

**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
SYSTEM OF HIGHER EDUCATION, INC.**

**FINANCIAL STATEMENTS AND  
SINGLE AUDIT COMPLIANCE REPORT**

**YEARS ENDED JUNE 30, 2022 AND 2021**



CPAs | CONSULTANTS | WEALTH ADVISORS

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SYSTEM OF HIGHER EDUCATION, INC.  
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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Lincoln University of the Commonwealth  
System of Higher Education, Inc.  
Lincoln University, Pennsylvania

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Lincoln University of the Commonwealth System of Higher Education, Inc. (the University), which comprise the statements of financial position as of June 30, 2022, and 2021, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2022, and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Board of Trustees  
Lincoln University of the Commonwealth  
System of Higher Education, Inc.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2022, on our consideration of the 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 effectiveness of the University's 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
November 19, 2022

**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
SYSTEM OF HIGHER EDUCATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2022 AND 2021**

<b>ASSETS</b>	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 4,613,994	\$ 23,288,302
Due from Foundation	4,541,525	1,485,064
Student Receivables, Net of Allowance of \$12,711,574 for 2022 and \$11,977,784 for 2021	2,401,397	2,121,342
Federal and State Government Receivables	2,989,420	1,206,941
Other Receivables	720,060	194,782
Prepaid Expenses	851,224	983,650
Inventories	199,384	197,714
Loans Receivable, Net of Allowance of \$1,285,004 for 2022 and \$1,897,394 for 2021	1,030,531	449,660
Investments	47,842,081	57,158,689
Funds Held in Trust	815,283	1,031,195
Property and Equipment, Net	<u>238,887,521</u>	<u>236,920,473</u>
Total Assets	<u>\$ 304,892,420</u>	<u>\$ 325,037,812</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 7,280,983	\$ 8,259,247
Student Deposits	15,525	139,026
Deferred Revenue	1,902,523	10,975,967
Capital Lease Obligations	144,371	208,169
Line of Credit	-	7,500,000
Loans Payable	1,537,008	1,843,960
Bonds Payable, Net	25,132,981	26,525,376
Asset Retirement Obligation	614,322	596,429
Government Advances for Student Loans	<u>1,030,529</u>	<u>654,902</u>
Total Liabilities	37,658,242	56,703,076
<b>NET ASSETS</b>		
Without Donor Restrictions	38,434,186	37,388,449
With Donor Restrictions	<u>228,799,992</u>	<u>230,946,287</u>
Total Net Assets	<u>267,234,178</u>	<u>268,334,736</u>
Total Liabilities and Net Assets	<u>\$ 304,892,420</u>	<u>\$ 325,037,812</u>

See accompanying Notes to Financial Statements.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
SYSTEM OF HIGHER EDUCATION, INC.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2022  
(WITH COMPARATIVE TOTALS FOR 2021)**

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>OPERATING REVENUES</b>				
Tuition and Fees	\$ 26,295,616	\$ -	\$ 26,295,616	\$ 26,936,491
Room and Board	15,784,293	-	15,784,293	3,594,962
Less: Student Aid	(17,533,269)	-	(17,533,269)	(13,717,662)
Tuition and Fees, Net	24,546,640	-	24,546,640	16,813,791
Government Appropriations	15,166,000	-	15,166,000	15,166,000
Pell Grant	6,392,733	-	6,392,733	6,043,022
HEERF Funding	18,461,302	-	18,461,302	13,214,639
Contracts and Sponsored Activities	5,327,909	-	5,327,909	5,191,437
Private Gifts	3,606,566	549,024	4,155,590	2,292,843
Endowment Income, Net	8,402	1	8,403	8,391
Other Investment Income, Net	721	-	721	1,528
Other	1,093,950	-	1,093,950	788,230
Net Assets Released from Restrictions	2,057,124	(2,057,124)	-	-
Total Operating Revenues	<u>76,661,347</u>	<u>(1,508,099)</u>	<u>75,153,248</u>	<u>59,519,881</u>
<b>OPERATING EXPENSES</b>				
Program Services:				
Instruction	18,626,775	-	18,626,775	18,032,909
Research	5,217,490	-	5,217,490	5,016,200
Student Services	8,853,306	-	8,853,306	7,579,725
Auxiliary Enterprises	20,946,170	-	20,946,170	17,669,942
Total Program Expenses	<u>53,643,741</u>	<u>-</u>	<u>53,643,741</u>	<u>48,298,776</u>
Supporting Services:				
HEERF Grants to Students	4,831,516	-	4,831,516	1,747,266
Academic Support	3,339,314	-	3,339,314	3,492,387
Administration and Institutional Support	11,836,984	-	11,836,984	14,983,048
Fundraising	1,321,369	-	1,321,369	941,760
Total Supporting Expenses	<u>21,329,183</u>	<u>-</u>	<u>21,329,183</u>	<u>21,164,461</u>
Total Operating Expenses	<u>74,972,924</u>	<u>-</u>	<u>74,972,924</u>	<u>69,463,237</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	1,688,423	(1,508,099)	180,324	(9,943,356)
<b>NONOPERATING ITEMS</b>				
State Contribution for Capital Projects	-	11,502,186	11,502,186	16,383,940
Contributions - Endowment	-	409,448	409,448	441,531
Realized and Unrealized (Loss) Gain on Investments	(642,686)	(6,354,364)	(6,997,050)	12,381,336
Depreciation of State Contributed Assets	-	(6,195,466)	(6,195,466)	(5,897,473)
Total Nonoperating Items	<u>(642,686)</u>	<u>(638,196)</u>	<u>(1,280,882)</u>	<u>23,309,334</u>
<b>CHANGES IN NET ASSETS</b>	1,045,737	(2,146,295)	(1,100,558)	13,365,978
Net Assets - Beginning of Year	<u>37,388,449</u>	<u>230,946,287</u>	<u>268,334,736</u>	<u>257,790,070</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 38,434,186</u>	<u>\$ 228,799,992</u>	<u>\$ 267,234,178</u>	<u>\$ 271,156,048</u>

See accompanying Notes to Financial Statements.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
SYSTEM OF HIGHER EDUCATION, INC.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUES</b>			
Tuition and Fees	\$ 26,936,491	\$ -	\$ 26,936,491
Room and Board	3,594,962	-	3,594,962
Less: Student Aid	<u>(13,717,662)</u>	<u>-</u>	<u>(13,717,662)</u>
Tuition and Fees, Net	16,813,791	-	16,813,791
Government Appropriations	15,166,000	-	15,166,000
Pell Grant	6,043,022	-	6,043,022
HEERF Funding	13,214,639	-	13,214,639
Contracts and Sponsored Activities	5,191,437	-	5,191,437
Private Gifts	642,007	1,650,836	2,292,843
Endowment Income, Net	8,386	5	8,391
Other Investment (Expense) Income, Net	1,528	-	1,528
Other	788,230	-	788,230
Net Assets Released from Restrictions	<u>3,575,051</u>	<u>(3,575,051)</u>	<u>-</u>
Total Operating Revenues	61,444,091	(1,924,210)	59,519,881
<b>OPERATING EXPENSES</b>			
Program Services:			
Instruction	18,032,909	-	18,032,909
Research	5,016,200	-	5,016,200
Student Services	7,579,725	-	7,579,725
Auxiliary Enterprises	<u>17,669,942</u>	<u>-</u>	<u>17,669,942</u>
Total Program Expenses	48,298,776	-	48,298,776
Supporting Services:			
HEERF Grants to Students	1,747,266	-	1,747,266
Academic Support	3,492,387	-	3,492,387
Administration and Institutional Support	14,983,048	-	14,983,048
Fundraising	<u>941,760</u>	<u>-</u>	<u>941,760</u>
Total Supporting Expenses	<u>21,164,461</u>	<u>-</u>	<u>21,164,461</u>
Total Operating Expenses	<u>69,463,237</u>	<u>-</u>	<u>69,463,237</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	(8,019,146)	(1,924,210)	(9,943,356)
<b>NONOPERATING ITEMS</b>			
State Contribution for Capital Projects	-	16,383,940	16,383,940
Contributions - Endowment	-	441,531	441,531
Realized and Unrealized Gains on Investments	1,252,611	11,128,725	12,381,336
Depreciation of State Contributed Assets	<u>-</u>	<u>(5,897,473)</u>	<u>(5,897,473)</u>
Total Nonoperating Items	<u>1,252,611</u>	<u>22,056,723</u>	<u>23,309,334</u>
<b>CHANGES IN NET ASSETS</b>	(6,766,535)	20,132,513	13,365,978
Net Assets - Beginning of Year	<u>44,154,984</u>	<u>210,813,774</u>	<u>254,968,758</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 37,388,449</u>	<u>\$ 230,946,287</u>	<u>\$ 268,334,736</u>

See accompanying Notes to Financial Statements.



