075,721	100,360	-	-	4,176,081
Furniture, fixtures and equipment	24,926,575	1,041,715	439,861	-	25,528,429
Library materials	2,155,422	1,307	2,440	-	2,154,289
	<u>104,298,796</u>	<u>5,389,454</u>	<u>829,775</u>	<u>-</u>	<u>108,858,475</u>
Net capital assets	<u>\$ 87,526,862</u>	<u>\$ (540,585)</u>	<u>\$ 613,051</u>	<u>\$ -</u>	<u>\$ 86,373,226</u>

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**Note 5: Noncurrent Liabilities**

The following is a summary of noncurrent obligation transactions for the University for the years ended June 30, 2019 and 2018:

	Beginning Balance	Additions	2019		Ending Balance	Current Portion
			Deductions			
Long-term debt						
Revenue bonds payable						
Series 2007	\$ 16,615,000	\$ -	\$ 550,000	\$ 16,065,000	\$ 16,065,000	
Series 2015A	1,723,035	-	733,193	989,842	765,292	
Series 2015B	2,136,347	-	45,107	2,091,240	28,421	
Series 2017	2,215,537	-	243,160	1,972,377	245,180	
Series 2019	-	14,515,000	-	14,515,000	-	
Loan payable – DNR						
Energize MO	1,237,362	-	181,275	1,056,087	184,918	
Reoffering premium	28,195	2,099,178	1,484	2,125,889	-	
Total long-term debt	<u>23,955,476</u>	<u>16,614,178</u>	<u>1,754,219</u>	<u>38,815,435</u>	<u>17,288,811</u>	
Other noncurrent liabilities						
Accrued compensated absences	1,179,716	579,655	607,265	1,152,106	610,616	
Deposits held in custody for others	45,995	700	32,825	13,870	-	
Total other postemployment benefits liability	792,104	25,190	192,599	624,695	-	
Net pension liability	42,624,658	1,677,878	2,811,886	41,490,650	-	
Total other noncurrent liabilities	<u>44,642,473</u>	<u>2,283,423</u>	<u>3,644,575</u>	<u>43,281,321</u>	<u>610,616</u>	
Total noncurrent liabilities	<u>\$ 68,597,949</u>	<u>\$ 18,897,601</u>	<u>\$ 5,398,794</u>	<u>\$ 82,096,756</u>	<u>\$ 17,899,427</u>	

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	Beginning Balance	2018		Ending Balance	Current Portion
		Additions	Deductions		
Long-term debt					
Revenue bonds payable					
Series 2007	\$ 17,140,000	\$ -	\$ 525,000	\$ 16,615,000	\$ 550,000
Series 2015A	2,374,871	-	651,836	1,723,035	733,194
Series 2015B	2,248,712	-	112,365	2,136,347	45,107
Series 2017	2,480,563		265,026	2,215,537	243,161
Loan payable – DNR					
Energize MO	1,415,065	-	177,703	1,237,362	181,275
Reoffering premium	29,679	-	1,484	28,195	-
Total long-term debt	<u>25,688,890</u>	<u>-</u>	<u>1,733,414</u>	<u>23,955,476</u>	<u>1,752,737</u>
Other noncurrent liabilities					
Accrued compensated absences	1,225,493	571,268	617,045	1,179,716	613,452
Deposits held in custody for others	49,045	2,750	5,800	45,995	-
Total other postemployment benefits liability	827,125	28,658	63,679	792,104	-
Net pension liability	38,177,503	7,181,401	2,734,246	42,624,658	-
Total other noncurrent liabilities	<u>40,279,166</u>	<u>7,784,077</u>	<u>3,420,770</u>	<u>44,642,473</u>	<u>613,452</u>
Total noncurrent liabilities	<u>\$ 65,968,056</u>	<u>\$ 7,784,077</u>	<u>\$ 5,154,184</u>	<u>\$ 68,597,949</u>	<u>\$ 2,366,189</u>

**Revenue Bonds Payable**

On July 1, 2007, the University issued \$21,000,000 of Auxiliary System Subordinate Revenue Bonds, Series 2007. These bonds bear interest, payable semiannually, at rates of 4.0 percent to 5.125 percent beginning December 1, 2007. Principal maturities began June 1, 2009, and continue until 2037. Proceeds from issuance of these bonds were used to finance the costs of the acquisition, construction, erection, equipping and furnishing of additions and renovations to the Auxiliary System (including a new 224-room student residence facility and the renovation of two other residence facilities), fund a Debt Service Reserve Fund and to pay the costs of issuing the bonds. At the option of the University, bonds maturing on or after June 1, 2018, may be called for redemption prior to maturity on or after June 1, 2017, at 100 percent of principal plus accrued interest to the redemption date.

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On November 20, 2015, the University issued \$3,610,582 of Auxiliary System Refunding Revenue Bonds, Series 2015A and \$2,513,530 of Auxiliary System Revenue Bonds, Series 2015B. The Series 2015A and 2015B bonds bear interest, payable semiannually, at rates of 1.94 percent and 2.56 percent, respectively, beginning June 1, 2016. Principal maturities begin June 1, 2016, and continue until 2025. Proceeds from the issuance of the Series 2015A bonds were used to pay the costs of refunding the Auxiliary System Revenue Bonds, Series 2005, and to pay certain costs of issuance related to the Series 2015A bond issue. Proceeds from the issuance of the Series 2015B bonds were used to provide funds to pay costs associated with the renovation of Martin Hall and to pay certain costs of issuance related to the Series 2015B bond issue. The Martin Hall renovation costs are paid by the University and then the University is reimbursed by disbursement of the bond proceeds.

On February 15, 2017, the University issued \$2,500,000 of Athletic System Revenue Bonds, Series 2017. The Series 2017 bonds bear interest, payable quarterly, at a rate of 3.25 percent, beginning June 1, 2017. Principal maturities begin March 1, 2018, and continue until 2027. Proceeds from the issuance of the Series 2017 bonds were used to provide funds to pay costs associated with the improvement of certain athletic facilities and to pay certain costs of issuance related to the Series 2017 bond issue. The athletic facilities include Dwight T. Reed Stadium and Annex and the basement level of the LINC Recreation and Wellness Center.

On June 11, 2019, the University issued \$14,515,000 of Auxiliary System Refunding Revenue Bonds, Series 2019. The Series 2019 bonds bear interest, payable semiannually, at a rate of 5.00 percent, beginning December 1, 2019. Principal maturities begin June 1, 2022 and continue until 2037. Proceeds from the issuance of the Series 2019 bonds were used to pay the costs of refunding the Auxiliary System Subordinate Revenue Bonds, Series 2007.

The revenue bond issues, payable from and secured by net revenues of the Auxiliary Activity Fund, require the University to establish and fund Debt Service Reserve Funds and maintain a Debt Service Coverage Ratio of 1.15.

The revenue bond issues, payable from and secured by net revenues of the Athletic Facilities, require the University to establish and fund a Debt Service Reserve Fund and maintain a Debt Service Coverage Ratio of 1.00.

