

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

**FINANCIAL STATEMENTS AND
SINGLE AUDIT COMPLIANCE REPORT**

YEARS ENDED JUNE 30, 2021 AND 2020



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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.

Report on the Financial Statements

We have audited the statements of financial position of Lincoln University of Commonwealth System of Higher Education, Inc. (the University), as of June 30, 2021, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2020 financial statements of Lincoln University of the Commonwealth System of Higher Education, Inc. were audited by other auditors whose report dated November 21, 2020, expressed an unmodified opinion on those statements.

Other Matters

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2022, on our consideration of the University's internal controls 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 controls 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 controls 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 controls over financial reporting and compliance.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania

November 20, 2021, except for the Schedule of Expenditures of Federal Awards as to which the date is April 5, 2022.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and Cash Equivalents	23,288,302	\$ 21,474,532
Due from Foundation	1,485,064	-
Student Receivables, Net of Allowance of \$11,977,784 and \$7,557,808, Respectively	2,121,342	6,157,289
Federal and State Government Receivables	1,206,941	1,797,680
Other Receivables	194,782	292,416
Prepaid Expenses	983,650	1,303,082
Inventories	197,714	262,284
Loans Receivable, Net of Allowance of \$1,897,394 and \$1,958,729, Respectively	449,660	496,556
Investments	57,158,689	44,389,394
Funds Held in Trust	1,031,195	857,777
Property and Equipment, Net	<u>236,920,473</u>	<u>227,892,002</u>
Total Assets	<u><u>325,037,812</u></u>	<u><u>\$ 304,923,012</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	8,259,247	\$ 5,803,092
Student Deposits	139,026	257,891
Deferred Revenue	10,975,967	2,450,687
Capital Lease Obligations	208,169	267,563
Line of Credit	7,500,000	10,000,000
Loans Payable	1,843,960	2,139,344
Bonds Payable, Net	26,525,376	27,870,139
Asset Retirement Obligation	596,429	582,025
Government Advances for Student Loans	<u>654,902</u>	<u>583,513</u>
Total Liabilities	56,703,076	49,954,254
NET ASSETS		
Without Donor Restrictions	37,488,449	44,154,984
With Donor Restrictions	<u>230,846,287</u>	<u>210,813,774</u>
Total Net Assets	<u><u>268,334,736</u></u>	<u><u>254,968,758</u></u>
Total Liabilities and Net Assets	<u><u>325,037,812</u></u>	<u><u>\$ 304,923,012</u></u>

See accompanying Notes to Financial Statements.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
OPERATING REVENUES				
Tuition and Fees	26,936,491	\$ -	\$ 26,936,491	\$ 29,447,540
Room and Board	3,594,962	-	3,594,962	14,183,317
Less: Student Aid	(13,717,662)	-	(13,717,662)	(14,125,876)
Tuition and Fees, Net	16,813,791	-	16,813,791	29,504,981
Government Appropriations	15,166,000	-	15,166,000	15,166,000
Pell Grant	6,043,022	-	6,043,022	6,560,919
HEERF Funding	13,214,639	-	13,214,639	7,407,524
Contracts and Sponsored Activities	5,191,437	-	5,191,437	5,474,333
Private Gifts and Grants	642,007	1,650,836	2,292,843	1,426,449
Endowment Income, Net	8,386	5	8,391	116,998
Other Investment (Expense) Income, Net	1,528	-	1,528	25,820
Other	788,230	-	788,230	1,084,486
Net Assets Released from Restrictions	3,575,051	(3,575,051)	-	-
Total Operating Revenues	61,444,091	(1,924,210)	59,519,881	66,767,510
OPERATING EXPENSES				
Program Services:				
Instruction	18,032,909	-	18,032,909	18,495,378
Research	5,016,200	-	5,016,200	4,469,723
Student Services	7,579,725	-	7,579,725	8,569,656
Auxiliary Enterprises	17,669,942	-	17,669,942	18,582,310
Total Program Expenses	48,298,776	-	48,298,776	50,117,067
Supporting Services:				
HEERF Grants to Students	1,747,266	-	1,747,266	1,747,266
Academic Support	3,492,387	-	3,492,387	3,001,877
Administration and Institutional Support	14,983,048	-	14,983,048	10,496,954
Fundraising	941,760	-	941,760	1,404,340
Total Supporting Expenses	21,164,461	-	21,164,461	16,650,437
Total Operating Expenses	69,463,237	-	69,463,237	66,767,504
CHANGE IN NET ASSETS FROM OPERATIONS	(8,019,146)	(1,924,210)	(9,943,356)	6
NONOPERATING ITEMS				
State Contribution for Capital Projects	-	16,383,940	16,383,940	2,025,029
Contributions - Endowment	100,000	341,531	441,531	322,491
Realized and Unrealized Gains on Investments	1,252,611	11,128,725	12,381,336	729,282
Depreciation of State Contributed Assets	-	(5,897,473)	(5,897,473)	(5,898,120)
Total Nonoperating Items	1,352,611	21,956,723	23,309,334	(2,821,318)
CHANGES IN NET ASSETS	(6,666,535)	20,032,513	13,365,978	(2,821,312)
Net Assets - Beginning of Year	44,154,984	210,813,774	254,968,758	257,790,070
NET ASSETS - END OF YEAR	37,488,449	\$ 230,846,287	\$ 268,334,736	\$ 254,968,758

