

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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022



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**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
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YEARS ENDED JUNE 30, 2023 AND 2022**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Lincoln University of the Commonwealth System of Higher Education, Inc. (the University), which comprise the statements of financial position as of June 30, 2023, and 2022, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2023, and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 15 to the financial statements, errors related to the pledge receivables and beneficial interest were discovered during the current year audit. Accordingly, the net asset balance has been restated as of July 1, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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



CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
November 18, 2023

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022**

	2023	2022 (As Restated)
ASSETS		
Cash and Cash Equivalents	\$ 871,304	\$ 4,613,994
Due from Foundation	1,938,572	4,541,525
Student Receivables, Net of Allowance of \$13,424,452 for 2023 and \$12,711,574 for 2022	4,770,771	2,401,397
Federal and State Government Receivables	1,885,177	2,989,420
Other Receivables	168,278	720,060
Pledges Receivable	663,522	839,122
Prepaid Expenses	812,507	851,224
Inventories	201,389	199,384
Loans Receivable, Net of Allowance of \$573,040 for 2023 and \$1,285,004 for 2022	1,720,423	1,030,531
Investments	47,509,248	47,842,081
Funds Held in Trust	853,704	815,283
Beneficial Interest	14,273,468	14,062,713
Property and Equipment, Net	245,262,687	238,887,521
Total Assets	\$ 320,931,050	\$ 319,794,255
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 5,926,887	\$ 7,280,983
Student Deposits	837,480	15,525
Deferred Revenue	1,984,523	1,902,523
Lease Liability	273,996	144,371
Line of Credit	2,000,000	-
Loans Payable	1,218,035	1,537,008
Bonds Payable, Net	23,690,420	25,132,981
Asset Retirement Obligation	632,751	614,322
Government Advances for Student Loans	1,720,421	1,030,529
Total Liabilities	38,284,513	37,658,242
NET ASSETS		
Without Donor Restrictions	46,425,254	53,336,021
With Donor Restrictions	236,221,283	228,799,992
Total Net Assets	282,646,537	282,136,013
Total Liabilities and Net Assets	\$ 320,931,050	\$ 319,794,255

See accompanying Notes to Financial Statements.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)**

	2023			2022 (As Restated) Total
	Without Donor Restrictions	With Donor Restrictions	Total	
OPERATING REVENUES				
Tuition and Fees	\$ 25,829,662	\$ -	\$ 25,829,662	\$ 26,295,616
Room and Board	16,448,465	-	16,448,465	15,784,293
Less: Student Aid	(16,382,037)	-	(16,382,037)	(17,533,269)
Tuition and Fees, Net	25,896,090	-	25,896,090	24,546,640
Government Appropriations	15,166,000	-	15,166,000	15,166,000
Pell Grant	6,435,613	-	6,435,613	6,392,733
HEERF Funding	-	-	-	18,461,302
Contracts and Sponsored Activities	5,279,782	-	5,279,782	5,327,909
Private Gifts	3,258,118	1,892,132	5,150,250	4,994,712
Endowment Income, Net	-	-	-	8,403
Other Investment Income, Net	2,601	-	2,601	721
Other	1,088,178	-	1,088,178	1,093,950
Quasi Endowed Release to Operations	3,208,577	(3,208,577)	-	-
Net Assets Released from Restrictions	4,760,520	(4,760,520)	-	-
Total Operating Revenues	65,095,479	(6,076,965)	59,018,514	75,992,370
OPERATING EXPENSES				
Program Services:				
Instruction	19,423,307	-	19,423,307	18,626,775
Research	3,370,334	-	3,370,334	5,217,490
Student Services	10,007,863	-	10,007,863	8,853,306
Auxiliary Enterprises	21,328,660	-	21,328,660	20,946,170
Total Program Expenses	54,130,164	-	54,130,164	53,643,741
Supporting Services:				
HEERF Grants to Students	-	-	-	4,831,516
Academic Support	3,540,947	-	3,540,947	3,339,314
Administration and Institutional Support	13,804,577	-	13,804,577	11,836,984
Fundraising	1,365,296	-	1,365,296	1,321,369
Total Supporting Expenses	18,710,820	-	18,710,820	21,329,183
Total Operating Expenses	72,840,984	-	72,840,984	74,972,924
CHANGE IN NET ASSETS FROM OPERATIONS	(7,745,505)	(6,076,965)	(13,822,470)	1,019,446
NONOPERATING ITEMS				
State Contribution for Capital Projects	-	14,445,848	14,445,848	11,502,186
Contributions - Endowment	-	537,499	537,499	409,448
Realized and Unrealized (Loss) Gain on Investments	623,983	4,998,815	5,622,798	(6,997,050)
Beneficial Interest	210,755	-	210,755	(5,820,902)
Depreciation of State Contributed Assets	-	(6,483,906)	(6,483,906)	(6,195,466)
Total Nonoperating Items	834,738	13,498,256	14,332,994	(7,101,784)
CHANGES IN NET ASSETS	(6,910,767)	7,421,291	510,524	(6,082,338)
Net Assets - Beginning of Year	53,336,021	228,799,992	282,136,013	288,218,351
NET ASSETS - END OF YEAR	<u>\$ 46,425,254</u>	<u>\$ 236,221,283</u>	<u>\$ 282,646,537</u>	<u>\$ 282,136,013</u>