**LINCOLN UNIVERSITY OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2022**  
**(WITH COMPARATIVE TOTALS FOR 2021)**

	2022								Total	2021
	Program Services				Supporting Services					
	Instruction	Research	Student Services	Auxiliary Enterprises	HEERF Grants to Students	Academic Support	Administrative and Institutional Support	Fundraising		
Accounting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,629	\$ -	\$ 96,629	\$ 89,940
Advertising and Promotion	6,439	3,121	36,879	47	-	1,687	27,239	3,234	78,646	106,832
Conferences	6,087	21,695	5,351	-	-	17,609	4,602	1,143	56,487	37,477
Contracted Services	3,088,786	1,550,898	724,848	6,970,384	-	212,114	1,039,784	64,455	13,651,269	11,402,841
COVID Expense	-	-	-	-	-	-	1,206,333	-	1,206,333	-
Depreciation	-	-	-	6,515,135	-	-	-	-	6,515,135	6,205,760
Grants	-	-	-	-	-	-	-	-	-	199,384
Information Technology	12,447	12,968	16	-	-	-	13,792	-	39,223	171,797
Insurance	-	-	-	-	-	-	1,131,076	-	1,131,076	1,088,269
Interest Expense	-	-	-	11,807	-	-	1,724,171	-	1,735,978	5,642,606
Legal	-	-	-	-	-	4,460	297,739	221	302,420	429,150
Maintenance	1,797	-	17,347	494,591	-	-	1,296	-	515,031	372,427
Meals	5,885	36,158	88,313	4,276,997	-	4,756	21,168	304	4,433,581	2,002,072
Occupancy	-	-	-	1,746,206	-	-	-	-	1,746,206	1,367,880
Office Expenses	223,745	63,538	35,259	16,355	-	24,647	42,564	7,261	413,369	690,285
Other	-	1,685	-	1,961	4,831,516	2,556	11,064	-	4,848,782	2,648,942
Pension Plan Contributions	950,754	85,411	337,468	18,853	-	223,112	370,875	45,273	2,031,746	2,040,212
Professional Development	54,825	375,880	83,124	-	-	12,915	28,813	4,099	559,656	500,617
Program Activities	126,427	422,614	829,656	537,696	-	57,689	268,295	393,366	2,635,743	2,547,872
Salaries and Benefits	14,060,717	2,437,887	5,376,976	229,272	-	2,646,666	5,550,969	785,010	31,087,497	31,372,574
Student Salaries	53,223	136,290	392,645	4,524	-	97,517	575	10,985	695,759	276,944
Travel and Transportation	35,643	69,345	925,424	122,342	-	33,586	-	6,018	1,192,358	269,356
<b>Total Functional Expenses</b>	<b>\$ 18,626,775</b>	<b>\$ 5,217,490</b>	<b>\$ 8,853,306</b>	<b>\$ 20,946,170</b>	<b>\$ 4,831,516</b>	<b>\$ 3,339,314</b>	<b>\$ 11,836,984</b>	<b>\$ 1,321,369</b>	<b>74,972,924</b>	<b>69,463,237</b>
Depreciation of State Contributed Assets									6,195,466	5,897,473
<b>Total</b>									<b>\$ 81,168,390</b>	<b>\$ 75,360,710</b>

See accompanying Notes to Financial Statements.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2021**

	Program Services				Supporting Services				Total
	Instruction	Research	Student Services	Auxiliary Enterprises	HEERF Grants to Students	Academic Support	Administrative and Institutional Support	Fundraising	
Accounting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,940	\$ -	\$ 89,940
Advertising and Promotion	1,241	20,411	14,937	125	-	1,216	56,416	12,486	106,832
Conferences	2,781	22,044	9,086	-	-	1,122	1,441	1,003	37,477
Contracted Services	2,205,443	881,342	394,499	6,915,726	-	174,344	822,008	9,479	11,402,841
Depreciation	-	-	-	6,205,760	-	-	-	-	6,205,760
Grants	-	197,796	-	-	-	1,588	-	-	199,384
Information Technology	36,482	111,231	8,274	-	-	-	15,810	-	171,797
Insurance	-	-	-	-	-	-	1,088,269	-	1,088,269
Interest Expense	-	-	-	5,314	-	-	5,637,292	-	5,642,606
Legal	-	-	-	-	-	-	428,932	218	429,150
Maintenance	3,709	-	21,879	345,936	-	-	903	-	372,427
Meals	75	131,485	9,559	1,852,586	-	-	8,367	-	2,002,072
Occupancy	-	-	-	1,367,880	-	-	-	-	1,367,880
Office Expenses	468,819	117,648	28,833	26,780	-	16,584	27,628	3,993	690,285
Other	-	-	-	-	1,747,266	3,277	898,399	-	2,648,942
Pension Plan Contributions	947,863	102,214	347,118	8,750	-	229,857	359,565	44,845	2,040,212
Professional Development	54,312	316,292	57,995	500	-	26,477	41,136	3,905	500,617
Program Activities	156,465	584,126	796,716	825,824	-	24,299	138,510	21,932	2,547,872
Salaries and Benefits	14,152,420	2,520,505	5,443,827	112,324	-	2,971,975	5,328,318	843,205	31,372,574
Student Salaries	1,520	1,682	221,692	2,174	-	41,126	8,750	-	276,944
Travel and Transportation	1,779	9,424	225,310	263	-	522	31,364	694	269,356
<b>Total Functional Expenses</b>	<b>\$ 18,032,909</b>	<b>\$ 5,016,200</b>	<b>\$ 7,579,725</b>	<b>\$ 17,669,942</b>	<b>\$ 1,747,266</b>	<b>\$ 3,492,387</b>	<b>\$ 14,983,048</b>	<b>\$ 941,760</b>	<b>\$ 69,463,237</b>
Depreciation of State Contributed Assets									5,897,473
<b>Total</b>									<b>\$ 75,360,710</b>

See accompanying Notes to Financial Statements.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
SYSTEM OF HIGHER EDUCATION, INC.  
STATEMENTS OF CASH FLOWS  
YEAR ENDED JUNE 30, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ (1,100,558)	\$ 13,365,978
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Amortization	9,606	9,607
Depreciation	12,710,601	12,103,233
Loss on Disposal of Property and Equipment	-	56,326
Accretion	17,893	14,404
Net Realized and Unrealized Loss (Gain) on Investments	6,781,138	(12,207,918)
Net Loss (Gain) on Funds Held in Trust by Others	215,912	(173,418)
Contributions Restricted for Endowment	(309,448)	(341,529)
Effects of Changes in Noncash Operating Assets and Liabilities:		
Due from Foundation	(3,056,461)	(1,485,064)
Student Receivables, Net	(280,055)	4,035,947
Federal and State Government Receivables	(1,782,479)	590,739
Other Receivables	(525,278)	97,634
Prepaid Expenses	132,426	319,432
Inventories	(1,670)	64,570
Accounts Payable and Accrued Expenses	(978,264)	2,456,155
Student Deposits	(123,501)	(118,865)
Deferred Revenue	(9,073,444)	8,525,280
Government Advances for Student Loans	375,627	71,389
Net Cash Provided by Operating Activities	3,012,045	27,383,900
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(14,677,648)	(21,188,030)
Proceeds from Sale of Investments	4,615,422	3,028,621
Purchase of Investments	(2,079,954)	(3,589,998)
Repayments of Loans from Students	(580,871)	46,896
Net Cash Used by Investing Activities	(12,723,051)	(21,702,511)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Contributions Restricted for Endowment	309,448	341,529
Principal Payments on Capital Lease Obligations	(63,798)	(59,394)
Principal Payments on Bonds Payable	(1,402,003)	(1,354,370)
Payments on Loans Payable	(306,949)	(295,384)
Proceeds from Line of Credit, Net	(7,500,000)	(2,500,000)
Net Cash Used by Financing Activities	(8,963,302)	(3,867,619)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(18,674,308)	1,813,770
Cash and Cash Equivalents - Beginning of Year	23,288,302	21,474,532
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 4,613,994	\$ 23,288,302
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Interest Paid	\$ 902,080	\$ 946,679
Capital Project Costs Paid by State	\$ 11,502,186	\$ 16,383,940