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The debt service requirements as of June 30, 2019, are as follows:

<b>Year Ending June 30,</b>	<b>Total to be Paid</b>	<b>Principal</b>	<b>Interest</b>
2020	\$ 17,907,627	\$ 17,103,893	\$ 803,734
2021	1,682,106	883,365	798,741
2022	1,741,440	966,167	775,273
2023	1,734,825	993,603	741,222
2024	1,727,151	1,021,065	706,086
2025 – 2029	7,994,193	5,095,366	2,898,827
2030 – 2034	7,223,500	5,560,000	1,663,500
2035 – 2037	4,335,000	4,010,000	325,000
	<u>\$ 44,345,842</u>	<u>\$ 35,633,459</u>	<u>\$ 8,712,383</u>

**Loan Payable**

The University has a loan payable with the Missouri Department of Natural Resources (MDNR), dated June 14, 2012, in the maximum amount of \$1,863,000 bearing interest at 2 percent. The proceeds of the loan were used to implement the Energy Conservation Measures as designated by the MDNR and payments began in June 2015. The loan requires semiannual payments equal to one-half of the annual energy savings until paid in full. During 2015, the final loan amount was reduced to \$1,857,912 due to the return of excess proceeds in the amount of \$5,088. The semiannual principal and interest payments, in the amount of \$102,560, are due June 1 and November 1.

The debt service requirements of the loan as of June 30, 2019, are as follows:

<b>Year Ending June 30,</b>	<b>Total to be Paid</b>	<b>Principal</b>	<b>Interest</b>
2020	\$ 205,120	\$ 184,918	\$ 20,202
2021	205,120	188,635	16,485
2022	205,120	192,427	12,693
2023	205,120	196,294	8,826
2024	205,120	200,240	4,880
2025	94,509	93,573	936
	<u>\$ 1,120,109</u>	<u>\$ 1,056,087</u>	<u>\$ 64,022</u>

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**Note 6: Pension Plans**

***MOSERS***

***Plan Description***

The Missouri State Employees' Plan (MSEP) is a cost-sharing multiple-employer, defined benefit public employee retirement plan with two benefit structures known as the MSEP (closed plan) and MSEP 2000, which are administered by the Missouri State Employees' Retirement System (MOSERS or the "System") in accordance with Sections 104.010 and 104.312 to 104.1215 of the Revised Statutes of Missouri (RSMo). As established under Section 104.320, RSMo, MOSERS is a body corporate and an instrumentality of the state. In the System are vested the powers and duties specified in Sections 104.010 and 104.312 to 104.1215, RSMo and such other powers as may be necessary or proper to enable it, its officers, employees and agents to carry out fully and effectively all the purposes of Sections 104.010 and 104.312 to 104.1215, RSMo. Responsibility for the operation and administration of the System is vested in the 11-member MOSERS Board of Trustees as defined by state law. Due to the nature of MOSERS' reliance on funding from the State of Missouri and other state government agencies and the overall control of the plan document by the legislative and executive branches of state government, the MSEP is considered a component unit of the State of Missouri financial reporting entity and is included in the state's financial reports as a pension trust fund.

Generally, all full-time state employees hired before July 2000, who were not covered under another state-sponsored retirement plan, are eligible for membership in the MSEP (closed plan). Full-time state employees hired after July 2000, and before January 2011, are eligible for membership in the MSEP 2000. Employees hired for the first time on or after January 2011 are eligible for membership in the MSEP 2011 tier of the MSEP 2000. The MSEP provides retirement, survivor and disability benefits. MOSERS issues an annual Comprehensive Annual Financial Reporting (CAFR), a publicly available financial report that can be obtained at [www.mosers.org](http://www.mosers.org).

***Benefits Provided***

MOSERS provides retirement, disability and life insurance benefits to eligible employees. The base retirement benefits are calculated by multiplying the employee's final average pay by a specific factor multiplied by the years of credited service. The factor is based on the specific funding structure in which the employee participates, which is based on the employee's hire date. Information on the three funding structures administered by MOSERS (MSEP, MSEP 2000 and MSEP 2011) and how eligibility and the benefit amount is determined for each funding structure may be found in the Notes to the Financial Statements of MOSERS' CAFR starting on page 30.

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***Contributions***

Per Chapter 104.436 of the Revised Statutes of Missouri, contribution requirements of the active employees and the participating employers are established and may be amended by the MOSERS Board. No employee contribution is required for the MSEP and MSEP 2000 plans. Employees in the MSEP 2011 plan are required to contribute 4.00 percent of their annual pay. The University's required contribution rate for all plans for the year ended June 30, 2019, was 20.21 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The contribution rate for the MOSERS plan years ended June 30, 2018 and 2017, was 19.45 percent and 16.97 percent, respectively, which are the years of measurement for the net pension liability. Contributions to the pension plan from the University were \$2,937,434 and \$2,811,886 for the years ended June 30, 2019 and 2018, respectively.

***Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2019 and 2018, the University reported a liability of \$41,490,650 and \$42,624,658, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

The University's proportion of the net pension liability was based on the University's actual share of contributions to the pension plan relative to the actual contributions of all participating employers for MOSERS plan year ended June 30, 2018 and 2017. At June 30, 2018, the University's proportion was 0.7438 percent, which was a decrease of 0.0748 percent from its proportion measured as of June 30, 2017. At June 30, 2017, the University's proportion was 0.8186 percent, which was a decrease of 0.0038 percent from its proportion measured as of June 30, 2016.

There were no changes in benefit terms during the MOSERS plan year ended June 30, 2018, that affected the measurement of total pension liability. During the MOSERS plan year ended June 30, 2017, the vesting requirements were changed for the MSEP 2011 plan from 10 years of credited service to 5 years for members employed on or after January 1, 2018. There were no other changes in benefit terms during the MOSERS plan year ended June 30, 2017, that affected the measurement of total pension liability.

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For the years ended June 30, 2019 and 2018, the University recognized pension expense of \$6,331,996 and \$7,020,428, respectively. At June 30, 2019 and 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>2019</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 94,426	\$ 982,297
Changes of assumptions	3,575,799	-
Net difference between projected and actual earning on pension plan investments	4,879,822	-
Changes in University proportion and differences between the University's contributions and the University proportionate share of contributions	-	2,450,454
University's contributions subsequent to the measurement date	<u>2,937,434</u>	<u>-</u>
Total	<u>\$ 11,487,481</u>	<u>\$ 3,432,751</u>
	<b>2018</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 236,145	\$ 671,320
Changes of assumptions	3,740,260	106,979
Net difference between projected and actual earning on pension plan investments	7,140,283	-
Changes in University proportion and differences between the University's contributions and the University proportionate share of contributions	144,369	711,344
University's contributions subsequent to the measurement date	<u>2,811,886</u>	<u>-</u>
Total	<u>\$ 14,072,943</u>	<u>\$ 1,489,643</u>

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At June 30, 2019 and 2018, the University reported \$2,937,434 and \$2,811,886, respectively, as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the years ending June 30, 2020 and 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2019, related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount Recognized</u>
	\$ 3,559,767
	1,247,831
	307,056
	<u>2,642</u>
	<u><u>\$ 5,117,296</u></u>

***Actuarial Assumptions***

The total pension liability in the June 30, 2018 and 2017, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	2018: 3.00% to 8.50% including inflation 2017: 3.25% to 8.75% including inflation
Wage inflation	2018: 2.50%, 2017: 3.00%
Investment rate of return	2018: 7.25%, compounded annually, net after investment expenses and including inflation 2017: 7.50%, compounded annually, net after investment expenses and including inflation

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2010, to June 30, 2015. In addition, the MOSERS Board reaffirmed its previous decision to reduce the investment return assumption from 7.50 percent to 7.25 percent for June 30, 2018. Other assumption changes were decreases in salary increases and wage inflation.