See accompanying Notes to Financial Statements.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES			
Tuition and Fees	\$ 26,295,616	\$ -	\$ 26,295,616
Room and Board	15,784,293	-	15,784,293
Less: Student Aid	<u>(17,533,269)</u>	<u>-</u>	<u>(17,533,269)</u>
Tuition and Fees, Net	24,546,640	-	24,546,640
Government Appropriations	15,166,000	-	15,166,000
Pell Grant	6,392,733	-	6,392,733
HEERF Funding	18,461,302	-	18,461,302
Contracts and Sponsored Activities	5,327,909	-	5,327,909
Private Gifts	4,445,688	549,024	4,994,712
Endowment Income, Net	8,402	1	8,403
Other Investment (Expense) Income, Net	721	-	721
Other	1,093,950	-	1,093,950
Net Assets Released from Restrictions	<u>2,057,124</u>	<u>(2,057,124)</u>	<u>-</u>
Total Operating Revenues	77,500,469	(1,508,099)	75,992,370
OPERATING EXPENSES			
Program Services:			
Instruction	18,626,775	-	18,626,775
Research	5,217,490	-	5,217,490
Student Services	8,853,306	-	8,853,306
Auxiliary Enterprises	<u>20,946,170</u>	<u>-</u>	<u>20,946,170</u>
Total Program Expenses	53,643,741	-	53,643,741
Supporting Services:			
HEERF Grants to Students	4,831,516	-	4,831,516
Academic Support	3,339,314	-	3,339,314
Administration and Institutional Support	11,836,984	-	11,836,984
Fundraising	<u>1,321,369</u>	<u>-</u>	<u>1,321,369</u>
Total Supporting Expenses	<u>21,329,183</u>	<u>-</u>	<u>21,329,183</u>
Total Operating Expenses	<u>74,972,924</u>	<u>-</u>	<u>74,972,924</u>
CHANGE IN NET ASSETS FROM OPERATIONS	2,527,545	(1,508,099)	1,019,446
NONOPERATING ITEMS			
State Contribution for Capital Projects	-	11,502,186	11,502,186
Contributions - Endowment	-	409,448	409,448
Realized and Unrealized Gains on Investments	(642,686)	(6,354,364)	(6,997,050)
Beneficial Interest	(5,820,902)	-	(5,820,902)
Depreciation of State Contributed Assets	-	(6,195,466)	(6,195,466)
Total Nonoperating Items	<u>(6,463,588)</u>	<u>(638,196)</u>	<u>(7,101,784)</u>
CHANGES IN NET ASSETS	(3,936,043)	(2,146,295)	(6,082,338)
Net Assets - Beginning of Year	37,388,449	230,946,287	268,334,736
Restatement to Correct Prior Year Error	19,883,615	-	19,883,615
Net Assets - Beginning of Year (As Restated)	<u>57,272,064</u>	<u>230,946,287</u>	<u>288,218,351</u>
NET ASSETS - END OF YEAR	<u>\$ 53,336,021</u>	<u>\$ 228,799,992</u>	<u>\$ 282,136,013</u>