See accompanying Notes to Financial Statements.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES			
Tuition and Fees	29,447,540	-	\$ 29,447,540
Room and Board	14,183,317	-	14,183,317
Less: Student Aid	(14,125,876)	-	(14,125,876)
Tuition and Fees, Net	29,504,981	-	29,504,981
Government Appropriations	15,166,000	-	15,166,000
Pell Grant	6,560,919	-	6,560,919
HEERF Funding	7,407,524	-	7,407,524
Contracts and Sponsored Activities	5,474,333	-	5,474,333
Private Gifts and Grants	680,507	745,942	1,426,449
Endowment Income, Net	(79,178)	196,176	116,998
Other Investment (Expense) Income, Net	25,820	-	25,820
Other	1,084,486	-	1,084,486
Net Assets Released from Restrictions	1,045,342	(1,045,342)	-
Total Operating Revenues	66,870,734	(103,224)	66,767,510
OPERATING EXPENSES			
Program Services:			
Instruction	18,495,378	-	18,495,378
Research	4,469,723	-	4,469,723
Student Services	8,569,656	-	8,569,656
Auxiliary Enterprises	18,582,310	-	18,582,310
Total Program Expenses	50,117,067	-	50,117,067
Supporting Services:			
HEERF Grants to Students	1,747,266	-	1,747,266
Academic Support	3,001,877	-	3,001,877
Administration and Institutional Support	10,496,954	-	10,496,954
Fundraising	1,404,340	-	1,404,340
Total Supporting Expenses	16,650,437	-	16,650,437
Total Operating Expenses	66,767,504	-	66,767,504
CHANGE IN NET ASSETS FROM OPERATIONS	103,230	(103,224)	6
NONOPERATING ITEMS			
State Contribution for Capital Projects	-	2,025,029	2,025,029
Contributions - Endowment	100,000	222,491	322,491
Realized and Unrealized Gains on Investments	75,078	654,204	729,282
Depreciation of State Contributed Assets	-	(5,898,120)	(5,898,120)
Total Nonoperating Items	175,078	(2,996,396)	(2,821,318)
CHANGES IN NET ASSETS	278,308	(3,099,620)	(2,821,312)
Net Assets - Beginning of Year	43,876,676	213,913,394	257,790,070
NET ASSETS - END OF YEAR	44,154,984	210,813,774	\$ 254,968,758

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
(WITH COMPARATIVE TOTALS FOR 2020)**

	2021										
	Program Services				Supporting Services						
	Instruction	Research	Student Services	Auxiliary Enterprises	HEERF Grants to Students	Academic Support	Administrative and Institutional Support	Fundraising	Total	2020	
Accounting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,940	\$ -	\$ 89,940	\$ 78,268	
Advertising and Promotion	\$ 1,241	\$ 20,411	\$ 14,937	\$ 125	\$ -	\$ 1,216	\$ 56,416	\$ 12,486	\$ 106,832	\$ 257,454	
Auxiliary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,606	
Conferences	\$ 2,781	\$ 22,044	\$ 9,086	\$ -	\$ -	\$ 1,122	\$ 1,441	\$ 1,003	\$ 37,477	\$ 42,097	
Contracted Services	\$ 2,205,443	\$ 881,342	\$ 394,499	\$ 6,915,726	\$ -	\$ 174,344	\$ 822,008	\$ 9,479	\$ 11,402,841	\$ 10,872,411	
Depreciation	\$ -	\$ -	\$ -	\$ 6,205,760	\$ -	\$ -	\$ -	\$ -	\$ 6,205,760	\$ 5,826,267	
Grants	\$ -	\$ 197,796	\$ -	\$ -	\$ -	\$ 1,588	\$ -	\$ -	\$ 199,384	\$ 176,322	
Information Technology	\$ 36,482	\$ 111,231	\$ 8,274	\$ -	\$ -	\$ -	\$ 15,810	\$ -	\$ 171,797	\$ 389,072	
Insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,088,269	\$ -	\$ 1,088,269	\$ 924,020	
Interest Expense	\$ -	\$ -	\$ -	\$ 5,314	\$ -	\$ -	\$ 5,637,292	\$ -	\$ 5,642,606	\$ 2,183,792	
Legal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 428,932	\$ 218	\$ 429,150	\$ 240,483	
Maintenance	\$ 3,709	\$ -	\$ 21,879	\$ 345,936	\$ -	\$ -	\$ 903	\$ -	\$ 372,427	\$ 450,101	
Meals	\$ 75	\$ 131,485	\$ 9,559	\$ 1,852,586	\$ -	\$ -	\$ 8,367	\$ -	\$ 2,002,072	\$ 3,183,069	
Occupancy	\$ -	\$ -	\$ -	\$ 1,367,880	\$ -	\$ -	\$ -	\$ -	\$ 1,367,880	\$ 1,650,917	
Office Expenses	\$ 468,819	\$ 117,648	\$ 28,833	\$ 26,780	\$ -	\$ 16,584	\$ 27,628	\$ 3,993	\$ 690,285	\$ 988,094	
Other	\$ -	\$ -	\$ -	\$ -	\$ 1,747,266	\$ 3,277	\$ 898,399	\$ -	\$ 2,648,942	\$ 1,771,938	
Pension Plan Contributions	\$ 947,863	\$ 102,214	\$ 347,118	\$ 8,750	\$ -	\$ 229,857	\$ 359,565	\$ 44,845	\$ 2,040,212	\$ 1,995,080	
Professional Development	\$ 54,312	\$ 316,292	\$ 57,995	\$ 500	\$ -	\$ 26,477	\$ 41,136	\$ 3,905	\$ 500,617	\$ 534,730	
Program Activities	\$ 156,465	\$ 584,126	\$ 796,716	\$ 825,824	\$ -	\$ 24,299	\$ 138,510	\$ 21,932	\$ 2,547,872	\$ 2,990,349	
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	\$ 30,668,370	
Student Salaries	\$ 1,520	\$ 1,682	\$ 221,692	\$ 2,174	\$ -	\$ 41,126	\$ 8,750	\$ -	\$ 276,944	\$ 346,976	
Travel and Transportation	\$ 1,779	\$ 9,424	\$ 225,310	\$ 263	\$ -	\$ 522	\$ 31,364	\$ 694	\$ 269,356	\$ 1,196,088	
Total Functional Expenses	\$ 18,032,909	\$ 5,016,200	\$ 7,579,725	\$ 17,669,942	\$ 1,747,266	\$ 3,492,387	\$ 14,983,048	\$ 941,760	\$ 69,463,237	\$ 66,767,504	
Depreciation of State Contributed Assets									\$ 5,897,473	\$ 5,898,120	
Total									\$ 75,360,710	\$ 72,665,624	