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The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2010, to June 30, 2015. In addition, the MOSERS Board reaffirmed its previous decision to reduce the investment return assumption from 7.65 percent to 7.50 percent for the June 30, 2017, valuation. There were no other changes in assumptions.

Mortality rates used in the June 30, 2018 and 2017, actuarial valuations for post-retirement mortality are based on the RP-2014 Healthy Annuitant mortality table, projected to 2026 with Scale MP-2015 and scaled by 120 percent. The pre-retirement mortality table used is the RP-2014 Employee mortality table, projected to 2026 with Scale MP-2015 and scaled by 95 percent for males and 90 percent for females.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate rates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in MOSERS target asset allocation as of June 30, 2018 and 2017, are summarized in the following table:

<b>Asset Class</b>	<b>Policy Allocation</b>	<b>Long-Term Expected Real Rate of Return*</b>	<b>Weighted Average Long-Term Expected Real Rate of Return</b>
Opportunistic global equity	38.00%	5.50%	2.10%
Nominal bonds	44.00%	1.00%	0.50%
Commodities	20.00%	4.50%	0.90%
Inflation-linked bonds	39.00%	0.80%	0.30%
Alternative beta	31.00%	4.50%	1.40%
	<u>172.00%</u>		<u>5.20%</u>

\*Represent best estimates of geometric rates of return for each major asset class included.

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***Discount Rate***

The discount rate used to measure the total pension liability was 7.25 percent and 7.50 percent at June 30, 2018 and 2017, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25 percent) or 1 percentage point higher (8.25 percent) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
University's proportionate share of the net pension liability	\$ 53,000,987	\$ 41,490,650	\$ 31,811,811

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued MOSERS financial report.

***Payable to the Pension Plan***

At June 30, 2019 and 2018, the University reported a payable of \$10,461 and \$13,350, respectively, for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2019 and 2018, respectively.

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***CURP***

Beginning July 1, 2002, in accordance with Section 104.1200 through 104.1215 of the Revised Statutes of Missouri, employees hired who meet the criteria of an “education employee” participate in the College and University Retirement Plan (CURP). It is a noncontributory 401(a) defined contribution plan for education employees at regional colleges/universities in Missouri. The MOSERS has been given the responsibility by law to implement and oversee the administration of the plan. The TIAA-CREF group of companies is the third-party administrator for the CURP and manages the investment options under the plan. Contributions made by the University are self-directed by participants into their selected individual accounts. By law, the CURP contribution rate is equal to 1 percent less than the normal cost contribution rate of the Missouri State Employees’ Plan 2000 (MSEP 2000). After participating in CURP for at least six years, a faculty member may elect to become a member of MOSERS.

The University is required to contribute at an actuarially determined rate; the rate was 6.00 percent and 6.19 percent of annual covered payroll for 2019 and 2018, respectively. The University’s contributions to the plan for the years ended June 30, 2019 and 2018, were \$203,403 and \$221,028 respectively, which equaled the required contributions for each year.

**Note 7: Other Postemployment Benefit Plan**

***Plan Description***

In addition to the pension benefits described in *Note 6*, the University provides health care benefits, through a commercial insurance carrier, to certain retirees (the OPEB Plan). The plan is a single-employer defined benefit OPEB plan. The Lincoln University Board of Curators, which is appointed by the Governor with the approval of the State Legislature, has the authority to establish and amend benefit provisions of the plan. The OPEB Plan’s assets are not accumulated in trust.

The plan is operated as a fully insured arrangement. For retiree plan participants that have obtained professor emeritus status and retired July 1, 2008, and prior, the University pays the full amount of the health and prescription drug insurance premium for the lifetime of the retiree. To be eligible for professor emeritus status an employee must have 1) held the rank of full professor, have served the University for at least 20 years and have made a major, positive impact on the growth, development and/or image of the University; or 2) held the rank of associate professor, have served the University for at least 30 years and have made a major, positive impact on the growth, development and/or image of the University.

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Retiree plan participants that have not obtained professor emeritus status are required to contribute the entire amount of the monthly premium to the plan. The University charges pre-65 retirees, that do not have professor emeritus status, a higher premium than active employees to more closely reflect market value. The factor applied to the premium rates for pre-65 retirees is based on the State of Missouri Health System's pre-65 retiree group rate relative to its active employee rate. Medicare eligible retirees without professor emeritus status are referred for enrollment in Medicare supplement insurance independent of the University's plan.

***Benefits Provided***

The OPEB Plan provides medical and prescription drug premium benefits to professor emeritus retirees. Benefits are provided through a third-party insurer. Prescription drug premiums ranged from \$72.10 to \$84.30 per month and from \$83.30 to \$94.50 per month for the years ended June 30, 2019 and 2018, respectively. Medicare Supplement premiums, which are Issue-Age rated, ranged from \$147.86 to \$272.88 per month and from \$153.72 to \$282.75 per month for the years ended June 30, 2019 and 2018, respectively. In addition, certain retirees receive \$5,000 of life insurance coverage through the University's group plan. The University's group rate is 40 cents per thousand per month and the age-banded rate for those 75 and older is assumed to be \$9.19 per thousand per month for the years ended June 30, 2019 and 2018.

The employees covered by the benefit terms at June 30, 2019 and 2018, are:

	<b>2019</b>	<b>2018</b>
Professor emeritus retirees receiving health and prescription drug coverage	15	17
Retirees receiving group life insurance coverage	1	2
	16	19

***Total OPEB Liability***

The University's total OPEB liability of \$624,695 and \$792,104 was measured as of June 30, 2019 and 2018, respectively, for the years then ended, and was determined by an actuarial valuation as of those dates.

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The total OPEB liability in the June 30, 2019 and 2018, actuarial valuation was determined using the following actuarial assumptions:

Discount rate	2019: 3.00%, 2018: 3.30%
Health care cost trend rates	2019: 4.50% per year for Medicare Supplement coverage; 8.00% for 2019, decrease 0.50% per year to an ultimate rate of 5% for 2025 and later years for prescription drug coverage
	2018: 5.00% per year for Medicare Supplement coverage; 10.00% for 2018, decrease 1% per year to an ultimate rate of 6% for 2022 and later years for prescription drug coverage

The discount rate used for the plan was the 20-year, tax-exempt municipal bond rate as there are no assets in the plan. The rate was determined by taking the average of the published yields from the S&P Municipal Bond 20 Year High Grade and the Fidelity GO AA-20 Years indexes.

Mortality rates used in the June 30, 2019 valuation were based on the RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality table with MP-2018 Full Generational Improvement. Mortality rates used in the June 30, 2018 valuation were based on the RHP-2014 Adjusted to 2006 White Collar Headcount-weighted Mortality table with MP-2017 Full Generational Improvement.

The actuarial assumptions used in the June 30, 2019 and 2018, valuations were based on the ongoing actuarial analysis.

***Changes in Total OPEB Liability***

Changes in total OPEB liability are:

	<b>2019</b>	<b>2018</b>
Balance, beginning of year	\$ 792,104	\$ 827,125
Interest	25,190	26,642
Changes in assumptions and inputs	(91,004)	2,016
Differences between actual and expected experience	(44,081)	-
Benefit payments	(57,514)	(63,679)
Net changes	(167,409)	(35,021)
Balance, end of year	\$ 624,695	\$ 792,104

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***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates***

The total OPEB liability of the University has been calculated using a discount rate of 3.00 percent. The following presents the total OPEB liability using a discount rate 1 percent higher and 1 percent lower than the current discount rate.