See accompanying Notes to Financial Statements.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)**

	Program Services				Supporting Services			Total	2022
	Instruction	Research	Student Services	Auxiliary Enterprises	Academic Support	Administrative and Institutional Support	Fundraising		
Accounting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 361,418	\$ -	\$ 361,418	\$ 96,629
Advertising and Promotion	13,084	6,951	38,703	-	5,093	431,882	17,689	513,402	78,646
Conferences	151,503	163,029	732,447	1,789	57,589	130,720	43,315	1,280,392	56,487
Contracted Services	3,084,268	1,146,101	1,222,104	7,314,615	216,221	1,416,765	56,432	14,456,506	13,651,269
COVID Expense	-	-	-	-	-	-	-	-	1,206,333
Depreciation	-	-	-	6,762,452	-	-	-	6,762,452	6,515,135
Grants	-	-	-	-	-	-	-	-	-
Information Technology	135,834	24,759	63,641	9,708	1,295	20,829	-	256,066	39,223
Insurance	-	-	-	-	-	1,253,403	-	1,253,403	1,131,076
Interest Expense	-	-	-	-	-	1,846,735	2,237	1,848,972	1,735,978
Legal	-	-	-	-	-	19,544	-	19,544	302,420
Maintenance	3,278	-	51,333	624,878	-	13,180	100	692,769	515,031
Meals	1,012	6,061	34,299	3,792,923	4,990	6,540	6,482	3,852,307	4,433,581
Occupancy	-	-	-	1,739,036	-	-	-	1,739,036	1,746,206
Office Expenses	-	-	-	-	-	-	-	-	413,369
Other	-	-	-	-	-	-	-	-	4,848,782
Pension Plan Contributions	999,202	42,154	329,191	45,902	213,677	464,339	53,529	2,147,994	2,031,746
Professional Development	15,687	10,855	114,788	-	48,563	28,445	7,750	226,088	559,656
Program Activities	15,319	54,138	531,528	527,475	74,514	601,425	217,462	2,021,861	2,635,743
Salaries and Benefits	14,703,802	1,428,632	5,607,435	434,929	2,704,153	7,125,401	943,663	32,948,015	31,087,497
Student Salaries	107,990	299,249	570,228	7,483	134,913	1,605	13,270	1,134,738	695,759
Supplies	181,765	188,405	226,076	67,382	79,739	63,565	3,367	810,299	-
Travel and Transportation	10,563	-	486,090	88	200	18,781	-	515,722	1,192,358
Total Functional Expenses	\$ 19,423,307	\$ 3,370,334	\$ 10,007,863	\$ 21,328,660	\$ 3,540,947	\$ 13,804,577	\$ 1,365,296	72,840,984	74,972,924
Depreciation of State Contributed Assets								6,483,906	6,195,466
Total								\$ 79,324,890	\$ 81,168,390

See accompanying Notes to Financial Statements.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022**