See accompanying Notes to Financial Statements.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	Program Services				Supporting Services				
	Instruction	Research	Student Services	Auxiliary Enterprises	HEERF Grants to Students	Academic Support	Administrative and Institutional Support	Fundraising	Total
Accounting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,268	\$ -	\$ 78,268
Advertising and Promotion	\$ 13,201	\$ 39,033	\$ 13,040	\$ 56	\$ -	\$ 2,784	\$ 102,047	\$ 87,293	\$ 257,454
Auxiliary	\$ -	\$ -	\$ 1,606	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,606
Conferences	\$ 10,534	\$ 7,940	\$ 3,805	\$ -	\$ -	\$ 4,728	\$ 8,610	\$ 6,480	\$ 42,097
Contracted Services	\$ 1,659,159	\$ 674,108	\$ 610,589	\$ 6,977,092	\$ -	\$ 166,532	\$ 726,089	\$ 58,842	\$ 10,872,411
Depreciation	\$ -	\$ -	\$ -	\$ 5,826,267	\$ -	\$ -	\$ -	\$ -	\$ 5,826,267
Grants	\$ -	\$ 172,909	\$ -	\$ -	\$ -	\$ 3,413	\$ -	\$ -	\$ 176,322
Information Technology	\$ 146,280	\$ 229,589	\$ 3,425	\$ -	\$ -	\$ 163	\$ 9,615	\$ -	\$ 389,072
Insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 924,020	\$ -	\$ 924,020
Interest Expense	\$ -	\$ -	\$ -	\$ 7,370	\$ -	\$ -	\$ 2,176,422	\$ -	\$ 2,183,792
Legal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,224	\$ 220,925	\$ 16,334	\$ 240,483
Maintenance	\$ 1,112	\$ -	\$ 62,478	\$ 382,652	\$ -	\$ -	\$ 3,859	\$ -	\$ 450,101
Meals	\$ 36,742	\$ 41,726	\$ 35,877	\$ 2,954,012	\$ -	\$ 709	\$ 111,383	\$ 2,620	\$ 3,183,069
Occupancy	\$ 52,854	\$ -	\$ 26,741	\$ 1,571,322	\$ -	\$ -	\$ -	\$ -	\$ 1,650,917
Office Expenses	\$ 460,873	\$ 232,905	\$ 24,630	\$ 114,800	\$ -	\$ 19,175	\$ 113,235	\$ 22,476	\$ 988,094
Other	\$ -	\$ -	\$ -	\$ -	\$ 1,747,266	\$ 328	\$ 16,553	\$ 7,791	\$ 1,771,938
Pension Plan Contributions	\$ 923,792	\$ 84,419	\$ 342,190	\$ 7,108	\$ -	\$ 237,524	\$ 343,702	\$ 56,345	\$ 1,995,080
Professional Development	\$ 19,721	\$ 355,111	\$ 76,075	\$ -	\$ -	\$ 32,053	\$ 47,339	\$ 4,431	\$ 534,730
Program Activities	\$ 1,345,851	\$ 166,923	\$ 698,306	\$ 508,647	\$ -	\$ 27,322	\$ 159,412	\$ 83,888	\$ 2,990,349
Salaries and Benefits	\$ 13,722,705	\$ 2,364,806	\$ 5,834,190	\$ 103,785	\$ -	\$ 2,353,842	\$ 5,322,359	\$ 966,683	\$ 30,668,370
Student Salaries	\$ 24,928	\$ 3,404	\$ 161,695	\$ 5,152	\$ -	\$ 110,070	\$ 12,996	\$ 28,731	\$ 346,976
Travel and Transportation	\$ 77,626	\$ 96,850	\$ 675,009	\$ 124,047	\$ -	\$ 40,010	\$ 120,120	\$ 62,426	\$ 1,196,088
Total Functional Expenses	<u>\$ 18,495,378</u>	<u>\$ 4,469,723</u>	<u>\$ 8,569,656</u>	<u>\$ 18,582,310</u>	<u>\$ 1,747,266</u>	<u>\$ 3,001,877</u>	<u>\$ 10,496,954</u>	<u>\$ 1,404,340</u>	66,767,504
Depreciation of State Contributed Assets									<u>5,898,120</u>
Total									<u>\$ 72,665,624</u>

See accompanying Notes to Financial Statements.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 13,365,978	\$ (2,821,312)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Amortization	9,607	9,607
Depreciation	12,103,233	11,724,387
Loss on Disposal of Property and Equipment	56,326	-
Accretion	14,404	16,079
Net Realized and Unrealized Gains on Investments	(12,207,918)	(765,540)
Net Gain (Loss) on Funds Held in Trust by Others	(173,418)	36,258
Contributions Restricted for Endowment	(341,529)	(222,491)
Effects of Changes in Noncash Operating Assets and Liabilities:		
Due from Foundation	(1,485,064)	-
Student Receivables, Net	4,035,947	(994,135)
Federal and State Government Receivables	590,739	706,223
Other Receivables	97,634	8,425
Prepaid Expenses	319,432	146,459
Inventories	64,570	56,330
Accounts Payable and Accrued Expenses	2,456,155	(229,878)
Student Deposits	(118,865)	(113,484)
Deferred Revenue	8,525,280	33,280
Government Advances for Student Loans	71,389	(620,195)
Net Cash Provided by Operating Activities	<u>27,383,900</u>	<u>6,970,013</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(21,188,030)	(8,238,554)
Proceeds from Sale of Investments	3,028,621	1,878,662
Purchase of Investments	(3,589,998)	(1,498,791)
Repayments of Loans from Students	46,896	167,321
Net Cash Used by Investing Activities	<u>(21,702,511)</u>	<u>(7,691,362)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Endowment	341,529	222,491
Principal Payments on Capital Lease Obligations	(59,394)	(31,619)
Principal Payments on Bonds Payable	(1,354,370)	(1,314,622)
Payments on Loans Payable	(295,384)	(284,252)
Proceeds from Line of Credit, Net	(2,500,000)	3,000,000
Net Cash Provided (Used) by Financing Activities	<u>(3,867,619)</u>	<u>1,591,998</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,813,770	870,649
Cash and Cash Equivalents - Beginning of Year	<u>21,474,532</u>	<u>20,603,883</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 23,288,302</u>	<u>\$ 21,474,532</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	<u>\$ 946,679</u>	<u>\$ 988,937</u>
Capital Lease	<u>\$ -</u>	<u>\$ 299,182</u>
Capital Project Costs Paid by State	<u>\$ 16,383,940</u>	<u>\$ 2,025,029</u>

See accompanying Notes to Financial Statements.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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 2,125 in fiscal year 2020 to 1,920 in fiscal year 2021. 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 no increase in undergraduate tuition for fiscal year 2021. Tuition for the sophomore class is fixed at the 2019/2020 tuition rate. Tuition for the junior class is fixed at the 2018/2019 rate. Tuition for the senior class is fixed at the 2017/2018 rate. Graduate tuition did not increase. Student tuition, and room and board revenue before student aid in fiscal year 2021 decreased by \$13,099,402, compared to fiscal year 2020. This was largely driven by the impact of COVID-19 on the spring semester.