See accompanying Notes to Financial Statements.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
SYSTEM OF HIGHER EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 1 BACKGROUND**

**Nature of Operations**

Lincoln University of the Commonwealth System of Higher Education, Inc. (the University) is a state-related, nonsectarian, coeducational, four-year institution of higher education with an undergraduate campus located in southern Chester County, Pennsylvania and a School of Adult Continuing Education (SACE) located in Philadelphia, Pennsylvania. Under the Lincoln University Act of the General Assembly of the Commonwealth of Pennsylvania, 12 of the University's 39 board members are appointed by elected officials of the Commonwealth of Pennsylvania.

**Enrollment**

Total undergraduate and graduate student billing equivalents (BE's) decreased from 1,920 in fiscal year 2021 to 1,828 in fiscal year 2022. Starting with the 2014/2015 school year, Lincoln introduced a fixed tuition policy. Incoming freshman are guaranteed no increases in tuition for four years from their start date. After four years, any remaining semesters are charged at the current rate. There was a 2.5% increase in undergraduate tuition for fiscal year 2022. Tuition for the sophomore class is fixed at the 2020/2021 tuition rate. Tuition for the junior class is fixed at the 2019/2020 rate. Tuition for the senior class is fixed at the 2018/2019 rate. Graduate tuition did not increase. Student tuition, and room and board revenue before student aid in fiscal year 2022 increased by \$11,548,457, compared to fiscal year 2021. This was largely driven by the impact of COVID-19 on the 2021 fiscal year.

**Accreditation**

Since 1922, the University has been a member of, and is accredited by, the Middle States Commission on Higher Education (MSCHE). Lincoln University was last reaffirmed on June 27, 2019.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying financial statements of the University have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recorded when incurred, without regard to the date of receipt or payment of cash.

**Title IV Requirements**

The University participates in Government Student Financial Assistance Programs (Title IV) administered by the U.S. Department of Education (ED) for the payment of student tuitions. Substantial portions of the revenue and collection of accounts receivable as of June 30, 2022 and 2021, are dependent upon the University's continued participation in the Title IV programs.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

Cash and cash equivalents include short-term investments with an original maturity of three months or less.

**Student Receivables**

Student receivables are recorded net of an allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on the University's historical losses and periodic review of individual accounts. Student receivables are written off when they are determined to be uncollectible based on management's assessment of individual accounts.

**Perkins Loans**

Perkins Loans to students funded by advances to the University by the federal government under the Federal Perkins Loan Program ended on September 30, 2017 with final disbursements permitted through June 30, 2018. The outstanding loans are assignable to the federal government and during the current fiscal year a balance of \$1,030,529 was accepted. The federal government's assignable balance of Perkins Loans as of June 30, 2022 and 2021 was \$1,451,068 and \$2,597,263, respectively.

The prescribed practices for the Program do not provide for accrual of interest on student loans receivable or for a provision of allowance for doubtful loans. Accordingly, interest on loans is recorded as received and is reinvested to support additional loans. The impact of recording interest income on a cash basis is not considered significant. In addition, the credit quality of the student is not evaluated after the initial approval and calculation of the loans. Delinquent loans and the allowance for losses on loans receivable are reviewed by management.

**Inventories**

Inventories consist of supplies and are stated at the lower of cost or net realizable value. Additionally, the Campus Store inventories are for resale purposes and are valued at a First-In, First-Out (FIFO) basis.

**Funds Held in Trust**

Fair value of the funds held in trust is based on the University's interest in the fair value of the underlying assets, which approximate the present value of estimated future cash flows to be received from the trusts.

**Property and Equipment**

Land, buildings and equipment are stated at cost or, if donated, at fair market value at the date of gift less accumulated depreciation. Depreciation of buildings and equipment is computed over the estimated economic lives of the assets using the straight-line method and recorded as an operating expense. Depreciation for donated capital assets is recorded as a nonoperating expense since the related revenue is recorded as nonoperating revenue.

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment (Continued)**

The estimated useful lives of depreciable assets are:

Building and Improvements	5 to 50 Years
Furniture, Fixtures, and Equipment	3 to 5 Years

Repairs and maintenance are expensed as incurred. Management's policy is to capitalize property and equipment acquisitions having a cost exceeding \$500.

The General State Authority of the Commonwealth of Pennsylvania (the Authority) has made available to the University, with nominal cost, certain buildings and other improvements that it has constructed on campus. In connection with such construction, the University has deeded to the Authority tracts of land as sites for certain projects. The projects have been financed by the Authority. The buildings and improvements have been recorded in the financial statements at the construction cost incurred per the Authority. The land is then returned to the University.

**Collections and Works of Art**

The University maintains collections of art and literature. The collections, which were acquired through purchases and contributions since the University's inception, are not recognized as assets in the statements of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired, or as net assets with donor restrictions, if the assets used to purchase the items are restricted by donors. Contributed items are not reflected in the accompanying financial statements. Proceeds from the deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

The University's collections are made up of artifacts of historical significance, scientific specimens and art objects that are held for educational, research, scientific and curatorial purposes. Each of the items is catalogued, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sales to be used to acquire other items for collections or the direct care of the existing collection. The University defines the direct care as activities to enhance the life, usefulness, and or quality of the collection, thereby ensuring that it will continue to benefit the public for years to come.

**Asset Retirement Obligations**

Asset Retirement Obligations (ARO) are initially recorded at fair value and the related asset retirement costs are capitalized. Uncertainty about the timing of an obligation's settlement is factored into the measurement of the liability.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
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NOTES TO FINANCIAL STATEMENTS  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Asset Retirement Obligations (Continued)**

Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the University records period-to-period changes in the ARO's liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. The University reduces ARO liabilities when the related obligations are settled.

**Bond Issuance Costs and Discounts**

Costs related to the issuance of bonds and the bond discounts are amortized over the life of the related debt on a straight-line basis, which approximates the effective yield method. As of June 30, 2022 and 2021, accumulated amortization of bond issuance costs was \$84,006 and \$74,399, respectively, and are reported net of the bonds payable.

**Revenue Recognition**

The University revenues primarily consist of student tuition and fees, room and board charges, government appropriations, grants, sponsored activities and contributions, and other.

**Tuition and Fees Revenue**

Tuition and fees are recognized ratably on a straight-line basis over the academic period as the University satisfies its performance obligation (an instruction is provided to students). The University's transaction price is determined based on established fixed tuition rates for the category of student (in-state vs. out-of-state) and the academic program in which they enroll, net of financial assistance provided directly by the University. Such financial assistance is recorded as a student aid and represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payment on behalf of the student.

Payment of tuition and fees for summer terms are recognized as performance obligations are met. A portion of the revenue may be included in deferred revenue.

**Room and Board Revenue**

The University provides dining facilities and housing services to students. The University's transaction price for housing and meal plans is determined based on established fixed rates based on the dorms students chose to live in (residence halls and room types) and the meal plan type they elect. Performance obligations for housing and dining services are satisfied over the course of an academic term. Consequently, room and board revenue is recognized ratably as the services are rendered.

Payment of housing fees for summer terms are recognized as performance obligations are met. A portion of the revenue may be included in deferred revenue.

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JUNE 30, 2022 AND 2021**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

**Government Appropriations Revenue**

The University receives annual operating and capital appropriations from the Commonwealth of Pennsylvania. Operating appropriations are provided to support the general operations of the University. Funds are required to be spent in accordance with applicable laws and revenue is recognized ratably over the fiscal year as the funds are expended. Capital appropriations (donated assets) are provided to fund certain approved capital projects in support of the University's mission. Revenue from Commonwealth capital funding is recognized upon receipt of the capital spend detail and is classified as "with donor restrictions" until the capital project is completed and placed in service, at such time, the net assets are released from restriction.

