



LINCOLN UNIVERSITY
of the Commonwealth of Pennsylvania
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LINCOLN UNIVERSITY

PRESIDENT'S REPORT
July 1, 2007 - June 30, 2008



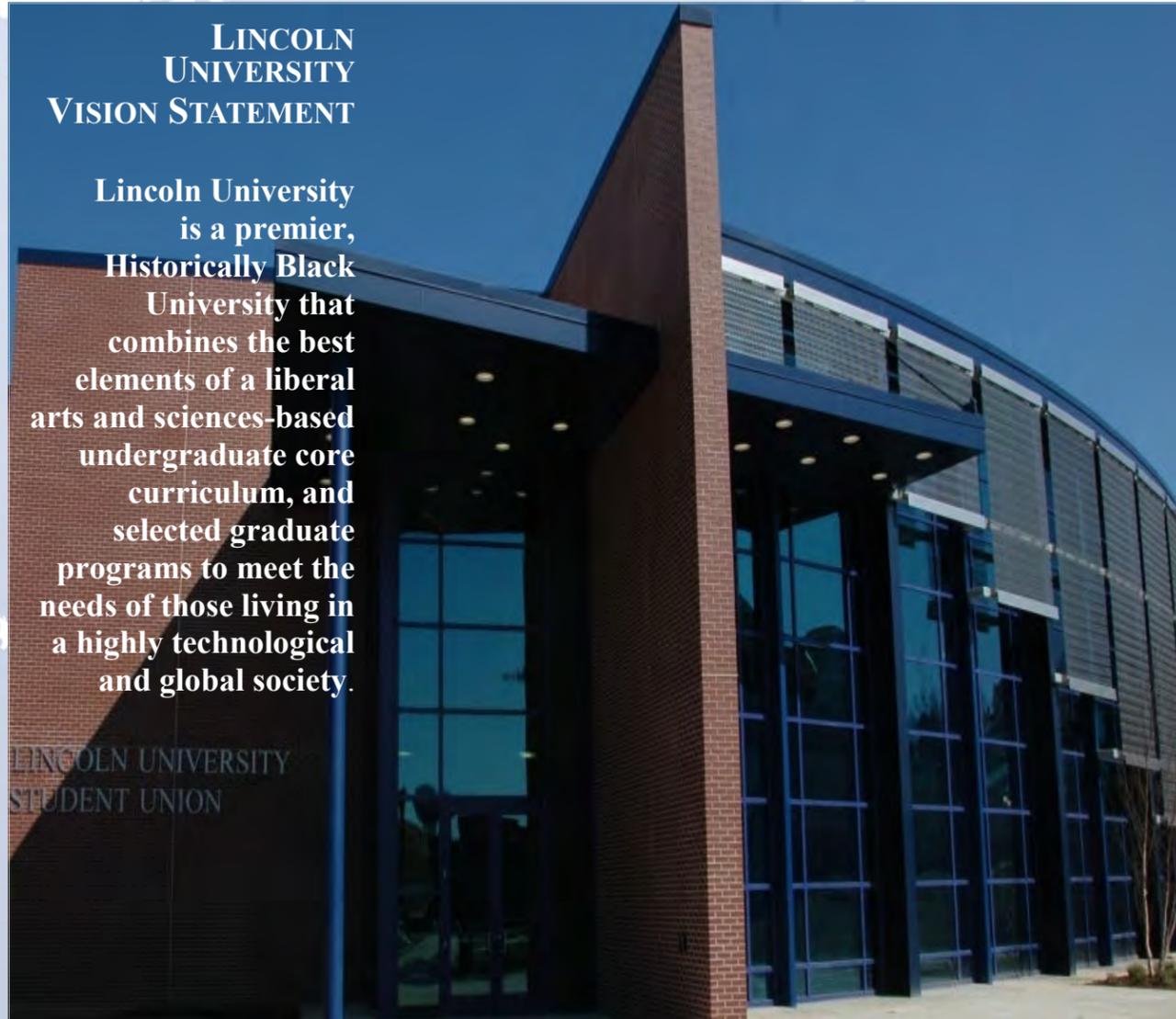
Global Education for a Global Society



LINCOLN UNIVERSITY VISION STATEMENT

Lincoln University is a premier, Historically Black University that combines the best elements of a liberal arts and sciences-based undergraduate core curriculum, and selected graduate programs to meet the needs of those living in a highly technological and global society.

LINCOLN UNIVERSITY
STUDENT UNION



For additional information about Lincoln University, including directions to the main campus and the Center City Philadelphia Graduate Center, the University's Vision, Mission, Philosophy, and Statement of Goals, please visit our Web site at www.lincoln.edu.



LINCOLN UNIVERSITY
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**LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008**

- c) The review and approval of the bank reconciliations were not always evidenced. We noted during our review of the bank reconciliations an entry made to “*adjust for continuous difference in payroll account*” that was not approved and reconciliations that contained voided checks listed as outstanding checks that cleared the bank.

The University is in the process of completing the implementation of its new financial system, which has required significant involvement of the Finance Department. As the implementation progresses, improvements are being made and processes reengineered for the new systems environment. However, progress in the implementation and internal controls have been impacted by the limited resources available.

Recommendation

We recommend the following be considered by management to strengthen the internal control over financial reporting:

- a) Strengthen the resources of the Finance Department in order to improve the internal control environment and implement better segregation of duties.
- b) Strengthen internal controls surrounding wire transactions by either reassigning this responsibility or implementing an approval requirement for all wire transactions.
- c) Improve the review and approval of journal entries. All journal entries should be reviewed by a senior Finance Department officer before they are entered into the system.
- d) Strengthen the bank reconciliation and review process. Due care should be exercised, and a thorough review should be performed for all reconciliations.

Views of Responsible Official

Management agrees with this conclusion and recommendation.

- 1. A key management position, which has been temporarily staffed, will be filled permanently.
- 2. All wire transactions will be approved in advance and verified afterward by Business Office management.
- 3. Manual journal entries will be approved in advance, by Business Office management. Automated journal entries, which the Business Office has no ability to suspend, review and correct, will be reviewed by Business Office management during each month end close and any relevant corrections will be made at that time.
- 4. The bank reconciliation process will be transferred to an employee outside the wire transfer process. Known issues with the accounting system will be properly documented and accounted for in the reconciliation process.
- 5. A review of all accounting functions with known process issues will be conducted. Resources that are determined to be needed to properly staff these functions will be retrained, added or redeployed.
- 6. Reports needed to support the month end closing or identify known types of errors will be created to make the process of month end closing and journal entry review more efficient.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV - STATUS OF PRIOR YEAR FINDINGS

No Prior Year Findings



President's Report

**President's Report
July 1, 2007 - June 30, 2008**

LINCOLN UNIVERSITY

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System of Higher Education

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Judith A.W. Thomas, Ed.D.

School of Humanities and Graduate Studies

Gladys J. Willis, Ph.D.

Students and Campus Life

Jerryl Briggs, M.S.

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

The type of report issued on the financial statements..... Unqualified

Internal control over financial reporting:

Material weaknesses indentified?.....No

Significant deficiencies identified that are not considered to be material
weaknesses?.....Yes

Noncompliance which is material to the financial statements?.....No

Federal Awards

The type of report issued on compliance for major programs.....Unqualified

Internal control over major programs:

Material weaknesses identified?.....No

Significant deficiencies identified that are not considered to be material weaknesses?.....No

Any audit findings which are required to be reported under Section 510(a)
of OMB Circular A-133?.....No

Major programs: Student Financial Assistance Program Cluster, Research and
Development Cluster, Title III (CFDA 84.031), Educational and Human Resources
(CFDA 47.076), and Upward Bound (CFDA 84.047)

Dollar threshold used to distinguish between Type A and Type B programs:\$300,000

Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133?..... Yes

SECTION II - FINANCIAL STATEMENTS FINDINGS

2008-1 Strengthen Segregation of Duties and Responsibilities

Our review of the internal control over financial reporting revealed the following deficiencies in the segregation of duties, the combination of which we consider to be a significant deficiency.

a) The University has assigned multiple job responsibilities to one staff member in the Finance Department that should be segregated. The staff initiates and executes wire transfer transactions, performs monthly bank reconciliations, prepares journal entries, and posts transactions to the general ledger. Not properly segregating these duties exposes the University to the risk of unauthorized or erroneous transactions without timely detection by management.

b) The policy of the Finance Department is to review and approve unusual, non-recurring journal entries but does not require review of all journal entries. Reliance is placed on Finance Department staff members to prepare and post normal recurring entries correctly. During the month of June 2008, there were a significant number of journal entries that were corrections of entries made previously. A more complete review and approval of all journal entries would reduce the level of errors and risk of misstatement.

LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2008

NOTE 1: BASIS OF PRESENTATION

The purpose of the Schedule of Expenditures of Federal Awards (the Schedule) is to present a summary of federal expenditures of Lincoln University (the University) for the year ended June 30, 2008.

For the purposes of the Schedule, federal awards have been classified into three types: Student Financial Assistance Program Cluster, Research and Development Cluster, and Other Federal Programs.

Because the Schedule presents only a selected portion of the activities of the University, it is not intended to and does not present the financial position, changes in net assets or the cash flows of the University.

The Schedule is prepared on the accrual basis using cost principles of OMB Circular A-21.

NOTE 2: PERKINS LOAN PROGRAM

The University participates in the Federal Perkins Loan program (CFDA No. 84.038). The University did not receive any federal capital contributions under the Federal Perkins Loan Program for the year ended June 30, 2008.

Loans disbursed to students during the year ended June 30, 2008 were \$503,438. The gross balance of Federal Perkins loans outstanding as of June 30, 2008 was \$2,687,118.

NOTE 3: FEDERAL FAMILY EDUCATION LOAN PROGRAM

The University participates in the Federal Family Education Loan Program under CFDA No. 84.032 (includes Federal Stafford Loans [subsidized and unsubsidized] and the Federal Parent Loans for Undergraduate Students [PLUS]). Loan disbursements under the Federal Family Education Loan Program for the year ended June 30, 2008 totaled \$25,865,357.