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.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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, 2021 and 2020, are dependent upon the University's continued participation in the Title IV programs.

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.

Student Loans

The student loans receivable primarily represents loans to students funded by advances to the University by the federal government under the Federal Perkins Loan Program (the Program). The Program ended on September 30, 2017, with final disbursements permitted through June 30, 2018. The amounts are refundable to the federal government. The federal government's portion of these funds as of June 30, 2021 and 2020 was \$654,902 and \$583,513, 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.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 non-operating expense since the related revenue is recorded as non-operating revenue.

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.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Collections and Works of Art (Continued)

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.

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, 2021 and 2020, accumulated amortization of bond issuance costs was \$74,399 and \$64,792, 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.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Tuition and Fees Revenue (Continued)

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.

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.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
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JUNE 30, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Grants, Sponsored Activities, and Contributions (Continued)

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.

As of June 30, 2021, the University has unrecorded conditional grants agreements of \$18,531,228 from government sponsors related to Higher Education Emergency Relief Funds (HEERF), due to the conditions for recognizing revenue not being met. \$9,663,103 of that amount is presented in deferred revenue balance on the statement of financial position and \$8,868,197 is not yet recorded on the books. As of June 30, 2020, the University had conditional grant agreements of \$358,543 reflected in the deferred revenue balance in the statement of financial position.

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).

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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.

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.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Internal Revenue Code (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, 2021, 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.

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.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 April 5, 2022, 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.

Pronouncements Implemented

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU removes and modifies disclosure requirements retrospectively for non-public entities. The provisions were effective for the University's fiscal year ended June 30, 2021. Management has applied this standard retrospectively.

In March 2019, the FASB issued ASU No. 2019-03, *Updating the Definition of Collections*. The ASU modifies the definition of terms collections and requires that collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned (that is, removed from a collection). If a collection-holding entity has a policy that allow proceeds from deaccessioned collection items to be used for direct care, it should disclose its definition of direct care. Management has applied this standard prospectively.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
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JUNE 30, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Standards Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which creates a singular reporting model for leases. This ASU will require the entity to record changes to its statement of financial position to reflect balances for current leases that are not shown in the statement of financial position. In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases and Leases (Topic 842): Targeted Improvements*, which provide further clarity and transition options for adoption of FASB ASU No. 2016-02. In July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, which allows that an entity recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. These ASUs will be effective for periods beginning after December 15, 2021.

Management is evaluating the effects of these pronouncements on the financial statements and will implement these pronouncements by their effective dates. Management does not believe the adoption of these pronouncements will have a material effect on the financial statements.

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 2021 and 2020.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity and Availability of Resources (Continued)

As of June 30, 2021 and 2020, 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>2021</u>	<u>2020</u>
Financial Assets to Meet General Expenditures over the Next 12 Months:		
Cash and Cash Equivalents	\$ 23,288,302	\$ 21,474,532
Accounts Receivable:		
Students, Net of Allowance of \$11,977,784	2,121,342	6,157,289
Federal and State Government Receivables	1,206,941	1,797,680
Other	<u>194,782</u>	<u>292,416</u>
Total Financial Assets to Meet General Expenditures over the Next 12 Months	<u>\$ 26,811,367</u>	<u>\$ 29,721,917</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, 2021 and 2020, cash and cash equivalents was \$23,288,302 and \$21,474,532, respectively.

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.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4 INVESTMENTS (CONTINUED)

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, 2021.

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 investment return in the statements of activities:

	2021	2020
Dividends and Interest, Endowment	\$ 114,556	\$ 216,401
Other Investment Income	1,528	25,820
Net Realized and Unrealized Gains on Investments, Net	12,381,336	729,282
Investment Fees	(106,165)	(99,403)
Total Investment Income, Net	<u>\$ 12,391,255</u>	<u>\$ 872,100</u>

Investment fees were \$106,165 and \$99,403 for the years ended June 30, 2021 and 2020, respectively.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4 INVESTMENTS (CONTINUED)

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, 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>
June 30, 2020				
	Level 1	Level 2	Level 3	Total
Commonfund Multi-Strategy Equity Fund	\$ -	\$ 31,363,925	\$ -	\$ 31,363,925
State Street Inst US Gov't Money				
Market Fund	-	6,373	-	6,373
Commonfund Multi-Strategy Bond Fund	-	13,019,096	-	13,019,096
Funds Held in Trust	-	-	857,777	857,777
Total	<u>\$ -</u>	<u>\$ 44,389,394</u>	<u>\$ 857,777</u>	<u>\$ 45,247,171</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, 2021 and 2020, the fair value of the University's investment was \$41,259,036 and \$31,363,925, 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, 2021 and 2020, the fair value of the University's investment was \$15,899,651 and \$13,019,096, 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.

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, 2021 and 2020, the fair value of the University's investment was \$2 and \$6,373, respectively.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
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NOTES TO FINANCIAL STATEMENTS
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NOTE 4 INVESTMENTS (CONTINUED)

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	
	2021	2020
Balance - Beginning of Year	\$ 857,777	\$ 894,035
Unrealized Gain	173,418	(36,258)
Balance - End of Year	<u>\$ 1,031,195</u>	<u>\$ 857,777</u>

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

	2021	
	Cost	Fair Value
Pooled Investments	\$ 13,064,744	\$ 57,158,689
Funds Held in Trust	888,216	1,031,195
Total	<u>\$ 13,952,960</u>	<u>\$ 58,189,884</u>

	2020	
	Cost	Fair Value
Pooled Investments	\$ 12,503,367	\$ 44,389,394
Funds Held in Trust	888,216	857,777
Total	<u>\$ 13,391,583</u>	<u>\$ 45,247,171</u>

NOTE 5 PROPERTY AND EQUIPMENT

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

	2021	2020
Land and Improvements	\$ 1,753,058	\$ 1,321,084
Building and Improvements	340,459,229	339,121,885
Furniture, Fixtures, and Equipment	27,435,742	30,055,390
Construction in Progress	27,611,992	12,588,968
Total Property and Equipment	397,260,021	383,087,327
Less: Accumulated Depreciation	160,339,548	155,195,325
Property and Equipment, Net	<u>\$ 236,920,473</u>	<u>\$ 227,892,002</u>

Depreciation expense was \$12,103,233 and \$11,724,387 for the years ended June 30, 2021 and 2020, respectively.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 5 PROPERTY AND EQUIPMENT (CONTINUED)

Main Campus Revitalization Project

The Commonwealth of Pennsylvania (the Commonwealth) has begun several projects with budgets totaling approximately \$51,600,000 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 non-operating 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 non-operating expense.