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
University's total OPEB liability	\$ 675,304	\$ 624,695	\$ 580,357

The total OPEB liability of the University has been calculated using health care cost trend rates of 4.50 percent to 8 percent. The following presents the total OPEB liability using health care cost trend rates 1 percent higher and 1 percent lower than the current health care cost trend rates.

	<b>1% Decrease</b>	<b>Current Health Care Cost Trend Rates</b>	<b>1% Increase</b>
University's total OPEB liability	\$ 583,622	\$ 624,695	\$ 670,519

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the years ended June 30, 2019 and 2018, the University recognized OPEB expense of \$(109,895) and \$28,658, respectively. At June 30, 2019 and 2018, the University did not report deferred outflows of resources or deferred inflows of resources related to OPEB, as the average expected service life of current retirees is zero.

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**Note 8: Commitments and Contingencies**

***Litigation with Lincoln University Foundation, Inc.***

On May 6, 2019, the 62nd & 65th Regiments Legacy Foundation Inc. f/k/a Lincoln University Foundation, Inc., (the “Foundation”) filed a suit against the University in the Circuit Court of Cole County, Missouri. The Foundation is a Missouri nonprofit corporation that was formed in the 1970’s for the purpose of conducting certain fundraising activities for the benefit of the University. The Foundation’s fundraising activities primarily consisted of the solicitation of private donations in the form of endowed scholarship funds providing scholarships to University students. In addition, the Foundation acted as a repository for funds donated to or raised by particular University departments or student programs, clubs, groups or athletic teams (Special Purpose Funds) to be used at the discretion of those University employees in charge of such programs, clubs, groups or teams.

Since 2000, the scope of the relationship between the Foundation and the University had been governed by a written memorandum of understanding, which was amended on September 10, 2015 (the “Agreement”). The University elected to terminate the Agreement as of December 31, 2018. In connection with termination, at the University’s request, the Foundation transferred to the University approximately \$667,173 of Special Purpose Funds that had been deposited into the Foundation’s bank account. Currently, those Special Purpose Funds are being held by the University in accounts managed by the University’s Office of Institutional Advancement and Alumni Relations to ensure the funds are utilized for their intended purposes. All other endowment and scholarship moneys in accounts held by the Foundation continue to be held by the Foundation.

The Foundation’s lawsuit alleges that: (1) the University breached certain agreements entered into between individual donors, the Foundation and the University, (2) the University breached the Agreement between the University and the Foundation and (3) the University breached its implied covenant of good faith and fair dealing with respect to the Agreement. The Foundation seeks: (a) a sum in excess of \$25,000 from the University for each of the allegations, and (b) temporary, preliminary and permanent injunction restraining the University from: (i) retaining, using or disclosing any Foundation documents or information it has obtained as a result of performing its obligations under the Agreement, (ii) withholding the Foundation’s documents, information and assets currently in its possession from the Foundation and (iii) expending any of the \$667,173 in Special Purpose Funds that were transferred to the University.

The Circuit Court declined to grant the Foundation’s request for a temporary restraining order at a hearing on that issue. The University believes the Foundation’s claims are without merit and will be seeking to have the Foundation’s lawsuit dismissed. The University does not believe the outcome of the Foundation’s lawsuit will have any material adverse effect on the financial condition or operations of the University in any way.

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***Claims and Litigation***

The University is currently involved in various claims and pending legal actions related to matters arising from the ordinary conduct of business. The University administration believes the ultimate disposition of the actions will not have a material effect on the financial statements of the University. At June 30, 2019 and 2018, there was no accrual recorded in the statements of net position.

***Government Grants***

The University is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

***Labor Agreement***

On August 13, 2018, the Lincoln University Board of Curators signed a collective bargaining agreement with LUMNEA/MNEA (Missouri National Education Association) which covers tenured and tenured-track academic faculty whose academic appointment is 0.75 FTE or higher excluding supervisory, managerial, and confidential employees. This agreement is in effect through December 31, 2020, and thereafter until the parties agree on a successor agreement or reach impasse. This represents 17 percent of the University's employees.

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**Note 9: Natural Classifications with Functional Classifications**

For the years ended June 30, 2019 and 2018, the following tables represent operating expenses with both natural and functional classifications:

	<b>2019</b>						
	<b>Compensation and Benefits</b>	<b>Contractual Services</b>	<b>Travel</b>	<b>Supplies and Materials</b>	<b>Utilities</b>	<b>Communications and Other</b>	<b>Total</b>
Instruction	\$ 10,722,248	\$ 283,327	\$ 126,181	\$ 121,904	\$ 322	\$ 189,952	\$ 11,443,934
Research	2,642,055	616,503	100,488	385,045	176,466	107,157	4,027,714
Community service	3,401,204	571,295	226,565	132,721	100,905	194,365	4,627,055
Academic support	2,636,752	173,371	54,847	54,667	322	181,051	3,101,010
Student services	4,779,420	647,307	515,551	301,667	-	498,896	6,742,841
Institutional support	6,553,379	3,906,368	166,112	255,268	194,077	663,049	11,738,253
Operations and maintenance of plant	153,123	2,576,232	(5)	33,927	1,425,160	21,209	4,209,646
Scholarships and fellowships	-	-	-	-	-	-	160,265
Depreciation and amortization	-	-	-	-	-	-	5,479,793
	<u>\$ 30,888,181</u>	<u>\$ 8,774,403</u>	<u>\$ 1,189,739</u>	<u>\$ 1,285,199</u>	<u>\$ 1,897,252</u>	<u>\$ 1,855,679</u>	<u>\$ 51,530,511</u>

	<b>2018</b>						
	<b>Compensation and Benefits</b>	<b>Contractual Services</b>	<b>Travel</b>	<b>Supplies and Materials</b>	<b>Utilities</b>	<b>Communications and Other</b>	<b>Total</b>
Instruction	\$ 11,475,590	\$ 344,372	\$ 121,666	\$ 137,486	\$ 296	\$ 218,181	\$ 12,297,591
Research	2,739,499	510,761	88,682	307,328	147,711	119,900	3,913,881
Community service	3,733,313	461,051	240,651	100,837	103,843	241,255	4,880,950
Academic support	2,064,062	266,581	45,305	38,076	296	186,820	2,601,140
Student services	4,943,283	689,475	512,819	419,482	-	527,095	7,092,154
Institutional support	6,191,614	4,171,896	178,408	162,994	172,136	373,468	11,250,516
Operations and maintenance of plant	252,826	2,445,041	(356)	209,924	1,485,689	6,240	4,399,364
Scholarships and fellowships	-	-	-	-	-	-	152,551
Depreciation and amortization	-	-	-	-	-	-	5,409,988
	<u>\$ 31,400,187</u>	<u>\$ 8,889,177</u>	<u>\$ 1,187,175</u>	<u>\$ 1,376,127</u>	<u>\$ 1,909,971</u>	<u>\$ 1,672,959</u>	<u>\$ 51,998,135</u>

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**Note 10: Disclosure About Fair Value of Assets**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

***Recurring Measurements***

The following tables present the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2019 and 2018:

<b>Description</b>	<b>2019</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Money market treasury funds	\$ 17,589,968	\$ 17,589,968	\$ -	\$ -
U.S. Treasury obligations	5,557,153	5,557,153	-	-
Government-sponsored enterprises obligations	<u>14,984,598</u>	<u>-</u>	<u>14,984,598</u>	<u>-</u>
Total investments measured at fair value	<u>\$ 38,131,719</u>	<u>\$ 23,147,121</u>	<u>\$ 14,984,598</u>	<u>\$ -</u>

<b>Description</b>	<b>2018</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Money market treasury funds	\$ 1,410,433	\$ 1,410,433	\$ -	\$ -
U.S. Treasury Obligations	9,471,790	9,471,790	-	-
Government-sponsored enterprises obligations	<u>7,952,900</u>	<u>-</u>	<u>7,952,900</u>	<u>-</u>
Total investments measured at fair value	<u>\$ 18,835,123</u>	<u>\$ 10,882,223</u>	<u>\$ 7,952,900</u>	<u>\$ -</u>

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**Note 11: Subsequent Events**

Subsequent events have been evaluated through October 31, 2019, which is the date the financial statements were available to be issued.