Message From The President

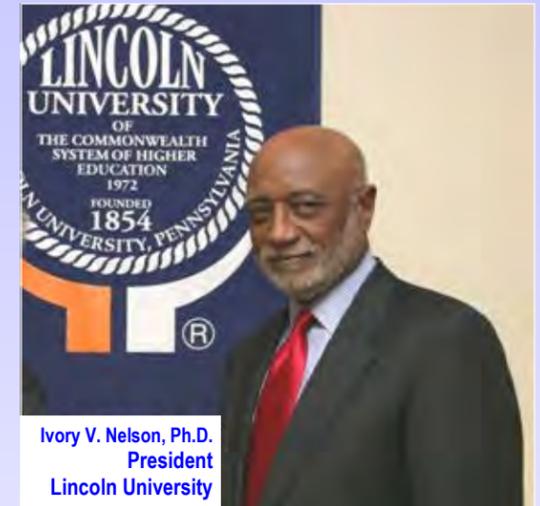


Lincoln University attracts students from around the globe as well as from throughout the Commonwealth of Pennsylvania and the United States for our world-class education. At Lincoln, we prepare our youth to live and compete successfully in this highly technological society. In essence, Lincoln University provides students with a *Global Education for a Global Society*. This is evident and is the common theme among the many important accomplishments, activities and events for Lincoln during our 2007-2008 fiscal and academic year.

In 2003, Lincoln launched the yearlong celebration of its sesquicentennial celebration as America's first Historically Black University. I proudly proclaimed then that "Lincoln's days of greatest triumph and glory lie not in the past, but in the future." As our student enrollments climb; as our loyal alumni continue to sustain families, build careers, and contribute to world history; and as the University revitalizes itself and its historic campus with new academic programs, new buildings and major campus renovation projects, I reiterate with even more conviction that the best is, indeed, yet to come for Lincoln University.

Since its founding in 1854, Lincoln University has been internationally recognized for preparing learners and producing world-class leaders in their fields. That is Lincoln's legacy.

That achievement is further underscored and strengthened as Lincoln has developed and enhanced our new five academic programs of distinctions — Centers of Excellence. They are: *Lincoln-Barnes Visual Arts, Grand Research Educational Awareness and Training (GREAT) for Minority Health, Mass Communications, Teacher Education and Urban Pedagogy, and Business and Information Technology.*



Ivory V. Nelson, Ph.D.
President
Lincoln University

**“LINCOLN UNIVERSITY
ATTRACTS STUDENTS FROM
AROUND THE GLOBE AS
WELL AS FROM
THROUGHOUT THE
COMMONWEALTH OF
PENNSYLVANIA AND THE
UNITED STATES FOR OUR
WORLD-CLASS EDUCATION.”**

The five Centers of Excellence crystallize our focus on being a student-centered University and make the case for continuing to attract high-achieving students. Moreover, the Centers of Excellence are an outgrowth of the University's Vision Statement to meet the needs of those living in a highly technological world.

Preparing our students with a global education is tantamount to Lincoln University. It is our history. And it is also Lincoln's legacy and leadership role in higher education.

Ivory V. Nelson, Ph.D.
President

Nationally recognized for producing African Americans with undergraduate degrees in the physical sciences, (biology, chemistry and physics); computer sciences; biological and life sciences.

**Lincoln University's
Five Centers of Excellence:**

- Lincoln-Barnes Visual Arts
- Grand Research Educational Awareness and Training (GREAT) for Minority Health
- Mass Communications
- Teacher Education and Urban Pedagogy
- Business and Information Technology

The 2007-2008 academic year at the University was highlighted with Lincoln advancing its educational legacy by enhancing its five innovative academic Centers of Excellence to further provide students with a global education.

Internationally recognized for preparing learners and producing world-class leaders in their fields, Lincoln has great expectations for its five academic Centers of Excellence — programs of distinctions. They are: *Lincoln-Barnes Visual Arts, Grand Research Educational Awareness and Training (GREAT) for Minority Health, Mass Communications, Teacher Education and Urban Pedagogy, and Business and Information Technology.*

For Lincoln's professors, who are noted for their dedication to their students, the Centers of Excellence demand that they create in their students the ability to connect knowledge of subject content with its practical (and changing) applications in the economic and global marketplace.

Lincoln-Barnes Visual Arts Major

Lincoln's Centers of Excellence got started in the University's School of Humanities with its new *Lincoln-Barnes Visual Arts* major. The new major launched in the fall 2007 with nine students. The innovative program prepares students for versatile and cutting-edge careers in museum and collections studies, museum education and museum communications. It also aims to boost the low number of African Americans working in the museum field.

With their combined and recognized strengths in education and the arts, Lincoln University and the Barnes Foundation collaborated to create the ultimate visual arts program. Located in Merion, in Montgomery County, Pennsylvania, the Foundation is home to one of the world's largest collections of Impressionist, Post-Impressionist and early Modern paintings.

Mass Communications

Lincoln's School of Humanities' *Center of Excellence in Mass Communications* is equipped with multiple millions of dollars worth of new journalism and broadcast media technology. The technology is expected to attract students and key faculty to help lead the cutting-edge program. Lincoln created the program to position the University to become a national leader in producing minority professionals in the communications industry.

Students in the Mass Communications program gain actual work experience through internships and other means to enable them to compete successfully for highly sought professional positions in the electronic and print media.



LINCOLN UNIVERSITY OF THE COMMONWEALTH
SYSTEM OF HIGHER EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

Program Title	Federal CFDA No.	Federal Funding Agency / Pass Through Agency	2008 Federal Expenditures
Student Financial Assistance:			
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007	Department of Education	\$ 459,403
Federal Pell Grants	84.063	Department of Education	3,944,645
Academic Comp. Grant	84.375	Department of Education	216,875
Total Student Financial Assistance			4,620,923
Research and Development:			
Basic Scientific Research	12.431	Department of Defense	438,457
Aerospace Education Services Program	43.001	National Aeronautics and Space Administrator/ PennState University	11,411
Biological Sciences	47.074	National Science Foundation	22,718
Enhancing Physics & Engineering	81.123	Department of Energy	77,076
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	Department of Health and Human Services	224,621
Total Research and Development			774,283
Other Federal Programs:			
Educational and Human Resources (Philadelphia AMP)	47.076	National Science Foundation/Drexel University	16,356
Educational and Human Resources (Historically Black Colleges and Universities-Undergraduate Program)	47.076	National Science Foundation	456,575
Educational and Human Resources (No Longer a Dream)	47.076	National Science Foundation/ University of Massachusetts, Amherst	86,077
Educational and Human Resources (Mathematics and Science Partnership of Greater Philadelphia)	47.076	National Science Foundation/ LaSalle University	44,315
Education and Human Resources (HBCU Evaluators Consortium Planning Proposal)	47.076	National Science Foundation	57,030
Total CFDA 47.076	47.076		660,353
Summer Food Service Program for Children	10.559	U.S. Department of Agriculture/Pennsylvania Department of Education	45,648
Educational Exchange-Fulbright American Studies Institutes	19.418	Department of State / Institute for International Education	84,117
Highway Planning and Construction	20.205	U.S. Department of Transportation	44,169
Promotion of the Humanities-Division of Preservation and Access	45.149	National Endowment for the Humanities	1,500
Promotion of the Humanities-Public Programs	45.164	National Endowment for Arts	44
Biological Sciences	47.074	National Science Foundation	117
Title III - Strengthening Historically Black Colleges and Universities	84.031	Department of Education	1,854,243
Upward Bound	84.047	Department of Education	419,065
Cooperative Agreements to Improve the Health Status of Minority Population (Morehouse University)	93.004	Department of Health and Human Services/Morehouse University	123,104
Extramural Research	93.865	Department of Health and Human Services	64,069
Minority Access to Research Centers	93.880	Department of Health and Human Services/The American Society for Cell Biology	5,650
HIV Prevention Activities-Health Dept. Based	93.940	Department of Health and Human Services	2,536
Total Other Federal Awards			3,304,614
Total Expenditures of Federal Awards			\$ 8,699,820

our review of the service organization accountants' report, we have determined that it does not contain any findings of noncompliance that would have a direct and material effect on the University's major programs.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

Requirements governing student loan repayments are performed by EFG. Internal control over compliance relating to such functions was reported on by other accountants in accordance with Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. A copy of the service organization accountants' report has been furnished to us. However, the scope of our work did not extend to internal control maintained at EFG.

A control deficiency in the University's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the University's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the University's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the University's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the audit committee, others within the University, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Washington, D.C.
October 24, 2008

Centers of Excellence Highlight 2007-2008



Grand Research Educational Awareness and Training (GREAT) for Minority Health

Located in the University's School of Natural Sciences and Mathematics, the *Center of Excellence in Grand Research Educational Awareness and Training (GREAT) for Minority Health* positions Lincoln as an institution where important issues relating to minority health and health disparities are given prominence and priority. The Center creates educational, research and training opportunities for students and faculty. The expected result is an increase in the number of minorities involved in minority health issues, as well as an increase in awareness for the improvement of personal health. In addition, the Center should help Lincoln students to adopt life-long healthy lifestyles, and increase the number of minority scientists involved in health-related careers.

Professors Engage in Research

Lincoln's professors are already at work on health-related topics in their classrooms and research. Dr. John O. Chikwem, the School's Dean, teaches a course in HIV/AIDS and coordinates the Center's activities. Dr. Susan Safford, Associate Professor of Biology, has research projects linking vitamin D with cancer. She continues her research in cancer with researchers at Penn State University's College of Medicine, Fox Chase Cancer



Center and the University of Delaware. Dr. Anna Hull, Assistant Professor of Biology, works with researchers at Penn State's College of Medicine on lung cancer. Dr. Karen Baskerville, Assistant Professor of Biology, and Associate Professor of Chemistry Dr. Derrick Swinton work with researchers at Penn State College of Medicine in a cancer proposal under review. New courses are being introduced in biostatistics and cancer biology.