Capital project contributions appropriated during fiscal years 2021 and 2020 were as follows:

	Funded Amount	
	2021	2020
Amos Hall	\$ 510,443	\$ 379,713
Azikiwe-Nkrumah Hall	3,874,041	-
Cresson Hall	114,056	14,562
Dickey Hall	10,132,047	512,341
Football Track and Field	83,679	-
Rivero Hall	38,808	-
Vail Hall	679,284	304,405
Furniture, Fixtures, and Equipment	951,582	814,008
Total	<u>\$ 16,383,940</u>	<u>\$ 2,025,029</u>

NOTE 6 LONG-TERM DEBT AND LEASE OBLIGATIONS

A summary of the University's long-term debt and line of credit as of June 30, 2021 was as follows:

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 maturity of these Bonds is June 1, 2036. 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.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 6 LONG-TERM DEBT AND LEASE OBLIGATIONS (CONTINUED)

Bonds Payable (Continued)

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 were as follows as of June 30, 2021:

<u>Year Ending June 30,</u>	Series 2013 <u>A Bonds</u>	Series 2013 <u>B Bonds</u>	Total
2022	\$ 1,239,961	\$ 162,040	\$ 1,402,001
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
2027-2031	7,737,537	1,071,141	8,808,678
2032-2036	9,062,917	1,302,477	10,365,394
Total	<u>\$ 23,408,750</u>	<u>\$ 3,260,075</u>	26,668,825
Less: Bond Issuance Cost			(143,449)
Total			<u>\$ 26,525,376</u>

Loan Payable - Energy Conservation Project (the Project)

On November 21, 2016, the University entered into an agreement with Aramark and PNC Bank to upgrade the University's facilities via a performance bond. The proceeds of the performance bond were deposited into an escrow account with US Bank who will remit said funds based upon percentage of completion. As of June 30, 2021 and 2020, the balance remaining in the escrow account was \$- and \$-, respectively, and reported in the funds held in escrow on the accompanying statement of financial position.

On November 21, 2016, the University entered into a loan agreement with PNC Equipment Lease, LLC, for the amount of \$3,601,959, maturing in November 2026. This loan agreement was subsequently amended on February 5, 2019, with a new balance of \$1,843,960.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 6 LONG-TERM DEBT AND LEASE OBLIGATIONS (CONTINUED)

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

Future principal payments were as follows as of June 30, 2021:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 306,952
2023	318,973
2024	331,465
2025	344,446
2026	357,934
2027	184,190
Total	<u>\$ 1,843,960</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 expires on March 31, 2022. The amounts outstanding under this Note will bear interest at a rate per annum plus 1.85% The University had \$10,000,000 outstanding as of June 30, 2021.

NOTE 7 ASSET RETIREMENT OBLIGATION

Based on a new study that was completed during the fiscal year 2019, the University estimated its total undiscounted asset retirement obligation to be \$720,650. As of June 30, 2021 and 2020, the future asset retirement obligation was \$596,429 and \$582,025, 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, 2021, no funds have been set aside to settle these obligations.

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

	<u>2021</u>	<u>2020</u>
Balance - Beginning of Year	\$ 582,025	\$ 565,946
Accretion	17,372	16,952
Abatements	(2,968)	(873)
Balance - End of Year	<u>\$ 596,429</u>	<u>\$ 582,025</u>

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 NET ASSETS

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

	2021	2020
Invested in State Contributed Capital	\$ 176,125,805	\$ 165,639,339
Cumulative Endowments Earnings	34,419,862	24,913,073
Restricted for Scholarships and Other Purposes	3,695,330	4,171,019
Funds Held in Trust by Others Restricted for Scholarships	1,031,195	857,777
Endowment Principal Restricted for Scholarships and Other Purposes in Perpetuity	15,574,095	15,232,566
Total With Donor Restrictions Net Assets	<u>\$ 230,846,287</u>	<u>\$ 210,813,774</u>

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.

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.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 9 ENDOWMENTS (CONTINUED)

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, 2021 and 2020.

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.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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:

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	5,812,687	-	-	5,812,687
Total Endowment Funds	<u>\$ 5,812,687</u>	<u>\$ 34,753,564</u>	<u>\$ 16,441,010</u>	<u>\$ 57,007,261</u>
2020				
	With Donor Restrictions	With Donor Restrictions		Total
		Endowment Available for Appropriation	Endowment Held for Perpetuity	
Donor Designate Endowment Funds	\$ -	\$ 24,903,935	\$ 16,099,481	\$ 41,003,416
Board Designated Endowment Funds	4,466,246	-	-	4,466,246
Total Endowment Funds	<u>\$ 4,466,246</u>	<u>\$ 24,903,935</u>	<u>\$ 16,099,481</u>	<u>\$ 45,469,662</u>

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 9 ENDOWMENTS (CONTINUED)

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

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

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	1,146,441	11,128,725	-	12,275,166
Net Income on Investments	100,000	-	-	100,000
Contributions	-	-	341,529	341,529
Withdrawal of Spending Allocation	-	(1,279,096)	-	(1,279,096)
Transfers	100,000	-	-	100,000
Balance as June 30, 2021	<u>\$ 5,812,687</u>	<u>\$ 34,753,564</u>	<u>\$ 16,441,010</u>	<u>\$ 57,007,261</u>

2020				
	With Donor Restrictions	With Donor Restrictions		Total
		Endowment Available for Appropriation	Endowment Held for Perpetuity	
Balance as of June 30, 2019	\$ 5,073,378	\$ 24,763,363	\$ 15,876,990	\$ 45,713,731
Net Investment Income	(79,178)	196,176	-	116,998
Net Income on Investments	75,086	654,204	-	729,290
Contributions	100,000	-	222,491	322,491
Withdrawal of Spending Allocation	-	(709,808)	-	(709,808)
Transfers	(703,040)	-	-	(703,040)
Balance as June 30, 2020	<u>\$ 4,466,246</u>	<u>\$ 24,903,935</u>	<u>\$ 16,099,481</u>	<u>\$ 45,469,662</u>

NOTE 10 GOVERNMENT APPROPRIATIONS

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

	2021	2020
Operations	\$ 15,166,000	\$ 15,166,000
State Contributions for Capital Projects	16,383,940	2,025,029
Total	<u>\$ 31,549,940</u>	<u>\$ 17,191,029</u>

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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 the agreement with Xerox and their related service company Stewart Business Systems for an additional five-year period. The new minimum base charges are \$3,343 payable to Stewart Business Systems for maintenance and \$13,396 payable to Xerox for the equipment lease.