**Grants, Sponsored Activities, and Contributions**

The University receives sponsored program funding, grants, and contracts from federal, state, and private agencies for various purposes. The funding may represent a reciprocal transaction in exchange for an equivalent benefit in return, or it may be a nonreciprocal transaction in which the resourced provided are for the benefit of the University, the funding organization's mission, or the public at large. Grant receipts not yet received are accrued to the extent that unreimbursed expenses have been incurred for the purposes specified by an approved grant.

Revenues from reciprocal transactions are recognized as performance obligations are satisfied. Revenues from nonreciprocal transactions (contributions) are subject to contribution model of accounting.

Contributions, including unconditional promises to give (contributions receivable), are recognized as revenues in the period received. Contributions received for capital projects or perpetual endowment funds are reported as nonoperating revenue. All other contributions are reported as operating revenue. Contributions and other revenue with donor-imposed restrictions that are met in the same period are reported as revenue without donor restrictions. If restrictions are not met in the same period, then such revenue are reported as revenue with donor restrictions. Conditional promises to give are not recognized until the conditions are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift, except that contributions of works of art, historical treasures and similar assets held as part of collections are not recognized or capitalized. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue. An allowance is made for estimated uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.



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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

**Grants, Sponsored Activities, and Contributions (Continued)**

As of June 30, 2022, the University has no unrecorded conditional grant agreements from government sponsors related to Higher Education Emergency Relief Funds (HEERF). As of June 30, 2021, the University had unrecorded conditional grant agreements of \$18,531,228. Due to the conditions for recognizing revenue not being met, \$9,663,031 of that amount was presented in deferred revenue on the statement of financial position and \$8,868,197 was not yet recorded.

Expenses are reported as decreases in net assets without donor restrictions. Expiration of restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions. Restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service.

Revenue from sources other than contributions and related endowment income are reported as increases in net assets without donor restrictions in the period earned. Revenue under grants, contracts and similar agreements with sponsoring organizations are recognized as allowable expenditures are incurred.

Nonoperating revenue include contributions of assets to be held in perpetuity as well as realized and unrealized gains from investments, state contributions for capital assets and corresponding depreciation.

Certain accumulated realized and unrealized gains on endowments are considered restricted based on a Pennsylvania law that limits the use of accumulated gains on endowment assets. The law permits a nonprofit organization to spend a portion of such gains on endowment under a spending formula (see Note 9).

**Other Revenue**

Other revenue includes various auxiliary sources of revenue for which revenue is recognized based on their classification of being a reciprocal or nonreciprocal transaction.

**Net Asset Classifications**

The University is subject to the Bylaws of Lincoln University of the Commonwealth System of Higher Education adopted on November 20, 1999. Under the Bylaws, the board of trustees is charged with the stewardship of all University contributions. Certain contributions are received subject to other gift instruments or are subject to specific agreements with the University under the terms of the Bylaws. The board of trustees has the ability to distribute so much of the earnings on the corpus of any trust or separate gift, devise, bequest, or fund, in its sole discretion. All contributions not classified with donor restrictions are classified as net assets without donor restrictions for financial statement purposes.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Asset Classifications (Continued)**

Net assets and revenue, expenses, gains and losses are classified based on the existence of donor-imposed restrictions. Accordingly, net assets of the University are classified and reported as follows:

*Net assets with donor restrictions* are those whose use by the University have been restricted by donors primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Net assets with donor restrictions also consist of funds that are restricted by donors to be maintained by the University in perpetuity. Those assets represent endowment and scholarship funds, the principal portion of which is not available for use by the University.

*Net assets without donor restrictions* are assets and contributions that are not restricted by donors or for which restrictions have expired. Net assets without donor restrictions may be designated for specific purposes by action of the board of trustees.

**Functional Allocation of Expenses**

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the University. The costs providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses.

Accordingly, certain costs have been allocated among the program and supporting services that benefit from those costs. Administrative and institutional support expenses include those expenses that are not directly identified with any other specific function, but provide for the overall support and direction of the University. Salaries and related expenses are allocated to their corresponding departmental functions. Equipment costs, depreciation and insurance related expenses are also allocated by departmental function.

**Income Taxes**

The University is generally exempt from federal income taxes under Section 501(c)(3) of the IRC. Income, which is not related to exempt purposes, less applicable deductions, may be subject to federal and state corporate income taxes (unrelated business income).

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a more likely than not recognition threshold of tax positions taken or expected to be taken in a tax return. The University performed an evaluation of uncertain tax positions for the year ended June 30, 2022, and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax-exempt status.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes (Continued)**

The University's policy is to recognize interest related to unrecognized tax benefits in interest income and penalties in operating expenses.

**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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications**

Certain amounts in the financial statements have been reclassified to conform with the current year presentation.

**Risks and Uncertainties**

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the value of investments in the near term would materially affect the amounts reported in the accompanying statements of financial position and the statements of activities.

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. As a result, widespread shutdowns of states, cities, schools, and businesses began to take place, impacting the United States, and specifically the greater Philadelphia area, as the number of people infected grows at an unprecedented rate. The COVID-19 outbreak is still evolving, and its financial impact remains unknown. There is significant uncertainty around the impact on the global economy, duration of business disruptions, and financial and operating viability of entities in the United States related to COVID-19. The University took the impact into consideration when evaluating and accounting for impact to impairment to assets and the establishment to the other collectability of receivables and known facts at the time of preparing the financial statements; however, the University is currently unable to determine the extent of the impact to its future financial condition and operating results.

**Subsequent Events**

The University evaluated subsequent events through March 1, 2023, which is the date these financial statements were available for issuance, and has determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
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JUNE 30, 2022 AND 2021**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Liquidity and Availability of Resources**

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The University has various sources of liquidity at its disposal, including cash and cash equivalents and a line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing activities of instruction as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the University operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

Refer to the statement of cash flows which identifies the sources and uses of the University's cash and shows positive cash generated by operations for fiscal years 2022 and 2021.

As of June 30, 2022 and 2021, the following table shows the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2022</u>	<u>2021</u>
Financial Assets to Meet General Expenditures over the Next 12 Months:		
Cash and Cash Equivalents	\$ 4,613,994	\$ 23,288,302
Accounts Receivable:		
Due from Lincoln University Foundation	4,541,525	1,485,064
Students, Net of Allowance of \$12,711,574	2,401,397	2,121,342
Federal and State Government Receivables	2,989,420	1,206,941
Other	<u>720,060</u>	<u>194,782</u>
Total Financial Assets to Meet General Expenditures over the Next 12 Months	<u>\$ 15,266,396</u>	<u>\$ 28,296,431</u>

**NOTE 3 CASH AND CASH EQUIVALENTS**

Cash equivalents are investments with an original maturity of three months or less and consists of money market fund. As of June 30, 2022 and 2021, cash and cash equivalents was \$-0- and \$-0-, respectively.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
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**NOTE 4 INVESTMENTS**

Accounting Standards for fair value measurements and disclosures establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

*Level 1* – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

*Level 2* – Quoted prices in markets that are not active, quoted prices for similar securities, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

*Level 3* – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported with little or no market activity).

A financial asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following is a description of the valuation methodology used for investments measured at fair value.

*Commonfund multi-strategy equity fund, Commonfund multi-strategy bond funds, funds held in trust and money market fund:* Valued based on underlying assets of the fund or the market of similar assets.

There have been no changes in the methodology used as of June 30, 2022.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Furthermore, while the University believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following schedule summarizes the returns on these investments:

	<u>2022</u>	<u>2021</u>
Dividends and Interest, Endowment	\$ (6,997,050)	\$ 12,381,336
Other Investment Income	2,079,954	3,589,998
Net Realized and Unrealized Gains on Investments, Net	(4,505,174)	(2,921,575)
Investment Fees	(110,248)	(106,165)
Total Investment Income, Net	<u>\$ (9,532,518)</u>	<u>\$ 12,943,594</u>

**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
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**NOTE 4 INVESTMENTS (CONTINUED)**

Investment fees were \$110,248 and \$106,165 for the years ended June 30, 2022 and 2021, respectively.

For assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used were as follows as of June 30:

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Commonfund Multi-Strategy Equity Fund	\$ -	\$ 32,711,288	\$ -	\$ 32,711,288
State Street Inst US Gov't Money				
Market Fund	-	3	-	3
Commonfund Multi-Strategy Bond Fund	-	15,130,790	-	15,130,790
Funds Held in Trust	-	-	815,283	815,283
Total	<u>\$ -</u>	<u>\$ 47,842,081</u>	<u>\$ 815,283</u>	<u>\$ 48,657,364</u>

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Commonfund Multi-Strategy Equity Fund	\$ -	\$ 41,259,036	\$ -	\$ 41,259,036
State Street Inst US Gov't Money				
Market Fund	-	2	-	2
Commonfund Multi-Strategy Bond Fund	-	15,899,651	-	15,899,651
Funds Held in Trust	-	-	1,031,195	1,031,195
Total	<u>\$ -</u>	<u>\$ 57,158,689</u>	<u>\$ 1,031,195</u>	<u>\$ 58,189,884</u>

The investment category represents the following:

The Commonfund Multi-Strategy Equity Fund is a multi-strategy program which allocates assets across a broad spectrum of public equity strategies. The majority of the program's assets generally are directly or indirectly invested in a portfolio of common stock, and securities convertible into common stock, of U.S. companies. As of June 30, 2022 and 2021, the fair value of the University's investment was \$32,711,288 and \$41,259,036, respectively. The fund has a redemption period requiring five business days prior to the end of the month, monthly redemption frequency and no unfunded commitments.

The Commonfund Multi-Strategy Bond Fund is a multi-strategy program which allocates assets across a broad spectrum of fixed income sectors. The majority of the program's assets generally are directly or indirectly invested in dollar-denominated investment grade bonds and other fixed income securities in an attempt to outperform the broad U.S. bond market. Under normal circumstances, at least 80% of the net assets of the program are invested directly or indirectly in fixed income securities or cash. As of June 30, 2022 and 2021, the fair value of the University's investment was \$15,130,790 and \$15,899,651, respectively. The fund has a redemption period requiring five business days prior to the end of the month, monthly redemption frequency and no unfunded commitments.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
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**NOTE 4 INVESTMENTS (CONTINUED)**

Commonfund Treasury Access is an electronic cash investment platform designed to help nonprofit institutional investors manage operating reserves and working capital balances. It is a Web-based platform that enables the investor to distribute liquidity among multiple providers and to select from a menu of investment options. Options range from treasury-only funds to more diversified money funds to prime money market funds. As of June 30, 2022 and 2021, the fair value of the University's investment was \$3 and \$2, respectively. The fund has a redemption period requiring five business days prior to the end of the month, monthly redemption frequency and no unfunded commitments.

For assets measured on a recurring basis falling within the Level 3 in the fair value hierarchy, the activity recognized during the years ended June 30, was as follows:

	Funds Held in Trust	
	2022	2021
Balance - Beginning of Year	\$ 1,031,195	\$ 857,777
Unrealized (Loss) Gain	(215,912)	173,418
Balance - End of Year	<u>\$ 815,283</u>	<u>\$ 1,031,195</u>

A summary of investments at cost and fair value is as follows as of June 30:

	2022	
	Cost	Fair Value
Pooled Investments	\$ 18,039,356	\$ 47,842,081
Funds Held in Trust	866,915	815,283
Total	<u>\$ 18,906,271</u>	<u>\$ 48,657,364</u>

	2021	
	Cost	Fair Value
Pooled Investments	\$ 17,839,356	\$ 57,158,689
Funds Held in Trust	866,915	1,031,195
Total	<u>\$ 18,706,271</u>	<u>\$ 58,189,884</u>

**NOTE 5 PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment as of June 30:

	2022	2021
Land and Improvements	\$ 1,753,058	\$ 1,753,058
Building and Improvements	365,027,976	340,459,229
Furniture, Fixtures, and Equipment	18,420,744	27,435,742
Construction in Progress	11,939,434	27,611,992
Total Property and Equipment	397,141,212	397,260,021
Less: Accumulated Depreciation	158,253,691	160,339,548
Property and Equipment Net	<u>\$ 238,887,521</u>	<u>\$ 236,920,473</u>

**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
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**NOTE 5 PROPERTY AND EQUIPMENT (CONTINUED)**

Depreciation expense was \$12,710,600 and \$12,103,233 for the years ended June 30, 2022 and 2021, respectively.

**Main Campus Revitalization Project**

The Commonwealth of Pennsylvania (the Commonwealth) has begun several projects with budgets totaling approximately \$21,800,000 to revitalize the Main Campus of Lincoln University.

Each project is considered a contribution with restriction due to the restriction placed on the asset by the Commonwealth and contributions for capital projects are recorded as nonoperating revenue as appropriated. As assets are placed in service depreciation expense is recorded until the assets are fully depreciated over their useful lives. Depreciation for Commonwealth contributed capital assets is recorded as a nonoperating expense.

Capital project contributions appropriated during fiscal years 2022 and 2021 were as follows:

	Funded Amount	
	2022	2021
Amos Hall	\$ 6,597,749	\$ 510,443
Azikiwe-Nkrumah Hall	240,801	3,874,041
Cresson Hall	1,483,209	114,056
Dickey Hall	159,885	10,132,047
Football Track and Field	2,198,293	83,679
Rivero Hall	9,363	38,808
Vail Hall	229,303	679,284
Furniture, Fixtures and Equipment	583,583	951,582
Total	\$ 11,502,186	\$ 16,383,940

**NOTE 6 LONG-TERM DEBT AND LINE OF CREDIT**

A summary of the University's long-term debt and line of credit as of June 30, 2022 was as follows:



**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
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**NOTE 6 LONG-TERM DEBT AND LINE OF CREDIT (CONTINUED)**

**Bonds Payable**

On October 3, 2013, the University issued \$29,426,858 aggregate principal amount of its Revenue Refunding Notes, Series 2013A (the 2013A Bonds) and \$7,381,175 aggregate principal amount of its Federally Taxable Revenue Refunding Notes, Series 2013B (the 2013B Bonds), together the 2013 Bonds. The 2013 Bonds were issued pursuant to a Bond Purchase and Loan Agreement by and between the University and PNC Bank, National Association. The proceeds of the 2013A Bonds were used to: (I) advance refund the University's Pennsylvania Economic Development Financing Authority Revenue Bonds, Series 2004A (then outstanding in the principal amount of \$27,890,000) by funding a deposit to an escrow account sufficient to pay the redemption price of the 2004A Bonds and accrued interest to the redemption date, and (II) to pay costs associated with the issuance of the 2013A Bonds.

The proceeds of the 2013B Bonds were used to: (I) refund the University's Pennsylvania Economic Development Financing Authority Federally Taxable Revenue Bonds, Series 2004B (then outstanding in the principal amount of \$6,925,000) by funding a deposit to an escrow account sufficient to pay the redemption price of the 2004B Bonds and accrued interest to the redemption date, and (II) to pay costs associated with the issuance of the 2013B Bonds. As a result of the refinancing, the University received \$2.7 million from the release of the investments restricted for debt service and will realize an actual debt service savings of \$3.4 million from 2013 through 2023 (the period of the interest rate lock).

Future principal payments as of June 30, 2022, were as follows:

<u>Year Ending June 30,</u>	<u>Series 2013 A Bonds</u>	<u>Series 2013 B Bonds</u>	<u>Total</u>
2023	\$ 1,282,203	\$ 169,965	\$ 1,452,168
2024	1,317,012	177,597	1,494,609
2025	1,364,288	184,923	1,549,211
2026	1,404,832	191,932	1,596,764
2027	1,448,677	198,610	1,647,287
2028-2032	7,991,162	1,112,729	9,103,891
2033-2036	7,360,615	1,062,279	8,422,894
Total	<u>\$ 22,168,789</u>	<u>\$ 3,098,035</u>	25,266,824
Less: Bond Issuance Cost			(133,843)
Total			<u>\$ 25,132,981</u>

**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
SYSTEM OF HIGHER EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 6 LONG-TERM DEBT AND LINE OF CREDIT (CONTINUED)**

**Loan Payable- Energy Conservation Project (the Project)**

In November 2016, the University entered into an agreement with Aramark and PNC Bank to upgrade University facilities via a performance bond. The proceeds of the performance bond were deposited into an escrow account with US Bank and remitted based upon project percentage of completion. The original loan agreement with PNC Equipment Lease was in the amount of \$3,601,959 and matured in November 2026. The loan agreement was amended in February 2019 with a new balance of \$1,537,008, and later sold to The Huntington National Bank in November 2020.