Lincoln Provides GREAT Internship Opportunities

In the summer of 2007, twelve Lincoln students conducted research in cancer biology at Iowa University, University of Delaware and Penn State University's College of Medicine. New internships are also expected to be spawned by the Center.

Teacher Education and Urban Pedagogy

Lincoln's School of Social Sciences and Behavioral Studies is poised to build its two Centers of Excellence: *Teacher Education and Urban Pedagogy*, and *Business and Information Technology*. In education, this means sustaining Lincoln's certification approval basis with the Pennsylvania Department of Education and building a foundation for the development of a unique critical urban pedagogy to train skilled teachers for expertise in increasing the academic performance of inner-city students. Lincoln's innovative Step to College Program already has education majors working on campus with high school students during the summer months. The Step to College Program is the centerpiece of the Center in Teacher Education and Urban Pedagogy.

Business and Information Technology

Lincoln's career-oriented *Center of Excellence in Business and Information Technology* focuses on three core academic disciplines: accounting and finance infused with entrepreneurship; cutting-edge knowledge-based management training; and enterprise resource planning. Already the Center is attracting the attention of potential corporate supporters, particularly in Chester County, the location of Lincoln's main campus.

Students are attracted from the major northeastern metropolitan areas of Pennsylvania, New York, Washington, D.C., Maryland, Delaware, and other parts of the country. Students seeking an edge in the global marketplace with an undergraduate degree that integrates business and information technologies are also enrolled at Lincoln from foreign countries in Africa, the Caribbean and Latin America.

Distinction of having eight alumni who founded the following U.S. and foreign universities:

- South Carolina State University
- Livingstone College (North Carolina)
- Albany State University (Georgia)
- Texas Southern University
- Nigeria's Ihome Memorial College Ibibio State College, and the University of Nigeria
- Kwame Nkrumah University of Science and Technology (Ghana)



During the 2007-2008 academic year, University faculty and students continued to attract distinction to themselves and Lincoln with their national and international recognitions and activities. Lincoln also created or strengthened several new initiatives and programs.

The University's \$2.4 million National Science Foundation Historically Black Colleges and Universities-Undergraduate Program **LEAPS** project – (Lincoln's Excellent Academic Program in Science) – is entering its fourth successful year of operation. The project attracts an average of 30 to 40 graduating high school seniors each summer into its bridge program and tutorials and other enriched learning experiences during the academic year.

Dual Degree Engineering Program: Through the efforts of Lincoln's School of Natural Sciences and Mathematics, the University concluded a major agreement with the School of Engineering of Morgan State University to begin a dual degree program in civil and industrial engineering. Participants receive a Bachelor of Science degree in physics from Lincoln and a B.S. degree in engineering from Morgan in a five-year graduating plan arrangement (three years at Lincoln and two years at Morgan).

Horace Mann Bond Honors Program: The new Horace Mann Bond Honors Program curriculum was implemented in fall 2007. The program focuses on about 35 to 40 high-achieving students.

Lincoln's Teacher Certification Programs: Teacher training responsibilities were reconfigured between Lincoln's main campus and the Graduate Center, in Philadelphia. Graduate school enrollments increased by 10% in the three Master's degree programs in Education, School Administration, and Reading.

Legislative Office of Research Liaison: Lincoln's participation in the *Legislative Office for Research Liaison* and the *University Committee for Research Liaison* provides Lincoln with a visible presence in Harrisburg on an equal footing with its Commonwealth-related partners: Temple, Penn State, and the University of Pittsburgh.

Step To College: Sponsored and funded by the Philadelphia School District's Dual Enrollment Program Office, this new connection supports a more comprehensive program that targets 30 to 40 students from a wider variety of high schools taking English 102 (Composition I) and African American Studies. The new structure emerged from the experiences of the pilot year at the city's Overbrook High School. Assisted by the Office of Development and External Relations, Step benefited from additional funding of \$20,000 from Verizon and another \$25,000 from Wachovia Bank in 2007.

The First-Year Experience Course for Lincoln freshmen was renewed and broadened to introduce new students to a custom-tailored approach to learning about Lincoln heritage and tradition. Students also acquire study and time management skills, and learn the essential unity of the humanities, arts, social and natural sciences, and teamwork.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Trustees
Lincoln University of the
Commonwealth System of Higher Education

Compliance

We have audited the compliance of Lincoln University of the Commonwealth System of Higher Education (the University) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008, except those requirements discussed in the fourth paragraph. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008, other than that discussed in the following paragraph.

We did not audit the University's compliance with requirements governing student loan repayments. Those requirements govern functions that are performed by EFG, Inc. (EFG). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements.

EFG's compliance with the requirements governing the functions that it performs for the University was examined by other accountants, whose report has been furnished to us. The report of the other accountants indicates that compliance with those requirements was examined in accordance with the Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Based on our review of the service organization accountants' report, we have determined that all of the compliance requirements included in the OMB Circular A-133 Compliance Supplement that are applicable to the major programs in which the University participates are addressed in either our report or the report of the service organization's accountants. Further, based on

considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

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

We also noted certain matters that we reported to management of the University in a separate letter dated October 24, 2008.

The University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the University's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, others within the University, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Washington, D.C.
October 24, 2008

Academic Affairs



New York University Faculty Resource Network:

Lincoln concluded its fifth successful year of affiliation with New York University's *Faculty Resource Network* as a full member. The NYU support base pushes Lincoln's faculty development budget beyond its \$85,000 funding level. In the spring 2008 semester, Dr. Oswald Richards served as Lincoln's first participant as a scholar-in-residence at NYU during his Sabbatical leave.

Other University faculty and students also achieved high distinction. Dr. Kenneth Van Dover (English and Mass Communications) spent a Fulbright year abroad teaching in Austria (his third Fulbright honor) and Dr. Emmanuel D. Babatunde (Sociology and Anthropology) was appointed a Senior Fulbright Scholar Program Specialist (Mozambique, summer of 2008).

Board of Trustees Distinguished Faculty Awards:

The Hildrus S. Poindexter Distinguished Faculty Award for Research was presented to Dr. Anna Hull (Biology); the Soraya M. Coley Distinguished Faculty Award for Service to Prof. Robert Allen (Business and Information Technology); and the Henry G. Cornwell Distinguished Faculty Award for Teaching went to Dr. Alvin Amos (Visual and Performing Arts).

Coach Cyrus D. Jones (Health, Physical Education & Recreation) coached the Men's Outdoor Track and Field Team to a national NCAA Division III championship, his unprecedented 16th national title.

Several faculty members published new books or wrote chapters in new publications. Dr. Jeffrey Hoogeveen (English and Mass Communications), for example, co-authored *The Thompson Handbook*. Dr. Nicole Stephens (Education) co-published in *Gateways to Teacher Education*. In *Gateways*, five apprentices reflect on their professional development school program experiences.

Lincoln students received internships to obtain invaluable work experience in corporate America. To broaden their global experience, other students earned internships and scholarships to study abroad, including in parts of Europe, Asia and Africa. Crystal Jones, an education major, was in Cambodia in spring 2008 with the "One World Foundation of New York" to teach English.



School of Humanities and Graduate Studies

- **Board of Trustee Resolution on a Required Writing Proficiency Examination:** The Department of English and Mass Communications completed the plan for the writing proficiency exam and the writing portfolio requirement that emphasizes courses offered in all academic departments.

- **The Newly Renovated Ware Center and University Hall** again house the Humanities faculties. Its state-of-the-art facilities and technology benefit the new Lincoln University Marching Band (which received new instruments and uniforms). Plans are underway to expand student television and radio production. Broadcasts will be made from two new television studios and a radio station in the newly renovated Student Union Building.

School of Natural Sciences and Mathematics

- **Lincoln Science Day and Amos Lecturer** was initiated on March 15, 2008 to enrich the academic experience of the campus community. The symposium featured presentations by Lincoln students and faculty in the School of Natural Sciences and Mathematics. Keynote speaker Dr. Eugene Deloatch, Dean of the School of Engineering at Morgan State University, presented a history of engineering.

- **Memorandum of Understanding (MOU) with Penn State University College of Medicine:** An MOU was signed to increase cooperation between Lincoln and Penn State to provide research, internship, symposium, and exchange opportunities for Lincoln students.

School of Social Sciences and Behavioral Studies

- **Consortium on Tobacco Disparities:** Lincoln continued its collaboration with the Pennsylvania Consortium on Tobacco Disparities (Fox Chase Cancer Center and the University of Pennsylvania). The Consortium funds Lincoln undergraduate students to participate in research internships and study at the University of Pennsylvania.

Dr. Judith A.W. Thomas, Dean of the School of Social Sciences and Behavioral Studies, served as the co-principal investigator for two Pennsylvania Department of Health grants: "Improving Tobacco Dependence Treatment in Underserved Smokers" (\$1.7 million) and "Center for the Study of Gene-Environment Interactions in Lung Cancer" (\$4.2 million) with the University of Pennsylvania. The grants also engaged four Lincoln students in research internships.

First college or university in the United States to produce an alumni publication, in November 1884. Early noted writers for Lincoln's *Alumni Magazine* included abolitionist, orator and educator Frederick Douglass.

While Lincoln's retention and graduation rates are higher than the national average for African Americans, the University is confident that it can enhance its efforts with newly designed and funded programs.

Student Affairs and Enrollment Management (SAEM) continued its efforts during 2007-2008 to:

- diversify and increase the Lincoln student body
- enhance the quality of student life on campus and at the University's Graduate Center in Philadelphia
- implement the Board-approved Student Enhancement Initiative, and
- develop programs and activities to increase the University's retention and graduation rates

Another stellar year was achieved by the Lincoln Undergraduate Admissions, Graduate Student Services and Admissions and Financial Aid offices. Lincoln enrolled a record 2,449 students for fall 2007 while enrolling its largest undergraduate student body in University history (1,904). The graduate student enrollment of 545 was the third highest in University history. The Office of Financial Aid continues to do an excellent job of providing our students and parents with efficient and quality services while educating them on how to finance a college education.

A top priority for the University and SAEM Division is the improvement of our retention and graduation rates. While Lincoln's retention and graduation rates are higher than the national average for African Americans, the University is confident that it can enhance its efforts with newly designed and funded programs.