The University employs approximately 344 employees. Approximately 51% of the University's employees are covered by union contracts. Union employees are covered under one of three contracts. The Clerical Union (AFSCME) Contract will expire on July 1, 2022. The Police Union (LUPA) Contract will expire on July 1, 2022. The Facility Union (LUC0AAUP) Contract will expire on September 1, 2022.

Operating Leases

The University leases equipment for general operations. All leases as of June 30, 2021 will expire within the next four years. Operating lease expense was \$219,670 and \$322,588 for the years ended June 30, 2021 and 2020, respectively.

The following is a schedule, by years, of future minimum lease payments under operating leases of June 30, 2021.

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 188,646
2023	181,338
2024	89,965
2025	1,598
Total	<u>\$ 461,547</u>

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Capital Leases

The University leases vehicles and equipment for general operations. All leases as of June 30, 2021, will expire within the next four 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, 2021.

<u>Year Ending June 30,</u>	<u>Principal</u>
2022	\$ 75,597
2023	75,597
2024	75,597
2025	<u>2,288</u>
Total Minimum Lease Payments	229,079
Less: Amount Representing Interest	<u>(20,910)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 208,169</u></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.

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 small 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 \$434,853 and \$507,422 in revenue under this lease for the years ended June 30, 2021 and 2020, respectively.

The recorded asset value as of June 30, 2021 and 2020 for this property was \$10,314,717 and \$10,753,014 for years ended June 30, 2021 and 2020, respectively. Accumulated depreciation was \$5,360,279 and \$5,551,655 as of June 30, 2021 and 2020, respectively.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 13 RETIREMENT BENEFITS

The University participates in the Teachers' Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF), a multi-employer defined contribution pension plan that is made available to all employees. The University contributes 5% of eligible employees' W-2 wages and matches employees' contributions up to a maximum of 5%. Retirement benefit expense for the years ended June 30, 2021 and 2020 was \$2,042,615 and \$1,995,080, 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 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 2021 resulting in receivables of \$1,381,543 for contribution revenue and \$103,522 for expenses incurred on behalf of Lincoln University Foundation as of June 30, 2021.

SINGLE AUDIT



**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.

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, 2021, 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 20, 2021.

Internal Controls over Financial Reporting

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

A *deficiency in internal controls* 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 controls, 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 controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal controls over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
November 20, 2021



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.

Report on Compliance for Each Major Federal Program

We have audited Lincoln University of the Commonwealth System of Higher Education, Inc.'s (the University) compliance with the types of requirements described in the *OMB Compliance Supplements* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2021. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

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 items list the reference numbers of the related findings, for example, 2021-001 through 2021-004. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Controls over Compliance

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

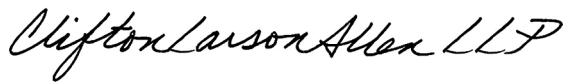
A deficiency in internal controls over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement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

Our consideration of internal controls over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal controls over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2021-001 through 2021-004, that we consider to be significant deficiencies.

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

The University's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal controls over compliance is solely to describe the scope of our testing of internal controls 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
April 5, 2022

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

Federal Grantor/Passthrough Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through ID or Grant Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Education				
Student Financial Assistance Center:				
Federal Supplemental Educational Opportunity Grant (FSEOG)	84 007	N/A	\$ 460,369	\$ -
Federal Work-Study	84 033	N/A	206,653	-
Federal Pell Grants	84 063	N/A	6,024,437	-
Federal Perkins Loans Outstanding	84 038	N/A	496,556	-
Federal Direct Lending	84 268	N/A	16,166,965	-
Total Student Financial Assistance Cluster			23,354,980	-
Title III - Strengthening Historically Black Colleges and Universities	84 031	N/A	3,768,810	-
Upward Bound	84 047	N/A	737,262	-
Education Stabilization Fund:				
Higher Education Emergency Relief Fund (HEERF):				
COVID-19, Student Aid Portion - CARES Act	84 425E	N/A	1,747,266	-
COVID-19, HEERF Institutional Portion - CARES Act	84 425F	N/A	3,773,953	-
COVID-19, HEERF Historically Black Colleges and University (HBCUs) - CARES Act	84 425J	N/A	5,561,998	-
COVID-19 Governors Emergency Education Relief Fund (GEER)				
PA/ GEER Funding	84.425C	N/A	2,250,000	-
Total Education Stabilization Fund			13,333,217	-
Total U.S. Department of Education			41,194,269	-
National Science Foundation				
Educational and Human Resources (LEAPS Transformation)	47 076	HRD-1623350	266,864	-
Educational and Human Resources (Learning Express App)	47 076	HRD-1623208	41,003	-
Educational and Human Resources (LEAPS Scholars)	47 076	HRD-1259726	1,300	-
Educational and Human Resources (Bioinformatics Program)	47 076	HRD-1912104	64,577	-
Educational and Human Resources (Target Infusion Project)	47 076	HRD-1818693	85,037	-
<i>Passed through Drexel University</i>				
Educational and Human Resources (Philadelphia AMP)	47 076	HRD-1408052	1,007	-
<i>Passed through Virginia State University</i>				
Educational and Human Resources (Algebra Project)	47 076	DRL-1621416	12,258	-
Educational and Human Resources (Louis Stokes Stems Pathways LSAMP)	47 076		10,064	-
Total National Science Foundation			482,110	-
U.S. Department of Defense				
<i>Passed through Pennsylvania Department of Health</i>				
Military Medical Research and Development				
Psychological Health/Traumatic Brain Injury	12 420	4100077079	20,825	-
U.S. Department of Justice				
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16 525	2017-WA-AX-0025	80,271	-
<i>Passed through Drexel University</i>				
Total U.S. Department of Justice			80,271	-
U.S. Department of Defense				
Research and Development Cluster:				
National Institute of General Medical Sciences				
<i>Passed through University of Pennsylvania</i>				
Biomedical Research and Research Training	93 859	5-K12-GM-081259-12	27,970	-
Total Research and Development Cluster			27,970	-
Total Expenditures of Federal Awards			\$ 41,805,445	\$ -

See accompanying notes to schedule of expenditures of federal awards.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021**

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, 2021. 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, 2021, 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. 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, 2021 totaled \$449,658.