Future principal payments were as follows as of June 30, 2022:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 318,973
2025	331,465
2026	344,446
2027	357,934
2028	184,190
Total	<u>\$ 1,537,008</u>

**Line of Credit**

The University currently maintains a \$10,000,000 revolving line of credit for use as working capital or other general business purposes. The line of credit is secured by the gross revenue of the University. The line of credit will expire on March 31, 2023. The amounts outstanding under this Note will bear interest at a rate per annum plus 1.85%. The University had \$-0- outstanding as of June 30, 2022.

**NOTE 7 ASSET RETIREMENT OBLIGATION**

The asset retirement obligation estimated by the University is based upon asbestos abatement costs of University buildings, as determined by a study completed during fiscal year 2019. The University estimated its total undiscounted asset retirement obligation to be \$720,650. As of June 30, 2022 and 2021, the future asset retirement obligation was \$614,322 and \$596,429, respectively, and the University used an accretion rate of 3.00% to calculate the present value of the asset retirement obligation. Settlement of the obligations will be funded from general funds at the time of retirement or removal. As of June 30, 2022, no funds have been set aside to settle these obligations.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
SYSTEM OF HIGHER EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 7 ASSET RETIREMENT OBLIGATION (CONTINUED)**

The following table provides a reconciliation of the University's total asset retirement obligation as of June 30:

	2022	2021
Balance - Beginning of Year	\$ 596,429	\$ 582,025
Accretion	17,893	17,372
Abatements	-	(2,968)
Balance - End of Year	\$ 614,322	\$ 596,429

**NOTE 8 NET ASSETS**

Net assets with donor restrictions were available for the following purposes as of June 30:

	2022	2021
Invested in State Contributed Capital	\$ 181,432,529	\$ 176,125,805
Endowment Corpus	15,883,544	15,574,095
Endowment Earnings	26,838,813	34,419,862
Temporarily Restricted	3,829,823	3,795,330
Funds Held in Trust	815,283	1,031,195
Total With Donor Restrictions Net Assets	\$ 228,799,992	\$ 230,946,287

**NOTE 9 ENDOWMENTS**

The University's endowments consist of various individual funds established for a variety of purposes. Its endowments include both a donor-restricted endowment fund and a fund designated by the board of trustees to function as an endowment. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The University's policy is to require the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The University classifies as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions available for appropriation until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by the relevant state law.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
SYSTEM OF HIGHER EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 9 ENDOWMENTS (CONTINUED)**

**Interpretation of Relevant Law (Continued)**

Unless specifically defined, a donor-restricted endowment fund that is required by donor stipulation to accumulate or appropriate endowment funds, the University considers the following factors:

- 1) the duration and preservation of the fund,
- 2) the purposes of the University and the donor-restricted endowment fund,
- 3) general economic conditions,
- 4) the possible effect of inflation and deflation,
- 5) the expected total return from income and appreciation of investments,
- 6) other resources of the University, and
- 7) the investment policies of the University.

**Funds with Deficiencies**

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the relevant state law requires the University to retain as a fund of perpetual duration. There were no such deficiencies reported as of June 30, 2022 and 2021.

**Return Objectives and Risk Parameters**

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Commonwealth of Pennsylvania law (Investment in Trust Funds – 15 Pa. Cons. Stat 5548) permits the University to allocate to income each year, a portion of endowment net realized gains under an endowment spending policy. The University's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

**Endowment Spending Policy and How the Investment Objectives Relate to the Spending**

The spending policy calculates the amount of money annually distributed from the University's various endowed funds for scholarships and other activities. The current spending policy is to distribute an amount equal to 3.5% of a moving three-year average of the endowed funds balance.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
SYSTEM OF HIGHER EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 9 ENDOWMENTS (CONTINUED)**

**Endowment Spending Policy and How the Investment Objectives Relate to the Spending (Continued)**

Endowment net assets composition by type of fund are summarized below as of June 30:

	2022			
	Without Donor Restrictions	With Donor Restrictions		Total
		Endowment Available for Appropriation	Endowment Held for Perpetuity	
Donor Designate Endowment Funds	\$ -	\$ 26,956,602	\$ 16,750,459	\$ 43,707,061
Board Designated Endowment Funds	5,259,753	-	-	5,259,753
<b>Total Endowment Funds</b>	<b>\$ 5,259,753</b>	<b>\$ 26,956,602</b>	<b>\$ 16,750,459</b>	<b>\$ 48,966,814</b>

	2021			
	Without Donor Restrictions	With Donor Restrictions		Total
		Endowment Available for Appropriation	Endowment Held for Perpetuity	
Donor Designate Endowment Funds	\$ -	\$ 34,753,564	\$ 16,441,010	\$ 51,194,574
Board Designated Endowment Funds	5,902,439	-	-	5,902,439
<b>Total Endowment Funds</b>	<b>\$ 5,902,439</b>	<b>\$ 34,753,564</b>	<b>\$ 16,441,010</b>	<b>\$ 57,097,013</b>

Changes in endowment net assets were summarized below for the years ended June 30:

	2022			
	Without Donor Restrictions	With Donor Restrictions		Total
		Endowment Available for Appropriation	Endowment Held for Perpetuity	
Balance as of June 30, 2021	\$ 5,902,439	\$ 34,753,564	\$ 16,441,010	\$ 57,097,013
Net Investment Income	(952,934)	(6,354,363)	-	(7,307,297)
Contributions	100,000	-	309,448	409,448
Withdrawal of Spending Allocation	-	(1,442,598)	-	(1,442,598)
Transfers	210,248	-	-	210,248
<b>Balance as June 30, 2022</b>	<b>\$ 5,259,753</b>	<b>\$ 26,956,603</b>	<b>\$ 16,750,458</b>	<b>\$ 48,966,814</b>

**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
SYSTEM OF HIGHER EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 9 ENDOWMENTS (CONTINUED)**

**Endowment Spending Policy and How the Investment Objectives Relate to the Spending (Continued)**

	2021			
	Without Donor Restrictions	With Donor Restrictions		Total
		Endowment Available for Appropriation	Endowment Held for Perpetuity	
Balance as of June 30, 2020	\$ 4,466,246	\$ 24,903,935	\$ 16,099,481	\$ 45,469,662
Net Investment Income	1,130,023	11,128,725	-	12,258,748
Net Income on Investments	100,000	-	-	100,000
Contributions	-	-	341,529	341,529
Withdrawal of Spending Allocation	-	(1,279,096)	-	(1,279,096)
Transfers	206,170	-	-	206,170
Balance as June 30, 2021	<u>\$ 5,902,439</u>	<u>\$ 34,753,564</u>	<u>\$ 16,441,010</u>	<u>\$ 57,097,013</u>

**NOTE 10 GOVERNMENT APPROPRIATIONS**

The University received the following appropriations from the Commonwealth of Pennsylvania for the years ended June 30:

	2022	2021
Operations	\$ 15,166,000	\$ 15,166,000
State Contributions for Capital Projects	11,502,186	16,383,940
Total	<u>\$ 26,668,186</u>	<u>\$ 31,549,940</u>

**NOTE 11 COMMITMENTS AND CONTINGENCIES**

The university has been named in or is an indirect party to a small number of suits, alleging such matters as unfair labor practices and personal injury. The university believes that the resolution of any outstanding claims and litigation will not have a material adverse effect on the university's financial statements.

In January 2019 Lincoln University extended its agreement with Xerox and their related service company Stewart Business Systems for an additional five-year period. The minimum base charges is \$13,396 payable for the equipment lease.