Cornerstone of Student Retention

Lincoln's Learning Resource Center and Act 101 Achievement Program continued to be a cornerstone of our retention efforts by providing tutorial assistance and counseling/advice for students in Lincoln's developmental classes through labs and programs. The Center achieved Level 1 and Level 2 certification from the College Learning Resource Association. Achieving Level 3 masters certification is next year's goal. In addition, the Office of Student Support Services began its Early Monitoring Alert Program (EMAP) for students who are on academic probation. The program is designed to offer academic support services to identified students in all of their subjects and to monitor the academic progress of individual students by academic advisors and staff.

In addition, the Office of Student Life and Development continued to work with new students through the First Year Experience Program. Staff meet monthly with the new student class; host programs and activities specifically designed for the class; and serve as their class advisor for the year. To augment this program, Student Support Services developed a Sophomore



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Trustees
Lincoln University of the
Commonwealth System of Higher Education

We have audited the financial statements of Lincoln University of the Commonwealth System of Higher Education (the University) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in the internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the University's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the University's financial statement that is more than inconsequential will not be prevented or detected by the University's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting (2008-1).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the University's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also

LINCOLN UNIVERSITY OF THE
COMMONWEALTH SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 15: MASTER LEASE AGREEMENT

On May 30, 2007, the University entered into a Master Lease agreement for its 3020 Market Street, Philadelphia property. Synterra Partners, L.P. 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, all 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. For all other space in the building, the University has assigned all current and future tenants and rents to the lessee. After 2011, the University has rights to a share of certain future profits, with no guaranteed or minimum amount, from sub-leases by the lessee.

The recorded asset value at June 30, 2008 for this property was \$7,712,086 with an accumulated depreciation of \$1,467,962. During the year ended June 30, 2008, a total of \$1,144,495 for improvements to the floors occupied by the University was paid to Synterra Partners, L.P. The total cost of the improvements was \$2,453,314. The difference was funded, as per the lease agreement, by Synterra Partners, L.P.

Student Affairs & Enrollment Management



Year Experience program to maintain the same level of involvement, encouragement and guidance given to students during their first year.

The SAEM Division provided an array of co-curricular student development programs and activities designed to enhance students' competencies in and outside of the classroom. SAEM also enhanced its offerings to Lincoln graduate students as well with programs operated by our Office of Student Support Services. The Office of Student Life and Development spearheaded our student leadership development efforts with our over 45 chartered student organizations. Lincoln's chartered student organizations provided programming and activities for students throughout the campus and have significantly enhanced their volunteerism and community service projects. The Student Government Association continues to be an integral part of campus life and a valued member of SAEM.

Student Life programming has been complemented by a well-designed student services program that provides opportunities for study abroad in the Office of International Programs and Services. Lincoln's study abroad numbers grow each year. The University also continued its health (physical and mental) and wellness outreach and programs in Health Services, Women's Center, Men's Center, Counseling Services, Recreational Sports, and the Chapel. To fully implement the Total

Student Development model, great emphasis is placed on students' mental and physical well-being.

Another improvement to campus life has been implementation of the Board-approved Student Enhancement Initiative. Lincoln leaped from the National Collegiate Athletics Association (NCAA) Division III to Division II intercollegiate athletics, and also affiliation with the Central Intercollegiate Athletic Association (CIAA) conference. The CIAA is the oldest Historically Black Colleges and Universities' athletic conference in the country and one in which Lincoln was an inaugural member. In addition, Lincoln approved the reestablishment of the football program; development of a marching band; issuance of student-athletic scholarships; and the sponsorship of two additional women's sports teams: (softball and bowling) to meet Title IX compliance.

Lincoln's campus is alive daily with the sights and sounds of athletics and a marching band. To put the necessary infrastructure and staffing in place to make the Division III to Division II transition, the University committed the necessary resources and hired full-time athletic administrators and other full-time coaching staff.

The University began competing against CIAA colleges and were placed into the CIAA composite conference schedule in every sport for the 2008-2009 year.

Lincoln's transition to Division II athletics and the additional sports teams offered for both men and women underscore the campus' great expectations.

The only university to have two alumni honored with commemorative, first-class stamps by the U.S. Postal Service: Langston Hughes, a 1929 graduate and world-acclaimed poet and author; and Thurgood Marshall, class of 1930, and the first Black U.S. Supreme Court Justice, in 2002 and 2003, respectively.



Major renovations and input for design, quality control and coordination for several Commonwealth-funded construction projects took place on the main campus in 2007-2008. During the year, Physical Plant personnel provided assistance for capital projects in progress. The maintenance and upgrade of Lincoln's facilities during this period included:

- Living Learning Center Auxiliary boiler
- University Hall: renovations, furniture, fixtures and equipment
- Ware Center: furniture, fixtures and equipment
- Back-up Generator
- Heating, Ventilation, Air Conditioning (HVAC) Systems and Controls
 - Asbestos Abatement
 - Roofing Upgrades
 - Life Science Building: ventilation upgrades
 - Student Union Building: renovations, furniture, fixtures and equipment
 - New Science Technology Building: furniture, fixtures and equipment
 - International Cultural Center
 - Langston Hughes Library: renovations, furniture, fixtures and equipment

The University is in the planning stages of additional upgrades or new construction. They include \$30-million landscaping of the general campus and construction of tennis courts and softball field; \$35-million academic center for learning and counseling, and renovation of Wright Hall.

Lincoln's New Look

All of these efforts contributed to a new look and the air of anticipation as most academic buildings and the campus landscape will undergo modernization or be supplanted by larger, new structures and a dynamic new vista. In addition, the Graduate Center in Philadelphia has undergone a dramatic transformation. An outside developer invested \$29 million to completely renovate and modernize the building. Lincoln occupies one floor and part of another in the renovated facility. The building will house efficient, all new equipment and interiors at one of the premier locations in Philadelphia.

Information Technology (IT) infrastructure, disaster recovery, improved academic support and enhanced administrative systems were the issues driving the direction of the University's Information Technology Department. Many upgrades supported the renovation of buildings, including replacement of the University's voice mail system, expansion of the wireless network, conversion to a new, renumbered direct-dial phone system for better security, and new security cameras. A new administrative "Lion Card" allowed electronic payment for laundry, books, meals and copying in the library.

New Year: Smart, New Systems

Over 70 "smart" boards were placed in classrooms and faculty offices. A state-of-the-art high-definition television studio was installed in the Ware Center Theater. An enhanced emergency system warning siren, an electronic sign message, and a Mass Text, voicemail and E-mail messaging system were also installed during 2007-2008.

Implementation of the new Datatel COLLEAGUE system for Admissions, Financial Aid, Cash Receipts, Registration and Academic Records, and Student Billing remained at the forefront of IT operations. During the year, all relevant users began implementation of the new system. Upgrades in IT and refurbishments in the physical plant highlighted the University's efforts to provide a safe and efficient work environment, and maintain Lincoln's facilities and support services at a level conducive to higher learning.

**LINCOLN UNIVERSITY OF THE
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 12: CONTINGENCIES

The University has been named in or is an indirect party to a number of suits, alleging such matters as unfair labor practices, harassment, discrimination due to sex and/or national origin, negligence, contract violations and personal injury.

NOTE 12: CONTINGENCIES (Continued)

The University believes that the resolution of any outstanding claims and litigation will not have a material adverse affect on the University's financial statements.

NOTE 13: 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.

NOTE 14: MAIN CAMPUS REVITALIZATION PROJECT

The Commonwealth of Pennsylvania has begun several projects totaling approximately \$223,810,000 to revitalize the Main Campus of Lincoln University. The first ten of these projects completely replaced the infrastructure of steam, electricity, water, sewage, voice and data communications.

Approximately \$9,994,534 of assets were placed in service during 2008. Each project is considered a temporarily restricted contribution. Each year, depreciation expense is recorded until the assets are fully depreciated over their useful lives. Due to the material nature of the revitalization project and its potential impact to the financial statements, the transactions have been recorded as revenue when donated and placed into service.

NOTE 14: MAIN CAMPUS REVITALIZATION PROJECT (CONTINUED)

Depreciation for donated capital assets is recorded as a non-operating expense, since the related revenues are recorded as non-operating items.

Assets placed in service during fiscal year 2008 were as follows:

Commonwealth of Pennsylvania, Department of General Services Project Number	Description	Funded Amount
1101-0026	Boiler Plant	\$ 992,783
1101-0027	University Hall	4,274,350
1101-0037	Ware Center	4,727,401
		<u>\$ 9,994,534</u>

**LINCOLN UNIVERSITY OF THE
COMMONWEALTH SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 9: NET ASSETS

Temporarily restricted net assets as of June 30, 2008 are available for the following purposes:

Loans	\$ 7,490
Invested in State Contributed Capital	35,295,736
Purpose restrictions including scholarship	12,891,570
	<u>\$48,194,796</u>

Permanently restricted net assets as of June 30, 2008 are available for the following purposes:

Funds held in trust by others restricted for scholarships	\$ 3,325,527
Endowment principal restricted for scholarships	12,147,757
	<u>\$15,473,284</u>

NOTE 10: GOVERNMENT APPROPRIATIONS

The University received the following appropriations from the Commonwealth of Pennsylvania for the year ended June 30, 2008:

Operations	\$13,786,000
State contributions for capital projects (See note 14)	9,994,534
	<u>\$23,780,534</u>