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

See accompanying Notes to Financial Statements.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 510,524	\$ (6,082,338)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Amortization	9,607	9,606
Depreciation	13,246,358	12,710,601
Accretion	18,429	17,893
Net Realized and Unrealized Loss (Gain) on Investments	(5,622,798)	6,781,138
Net Loss (Gain) on Funds Held in Trust by Others	(38,421)	215,912
Contributions Restricted for Endowment	(537,499)	(309,448)
Effects of Changes in Noncash Operating Assets and Liabilities:		
Due from Foundation	2,602,953	(3,056,461)
Student Receivables, Net	(2,369,374)	(280,055)
Federal and State Government Receivables	1,104,243	(1,782,479)
Other Receivables	727,382	(1,364,400)
Prepaid Expenses	38,717	132,426
Inventories	(2,005)	(1,670)
Beneficial Interest	(210,755)	5,820,902
Accounts Payable and Accrued Expenses	(1,354,096)	(978,264)
Student Deposits	821,955	(123,501)
Deferred Revenue	82,000	(9,073,444)
Government Advances for Student Loans	689,892	375,627
Net Cash Provided by Operating Activities	<u>9,717,112</u>	<u>3,012,045</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(19,621,523)	(14,677,648)
Proceeds from Sale of Investments	7,305,088	4,615,422
Purchase of Investments	(1,349,459)	(2,079,954)
Repayments of Loans from Students	(689,892)	(580,871)
Net Cash Used by Investing Activities	<u>(14,355,786)</u>	<u>(12,723,051)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Endowment	537,499	309,448
Principal Payments on Lease Liability	129,625	(63,798)
Principal Payments on Bonds Payable	(1,452,167)	(1,402,003)
Payments on Loans Payable	(318,973)	(306,949)
Proceeds from Line of Credit, Net	2,000,000	(7,500,000)
Net Cash Provided (Used) by Financing Activities	<u>895,984</u>	<u>(8,963,302)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,742,690)	(18,674,308)
Cash and Cash Equivalents - Beginning of Year	<u>4,613,994</u>	<u>23,288,302</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 871,304</u>	<u>\$ 4,613,994</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest Paid	<u>\$ 856,245</u>	<u>\$ 902,080</u>
Capital Project Costs Paid by State	<u>\$ 14,445,848</u>	<u>\$ 11,502,186</u>

See accompanying Notes to Financial Statements.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 BACKGROUND

Nature of Operations

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

Enrollment

Total undergraduate and graduate student billing equivalents (BE's) decreased from 1,828 in fiscal year 2022 to 1,740 in fiscal year 2023. Starting with the 2014/2015 school year, Lincoln introduced a fixed tuition policy. Incoming freshman are guaranteed no increases in tuition for four years from their start date. After four years, any remaining semesters are charged at the current rate. There was a 3.0% increase in undergraduate tuition for fiscal year 2023. Tuition for the sophomore class is fixed at the 2021/2022 tuition rate. Tuition for the junior class is fixed at the 2020/2021 rate. Tuition for the senior class is fixed at the 2019/2020 rate. Graduate tuition did not increase for fiscal year 2023. Student tuition, and room and board revenue before student aid in fiscal year 2023 increased by \$198,218 compared to fiscal year 2022.

Accreditation

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Title IV Requirements

The University participates in Government Student Financial Assistance Programs (Title IV) administered by the U.S. Department of Education (ED) for the payment of student tuitions. Substantial portions of the revenue and collection of accounts receivable as of June 30, 2023 and 2022, are dependent upon the University's continued participation in the Title IV programs.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

Student Receivables

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

Perkins Loans

Perkins Loans to students funded by advances to the University by the federal government under the Federal Perkins Loan Program ended on September 30, 2017 with final disbursements permitted through June 30, 2018. The outstanding loans are assignable to the federal government and during the current fiscal year a balance of \$1,720,421 was accepted. The federal government's assignable balance of Perkins Loans as of June 30, 2023 and 2022 was \$597,976 and \$1,451,068, respectively.

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

Inventories

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

Funds Held in Trust

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

Property and Equipment

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

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

The estimated useful lives of depreciable assets are:

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

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

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

Collections and Works of Art

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

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

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2023 and 2022, accumulated amortization of bond issuance costs was \$93,613 and \$84,006, respectively, and are reported net of the bonds payable.

