

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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020



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

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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 accompanying 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.

Management's Responsibility for the Financial Statements

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lincoln University of the Commonwealth System of Higher Education, Inc. 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.

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

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
November 20, 2021

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

	2021	2020
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	236,920,473	227,892,002
Total Assets	\$ 325,037,812	\$ 304,923,012
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	654,902	583,513
Total Liabilities	56,703,076	49,954,254
NET ASSETS		
Without Donor Restrictions	37,488,449	44,154,984
With Donor Restrictions	230,846,287	210,813,774
Total Net Assets	268,334,736	254,968,758
Total Liabilities and Net Assets	\$ 325,037,812	\$ 304,923,012

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		Total	2020 Total
	Without Donor Restrictions	With Donor Restrictions		
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	<u>61,444,091</u>	<u>(1,924,210)</u>	<u>59,519,881</u>	<u>66,767,510</u>
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	<u>48,298,776</u>	<u>-</u>	<u>48,298,776</u>	<u>50,117,067</u>
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	<u>21,164,461</u>	<u>-</u>	<u>21,164,461</u>	<u>16,650,437</u>
Total Operating Expenses	<u>69,463,237</u>	<u>-</u>	<u>69,463,237</u>	<u>66,767,504</u>
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	<u>1,352,611</u>	<u>21,956,723</u>	<u>23,309,334</u>	<u>(2,821,318)</u>
CHANGES IN NET ASSETS	(6,666,535)	20,032,513	13,365,978	(2,821,312)
Net Assets - Beginning of Year	<u>44,154,984</u>	<u>210,813,774</u>	<u>254,968,758</u>	<u>257,790,070</u>
NET ASSETS - END OF YEAR	<u>\$ 37,488,449</u>	<u>\$ 230,846,287</u>	<u>\$ 268,334,736</u>	<u>\$ 254,968,758</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, 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	<u>(14,125,876)</u>	<u>-</u>	<u>(14,125,876)</u>
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	<u>1,045,342</u>	<u>(1,045,342)</u>	<u>-</u>
Total Operating Revenues	<u>66,870,734</u>	<u>(103,224)</u>	<u>66,767,510</u>
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	<u>18,582,310</u>	<u>-</u>	<u>18,582,310</u>
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	<u>1,404,340</u>	<u>-</u>	<u>1,404,340</u>
Total Supporting Expenses	<u>16,650,437</u>	<u>-</u>	<u>16,650,437</u>
Total Operating Expenses	<u>66,767,504</u>	<u>-</u>	<u>66,767,504</u>
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	<u>-</u>	<u>(5,898,120)</u>	<u>(5,898,120)</u>
Total Nonoperating Items	<u>175,078</u>	<u>(2,996,396)</u>	<u>(2,821,318)</u>
CHANGES IN NET ASSETS	278,308	(3,099,620)	(2,821,312)
Net Assets - Beginning of Year	<u>43,876,676</u>	<u>213,913,394</u>	<u>257,790,070</u>
NET ASSETS - END OF YEAR	<u>\$ 44,154,984</u>	<u>\$ 210,813,774</u>	<u>\$ 254,968,758</u>

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)**

	Program Services				Supporting Services				Total	2020
	Instruction	Research	Student Services	Auxiliary Enterprises	HEERF Grants to Students	Academic Support	Administrative and Institutional Support	Fundraising		
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				Total
	Instruction	Research	Student Services	Auxiliary Enterprises	HEERF Grants to Students	Academic Support	Administrative and Institutional Support	Fundraising	
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	\$ 18,495,378	\$ 4,469,723	\$ 8,569,656	\$ 18,582,310	\$ 1,747,266	\$ 3,001,877	\$ 10,496,954	\$ 1,404,340	\$ 66,767,504
Depreciation of State Contributed Assets									5,898,120
Total									\$ 72,665,624

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	27,383,900	6,970,013
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	(21,702,511)	(7,691,362)
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	(3,867,619)	1,591,998
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,813,770	870,649
Cash and Cash Equivalents - Beginning of Year	21,474,532	20,603,883
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 23,288,302	\$ 21,474,532
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 946,679	\$ 988,937
Capital Lease	\$ -	\$ 299,182
Capital Project Costs Paid by State	\$ 16,383,940	\$ 2,025,029

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
SYSTEM OF HIGHER EDUCATION, INC.
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.
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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
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NOTES TO FINANCIAL STATEMENTS
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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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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).

**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)

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.

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NOTES TO FINANCIAL STATEMENTS
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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 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
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NOTES TO FINANCIAL STATEMENTS
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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 November 20, 2021, 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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NOTES TO FINANCIAL STATEMENTS
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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
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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
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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:

	<u>2021</u>	<u>2020</u>
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	<u>(106,165)</u>	<u>(99,403)</u>
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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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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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	\$ 1,031,195	\$ 857,777

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	\$ 13,952,960	\$ 58,189,884

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

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	\$ 236,920,473	\$ 227,892,002

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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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
	\$ 16,383,940	\$ 2,025,029

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
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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>	<u>Total</u>
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)
			<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
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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>

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NOTE 8 NET ASSETS

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

	<u>2021</u>	<u>2020</u>
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	3,795,330	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	<u>15,574,095</u>	<u>15,232,566</u>
Total With Donor Restrictions Net Assets	<u>\$ 230,946,287</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.

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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.

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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			Total
	Without Donor Restrictions	With Donor Restrictions		
		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>

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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
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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>

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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.

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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 Internal Revenue Code (IRC) to act exclusively for the benefit to carry out the purpose of the University as a supporting organization.

The University conducted related party transactions with the Foundation during fiscal year 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.