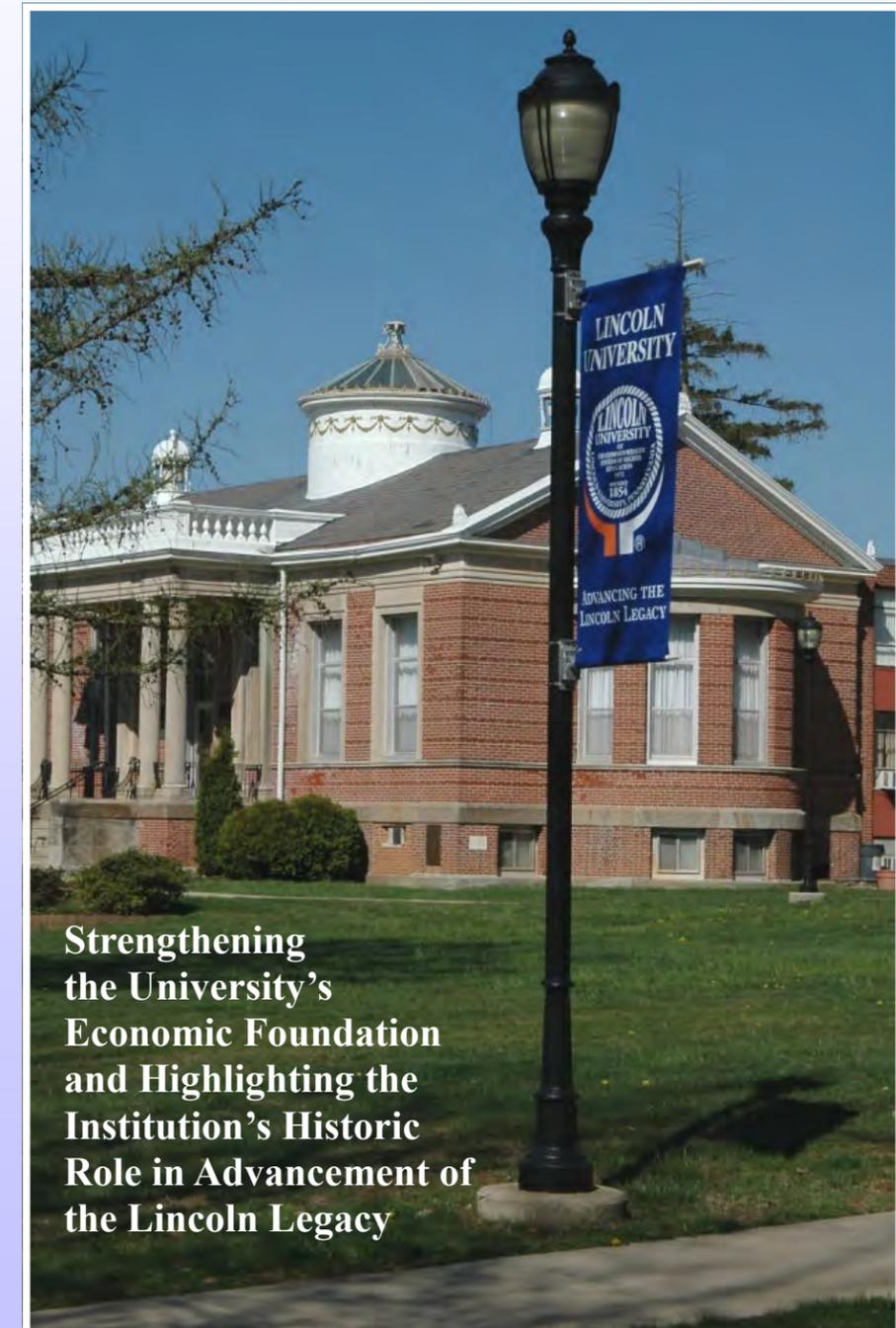
NOTE 11: RETIREMENT BENEFITS

The University participates in the Teacher's 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' gross salary and matches employees' contributions up to a maximum of 5%. Retirement benefit expense for the year ended June 30, 2008 was \$1,793,540.

Development & External Relations



- I**n 2007-2008, the Division of Development and External Relations:
- raised significant funds
 - expanded the support of loyal alumni and other financial donors
 - engaged in major activities
 - created strategic plans, partnerships and events
 - strengthened the University's economic foundation, and
 - highlighted the institution's historic role in advancement of the Lincoln legacy.



**Strengthening
the University's
Economic Foundation
and Highlighting the
Institution's Historic
Role in Advancement of
the Lincoln Legacy**

Lincoln University alumni have held key leadership positions at more than 35 colleges and universities and scores of prominent churches.

Summary of Fiscal Year-end Gifts

Contributions	'07-'08	'06-'07	'05-'06	'04-'05
Unrestricted	\$ 889,447	\$ 299,978	\$ 302,921	\$ 242,668
Temporary Restricted	\$ 453,671	\$1,698,693	\$ 543,580	\$ 517,714
Permanent Restricted	\$ 702,224	\$1,360,678	\$1,082,708	\$ 541,272
In-kind	\$	\$ 4,759	\$ 9,284	\$ 2,500
TOTAL	\$2,045,342	\$3,364,108	\$1,938,493	\$1,304,154

Alumni Relations

Alumni Giving	'07-08	'06-07	'05-06	'04-05
Number of Contributors	985	1040	687	642
Total Amount	\$602,738	\$482,580	\$426,007	\$476,810
Average Amount of Gift	\$612	\$464	\$620	\$743

Career Services

Student Leadership Development Conference

Workshops Offered:

- *Understanding the Hiring Process*
- *Workplace Harassment*
- *Keys to Getting Promoted and Avoiding Being Fired in the Workplace*

Career Fair

Attendance: 400 Students
Organizations: 80 (Corporations, School Districts, Government Agencies, and Non-Profit Agencies)

Graduate Fairs

	Students Attending	Schools Participating
Medical	107	7
Law	204	6
General	304	20

NOTE 7: OPERATING LEASES

The University leases equipment for general operations. All leases as of June 30, 2008 will expire at various dates within the next three years. Operating lease expense was \$399,962 for the year ended June 30, 2008.

The following is a schedule, by years, of future minimum lease payments under operating leases as of June 30, 2008:

Year ending June 30,	Total
2009	\$ 352,313
2010	326,161
2011	225,785
	<u>\$ 904,259</u>

NOTE 8: ASSET RETIREMENT OBLIGATION

The future asset retirement obligation was estimated by the University based on asbestos abatement cost of University buildings. The University estimates its total undiscounted asset retirement obligation to be \$2,617,000 at June 30, 2008. The University uses a credit adjusted risk free rate of 5.4% and an inflation rate of 2.8% 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 at June 30, 2008, 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 at June 30, 2008:

Balance, beginning of period	\$ 1,722,000
Accretion expense	221,000
Balance, end of period	<u>\$ 1,943,000</u>

**LINCOLN UNIVERSITY OF THE
COMMONWEALTH SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 6: LONG-TERM DEBT AND LEASE OBLIGATIONS (continued)

Capital Leases (continued)

Such leases, which cover substantially the entire estimated useful lives of the assets are classified as capital leases and are recorded as plant and equipment on the statement of financial position.

In August 2005, the University signed a five-year financing agreement with a maximum borrowing capacity of \$3.5 million for a new administrative and accounting software system. The debt is not a general obligation of the University and does not have recourse against either revenues or assets of the University. As of June 2008, approximately \$1.466 million of this financing had been utilized.

The following is a summary of property held under the capital leases at June 30, 2008:

Lorraine Hansberry Residence Hall	\$ 1,727,131
Capital lease equipment	2,101,004
Capital lease accounting software	1,383,518
	5,211,653
Less: accumulated depreciation	(2,985,777)
Net plant and equipment	<u>\$ 2,225,876</u>

The following is a schedule, by years, of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2008:

<u>Year ending June 30,</u>	<u>Total</u>
2009	\$ 447,888
2010	443,934
2011	125,924
Total minimum lease payments	1,017,746
Less: amount representing interest	(64,248)
Present value of net minimum lease payments	<u>\$ 953,498</u>

NOTE 6: LONG-TERM DEBT AND LEASE OBLIGATIONS (continued)

Line of Credit

The University has a \$6 million line of credit with a local bank. There was no outstanding balance under the line of credit as of June 30, 2008. In addition, nothing was drawn down from the line of credit subsequent to June 30, 2008.



Development & External Relations

At least ten Lincoln graduates have served as United States ambassadors and missions chiefs.

Speaker Series

Total **13 Speakers** **621 Students**

Women in Leadership Series

Total **5 Speakers** **191 Students**

Gary Michelson Executive Leadership Lecture	Speaker	Students Attending
	Valerie Morris, Former CNN Anchor	70
5th Annual Lincoln University Chester County Economic Outlook Breakfast		

National Preparatory Examination Courses	Cost for Course	Number of Students
Law School Admission Test (LSAT)	\$12,586	15
Medical College Admission Test (MCAT)	\$27,475	22



**LINCOLN UNIVERSITY OF THE
COMMONWEALTH SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 6: LONG-TERM DEBT AND LEASE OBLIGATIONS (continued)

The University shall be permitted, at any time and from time to time, to prepay all or any part of the amounts payable, together with such other amounts as shall be sufficient to redeem all or a portion of the Bonds in accordance with the provisions of the indenture at 100% of par value.

Funds drawn from the Series 2004A Bonds Project Fund were spent on capital expenditures. Under the terms of the Series 2004A and 2004B Bonds, funds are maintained by the bond trustee, US Bank, Philadelphia, PA. Interest rates range from 2.000 percent to 6.000 percent and interest is payable semiannually on June 1 and December 1 of each year. The net interest cost for all coupons and maturities is 5.21%.

Principal maturities for each of the next five fiscal years are summarized as follows:

<u>Year</u>	<u>Series 2004 A Bonds</u>	<u>Series 2004 B Bonds</u>	<u>Interest</u>	<u>Total Amount</u>
2009	\$ 400,000	\$ 280,000	\$ 1,946,504	\$ 2,626,504
2010	415,000	290,000	1,921,224	2,626,224
2011	425,000	305,000	1,893,146	2,623,146
2012	440,000	320,000	1,862,350	2,622,350
2013	460,000	335,000	1,827,374	2,622,374
2014-2018	1,900,000	2,680,000	8,506,677	13,086,677
2019-2023	4,675,000	1,220,000	7,209,768	13,104,768
2024-2028	6,645,000	900,000	5,566,210	13,111,210
2029-2036	14,670,000	2,125,000	4,177,877	20,972,877
Total	\$ 30,030,000	\$ 8,455,000	\$34,911,130	\$ 73,396,130

Bonds payable are reported net of the applicable bond discount of \$453,076 as of June 30, 2008.