Revenue Recognition

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

Tuition and Fees Revenue

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

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

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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
SYSTEM OF HIGHER EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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.

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

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

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

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

Other Revenue

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

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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).

**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)

Income Taxes (Continued)

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, 2023, 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.

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.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity and Availability of Resources

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

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

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

Refer to the statement of cash flows which identifies the sources and uses of the University's cash and shows positive cash generated by operations for fiscal years 2023 and 2022.

As of June 30, 2023 and 2022, 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>2023</u>	<u>2022</u>
Financial Assets to Meet General Expenditures over the Next 12 Months:		
Cash and Cash Equivalents	\$ 871,304	\$ 4,613,994
Accounts Receivable:		
Due from Lincoln University Foundation	1,938,572	4,541,525
Students, Net of Allowance of \$13,424,452	4,770,771	2,401,397
Federal and State Government Receivables	1,885,177	2,989,420
Other	<u>168,278</u>	<u>720,060</u>
Total Financial Assets to Meet General Expenditures over the Next 12 Months	<u>\$ 9,634,102</u>	<u>\$ 15,266,396</u>

Subsequent Events

The University evaluated subsequent events through November 18, 2023, which is the date these financial statements were available for issuance, and has determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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, 2023 and 2022, cash and cash equivalents was \$871,304 and \$4,613,994, 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.

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, 2023.

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.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 4 INVESTMENTS (CONTINUED)

The following schedule summarizes the returns on these investments:

	<u>2023</u>	<u>2022</u>
Realized and Unrealized Gain/(Loss)	\$ 5,622,798	\$ (6,997,050)
Purchases	1,349,459	2,079,954
Sales	(7,305,088)	(4,505,174)
Investment Fees	<u>(102,926)</u>	<u>(110,248)</u>
Total Investment Return, Net	<u>\$ (435,757)</u>	<u>\$ (9,532,518)</u>

Investment fees were \$102,926 and \$110,248 for the years ended June 30, 2023 and 2022, respectively.

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

	<u>2023</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Commonfund Multi-Strategy Equity Fund	\$ -	\$ 34,308,267	\$ -	\$ 34,308,267
State Street Inst US Gov't Money Market Fund	-	3	-	3
Commonfund Multi-Strategy Bond Fund	-	13,200,978	-	13,200,978
Funds Held in Trust	-	-	853,704	853,704
Total	<u>\$ -</u>	<u>\$ 47,509,248</u>	<u>\$ 853,704</u>	<u>\$ 48,362,952</u>

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

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, 2023 and 2022, the fair value of the University's investment was \$34,308,267 and \$32,711,288, respectively. The fund has a redemption period requiring five business days prior to the end of the month, monthly redemption frequency and no unfunded commitments.

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 4 INVESTMENTS (CONTINUED)

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, 2023 and 2022, the fair value of the University's investment was \$13,200,978 and \$15,130,790, 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, 2023 and 2022, the fair value of the University's investment was \$3 and \$3, respectively. The fund has a redemption period requiring five business days prior to the end of the month, monthly redemption frequency and no unfunded commitments.

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

	Funds Held in Trust	
	2023	2022
Balance - Beginning of Year	\$ 815,283	\$ 1,031,195
Unrealized (Loss) Gain	38,421	(215,912)
Balance - End of Year	\$ 853,704	\$ 815,283

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

	2023	
	Cost	Fair Value
Pooled Investments	\$ 18,039,356	\$ 47,509,248
Funds Held in Trust	888,216	853,704
Total	\$ 18,927,572	\$ 48,362,952

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

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 5 PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Land and Improvements	\$ 1,753,058	\$ 1,753,058
Building and Improvements	367,223,940	365,027,976
Furniture, Fixtures, and Equipment	21,128,260	18,420,744
Construction in Progress	<u>26,385,281</u>	<u>11,939,434</u>
Total Property and Equipment	416,490,539	397,141,212
Less: Accumulated Depreciation	<u>171,500,049</u>	<u>158,253,691</u>
Property and Equipment Net	<u>\$ 244,990,490</u>	<u>\$ 238,887,521</u>

Depreciation expense was \$13,246,358 and \$12,710,600 for the years ended June 30, 2023 and 2022, respectively.