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, 2021, the University disbursed to students the following amount of new loans under the Federal Direct Loan Program:

	Amount Expended
Stafford Loans	\$ 5,166,166
Unsubsidized Loans	6,700,089
Plus Loans	<u>4,300,710</u>
Total	<u><u>\$ 16,166,965</u></u>

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021**

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, 2021**

Section I – Summary of Auditors’ Results

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

Federal Assistance Listing Number(s)	Name of Federal Program or Cluster
	<i>Student Financial Assistance Cluster:</i>
84.007	Federal Supplemental Educational Opportunity Grant
84.033	Federal Work Study
84.038	Federal Perkins Loan Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
	<i>Education Stabilization Act:</i>
84.425E	COVID-19, Higher Education Emergency Relief Fund (HEERF) - Student Aid Portion
84.425F	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
84.425C	COVID-19, Governors Emergency Education Relief Fund (GEER) PA/ GEER Funding

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021**

Section I – Summary of Auditors’ Results (Continued)

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

\$750,000

Auditee qualified as low-risk auditee?

 x yes no

Section II – Financial Statement Findings

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

Section III – Findings and Questioned Costs – Major Federal Programs

2021 – 001

Federal Agency: Department of Education

Federal Program Title: Student Financial Assistance Cluster

Assistance Listing Number: 84.007 - Federal Supplemental Education Opportunity Grants

84.033 - Federal Work Study Program

84.063 - Federal Pell Grant Program

84.268 - Federal Direct Student Loan

Award Period: July 1, 2020 to June 30, 2021

Type of Finding: Significant Deficiency in Internal Control over Compliance, Other Matter

Criteria or Specific Requirement: The Code of Federal Regulations, 34 CFR 685.309 requires 1) that enrollment status changes for students be reported to NSLDS within 30 days or within 60 days if the student with the status change will be reported on a scheduled transmission within 60 days of the change in status. 2) that the status includes an accurate effective date. 3) that the University makes necessary corrections and return the records within 10 days for any roster files that don't pass the NSLDS enrollment reporting edits. 4) the schools must have some arrangement to report students program enrollment effective date.

Condition: During our testing, we noted: 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) During our testing, we noted that the rosters returned yielded error reports that were not corrected and resubmitted within the required 10 days. 4) two of the 40 students tested were not reported correctly with the correct program enrollment date.

Questioned Costs: None.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2021 – 001

Context: While the University has processes and controls in place for timely correcting its roster file, such controls did not operate effectively on a couple occasions as detailed in this finding. As a result, the necessary corrections were not made within 10 the days but also caused students in our testing to be reported outside of 60 days. Lastly, enrollment and program dates were not reported correctly.

Cause: While the University has processes and controls to follow up on NSLDS reporting errors, it did not fully adopt the process and controls to recently-changed more detailed program-level NSLDS requirements.

Effect: 1) Reporting every 60 days at a minimum or reporting twice ensures that the grace period should or should not begin. 2) The enrollment effective date report to NSLDS is used to determine when the student's grace period should begin. Not reporting a correct effective date, the grace period begin date for the student will be incorrect. 3) The NSLDS is not updated with the student information which can cause over-awarding should the student transfer to another University and the students may not properly enter the repayment period. 4) The program enrollment effective date reported to NSLDS is used to determine the student's 150% limit for direct loans as well as when grace period should begin. By not reporting the correct status, the calculation of the 150% would be incorrect and the grace period begin date would be incorrect.

Repeat Finding: No.

Recommendation: We recommend the university enhances its procedures, controls, and review policies surrounding the NSLDS reporting to assist them with correcting their roster file.

Views of Responsible Officials: There is no disagreement with the audit finding.

2021 – 002

Federal Agency: Department of Education

Federal Program Title: Student Financial Assistance Cluster

Assistance Listing Number: 84.063 - Federal Pell Grant Program

84.268 - Federal Direct Student Loan

Award Period: July 1, 2020 to June 30, 2021

Type of Finding: Significant Deficiency in Internal Control over Compliance, Other Matter

Criteria or Specific Requirement: The Department of Education requires the University to report the disbursement dates and amounts to the Common Origination and Disbursement (COD) system within 15 days of disbursing Pell (34 CFR 690.83(b)(2) and Direct Loan (34 CFR 685.309) funds to a student.

Condition: During our testing, we noted two of 25 students' disbursements were not reported within the required 15 days.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2021 – 002 (Continued)

Questioned Costs: None

Context: While the University has processes and controls in place to accurately report Pell disbursements to COD within the required 15 days, there were some isolated occurrences detailed in this finding where such controls did not operate effectively

Cause: While the university has processes and controls in place to accurately report Pell disbursements to COD within the required 15 days, on a couple isolated occasions, these controls did not operate effectively due to the uniqueness of the situation and special considerations required.

Effect: Students' interest accrues based on disbursement date reported to COD, thus interest calculation could be skewed due to the discrepancy in disbursement dates reported.

Repeat Finding: No.

Recommendation: We recommend the University enhance its procedures, controls, and review their policies around reporting Pell disbursements to COD to ensure that student information is reported accurately and timely.

Views of Responsible Officials: There is no disagreement with the audit finding.

2021 – 003

Federal Agency: Department of Education

Federal Program Title: Student Financial Assistance Cluster

Assistance Listing Number: 84.038 - Federal Perkins Loan Program

Award Period: July 1, 2020 to June 30, 2021

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria or Specific Requirement: The Code of Federal Regulations, 34 CFR 685.309 requires the University to retain 1) original or true and exact copies of promissory and master promissory notes (MPN), 2) repayment records, 3) cancellation and deferment request for each Perkins loan made.