## **Required Supplementary Information**

**Lincoln University**  
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**Required Supplementary Information**  
**Schedule of the University's Proportionate Share of the Net Pension Liability**  
**Missouri State Employees' Retirement System**  
**Last Five Fiscal Years\***

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
University's proportion of the net pension liability	0.7438%	0.8186%	0.8224%	0.8660%	0.8448%
University's proportionate share of the net pension liability	\$ 41,490,650	\$ 42,624,658	\$ 38,177,503	\$27,798,365	\$19,918,271
University's covered-employee payroll	\$ 14,456,872	\$ 16,112,220	\$ 15,928,030	\$16,754,310	\$15,852,748
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	287.00%	264.55%	239.69%	165.92%	125.65%
Plan fiduciary net position as a percentage of the total pension liability	59.02%	60.41%	63.60%	72.62%	79.49%

\*The amounts presented for each fiscal year were determined as of the end of the preceding fiscal year.

This schedule presents the information available to the University and will include ten-year trend information once available.

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**Schedule of University Pension Contributions**  
**Missouri State Employees' Retirement System**  
**Last Six Fiscal Years**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,937,434	\$ 2,811,886	\$ 2,734,246	\$ 2,702,988	\$ 2,843,875	\$ 2,757,130
Contributions in relation to the contractually required contribution	<u>2,937,434</u>	<u>2,811,886</u>	<u>2,734,246</u>	<u>2,702,988</u>	<u>2,843,875</u>	<u>2,757,130</u>
Contribution deficiency	<u>\$ -</u>					
University's covered-employee payroll	\$ 14,534,557	\$ 14,456,872	\$ 16,112,220	\$ 15,928,030	\$ 16,754,310	\$ 15,852,748
Contributions as a percentage of covered-employee payroll	20.21%	19.45%	16.97%	16.97%	16.97%	17.39%

This schedule presents the information available to the University and will include ten-year trend information once available.

**Notes to Schedule:**

***Benefit Changes***

There were no changes to benefit terms for MOSERS for the year ended June 30, 2018. During the MOSERS plan year ended June 30, 2017, the vesting requirements were changed for the MSEP 2011 plan from 10 years of credited service to 5 years for members employed on or after January 1, 2018. There were no other changes in benefit terms during the MOSERS plan year ended June 30, 2017, that affected the measurement of total pension liability.

There were no changes to benefit terms for MOSERS for the other years presented above.

***Changes of Assumptions***

The assumed investment rate of return was reduced from 7.50 percent to 7.25 percent for the June 30, 2018 valuation. The salary increases rate was reduced from 3.25 percent to 3.00 percent. The wage inflation rate was reduced from 3.00 percent to 2.50 percent. There were no other changes in actuarial assumptions for the June 30, 2018, valuation.

The assumed investment rate of return was reduced from 7.65 percent to 7.50 percent for the June 30, 2017, valuation. There were no other changes in actuarial assumptions for the June 30, 2017, valuation.

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Required Supplementary Information**  
**Schedule of University Pension Contributions**  
**Missouri State Employees' Retirement System**  
**Last Six Fiscal Years**

Actuarial assumptions used in the June 30, 2016, valuation were changed as follows:

Salary increases:	3.25% to 8.75% including inflation
Wage inflation:	3.00%
Investment rate of return:	7.65%
Post-retirement mortality tables:	RP-2014 Healthy Annuitant projected to 2026 with Scale MP-2015 and scaled by 120%
Pre-retirement mortality tables:	RP-2014 Employee projected to 2026 with Scale MP-2015 and scaled by 95% for males and 90% for females

There were no changes to actuarial assumptions used in the June 30, 2015, valuation, other than the assumption that there would be no pay increases for fiscal year ending June 30, 2016.

There were no changes to actuarial assumptions used in the June 30, 2014, valuation.

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Required Supplementary Information**  
**Schedule of Changes in the University's Total OPEB Liability and Related Ratios**  
**Last Two Fiscal Years**

	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>		
Interest	\$ 25,190	\$ 26,642
Changes in assumptions and inputs	(91,004)	2,016
Differences between actual and expected experience	(44,081)	-
Benefit payments	<u>(57,514)</u>	<u>(63,679)</u>
<b>Net Change in Total OPEB Liability</b>	(167,409)	(35,021)
<b>Total OPEB Liability – Beginning</b>	<u>792,104</u>	<u>827,125</u>
<b>Total OPEB Liability – Ending</b>	<u><u>\$ 624,695</u></u>	<u><u>\$ 792,104</u></u>
<b>Covered-Employee Payroll*</b>	\$ -	\$ -
<b>Total OPEB Liability as a Percentage of Covered-Employee Payroll</b>	N/A	N/A

\*OPEB valuation includes only current retirees.

This schedule presents the information available to the University and will include ten-year trend information once available.

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Required Supplementary Information**  
**Schedule of Changes in the University's Total OPEB Liability and Related Ratios**  
**Last Two Fiscal Years**

**Notes to Schedule:**

***Benefit Changes***

There were no changes to benefit terms for the year ended June 30, 2019 or 2018.

***Changes of Assumptions***

The following changes were made to actuarial assumptions during the year ended June 30, 2019:

- The per capita costs-premium rates and trend assumptions were updated as part of the ongoing actuarial analysis. Premium costs were lower than expected.
- The assumed mortality was updated to reflect the Society of Actuaries RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality table with MP-2018 Full Generational Improvement.
- The discount was changed from 3.35 percent to 3.00 percent for the end of year measurement.
- The number of health insurance and life insurance participants decreased by 2 and 1, respectively.

The following changes were made to actuarial assumptions during the year ended June 30, 2018:

- The assumed mortality was updated to reflect the Society of Actuaries RPH-2014 Adjusted to 2006 White Collar Headcount-weighted Mortality table with MP-2017 Full Generational Improvement.
- The per capita costs and trend assumptions were updated as part of the ongoing actuarial analysis.
- The discount rate was changed from 3.50 percent (GASB 45) to 3.35 percent as of the beginning of the year and 3.30 percent as of the end of the year in accordance with GASB 75.
- The life insurance benefit for two retirees was valued and included in the results.