As of June 30, 2022 the University employed approximately 333 employees. Approximately 52% of the University's employees are covered by union contracts. Union employees are covered under one of three contracts. The Clerical Union (AFSCME) Contract expires July 1, 2025. The Police Union (LUPA) Contract expires June 30, 2025. The Faculty Union (LUC-AAUP) Contract expires August 31, 2025.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
SYSTEM OF HIGHER EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Operating Leases**

The University leases equipment for general operations. All leases as of June 30, 2022 will expire within the next five years. Operating lease expense was \$211,905 and \$219,670 for the years ended June 30, 2022 and 2021, respectively.

The following is a schedule, by years, of future minimum lease payments under operating leases of June 30, 2022.

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 203,617
2024	123,241
2025	34,874
2026	29,295
2027	10,668
Total	<u>\$ 401,695</u>

**Capital Leases**

The University leases vehicles and equipment for general operations. All leases as of June 30, 2022, will expire within the next three years. The interest rate is 1%, compounded monthly. The following is a schedule, by years, of future minimum lease payments under capital leases as of June 30, 2022.

<u>Year Ending June 30,</u>	<u>Principal</u>
2023	\$ 75,597
2024	75,597
2025	2,288
Total Minimum Lease Payments	153,482
Less: Amount Representing Interest	(9,111)
Present Value of Minimum Lease Payments	<u>\$ 144,371</u>

**NOTE 12 MASTER LEASE AGREEMENT**

On May 30, 2007, the University entered into a Master Lease agreement for its 3020 Market Street, Philadelphia property it owns. Brandywine Realty Trust is the lessee. For the 75-year term of the lease, the lessee is responsible for all renovations in the building, most taxes and insurance, most operating expenses, utilities, repairs, maintenance and property management, security, and real estate broker services for leasing to commercial tenants.

The University has retained full ownership of the land and building. There is no recourse for any of the debts or liabilities of the lessee resulting from the renovations, and the University has no liability for such improvements.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
SYSTEM OF HIGHER EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 12 MASTER LEASE AGREEMENT (CONTINUED)**

The University has the right to occupy one floor and a small portion of another for \$1 per year for the entire lease term, the right to occupy a portion of another floor at commercial market rate, and share in all common tenant expenses. For all other space in the building, the University has assigned all current and future tenants and rents to the lessee. The University has rights to a share of certain future profits, with no guaranteed or minimum amount, from sub-leases by the lessee. The University recorded \$564,102 and \$434,853 in revenue under this lease for the years ended June 30, 2022 and 2021, respectively.

The recorded asset value as of June 30, 2022 and 2021 for this property was \$9,949,405 and \$10,314,717 for years ended June 30, 2022 and 2021, respectively. Accumulated depreciation was \$5,241,723 and \$5,360,279 as of June 30, 2022 and 2021, respectively.

**NOTE 13 RETIREMENT BENEFITS**

The University participates in the Teachers' Insurance and Annuity Association (TIAA), a multi-employer defined contribution pension plan that is available to all University employees. The University contributes 5% of eligible employee gross earnings and matches employee contributions up to a maximum of 5% of eligible employee gross earnings. University employees are, upon plan participation eligibility, 100% vested in both employer and employee contributions to the plan. Retirement benefit expense for the years ended June 30, 2022 and 2021 was \$2,024,849 and \$2,042,615, respectively.

**NOTE 14 RELATED-PARTY TRANSACTIONS**

The University's By-Laws require full disclosure of any related party matters or conflicts of interest of board members. Affected board members are prohibited from participating in such matters without approval in writing from the board on the terms of their allowed participation. The University believes that this policy is being followed, and that there are no related party transactions to report.

**Foundation**

Lincoln University Foundation of Pennsylvania (the Foundation) was established in July 2019, for the charitable and educational purposes permitted by Section 501(c) (3) of the Internal Revenue Code (IRC) to act exclusively for the benefit to carry out the purpose of the University as a supporting organization.

The University conducted related party transactions with the Foundation during fiscal year 2022 resulting in receivables of \$4,399,608 for contribution revenue and \$141,917 for expenses incurred on behalf of Lincoln University Foundation as of June 30, 2022.





**INDEPENDENT AUDITORS' 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***

Board of Trustees  
Lincoln University of the Commonwealth  
System of Higher Education, Inc.  
Lincoln University, Pennsylvania

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 of the Commonwealth System of Higher Education, Inc. (the University), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 19, 2022.

***Report on 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) as a basis for designing 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 entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

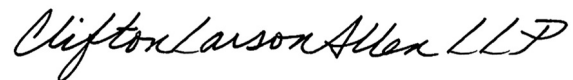
Board of Trustees  
Lincoln University of The Commonwealth  
System of Higher Education, Inc.

***Report on 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 financial statements. 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*.

***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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
November 19, 2022



## INDEPENDENT AUDITOR' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROLS OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Trustees  
Lincoln University of the Commonwealth  
System of Higher Education, Inc.  
Lincoln University, Pennsylvania

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

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

We have audited Lincoln University of the Commonwealth System of Higher Educations, Inc.'s (the University) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2022. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the 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, 2022.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the University's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the University's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the University's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other 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.



**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
March 1, 2023

**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
SYSTEM OF HIGHER EDUCATION INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2022**

Federal Grantor/Passthrough Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through ID or Grant Number	Federal Expenditures	Expenditures to Subrecipients
<b>U.S. Department of Education</b>				
Student Financial Assistance Center:				
Federal Supplemental Educational Opportunity				
Grant (FSEOG)	84.007	N/A	\$ 534,105	\$ -
Federal Work-Study	84.033	N/A	269,170	-
Federal Pell Grants	84.063	N/A	6,344,157	-
Federal Perkins Loans Outstanding	84.038	N/A	1,692,150	-
Federal Direct Lending	84.268	N/A	18,274,125	-
Total Student Financial Assistance Cluster			27,113,707	-
Title III - Strengthening Historically Black				
Colleges and Universities	84.031	N/A	3,036,577	-
HBCU - FUTURE Act	84.031	N/A	839,241	-
Total Higher Education Institutional Aid			3,875,818	-
Upward Bound				
	84.047	N/A	498,588	-
Education Stabilization Fund:				
Higher Education Emergency Relief Fund (HEERF):				
COVID-19, Student Aid Portion - CARES Act	84.425E	N/A	4,831,516	-
COVID-19, HEERF Institutional Portion - CARES Act	84.425F	N/A	4,831,515	-
COVID-19, HEERF Historically Black Colleges and University (HBCUs) - CARES Act	84.425J	N/A	8,868,197	-
Total Education Stabilization Fund			18,531,228	-
Total U.S. Department of Education			50,019,341	-
<b>Research and Development Cluster:</b>				
Biomedical Research and Research Training	93.859	5-K12-GM-081259-12	28,925	-
National Science Foundation:				
Educational and Human Resources (LEAPS Transformation)	47.076	HRD-1623350	48,320	-
Educational and Human Resources (Bioinformatics Program)	47.076	HRD-1912104	91,374	-
Educational and Human Resources (Target Infusion Project)	47.076	HRD-1818693	8,000	-
Educational and Human Resources (Target Infusion Project - LU FIELDS)	47.076	HRD-2011736	278,047	-
Educational and Human Resources (Louis Stokes Stems Pathways LSAMP)	47.076	HRD-2008197	24,614	-
Grant Name: GEO SCIENCE -Experience and Communicate the Science Around You	47.050	2139779	16,981	-
Collaborative Research HDR DSC-Delaware & MidAtlantic Data Science Corps	47.070	UDR0000144	52,946	-
Total National Science Foundation			520,282	-
U.S. Department of Defense				
Passed through Pennsylvania Department of Health				
Military Medical Research and Development (Psychological Health/Traumatic Brain Injury)	12.420	259431-04-LU	11,338	-
Total U.S. Department of Defense			11,338	-
U.S. Department of Justice				
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525	2017-WA-AX-0025	36,721	-
Total U.S. Department of Justice			36,721	-
National Aeronautics and Space Administration				
Passed through University of Pennsylvania				
STEM Academic Research Training-Underrepresented Pennsylvanians	43.008	5243-LU-NASA-K06H	11,750	-
Total National Aeronautics and Space Administration			11,750	-
<b>Total Research and Development Cluster:</b>			609,016	-

**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
SYSTEM OF HIGHER EDUCATION INC.  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Lincoln University of the Commonwealth System of Higher Education, Inc. under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of 2 CFR 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 assets, or cash flows of the University.