Main Campus Revitalization Project

The Commonwealth of Pennsylvania (the Commonwealth) has begun several projects with budgets totaling approximately \$26,000,000 to revitalize the Main Campus of Lincoln University over fiscal years 2023 and 2022.

Each project is considered a temporarily restricted contribution due to the restriction placed upon 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 2023 and 2022 were as follows:

	Funded Amount	
	<u>2023</u>	<u>2022</u>
Amos Hall	\$ 5,001,852	\$ 6,597,749
Azikiwe-Nkrumah Hall	26,303	240,801
Cresson Hall	207,917	1,483,209
Dickey Hall	38,097	159,885
Football Track and Field	176,707	2,198,293
Rivero Hall	1,554,964	9,363
Vail Hall	6,426,018	229,303
Furniture, Fixtures and Equipment	<u>1,013,991</u>	<u>583,583</u>
Total	<u>\$ 14,445,849</u>	<u>\$ 11,502,186</u>

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 6 LONG-TERM DEBT AND LINE OF CREDIT

A summary of the University's long-term debt and line of credit as of June 30, 2023 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 proceeds of the 2013A Bonds were used to: (I) advance refund the University's Pennsylvania Economic Development Financing Authority Revenue Bonds, Series 2004A (then outstanding in the principal amount of \$27,890,000) by funding a deposit to an escrow account sufficient to pay the redemption price of the 2004A Bonds and accrued interest to the redemption date, and (II) to pay costs associated with the issuance of the 2013A Bonds.

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

Future principal payments as of June 30, 2023, were as follows:

<u>Year Ending June 30,</u>	<u>Series 2013 A Bonds</u>	<u>Series 2013 B Bonds</u>	<u>Total</u>
2024	1,317,012	177,597	\$ 1,494,609
2025	1,364,288	184,923	1,549,211
2026	1,404,832	191,932	1,596,764
2027	1,448,677	198,610	1,647,287
2028	1,500,679	204,944	1,705,623
2029-2033	8,243,429	1,156,757	9,400,186
2034-2036	5,607,669	813,307	6,420,976
Total	<u>\$ 20,886,586</u>	<u>\$ 2,928,070</u>	23,814,656
Less: Bond Issuance Cost			(124,236)
Total			<u>\$ 23,690,420</u>

**LINCOLN UNIVERSITY OF THE COMMONWEALTH
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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

Loan Payable- Energy Conservation Project (the Project)

In November 2016, the University entered into an agreement with Aramark and PNC Bank to upgrade University facilities via a performance bond. The proceeds of the performance bond were deposited into an escrow account with US Bank and remitted based upon project percentage of completion. The original loan agreement with PNC Equipment Lease was in the amount of \$3,601,959 and matured in November 2026. The loan agreement was amended in February 2019 with a new balance of \$1,218,035, and later sold to The Huntington National Bank in November 2020.

Future principal payments were as follows as of June 30, 2023:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	331,465
2025	344,446
2026	357,934
2027	184,190
Total	<u>\$ 1,218,035</u>

Line of Credit

The University currently maintains a \$10,000,000 revolving line of credit for use as working capital or other general business purposes. The line of credit is secured by the gross revenue of the University. The line of credit will expire on October 3, 2023. The amounts outstanding under this Note will bear interest at a rate per annum of BSBY plus 2.75%. The University had \$2,000,000 outstanding as of June 30, 2023.

NOTE 7 ASSET RETIREMENT OBLIGATION

The asset retirement obligation estimated by the University is based upon asbestos abatement costs of University buildings, as determined by a study completed during fiscal year 2019. The University estimated its total undiscounted asset retirement obligation to be \$720,650. As of June 30, 2023 and 2022, the future asset retirement obligation was \$632,751 and \$614,322, 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, 2023, no funds have been set aside to settle these obligations.