## **Supplementary Information**

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Auxiliary System Revenue Fund**  
**Schedules of Revenues and Expenses**  
**Years Ended June 30, 2019 and 2018**

	2019					Total
	Residence Halls	Cafeteria	Bookstore	Vending and Other	Student Union	
<b>Revenues</b>						
Residence hall contracts	\$ 3,789,938	\$ -	\$ -	\$ -	\$ -	\$ 3,789,938
Housing system appropriation	593,037	-	-	-	-	593,037
Food service	-	3,146,141	-	-	-	3,146,141
Bookstore	-	-	38,742	-	-	38,742
Other	-	-	-	54,185	-	54,185
Vending	-	-	-	6,067	-	6,067
	<u>4,382,975</u>	<u>3,146,141</u>	<u>38,742</u>	<u>60,252</u>	<u>-</u>	<u>7,628,110</u>
<b>Direct Expenses</b>						
Salaries and wages	350,621	-	-	73,430	22,881	446,932
Fringe benefits	146,056	-	-	23,483	5,303	174,842
Equipment purchases	6,999	4,590	-	-	-	11,589
Contractual services	738,237	2,045,400	1,133	-	140,123	2,924,893
Travel	4,251	-	-	1,701	-	5,952
Supplies, cost of sales	13,308	-	-	89	-	13,397
Communications	6,444	(6,316)	-	1,088	1,620	2,836
Utilities	791,083	-	-	-	322	791,405
Other operating	351,230	-	1,019	8,391	29	360,669
	<u>2,408,229</u>	<u>2,043,674</u>	<u>2,152</u>	<u>108,182</u>	<u>170,278</u>	<u>4,732,515</u>
<b>Excess (Deficiency) of Revenues Over Direct Expenses</b>	<u>\$ 1,974,746</u>	<u>\$ 1,102,467</u>	<u>\$ 36,590</u>	<u>\$ (47,930)</u>	<u>\$(170,278)</u>	<u>2,895,595</u>
<b>Indirect Expenses</b>						
Bad debts						75,033
Audit						12,180
						<u>87,213</u>
<b>Excess of Revenues Over Expenses</b>						2,808,382
<b>Transfers In</b>						51,516
<b>Mandatory Transfer for Principal and Interest on Indebtedness</b>						(2,215,871)
<b>Nonmandatory Transfer to Plant Fund</b>						<u>(800,000)</u>
<b>Net Increase (Decrease) for the Year</b>						(155,973)
<b>Net Position, Beginning of Year</b>						<u>3,550,157</u>
<b>Net Position, End of Year</b>						<u>\$ 3,394,184</u>

2018					
Residence Halls	Cafeteria	Bookstore	Vending and Other	Student Union	Total
\$ 4,008,026	\$ -	\$ -	\$ -	\$ -	\$ 4,008,026
640,802	-	-	-	-	640,802
-	3,328,148	-	-	-	3,328,148
-	-	39,349	-	-	39,349
-	-	-	46,659	-	46,659
-	-	-	20,238	-	20,238
<u>4,648,828</u>	<u>3,328,148</u>	<u>39,349</u>	<u>66,897</u>	<u>-</u>	<u>8,083,222</u>
253,002	-	-	100,037	21,255	374,294
89,469	-	-	35,767	5,911	131,147
-	5,131	-	7,412	-	12,543
683,442	2,182,802	1,133	90	125,404	2,992,871
1,819	-	-	955	-	2,774
43,433	-	-	299	8,320	52,052
8,880	(6,328)	-	560	1,680	4,792
784,747	-	-	485	296	785,528
361,217	12	-	7,724	892	369,845
<u>2,226,009</u>	<u>2,181,617</u>	<u>1,133</u>	<u>153,329</u>	<u>163,758</u>	<u>4,725,846</u>
<u>\$ 2,422,819</u>	<u>\$ 1,146,531</u>	<u>\$ 38,216</u>	<u>\$ (86,432)</u>	<u>\$ (163,758)</u>	<u>3,357,376</u>
					122,249
					<u>11,814</u>
					<u>134,063</u>
					3,223,313
					-
					(2,244,683)
					<u>(1,007,612)</u>
					(28,982)
					<u>3,579,139</u>
					<u>\$ 3,550,157</u>

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Athletic Facilities Revenue Fund**  
**Schedule of Revenues and Expenses**  
**Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Revenues</b>		
Student athletic fees		
Student athletic fees	\$ 500,896	\$ 544,295
Student experience expenses	(107,063)	(199,319)
Net student athletic fees	<u>393,833</u>	<u>344,976</u>
Football ticket sales	10,955	22,254
Facility rental fees	5,127	4,500
Sponsorships	-	-
Donations	-	-
Other	-	-
	<u>409,915</u>	<u>371,730</u>
 <b>Direct Expenses</b>		
Property insurance	3,579	-
Custodial and grounds	108,738	89,609
Utilities	38,738	47,404
	<u>151,055</u>	<u>137,013</u>
 <b>Excess of Revenues Over Direct Expenses</b>	258,860	234,717
 <b>Transfers In</b>	108,219	137,013
 <b>Transfers Out</b>	(32,810)	(70,000)
 <b>Mandatory Transfer for Principal and Interest on Indebtedness</b>	<u>(314,717)</u>	<u>(321,481)</u>
 <b>Net Increase (Decrease) for the Year</b>	19,552	(19,751)
 <b>Net Position, Beginning of Year</b>	<u>180,903</u>	<u>200,654</u>
 <b>Net Position, End of Year</b>	<u>\$ 200,455</u>	<u>\$ 180,903</u>

This schedule presents revenues and expenses of the Athletic Facilities Revenue Fund for the years ended June 30, 2019 and 2018.

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2019**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Student Financial Assistance Cluster				
U.S. Department of Education				
Federal Pell Grant Program	84.063		\$ -	\$ 6,290,929
Federal Work-Study Program	84.033		-	185,430
Federal Supplemental Educational Opportunity Grants	84.007		-	86,432
Federal Direct Student Loans	84.268		-	13,043,201
			<u>-</u>	<u>19,605,992</u>
Research and Development Cluster				
U.S. Department of Agriculture				
Cooperative Research, Education and Extension Service	10.205		-	1,604,757
High Through-Put NanoSensor for Accurate & Sensitive Detection of E-Coli	10.310		-	67,950
Determination of Dietary Indispensable Amino Acid Requirements for Juvenile Bluegill	10.216		-	5,510
Integrated Research in Single E-Coli Cell Detection & Interactive Education to Build Capacity in Food Safety & Security	10.216		10,111	60,567
Recruitment/Retention at Lincoln University through Experiential Learning, Curriculum Development/Changes and Partnerships with Missouri High Schools	10.216		213	36,551
Evaluation of Soilless Root Support Substrates for Control of Nitrate & Phosphorus Pollution from Vegetable Production in Non-Recirculating Hydroponic Systems	10.216		-	53,749
Pathogen Detection System	10.000		-	650
Increased Body Mass Index Resulting in Decreased Oral Fat Sensitivity: Implications in Biomarkers of Obesity and Metabolic Syndrome	10.216		-	92,398
Use of Simulation Modules to Enhance Learning Chemistry and its Applications in Agriculture and Environmental Sciences	10.216		-	46,636
Scale Appropriate Strategies	10.307		2,183	58,634
Special Variability of Soil Greenhouse Gas Emissions & Soil Microbial Diversity & Function in Conventional & Alternate Land Use Systems in Floodplain Soils	10.216		53,715	103,577
Disseminating Geospatial Information Science & Technology Knowledge to K-12 Educators & Youth	10.216		24,063	72,666
Community Based Technical Assistance and Training Reaching New Audiences to Help Small Processors Reach FSMA Compliance	10.328		-	9,212
Efficient Nanotechnology Methodology	10.216		836	15,566
U.S. Department of Agriculture/University of Minnesota				
Detection and Prevention of Footrot Outbreak in Sheep and Goats	10.215	H004403706	-	48,443
Evaluation of Early Maturing Cereal Rye / Hairy Vetch Cover Crop Varieties and Their Effects on Subsequent Cash Crop Planting Date, Maturity and Yield in Organic No-Till Summer Squash Production	10.215	H004991243	-	4,667
U.S. Department of Agriculture/Missouri Department of Agriculture				
Using Biocontrol Agents to Combat Soil-Borne Vegetable Diseases in Missouri	10.170	16SCBGPMO0003	-	(94)
Potential of Brussel Sprouts for Production and Consumption in Missouri	10.170	8	-	2,328