Capital Leases

The University leases a residence hall and certain equipment from the Pennsylvania Department of Education on a sublease from the Authority. The University has also acquired equipment and improvements through capital leases.

**LINCOLN UNIVERSITY OF THE
COMMONWEALTH SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 5: PLANT AND EQUIPMENT

Plant and equipment as of June 30, 2008 consisted of the following:

Land and improvements	\$ 906,161
Building and improvements	125,589,001
Furniture, fixtures and equipment	19,758,623
Construction in progress	69,419
	<u>146,323,204</u>
Less: accumulated depreciation	<u>(43,352,729)</u>
Net property, plant and equipment	<u>\$102,970,475</u>

The University recognized depreciation expense of \$4,982,670 for the year ended June 30, 2008.

NOTE 6: LONG-TERM DEBT AND LEASE OBLIGATIONS

A summary of the University's long-term debt, capital lease obligations and other liabilities as of June 30, 2008, is as follows:

Bonds Payable

On June 10, 2004, the University issued \$30,230,000 in Pennsylvania Economic Development Financing Authority Revenue Bonds Series 2004A and \$9,910,000 in Pennsylvania Economic Development Financing Authority Federally Taxable Revenue Bonds, Series 2004B, maturing through the year ending June 30, 2036. The net proceeds of the 2004A Bonds financed the payment or reimbursement of the cost of construction, acquisition, installation and equipping of an approximately 400-bed residence hall on the campus of the University; refinanced approximately \$4 million of the outstanding principal amount of a loan from Education Direct Loan Mortgage Corporation; funded a portion of the debt service reserve fund for the Bonds; funded the interest on a portion of the 2004A Bonds from the date of issuance thereof until December 1, 2005; and covered the bond issuance costs. The net proceeds of the 2004B Bonds were used to refinance approximately \$9.1 million of the outstanding principal amount of a loan from Education Direct Loan Mortgage Corporation, the proceeds of which were used in part to finance the acquisition of the University's facilities located at 3020 Market Street in Philadelphia, Pennsylvania, and to renovate certain other capital improvements at the University's main campus; funded the remaining portion of the debt service reserve fund for the Bonds; and covered the related bond issuance costs.

Development & External Relations



Communications and Public Relations

To effectively communicate the University's accomplishments, activities and events, the Office of Communications and Public Relations produced four *Lincoln Lions*, and two *Lincoln Reviews* newsletters, and disseminated 41 media announcements.

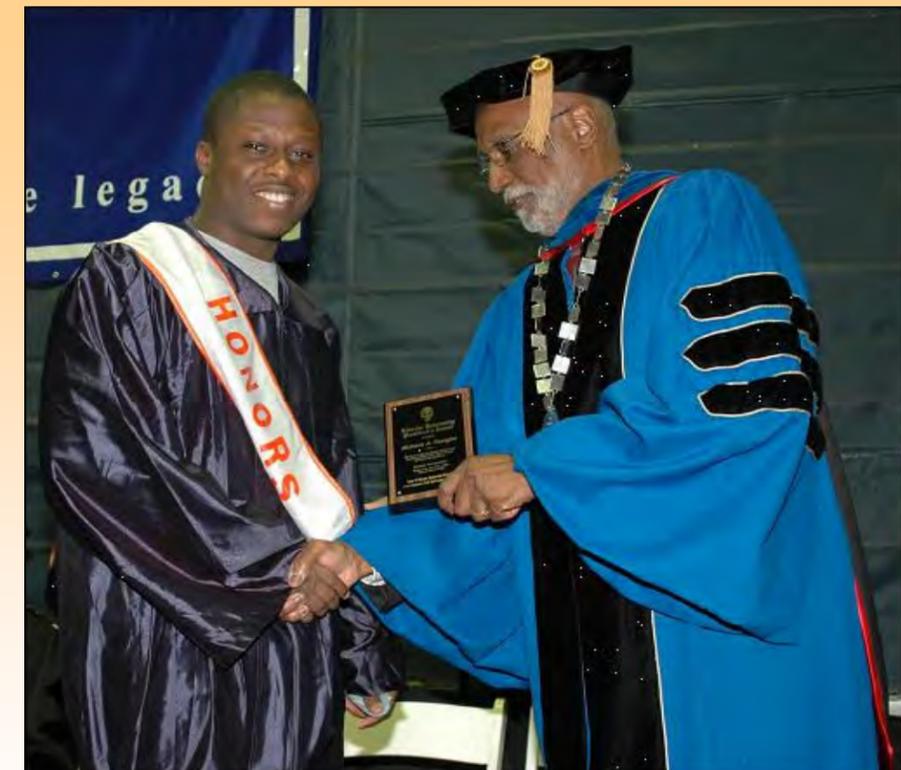
Other Communications Highlights:

- *DIVERSE ISSUES IN HIGHER EDUCATION* magazine featured Lincoln for the portrayal of graduate Melvin Tolson by Academy Award-winning Actor Denzel Washington in the movie, "The Great Debaters."
- University featured in the special higher education issue of *EBONY* magazine.
- University President Ivory V. Nelson provided the voice over for a commercial highlighting the achievements of African Americans during Black History Month on radio station WJJZ, of Philadelphia.
- Produced a new student recruitment DVD.

Project Activities: Communications continued to utilize and enhance the University's Web site (www.lincoln.edu). Also, photography, program designs and announcements were produced for a wide variety of campus events.

Institutional Research and Title III

- Implemented a comprehensive database for fast and easy access to institutional data to provide timely information to the University and external agencies.
- Created the course evaluation databases for fall 2007, spring 2008, and summer 2008.
- Completed and submitted 67 surveys and data requests from state, federal and other external agencies.
- **Publications Production**
 - Fall 2007 Fact Book
 - Fall 2007 University Profile
 - 2007 Statistics Brochure



Founder of Crossroads Africa (1957), the model for the U.S. Peace Corps., Rev. James Robinson, Lincoln class of 1935.

GRANTS & CONTRACTS 2007-2008

Awards by Funding Sources	No. of Awards	Total Awarded
▶ Federal	18	\$4,146,253
▶ State	6	\$636,542
▶ Private	5	\$132,988
Total	29	\$4,915,783

Faculty Involvement by School

	Federal	State	Private	Total
▶ Humanities & Graduate Studies	0	0	1	1
▶ Natural Sciences & Mathematics	7	0	0	7
▶ Social Sciences & Behavioral Studies	3	4	2	9
▶ Other	7	2	2	11
Total	17	6	5	28

Awards by (Department) School

	Federal	State	Private	Total
▶ Humanities & Graduate Studies	0	0	1	1
▶ Natural Sciences & Mathematics	7	0	2	9
▶ Social Sciences & Behavioral Studies	3	4	2	9
▶ Other	8	2	0	10
Total	18	6	5	29

Awards Amounts by (Department) School

	Federal	State	Private	Total
▶ Humanities & Graduate Studies	\$0	\$0	\$12,905	\$12,905
▶ Natural Sciences & Mathematics	\$1,024,825	\$0	\$88,182	\$1,113,007
▶ Social Sciences & Behavioral Studies	\$293,081	\$424,648	\$31,901	\$749,630
▶ Other	\$2,828,347	\$211,894	\$0	\$3,040,241
Total	\$4,146,253	\$636,542	\$132,988	\$4,915,783



**LINCOLN UNIVERSITY OF THE
COMMONWEALTH SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 4: INVESTMENTS (continued)

The University authorized the drawdown of 2.5% in fiscal year 2008 and 3% in fiscal year 2007 of the University's endowment funds calculated on a three-year trailing average market value. Based upon this policy, the Board of Trustees authorized the use of \$568,750 for current operations for the year ended June 30, 2008. To the extent that actual endowment income from these funds is less than the predetermined amount, accumulated gains are made available for operations to fund the difference. The actual income for fiscal year 2008 was \$571,393.

The following schedule summarizes the investment return in the statement of activities:

Dividends and interest, endowment	\$ 571,393
Other investment income	277,560
Net realized and unrealized loss on investments	(1,725,559)
Total investment return	\$ (876,606)

Investment fees were \$45,164 for the year ended June 30, 2008.

Subsequent Event

The University's endowment investments are held primarily with the Common Fund. The Common Fund has utilized Wachovia Bank, N.A. as Trustee for its short-term investments. Investments in this fund as of June 30, 2008 were \$879,345 and as of August 31, 2008 were approximately \$948,000.

Effective September 29, 2008, Wachovia announced its intention to terminate its Trustee relationship with the Common Fund. The Common Fund is initiating the process of terminating the Fund and has established procedures for an orderly liquidation and distribution of the assets to all participants.

As of September 29, 2008, fund assets representing approximately 90% of the value of the Fund's portfolio have been temporarily frozen. The remaining 10% is available for withdrawal and distribution immediately. Subsequently, on October 3, 2008, funds available for withdrawal were increased to 38.5%. Securities are being liquidated to provide an orderly transition for all affected organizations within a period of approximately 60 days to 6 months. While the Common Fund will be moving to a new mechanism to manage these funds, the University has no plans to liquidate this asset.

**LINCOLN UNIVERSITY OF THE
COMMONWEALTH SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

GRANTS & CONTRACTS 2007-2008

NOTE 3: DEBT SERVICE RESERVE FUND

The University has a Debt Service Reserve Fund (DSRF) held by the Trustee for its 2004 Municipal bonds.

On August 23, 2007, the University invested \$2,626,504 held in the DSRF, in an uncollateralized Guaranteed Investment Contract (GIC) with MBIA Inc., the initial GIC provider ("the Provider") related to the University's Series 2004 Municipal Bonds.

The GIC represents the unsecured general obligation of the Provider to provide repayment to the Trustee of moneys invested in the GIC and semi-annual interest at an annual rate of 5.347% until June 1, 2036. The payment obligation of the Provider under the GIC is unconditionally guaranteed by MBIA Inc. (the Provider's Guarantor).

NOTE 3: DEBT SERVICE RESERVE FUND (continued)

After the GIC matures and all debt service on the Municipal Bonds has been paid, the DSRF will be used to pay any remaining debt service on the Municipal Bonds.