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NOTE 7 ASSET RETIREMENT OBLIGATION (CONTINUED)

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

	2023	2022
Balance - Beginning of Year	\$ 614,322	\$ 596,429
Accretion	18,429	17,893
Balance - End of Year	\$ 632,751	\$ 614,322

NOTE 8 NET ASSETS

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

	2023	2022
Invested in State Contributed Capital	\$ 189,394,467	\$ 181,432,529
Endowment Corpus	15,411,043	15,883,544
Endowment Earnings	26,809,080	26,838,813
Temporarily Restricted	3,715,385	3,829,823
Funds Held in Trust	891,308	815,283
Total With Donor Restrictions Net Assets	\$ 236,221,283	\$ 228,799,992

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.

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NOTE 9 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

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

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

Funds with Deficiencies

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the relevant state law requires the University to retain as a fund of perpetual duration. There were no such deficiencies reported as of June 30, 2023 and 2022.

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 5% of a moving three-year average of the endowed funds balance.

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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:

	2023			
	Without Donor Restrictions	With Donor Restrictions		Total
		Endowment Available for Appropriation	Endowment Held for Perpetuity	
Donor Designate Endowment Funds	\$ -	\$ 30,957,870	\$ 17,287,958	\$ 48,245,828
Board Designated Endowment Funds	5,883,736	-	-	5,883,736
Total Endowment Funds	\$ 5,883,736	\$ 30,957,870	\$ 17,287,958	\$ 54,129,564
	2022			
	Without Donor Restrictions	With Donor Restrictions		Total
		Endowment Available for Appropriation	Endowment Held for Perpetuity	
Donor Designate Endowment Funds	\$ -	\$ 26,956,602	\$ 16,750,459	\$ 43,707,061
Board Designated Endowment Funds	5,259,753	-	-	5,259,753
Total Endowment Funds	\$ 5,259,753	\$ 26,956,602	\$ 16,750,459	\$ 48,966,814

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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:

	2023			
	Without Donor Restrictions	With Donor Restrictions		Total
		Endowment Available for Appropriation	Endowment Held for Perpetuity	
		\$	\$	\$
Balance as of June 30, 2022	\$ 5,259,753	\$ 26,956,603	\$ 16,750,458	\$ 48,966,814
Net Investment Income	521,057	5,031,550	-	5,552,607
Contributions	-	-	537,499	537,499
Withdrawal of Spending Allocation	-	(1,030,282)	-	(1,030,282)
Transfers	102,926	-	-	102,926
Balance as June 30, 2023	<u>\$ 5,883,736</u>	<u>\$ 30,957,871</u>	<u>\$ 17,287,957</u>	<u>\$ 54,129,564</u>
	2022			
	Without Donor Restrictions	With Donor Restrictions		Total
		Endowment Available for Appropriation	Endowment Held for Perpetuity	
	\$	\$	\$	\$
Balance as of June 30, 2021	\$ 5,902,439	\$ 34,753,564	\$ 16,441,010	\$ 57,097,013
Net Investment Income	(952,934)	(6,354,363)	-	(7,307,297)
Net Income on Investments	-	-	-	-
Contributions	100,000	-	309,448	409,448
Withdrawal of Spending Allocation	-	(1,442,598)	-	(1,442,598)
Transfers	210,248	-	-	210,248
Balance as June 30, 2022	<u>\$ 5,259,753</u>	<u>\$ 26,956,603</u>	<u>\$ 16,750,458</u>	<u>\$ 48,966,814</u>

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NOTE 10 GOVERNMENT APPROPRIATIONS

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

	2023	2022
Operations	\$ 15,166,000	\$ 15,166,000
State Contributions for Capital Projects	14,445,848	11,502,186
Total	\$ 29,611,848	\$ 26,668,186

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.