**NOTE 2 BASIS OF PRESENTATION**

Expenditures reported on the accompanying Schedule for the year ended June 30, 2022, are presented 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.

**NOTE 3 FEDERAL PERKINS LOAN PROGRAM**

The Federal Perkins Loan Program is administered directly by the University, and balances and transactions relating to this program are included in the University's basic financial statements. The Federal Perkins Loan Program ended on September 30, 2017, with final disbursements permitted through June 30, 2018. The University's portion of the loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. Federal Perkins loans outstanding as of June 30, 2022 totaled \$1,285,004.

**NOTE 4 WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM**

The University participates in the Federal Direct Loan Program (CFDA No. 84.268). During the year ended June 30, 2022, the University disbursed to students the following amount of new loans under the Federal Direct Loan Program:

	Amount Expended
Stafford Loans	\$ 5,392,262
Unsubsidized Loans	6,268,618
Plus Loans	6,613,245
Total	<u>\$ 18,274,125</u>

**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
SYSTEM OF HIGHER EDUCATION INC.  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2022**

**NOTE 5 FACILITIES AND ADMINISTRATIVE COST**

The University has negotiated facilities and administrative cost rates for use on federal grants, contracts, and other agreements with the federal government. The negotiated predetermined rates are 55% on-campus and 20% off-campus, and are effective from July 1, 2016, through June 30, 2021. After June 30, 2021, the provisional rates of 55% on campus and 20% off campus will apply until amended.



**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
SYSTEM OF HIGHER EDUCATION INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2022**

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**Section I – Summary of Auditors’ Results**

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***Financial Statements***

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes        x   none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes        x   no

***Federal Awards***

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) identified?   x   yes      \_\_\_\_\_ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   x   yes      \_\_\_\_\_ no

***Identification of Major Federal Programs***

**Assistance Listing Number(s)**

**Name of Federal Program or Cluster**

84.425E

Education Stabilization Act:  
COVID-19, Higher Education Emergency Relief Fund (HEERF) - Student Aid Portion

84.428F

COVID-19, Higher Education Emergency Relief Fund (HEERF) - Institutional Portion

84.425J

COVID-19, Higher Education Emergency Relief Fund (HEERF) Historically Black Colleges and Universities (HBCUs)-Cares Act

Dollar threshold used to distinguish between Type A and Type B programs:

\$1,500,892

Auditee qualified as low-risk auditee?

  x   yes      \_\_\_\_\_ no

**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
SYSTEM OF HIGHER EDUCATION INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2022**

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**Section II – Financial Statement Findings**

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Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

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**Section III – Findings and Questioned Costs – Major Federal Programs**

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**2022 – 001**

Federal Agency: Department of Education

Federal Program Name: Coronavirus Aid, Relief and Economic Security Act – Higher Education Emergency Relief Fund – Institution Portions & Historically Black Colleges and University (HBCUs)

Assistance Listing Number: 84.425F & 84.425J

Federal Award Identification Number and Year: P425F200155 & P425J200032, 2022

Award Period: July 1, 2021 to June 30, 2022

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

**Criteria or specific requirement:** The CARES Act 18004(e) and the CRRSAA 314(e) requires an institution receiving funds under HEERF III to submit a report to the secretary, at such time in such a manner as the secretary may require. 1.) Quarterly Public Reporting for Institutional requires a new, separate form to be posted covering aggregate amounts spent for HEERF I, HEERF II, and HEERF III funds each quarterly reporting period due no later than 10 days after the end of each calendar quarter.

**Condition:** During our testing of Institutional Quarterly Public reports the University posted the 1 of the 2 Quarterly Institutional tested 68 days late.

**Questioned costs:** None

**Context:** During our testing of Institutional Quarterly Public reports, we noted that the University was not posting required Quarterly Public reports within 10 days of the calendar quarter.

**Cause:** The University did not have processes in place to maintain documentation of updates to student portion quarterly reports posted to their website. In addition, the University did not have process in place to timely update quarterly Institutional Quarterly Public reports.

**Effect:** Failure to file the required reports timely may result in the loss of funding or delay in payments under the award agreement.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH  
SYSTEM OF HIGHER EDUCATION INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2022**

**Repeat Finding:** Yes.

**Recommendation:** We recommend the University enhances its procedures, controls, and review policies around HEERF reporting.

**Views of responsible officials:** There is no disagreement with the audit finding.



# Lincoln University

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## Division of Finance & Administration

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### LINCOLN UNIVERSITY OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2022

Department of Education

Lincoln University of the Commonwealth System of Higher Education respectfully submits the following corrective action plan for the year ended June 30, 2022.

Audit period: July 1, 2021 through June 30, 2022

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

#### FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

2022-001      Coronavirus Aid, Relief and Economic Security Act – Higher Education  
Emergency Relief Fund –Institution Portions – Assistance Listing No. 84.425F

Recommendation: We recommend the University enhances its procedures, controls, and review policies around HEERF reporting.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding:

The organization has implemented policies and procedures to ensure the posting of quarterly reporting to the Lincoln website by the due date and that the posting includes verification of the posting date.

Name(s) of the contact person(s) responsible for corrective action:

Sharon Falade, Grants Accountant – [sfalade@lincoln.edu](mailto:sfalade@lincoln.edu)

Planned completion date for corrective action plan:

April 2022

If the Department of Education has questions regarding this plan, please call:

Chuck Gradowski, Vice President, Division of Finance & Administration

484-365-8049



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### LINCOLN UNIVERSITY OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED JUNE 30, 2022

Department of Education

Lincoln University of the Commonwealth System of Higher Education respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2022.

Audit period: July 1, 2021, to June 30, 2022

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

#### **FINDINGS—FINANCIAL STATEMENT AUDIT**

There were no financial statement findings in the prior year.

#### **FINDINGS— FEDERAL AWARD PROGRAMS AUDITS**

##### **2021 – 001:**

**Condition:** During testing: 1.) three of the 40 students tested were reported to NSLDS outside the 60 days. 2.) two of the 40 students tested were reported to NSLDS with an incorrect enrollment effective date. 3.) the University was not making necessary corrections of to the roster file within 10 days. 4.) two of the 40 students tested were not reported correctly with the correct program enrollment of the Direct Loan and Pell Grant programs, we selected a sample of students to test for timeliness of reporting student status changes to the National Student Loan Data System (NSLDS). During our testing, we noted that the rosters returned yielded error reports that were not corrected and resubmitted within the required 10 days.

**Status:** Corrected. Controls have been implemented to monitor and ensure compliance.

##### **2021 – 002:**

**Condition:** During testing, it was noted that 2 of the 25 students tested had disbursements that were not reported within the required 15 days.

**Status:** Corrected. Controls have been implemented to monitor and ensure compliance.

**2021 – 003:**

**Condition:** During testing of borrowers with open loans it was noted that the University did not have original or true copies of master promissory notes for 10 of the 60 students tested.

**Status:** Corrected. The University recovered all 10 missing master promissory notes, after the report date.

**2021 – 004:**

**Condition:** During testing of the quarterly public reports for the institutional and student aid portion, the University did not post three of the four quarterly institutional reports and posted one quarterly institutional report past the 10-day requirement. For the student aid portion, two of the four quarterly reports, were published on the University's website, however, there was no documentation for when this information was posted or updated within 10 days after the end of the quarter-end.

**Status:** Repeat find. See current year finding 2022-001.

**Reason for finding's recurrence:** During testing of the quarterly public reports for the institutional and student aid portion, the University posted one quarterly institutional report past the 10-day requirement.

**Corrective Action:** The organization has implemented policies and procedures to ensure the posting of quarterly reporting to the Lincoln website by the due date and that the posting includes verification of the posting date.

If the Department of Education has questions regarding this schedule, please call Chuck Gradowski, Vice President, Division of Finance & Administration at 484-365-8049.