During the year ended June 30, 2008 and prior to October 1, 2008, MBIA received rating agency downgrades from AAA/Aaa to AA/A2. Under the Investment agreement, a downgrade below A-/A3 can trigger liquidation of the GIC and return of the principal to the University.

NOTE 4: INVESTMENTS

Investments maintained for endowments are summarized as follows at June 30, 2008:

The Common Fund:	
Short-term	\$ 879,345
Bond fund	5,934,075
Equity fund	16,778,268
Venture capital & realty	9,302
Equity securities	13,997
Other investments	264,720
	<u>\$23,879,707</u>

Individual endowment fund records are maintained depending on the amount of the gift. Individual funds subscribing to or disposing of units from pooled funds are allocated units on the basis of the market value per unit at the beginning of the fiscal year in which the transaction occurs. Investment income from pooled investments is recorded as unrestricted or temporarily restricted revenue based on these units.

The Commonwealth of Pennsylvania law permits the University to, allocate to income each year, a portion of endowment net realized gains under an endowment spending policy.

Funding Agencies

	Humanities & Graduate Studies		Natural Sciences & Mathematics		Social Sciences & Behavioral Studies		Other		Total Awarded
	Total Awards	Amount Awarded	Total Awards	Amount Awarded	Total Awards	Amount Awarded	Total Awards	Amount Awarded	Total Awards
▶ National Institutes of Health			1	\$8,000					\$8,000
▶ National Science Foundation			5	\$578,368	1	\$199,081			\$777,449
▶ Dept. of Agriculture							1	\$15,846	\$15,846
▶ Dept. of Defense			1	\$438,457					\$438,457
▶ Dept. of Education							4	\$2,566,634	\$2,566,634
▶ Dept. of Health & Human Services					1	\$54,000	2	\$165,565	\$219,565
▶ Dept. of State							1	\$80,302	\$80,302
▶ Dept. of Transportation					1	\$40,000			\$40,000
Total	0	\$0	7	\$1,024,825	3	\$293,081	8	\$2,828,347	\$4,146,253

State

▶ Pennsylvania Dept. of Education							2	\$211,894	\$211,894
▶ Pennsylvania Dept. of Health					4	\$424,648			\$424,648
Total	0	\$0	0	\$0	4	\$424,648	2	\$211,894	\$636,542

Private

▶ Dockstader Foundation					1	\$11,000			\$11,000
▶ Educational Advancement Alliance					1	\$20,901			\$20,901
▶ Lindback Foundation	1	\$12,905							\$12,905
▶ Philadelphia Department of Public Health			1	\$68,182					\$68,182
▶ United Way of Southeastern Pennsylvania			1	\$20,000					\$20,000
Total	1	\$12,905	2	\$88,182	2	\$31,901	0	\$0	\$132,988

GRANTS & CONTRACTS 2007-2008

Federal

Program	Agency	Amount
▶ Minorities Affairs Committee Linkage Fellows	National Institutes of Health/American Society for Cell Biology	\$8,000
▶ URM Collaboration: Biology of an Urbanized Estuary	National Science Foundation	\$2,500
▶ HBCU Evaluators Consortium Planning Proposals	National Science Foundation	\$199,081
▶ Role of Tryptophan Metabolism in Auxin Homeostasis	National Science Foundation	\$29,645
▶ Historically Black Colleges & Universities Undergraduate Program	National Science Foundation	\$479,490
▶ Alliance for Minority Participation	National Science Foundation/Drexel University	\$20,042
▶ Math and Science Partnership of Greater Philadelphia	National Science Foundation/La Salle University	\$46,691
▶ Summer Food Service for Children	U.S. Department of Agriculture/Pennsylvania Department of Education	\$15,846
▶ Acquisition of Equipment to Study Protein Dynamics/Interactions Using Single Molecule Spectroscopy	U.S. Department of Defense/Department of the Army	\$438,457
▶ Upward Bound	U.S. Department of Education	\$800
▶ Upward Bound	U.S. Department of Education	\$470,699
▶ Title III-Strengthening Historically Black Colleges & Universities	U.S. Department of Education	\$2,009,655
▶ Development of Two Interactive Distance Learning	U.S. Department of Education	\$85,480
▶ Extramural Research	U.S. Department of Health & Human Services	\$54,000
▶ Expanded and Integrated HIV Testing for Populations	U.S. Department of Health & Human Services/Centers for Disease Control/PSU-College of Medicine	\$42,168
▶ Minority Male Men's Center for Development of a Healthy Lifestyle	U.S. Department of Health & Human Services/Morehouse University	\$123,397
▶ Fulbright Pre-academic Program	U.S. Department of State/Institute for International Education	\$80,302
▶ National Summer Transportation Institute	U.S. Department of Transportation/Pennsylvania	\$40,000

State

Program	Agency	Amount
▶ Act 101	Pennsylvania Department of Education	\$181,894
▶ Horace Mann Bond Leslie Pinckney Hill Scholarship funds for outreach and recruitment	Pennsylvania Department of Education	\$30,000
▶ Primary Care Network for the Treatment of Adolescent Obesity	Pennsylvania Department of Health/Children's Hospital of Philadelphia	\$63,649
▶ Improving Tobacco Dependence Treatment in Underserved Smokers	Pennsylvania Department of Health/University of Pennsylvania	\$14,831
▶ Gene Environment Interactions for Colorectal Cancer in Northeast Pennsylvania	Pennsylvania Department of Health/Penn State Hershey Medical Center	\$110,201
▶ Center for the Study of Gene-Environment Interactions in Lung Cancer	Pennsylvania Department of Health/University of Pennsylvania	\$235,967

Private

Program	Agency	Amount
▶ Environmental Education Program	Dockstader Foundation	\$11,000
▶ Technology Integration in Second Language Acquisition: Increasing Motivation, Breaking Classroom Barriers, and Improving Communicative Proficiency	Lindback Foundation	\$12,905
▶ Summer Transportation Institute	Educational Advancement Alliance	\$20,901
▶ Bridging the Generations: Boys to Men	United Way of Southeastern Pennsylvania	\$20,000
▶ HIV Initiative	Philadelphia Department of Public Health/Family Planning Council	\$68,182

**LINCOLN UNIVERSITY OF THE
COMMONWEALTH SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government Advances for Student Loans

Funds provided by the federal government under the Perkins Loan Program are loaned to qualified students and may be re-loaned after collection. These funds are ultimately refundable to the government, and as such, are recorded as liabilities.

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.

Federal Income Taxes

No provision for federal income taxes has been included in the financial statements because the University qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

NOTE 2: CASH AND CASH EQUIVALENTS

The University has used Auction Rate Securities (ARCs) as part of its investment strategy in recent years. Since February 2008, due to the financial market uncertainty, ARC liquidity has been disrupted and the University has changed its strategy away from ARCs. As of June 30, 2008, cash held was:

Cash and cash equivalents not invested in ARCs	\$ 6,676,618
Cash and cash equivalents invested in ARCs	4,173,695
Total cash and cash equivalents	\$ 10,850,313

Subsequent to the year-end, all ARCs were sold back to the relationship bank and a net loss of \$167,088 was incurred. The value of the ARCs was written down during the year ended June 30, 2008.

Concentration of credit risk is the risk of loss due to the magnitude of the University's deposit in the securities of any single issuer. The policy of the University contains no limitations on the amount that can be invested in any one issuer. The University maintains bank account balances that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. The total amount in excess of the FDIC limit as at June 30, 2008 was \$4,709,725.

**LINCOLN UNIVERSITY OF THE
COMMONWEALTH SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plant and Equipment, Including Assets Made Available and Retirement Obligations

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 non-operating expense. Depreciation for donated capital assets is recorded as a non-operating expense since the related revenue is recorded as a non-operating item. Estimated economic lives range from years for equipment to 50 years for certain buildings.

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 of the projects. The projects have been financed by the Authority, which has retained title and ownership to the buildings, improvements and sites. The buildings and improvements have been recorded in the financial statements at estimated construction cost.

The Authority has made available to the University certain buildings and improvements under lease arrangements (Note 6). The estimated construction costs of these projects have been recorded in the plant accounts with a corresponding liability under capital lease obligations to the Authority.

NOTE 1: 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 derecognizes ARO liabilities when the related obligations are settled.

Bond Issuance Costs and Discount

Costs related to the issuance of bonds and the bond discount are amortized over the life of the related debt on a straight-line basis, which approximates the effective yield method.

Lincoln University Contributors 2007-2008



Category of Donors	Fiscal Year 2007-2008	Fiscal Year 2006-2007
Churches	\$32,950	\$31,050
Alumni	\$511,051	\$383,428
Corporations/Foundations	\$360,363	\$511,348
Trustees	\$9,100	\$17,519
Alumni Trustees	\$86,065	\$92,816
Faculty & Staff	\$23,565	\$36,882
Alumni Faculty & Staff	\$5,622	\$6,336
Individuals	\$323,300	\$2,030,607
Organizations	\$16,031	\$34,034
Alumni Estates	\$174,655	\$18,066
Other Estates	\$431,263	\$135,000
Students	\$55	\$ —
Special Events	\$71,322	\$67,023
GRAND TOTAL	\$ 2,045,342	\$ 3,364,108
Category of Contributions	Fiscal Year 2006-2007	Fiscal Year 2006-2007
Unrestricted	\$889,447	\$299,978
Temporary Restricted	\$453,671	\$1,698,693
Permanent Restricted/Endowed	\$702,224	\$1,360,678
In-Kind Gifts	\$ —	\$4,759
TOTAL	\$ 2,045,342	\$ 3,364,108
Amount	2007-2008 No. of Alumni	2006-2007 No. of Alumni
\$5,000 and Above	25	27
\$2,500 to \$4,999	22	27
\$1,000 to \$2,499	91	91
SUBTOTAL	138	145
(\$1,000 and Above)		
\$500 to \$999	79	68
\$250 to \$499	62	49
\$100 to \$249	175	149
\$50 to \$99	106	103
\$49 and Below	425	526
TOTAL ALUMNI	985	1,040

Lincoln University Contributors 2007-2008

First Historically Black University to become affiliated with the College Entrance Examinations Board, in 1950.