As of June 30, 2023 the University employed approximately 374 employees. Approximately 52% of the University's employees are covered by union contracts. Union employees are covered under one of three contracts. The Clerical Union (AFSCME) Contract expires July 1, 2025. The Police Union (LUPA) Contract expires July 1, 2025. The Faculty Union (LUC-AAUP) Contract expires September 1, 2025.

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 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 \$577,633 and \$564,102 in revenue under this lease for the years ended June 30, 2023 and 2022, respectively.

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NOTE 12 MASTER LEASE AGREEMENT (CONTINUED)

The recorded asset value as of June 30 for this property was \$9,949,405 both for years ended June 30, 2023 and 2022. Accumulated depreciation was \$5,486,112 and \$5,241,723 as of June 30, 2023, and 2022, respectively.

NOTE 13 RETIREMENT BENEFITS

The University participates in the Teachers' Insurance and Annuity Association (TIAA), a multi-employer defined contribution pension plan that is available to all University employees. The University contributes 5% of eligible employee gross earnings and matches employee contributions up to a maximum of 5% of eligible employee gross earnings. University employees are, upon plan participation eligibility, 100% vested in both employer and employee contributions to the plan. Retirement benefit expense for the years ended June 30, 2023 and 2022 was \$2,055,187 and \$2,024,849, 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 re-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 2023 resulting in receivables of \$2,137,691 for contribution revenue and \$416,213 for expenses incurred on behalf of Lincoln University Foundation as of June 30, 2023.

While the University has an economic interest in the Foundation, it does not have control. Therefore, its operations are not consolidated in the financial statements of the University. However, the University and the Foundation are financially interrelated entities therefore a beneficial interest exists. The summarized financial information for the Foundation as and for the years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Total Assets	\$ 18,638,665	\$ 18,575,867
Total Liabilities	4,365,197	4,513,154
Total Net Assets	<u>\$ 14,273,468</u>	<u>\$ 14,062,713</u>
Total Revenue	2,511,621	120,598
Total Expenses	2,300,866	5,941,500

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NOTE 15 RESTATEMENT

During the year ended June 30, 2023, an error was discovered resulting in an understatement of net assets previously reported as of June 30, 2021 in the amount of \$19,883,615.

The University also did not properly reflect the balances for the pledges receivable of \$839,122 as of June 30, 2022.

The changes within the University's July 1, 2021 net assets, statement of financial position, statement of activities, and statement of cash flows for the correction of the errors are as follows:

STATEMENT OF FINANCIAL POSITION

	As Originally Reported	Restatement Adjustment	As Restated
Assets			
Pledge Receivable	\$ -	\$ 839,122	\$ 839,122
Beneficial Interest	-	14,062,713	14,062,713
Net Assets			
Without Donor Restriction	\$ 38,434,186	\$ 14,901,835	\$ 53,336,021

STATEMENT OF ACTIVITIES

	As Originally Reported	Restatement Adjustment	As Restated
Operating Revenues			
Without Donor Restrictions			
Private Gifts	\$ 3,606,566	\$ 839,122	\$ 4,445,688
Total Operating Revenues	76,661,347	839,122	77,500,469
Nonoperating Revenues			
Without Donor Restrictions			
Beneficial Interest	-	(5,820,902)	(5,820,902)
Total Nonoperating Revenues	(642,686)	(5,820,902)	(6,463,588)
Nonoperating Revenues			
Without Donor Restrictions			
Net Assets - Beginning of Year	\$ 37,388,449	\$ 19,883,615	\$ 57,272,064

STATEMENT OF CASH FLOWS

	As Originally Reported	Restatement Adjustment	As Restated
Change in Net Assets	\$ (1,100,558)	(4,981,780)	(6,082,338)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) Provided by Operating Activities:			
Other Receivables	(525,278)	(839,122)	(1,364,400)
Net Cash (Used) Provided by Operating Activities:	\$ 3,012,045	\$ (5,820,902)	\$ (2,808,857)