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2019**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Research and Development Cluster (Continued)				
U.S. Department of Agriculture/University of Missouri Facilitating Improved Environmental & Soil Quality Through Biodiversity & Crop/Livestock Integration on Organic Farms	10.303	C00058319-1	\$ -	\$ 12,836
U.S. Department of Agriculture/Iowa State University Developing Genetically Fast Growing Monosex Male Populations in Bluegill	10.200	416-40-93F	-	(1,271)
U.S. Department of Agriculture/Smart Diagnostics Systems Rapid and Portable Optical Detection System for Multiple Food-borne Pathogens, E-Coli 0157:H7 and Salmonella Enterica in Meat	10.212	None	-	24,058
National Science Foundation				
A Model for Achieving Success in STEM (AMASS)	47.076		-	2,061
Collaborative Research: Structure & Quaternary Kinematics of Amagmatic Rifting in the Central Afar Triple Junction	47.050		-	36,381
Catalyst Project: Computational Research on Music & Audio	47.076		-	2,855
Catalyst Project: Computational Research on Music & Audio (Participant Costs)	47.076		-	269
National Science Foundation/University of Missouri				
The Missouri Transect: Climate, Plants & Community	47.079	C00043573-5	-	64,188
The Missouri Transect: Climate, Plants & Community	47.083	C00043573-5	-	176,673
Collaborative Research on Plant Stress Response Through Innovations in Pnemonics and Molecular Imaging Technologies	47.079	C00045071-2	-	6,579
National Science Foundation/Harris-Stowe State University				
MoSLAMP	47.076	1619639	-	54,622
Department of Health and Human Services/Iowa State University				
Strategy for Successful Implementation of FSMA in the North Central Region through Adoption of a Systems Approach and Stakeholder Engagement Framework	93.103	430-30-01B	-	2,178
			91,121	2,665,196
Alcohol Open Container Requirements				
Department of Transportation National Highway Traffic Safety Administration/Missouri Department of Transportation/University of Central Missouri				
Holiday DWI Enforcement Campaign	20.607	SAF110-0404	-	335
Drive Sober or Get Pulled Over	20.607	SAF110-0404	-	466
St. Patrick's DWI Enforcement Campaign	20.607	SAF110-0404	-	242
			-	1,043

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2019**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Cooperative Extension Service				
U.S. Department of Agriculture CES: Capital Improvements	10.500		\$ -	\$ 13,739
U.S. Department of Agriculture/University of Minnesota NCR – SARE	10.500	0001106019	-	67
U.S. Department of Agriculture/University of Missouri Assistive Technology Program for Farmers with Disabilities	10.500	C00048679-2	-	2,123
Missouri AgrAbility Program	10.500	C00063072-2	-	4,055
			<u>-</u>	<u>19,984</u>
Outreach and Assistance for Socially Disadvantaged and Veteran Farmers				
U.S. Department of Agriculture Enhancing Farm Profitability & Livelihood of Minority & Socially Disadvantaged Farmers & Ranchers & Veteran Farmers & Ranchers in Southeast Missouri	10.443		-	1,023
Outreach and Assistance for Socially Disadvantaged and Veteran Farmers	10.443		-	55,588
			<u>-</u>	<u>56,611</u>
Soil and Water Conservation				
U.S. Department of Agriculture Enhancing Farm Profitability & Livelihood of Minority & Limited Resource Farmers, Agricultural Producers and the Rural Community in the Designated Strike-Force Counties of Missouri	10.902		-	136,219
Promotion of Farm Bill Programs through Education	10.902		3,920	24,453
Enhancing Natural Resource Management Capabilities through the LU GIS Center of Excellence	10.902		-	50,715
			<u>3,920</u>	<u>211,387</u>
Cooperative Forestry Research				
U.S. Department of Agriculture McIntire Stennis Cooperative Forestry Act Funds FY17	10.202		-	66,595
McIntire Stennis Cooperative Forestry Act Funds FY18	10.202		-	2,381
			<u>-</u>	<u>68,976</u>
U.S. Department of Agriculture				
Ag Discovery Summer Enrichment Program	10.025		-	29,122
Fiscal Year 2018 Wildlife Initiative Program	10.028		-	8,545
Cooperative Extension Programs	10.512		-	1,184,000
EFNEP – Expanded Food Nutritional Program	10.514		-	155,751
RREA – Renewable Resource Extension Account	10.515		-	17,566
CFP – Dairy Processing Ingredients	10.962		54,002	59,402

The accompanying notes are an integral part of this Schedule.

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2019**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services/Missouri Department of Health and Senior Services Pregnancy Prevention Program	93.235	AOC14380022	\$ -	\$ 264,825
Implementation of Violence Prevention Strategy	93.136	AOC16380122	-	67,179
U.S. Department of Health and Human Services/University of Kansas The Heartland Sexual Assault Policies & Prevention on Campuses Project	93.088	FY2017-015	-	3,992
U.S. Department of Health and Human Services/Missouri Department of Insurance Providing Educational Opportunities for Seniors through the Lunch and Learn Series and Senior Summer School	93.000	None	-	4,620
Higher Education Institutional Aid				
U.S. Department of Education Title III SAFRA – Fiscal Year 15 Awards	84.031		-	832,212
Title III – Fiscal Year 17 Awards	84.031		-	1,780,666
			-	2,612,878
U.S. Department of Education/Mineral Area College Carl D Perkins Grant	84.048	163-163 / 117-117	-	18,764
U.S. Department of Education/State of Missouri State Fiscal Stabilization Fund (SFSF) – Government Services	84.397	None	-	1,009
NASA/Missouri University of Science and Technology Missouri Space Grant Consortium	43.001	C00029558-07	-	17,268
National Park Service African American Civil Rights Grants – Preservation of Mitchell Hall	15.000		-	629
Small Business Administration/University of Missouri Missouri Small Business Development Center	59.000	C00051641-3 C00055924	-	18,217
U.S. Department of Defense Office of the Secretary of Defense Outsourcing the Academic Phase of Training for the U.S. Army Prime Power School	12.630		-	197,314
U.S. Department of Energy/North Carolina A&T State University Consortium for Pipeline Development of Skilled Workforce through Advanced Manufacturing	81.123	270129C	-	40,318
U.S. Department of Homeland Security/Oak Ridge Institute for Science and Education A Surveillance Study on the Prevalence of Brucellosis and Pseudorabies in Feral Swine	97.000	None	-	2,885
			\$ 149,043	\$ 27,333,473

The accompanying notes are an integral part of this Schedule.

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2019**

***Notes to Schedule***

1. The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Lincoln University under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position or cash flows of the University.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. Federal Direct Student Loan balances are not included in the University’s financial statements. Loans disbursed during the year are included in federal expenditures presented in the Schedule.