Condition: During our testing of borrowers with open loans we noted the University did not have original or true copies of master promissory note for 10 of the 60 students tested

Questioned Costs: None

Context: During our testing of borrowers with open loans we noted the University was not able to locate a couple original or true copies of all promissory and master promissory notes for older loans as detailed in this finding

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2021 – 003 (Continued)

Cause: While the University has processes and controls in place to maintain Perkins loan promissory and master promissory notes, due to the age of some of the loans subject to testing, the controls around the maintenance of those forms did not operate effectively on a couple occasions.

Effect: The University is currently undergoing preparation to a close out of the Perkins Loan Program, and understands that in situations similar to those described in this finding, they may have to purchase students' outstanding loans as a result of not retaining necessary information needed to assign them.

Repeat Finding: No.

Recommendation: We recommend the University enhances its procedures, controls, and review policies around maintaining required student information.

Views of Responsible Officials: There is no disagreement with the audit finding.

2021 – 004

Federal Agency: Department of Education

Federal Program Title: Coronavirus Aid, Relief and Economic Security Act – Higher Education Emergency Relief Fund – Student & Institution Portions

Assistance Listing Number: 84.425E – Student Aid Portion

84.425F – Institutional Portion

Award Period: July 1, 2020 to June 30, 2021

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria or Specific Requirement: The CARES Act 18004(e) and the CRRSAA 314(e) requires an institution receiving funds under HEERF I and HEERF II 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. 2) The quarterly public reporting for the student aid portion requires certain information to be posted on the website no later than 10 days after the end of each calendar quarter

Condition: During our testing of the quarterly public reports for the institutional and student aid portion, we identified the University did not post three of the four quarterly institutional reports and posted one quarterly institutional past the 10 day requirement. For the student aid portion, we tested two of the four quarterly reports, and identified they 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.

Questioned Costs: None

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2021 – 004 (Continued)

Context: During our testing of the quarterly public reports for the institutional and student aid portion, we noted that the University was not posting the required quarterly public reports within 10 days of the calendar quarter.

Cause: The University did not have processes in place to submit the quarterly public reports for the institutional and student aid portion to their website.

Effect: Failure to file the required reports timely may result in the loss of funding.

Repeat Finding: No.

Recommendation: We recommend the University enhances its procedures, controls, and review policies around CARES Act and the CRRSAA reporting requirement.

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

Section IV – Prior Year Findings Related to Federal Awards

None.



Lincoln University

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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, 2021.

Audit period: July 01, 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

2021-001 Student Financial Assistance Cluster – Assistance Listing No. 84.007, 84.033, 84.063, and 84.268

Recommendation: We recommend the university enhances its procedures, controls, and review policies surrounding the NSLDS reporting to assist them with correcting their roster file.

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

The Registrar reports directly to the National Student Clearinghouse, who in turn reports to NSLDS on our behalf. During the academic year, this is an automated process of sending files from our student information system to the National Student Clearinghouse. Once the Spring academic semester is complete, we must manually report changes to the National Student Clearinghouse, until the start of the subsequent Fall academic semester. Our processes and procedures for manually reporting are documented and in place. A newly hired staff member received training on this process in March, but we failed to review and verify the manual updating. To remedy this oversight we have implemented an additional step to this process to ensure our roster file is accurately and timely reported. This additional policy procedure is being performed by Financial Aid.

Catherine Rutledge, Registrar
Email: crutledge@lincoln.edu
Completion Date: March 2022

2021-002 Student Financial Assistance Cluster – Assistance Listing No. 84.063 and 84.268

Recommendation: We recommend the University enhance its procedures, controls, and review their policies around reporting Pell disbursements to COD to ensure that student information is reported accurately and timely.

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

The Financial Aid Office has updated the policies and procedures for submitting student information to COD. The student information reported to COD is now in aggregate and will include all reportable data as opposed to a specific subset of data. This will ensure the reported student information is both complete and delivered timely to COD, who will disregard redundant records not needed.

Kim Anderson, Director Financial Aid

Email: kanderson@lincoln.edu

Completion Date: February 2022

- 2021-003 Student Financial Assistance Cluster – Assistance Listing No. 84.038
Recommendation: We recommend the University enhances its procedures, controls, and review policies around maintaining required student information.

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

The original master promissory notes not located included the following issuance dates: 1995 (1), 2014 (1), 2016 (3), and 2017(5). Our Perkins Loan servicer (ECSI) has the electronic payment histories for all ten students. Nine of the ten students' award history is located within our current student information system, and the tenth student's award history is located within our previous student information system. None of the ten students are currently enrolled. It is possible to assign a loan that has a missing promissory note by providing a payment history or an entitlement showing that the student was aware of the debt. Until the assignment period has ended we will continue to gather promissory notes not originally identified and stored within Perkins designated filing locations and we are working with the Registrar, Information Technology and Financial Aid to retrieve supplemental Perkins profile documentation which may be used to assign Perkins loans to the Department of Education in lieu of the original master promissory note.

Norman Billie, Bursar

Email: nbillie@lincoln.edu

Completion Date: May 2022

- 2021-004 Coronavirus Aid, Relief and Economic Security Act – Higher Education Emergency Relief Fund – Student & Institution Portions – Assistance Listing No. 84.425E & 84.425F
Recommendation: We recommend the University enhances its procedures, controls, and review policies around CARES Act and the CRRSAA reporting.

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

In response to evolving requirements for CARES Act and the CRRSAA reporting and to address recent turnover within the Grants Accountant position responsible for

reporting, the following policies and procedures have been implemented. By the 5th business day following the end of each calendar quarter the Grants Accountant will present a full accounting of CARES Act and CRRSAA transactions which have taken place during the previous quarter to the VP of Finance and Administration and receive approval for presentation submission. By the 10th day of the month following the end of each calendar quarter the Grants Accountant will ensure the appropriate and approved reporting has been posted to the Lincoln website and that the posting includes verification of the posting date. The CARES Act and the CRRSAA required reporting through that of the most recent calendar quarter ended is current on the Lincoln website.

Sharon Falade, Grants Accountant

Email: sfalade@lincoln.edu

Completion Date: March 2022

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

Yours truly,

A handwritten signature in blue ink, appearing to read "Charles T. Gradowski".

Charles T. Gradowski

Vice President

Finance & Administration