**Report on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

**Independent Auditor's Report**

Board of Curators  
Lincoln University  
Jefferson City, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Lincoln University (the "University"), a component unit of the State of Missouri, which comprise the statement of financial position as of June 30, 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2019, which contained an "Emphasis of Matter" paragraph regarding a change in the reporting entity.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Board of Curators  
Lincoln University

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***University's Response to the Finding***

University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BKD, LLP**

Springfield, Missouri  
October 31, 2019

## Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

### Independent Auditor's Report

Board of Curators  
Lincoln University  
Jefferson City, Missouri

#### Report on Compliance for Each Major Federal Program

We have audited Lincoln University's (the "University") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lincoln University's major federal programs for the year ended June 30, 2019. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Lincoln University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the University's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Lincoln University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, that is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-002. Our opinion on each major federal program is not modified with respect to this matter.

The University's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of Lincoln University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Board of Curators  
Lincoln University

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-002 that we consider to be a material weakness.

The University's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*BKD, LLP*

Springfield, Missouri  
October 31, 2019



**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2019**

7. The University's major programs were:

<b>Cluster/Program</b>	<b>CFDA Number</b>
Student Financial Assistance Cluster:	
Federal Pell Grant Program	84.063
Federal Work-Study Program	84.033
Federal Supplemental Educational Opportunity Grants	84.007
Federal Direct Student Loans	84.268
Higher Educational Institutional Aid	84.031

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The University qualified as a low-risk auditee?  Yes  No

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2019**

**Findings Required to be Reported by *Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>
2019-001	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – The University receives cooperative research grant funding from the U.S. Department of Agriculture under CFDA Number 10.205. Revenue was not properly recorded for cooperative research grants during the year. An audit adjustment was proposed and recorded during the course of the audit to properly recognize federal grant revenue.</p> <p>Context – We test the recognition of grant revenue and accuracy of the grant receivables and unearned grant revenues. We agree grant revenue to the amounts reported in the Schedule of Expenditures of Federal Awards. While testing amounts on the Schedule of Expenditures of Federal Awards, we noted grant revenue was overstated by \$1,877,808 for cooperative research grants. The University’s financial statements required an adjustment of \$1,877,808 to properly record cooperative research grant revenue for the year.</p> <p>Effect – Cooperative research grant revenue was not properly recognized in the financial statements.</p> <p>Cause – The University manages nearly \$30 million in federal grants. The schedule used by the University to track grant revenues and expenditures was not properly updated when recording year-end grant revenue adjustments. The University had personnel changes within the Office of the Controller during the year resulting in reassignment of duties and changes in reporting structure.</p> <p>Recommendation – The University’s month-end close process should include an adequate review of the grant revenue and expenditure schedule to ensure the adjustment for grant revenue is properly calculated and supported.</p> <p>View of Responsible Officials and Planned Corrective Action – After review of the finding, the University concurs with the stated finding. For grant awards, revenue is recognized at the time expenses are incurred. Due to changes in the account structure setup for a grant award, revenue was not recognized appropriately. The University has reviewed the process to recognize revenue associated with grant awards and has added a note to review at year end for accuracy.</p>

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2019**

**Findings Required to be Reported by Uniform Guidance**

<b>Reference Number</b>	<b>Finding</b>
2019-002	<p>Student Financial Assistance Cluster, CFDA Number 84.268 Federal Direct Student Loans, CFDA Number 84.063 Federal Pell Grant Program, U.S. Department of Education Program Year 2018-2019</p> <p>Criteria or Specific Requirement – Special Tests: Enrollment Reporting            34 CFR Sections 690.83 (b)(2) and 685.309</p> <p>Condition – Nine student enrollment status changes were not communicated to the National Student Loan Data System (NSLDS) on a timely basis or were reported incorrectly.</p> <p>Questioned costs – None</p> <p>Context – Out of a population of 1,833 student enrollment status changes requiring notification transmitted to NSLDS, a sample of 40 student enrollment status changes was selected for testing. Our sample was not and was not intended to be statistically valid. Five student enrollment changes were not reported within the required 60-day requirement. Three student enrollment changes were not reported to NSLDS. One student enrollment change was not reported with the correct effective date.</p> <p>Effect – NSLDS was not properly notified of student enrollment status changes of Direct Loan and Pell Grant recipients.</p> <p>Cause – The Registrar’s Office and the Enrollment Services Technical Coordinator do not have adequate processes and controls around enrollment reporting to ensure reporting is accurate and timely.</p> <p>Identification as a repeat finding – 2018-001</p>

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2019**

**Findings Required to be Reported by Uniform Guidance**

<b>Reference Number</b>	<b>Finding</b>
2019-002 (Continued)	<p>Recommendation – The Registrar’s Office and the Enrollment Services Technical Coordinator should review processes and controls around enrollment reporting and consider substantial changes to address this recurring finding.</p> <p>Views of Responsible Officials and Planned Corrective Actions – A request will be made from the Compliance Center at Clearinghouse to research the time delay issues as well as students not being reported through NSLDS. Continue to utilize procedures developed and to ensure that all patches are installed in a timely manner in Colleague. Another staff memeber will be assigned to ensure tasks are completed on schedule.</p>

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2019**

<b>Reference Number</b>	<b>Finding</b>
2018-001	<p style="text-align: center;">Student Financial Assistance Cluster, CFDA Number 84.268 Federal Direct Student Loans, CFDA Number 84.063 Federal Pell Grant Program, U.S. Department of Education Program Year 2017-2018</p> <p style="text-align: center;">Criteria or Specific Requirement – Special Tests: Enrollment Reporting 34 CFR Sections 690.83 (b)(2) and 685.309</p> <p>Condition – Twenty-five student enrollment status changes were not communicated to the National Student Loan Data System (NSLDS) on a timely basis or were reported incorrectly.</p> <p>Questioned costs – None</p> <p>Context – Out of a population of 1,955 student enrollment status changes requiring notification transmitted to NSLDS, a sample of 40 student enrollment status changes was selected for testing. Our sample was not and was not intended to be statistically valid. Two student enrollment changes were not reported within the required 60-day requirement. Eleven student enrollment changes were not reported to NSLDS. Five student enrollment changes were not reported with the correct enrollment level. Seven student enrollment changes were not reported with the correct effective date.</p> <p>Effect – NSLDS was not properly notified of student enrollment status changes of Direct Loan and Pell Grant recipients.</p> <p>Cause – The Registrar’s Office and the Enrollment Services Technical Coordinator do not have adequate processes and controls around enrollment reporting to ensure reporting is accurate and timely.</p> <p>Identification as a repeat finding – 2017-001</p>

**Lincoln University**  
**A Component Unit of the State of Missouri**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2019**

<b>Reference Number</b>	<b>Finding</b>
2018-001 (Continued)	<p>Recommendation – The Registrar’s Office and the Enrollment Services Technical Coordinator should review processes and controls around enrollment reporting and consider substantial changes to address this recurring finding.</p> <p>Views of Responsible Officials and Planned Corrective Actions – After review of the NSLDS findings, it was determined that the majority of the statuses were not being calculated correctly. The census date/pre census date fields should change each time the process is run.</p> <p>To rectify that system, the SITS screen will be modified each time the system is run. The process will also include the following:</p> <ol style="list-style-type: none"><li>1. Clearinghouse information is submitted monthly.</li><li>2. The NSLDS system will be monitored 2 weeks following the clearinghouse submission to ensure the NSLDS captures all information.</li></ol>