\$25,000 and Above

Bethany Baptist Church
Dr. Chapman W. Bouldin, Jr. '59
Dolfinger-McMahon Foundation
Estate of Emily Hinkle
Howell Lockhart Seiple Trust #1
H. R. Lenfest
Christian & Mary Lindback Foundation
Thurgood Marshall College Fund
Gary A. Michelson '66
Estate of Schuyler Nelson '34
PECO
Sodexo, Inc.
Estate of Clara M. Tarry
West Insurance Group

\$10,000 - \$24,999

Anonymous 9/19
CITE - Consortium of Information & Telecommunications Exec., Inc.
E. Kneale Dockstader Foundation
Ethel Sergeant Clark Smith Foundation
Bishop David G. Evans '74
Estate of Langston Hughes '29
Rev. Thomas W. S. Logan, Sr. '35
Estate of Eva E. Mattison
Earl Scott '83
Tehma H. Smith '00

\$5,000 - \$9,999

AETNA Inc.
Rose M. Bowen-Lewis '75
Keith E. Brown '73
Dr. Walter D. Chambers '52
Warren R. Colbert, Sr. '68
Rev. Charles A. Coverdale '65
Dr. James A. Donaldson '61
Dr. William B. Garcia
Dr. Reginald E. Gilliam, Jr. '65
Greater Philadelphia Urban Affairs
Estate of Wanda B. Johnson '71
Dr. Edward L. Lee '60
Dr. Ernest C. Levister, Jr. '58
Dr. William W. Malloy '63
Meaders, Duckworth & Moore
Gregory C. Miller, Sr. '77
Rev. Calvin S. Morris '63, Ph.D.
Stephen L. Patrick '71
Governor Edward G. Rendell
Wilbert A. M. Tatum '58
Dwight S. Taylor '68
Verizon Foundation

\$2,500 - \$4,999

American Honda Motor Co., Inc.
James W. Burks, Jr. '59

Center for Literacy, Inc.
Roy E. Chaney '73
Andrea L. Custis
Pizza Properties, Inc. Dominos Pizza
Dr. Alfred T. & C. Adjoa Love-Dorsey '79
Andre V. Duggin
Thomas P. Gunn '66
Dr. Don N. Harris '51
David E. Herndon '71
James S. Herr Foundation
Michael B. Hill
Hunter Roberts Construction Co.
William B. Ingram '61
Leroy Jackson, Jr. '70
DeWayne Ketchum '70
William C. King '73, Esq.
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National City Bank
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Wayne C. ('74) & Dr. Adrienne G. ('76) Rhone
William A. Robinson '42
The Hon. Ruth E. Smith '81
UPS
Brenda J. Walker '74
David M. White '64
Clarence O. Williamson, Jr. '68
Dr. John R. Young '57

\$1,000 - \$2,499

African Episcopal Church of St. Thomas
Dr. Robert L. Albright '66
Michael A. & Muriel A. Alvarez '78
Cynthia H. Amis '68
Pastor Albert R. Armstrong '58
Rev. Jesse F. Anderson, Jr. '58
Molokwu A. Azikiwe '94
Dr. Herman P. Bailey '38
Dr. Andrew H. Bass, Jr. '72
Dr. Lula A. Beatty '71
Dr. William E. Bennett '50
Bethany Baptist Church
Blank Rome LLP
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Maurice H. Brewster '78
Donna A. Brown '73
Dr. William C. Brown '60
Howard H. Brown '68, Esq.
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Methodist Church
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Jerome R. Clemons, Sr. '73
Dr. Joseph S. Darden, Jr. '48
Amb. Horace G. Dawson, Jr. '49

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J. Bernard Ellois '68
Dr. Kevin E. Favor '75
The Hon. Aubrey Ford, Jr. '70
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Fulton Bank
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W. Earl Jennings '74
Trapier J. Jervay '65
Lee E. Johnson '72
Arthur J. Jones '73
Kimmel Bogrette Architecture
Dr. Eddie Ade Knowles '70
The Laborers Internat'l Union of NA
Kimberly A. Lloyd '94
Dr. Edgar O. Mandeville '63
Dr. Robert H. Mann '63
Francine B. Medley '85
Howard E. Merlin
Dr. Timothy C. Meyers, Jr. '59
Frederick A. Miller '68
Dr. Millette's Sociology Classes
The Hon. Jerome L. ('75) & Debra K. Harper ('80) Munford
Prof. Sylvester Murray '63
Dr. Goro Nagase
N. Wesley Norton '58
Donald C. Notice '79
Gail O'Neal '73
Oxford Area Chamber of Commerce
Pennonni Associates, Inc.



LINCOLN UNIVERSITY OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-operating revenues include contributions of assets to be held in perpetuity as well as realized and unrealized gains from investments.

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 non-operating revenues. All other contributions are reported as operating revenues. Contributions and other revenues with donor-imposed restrictions that are met in the same period are reported as unrestricted revenues. If restrictions are not met in the same period, then such revenues are reported as temporarily restricted. 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. 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.

Cash and Cash Equivalents

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

Inventories

Inventories consist of supplies and are stated at the lower of first-in, first-out cost or market.

Investments

Investments in equity securities with readily determinable fair market values and all investments in debt securities are reported at fair value with gains and losses included in the statement of activities.

Certain accumulated realized and unrealized gains on endowments are considered temporarily restricted based on a Pennsylvania law that limits the use of accumulated gains on endowment assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The law permits a not-for-profit organization to spend a portion of such gains on endowment under a spending formula (see note 4).

Funds Held in Trust by Others

The University is also the beneficiary of certain irrevocable perpetual trusts held and administered by others. The University does not invest these funds, nor does the University have responsibility for their management. The present values of the estimated future cash receipts from the trusts are recognized as assets and contribution revenues at the dates the trusts are established. Changes in fair value are recognized as permanently restricted gains and losses.

**LINCOLN UNIVERSITY OF THE
COMMONWEALTH SYSTEM OF HIGHER EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Lincoln University of the Commonwealth System of Higher Education (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 Graduate campus 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 officials of the Commonwealth of Pennsylvania.

Basis of Presentation

The 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.

Net assets and revenues, 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:

Permanently restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the University (i.e., endowment).

Temporarily restricted – Net assets subject to donor-imposed restrictions that may be met either by actions of the University and/or the passage of time.

Unrestricted – Net assets that are not subject to donor-imposed restrictions.

Expenses are reported as decreases in unrestricted net assets. Expiration of temporary restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service.

Revenues from sources other than contributions and related endowment income are reported as increases in unrestricted net assets in the period earned. Revenues under grants, contracts, and similar agreements with sponsoring organizations are recognized as allowable expenditures are incurred.

Lincoln University Contributors 2007-2008



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Alisa R. Drayton '90
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Law Offices of Garrett D. Page, P.C.
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Dr. Ronald J. Powell '73
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Linda A. Rarden
Dr. Richard A. Rhoden '51
John C. Ritchie '65
Martia J. Rivero '64
Arthur Robinson '83
Prof. John M. Royall '61
Dr. William H. Ruckle '60
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Donn G. Scott '70
William Scott, Jr. '51
Skin Health Solutions LLC
Bernard W. Smalley, Esq.
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William H. Smith '70, Esq.
Ann Colin Tanenbaum
Theodore Thomas, Jr. '81
Rufus H. Thomas '54
Martin F. Thompson '83
Dr. Seniboye Tienabeso '78
Anthony D. Walker '73
Gladys W. Walls '55
Tyrone R. Whalen '72
Wolf, Block, Schorr & Solis-Cohen LLP
Dr. Carl O. Word '69
Robert E. Wren, Sr. '58
H. Delaney Young, Jr. '65

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Deborah J. Allen '78
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LINCOLN UNIVERSITY OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION STATEMENT OF CASH FLOWS JUNE 30, 2008 (WITH COMPARATIVE TOTALS FOR 2007)

	2008	2007
Cash flows from operating activities:		
Change in net assets	\$ 10,033,604	\$ 6,000,965
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Capital projects cost paid by state	(9,994,534)	-
Amortization	59,843	59,843
Depreciation	4,982,670	4,422,390
Realized and unrealized gains from investments	1,725,559	(2,982,010)
Allowance for doubtful accounts	1,552,574	(55,342)
Change in assets and liabilities:		
Accounts receivable	(4,139,759)	200,224
Inventories	752	3,053
Prepaid expenses	2,200	208,076
Funds held in trust by others	348,309	(358,177)
Accounts payable and accrued expenses	347,052	1,511,685
Security deposits	256,418	78,353
Deferred revenue	354,588	(1,800)
Government advances for student loans	33,205	113,323
Net cash provided by operating activities	5,562,481	9,200,583
Cash flows from investing activities:		
Purchases of plant and equipment	(5,484,960)	(3,263,272)
Purchase of investments	(963,489)	(1,234,333)
Disbursements of loans to students	(499,938)	(256,132)
Repayments of loans from students	303,440	280,100
Net cash used in investing activities	(6,644,947)	(4,473,637)
Cash flows from financing activities:		
Principal payments on capital lease obligations	(399,328)	(364,938)
Principal payments on bond obligations	(650,000)	(145,000)
Purchase of investments restricted for debt service	234,249	(122,483)
Net cash used in financing activities	(815,079)	(632,421)
Net (decrease) increase in cash and cash equivalents	(1,897,545)	4,094,525
Cash and cash equivalents, beginning of year	12,822,237	8,727,712
Cash and cash equivalents, end of year	\$ 10,924,692	\$ 12,822,237
Cash and cash equivalents comprised of the following:		
Unrestricted	\$ 10,850,313	\$ 12,819,385
Restricted	74,379	2,852
Total cash and cash equivalents	\$ 10,924,692	\$ 12,822,237
Supplemental information:		
Interest paid	\$ 2,037,448	\$ 2,047,459

The accompanying notes are an integral part of the financial statements.

**LINCOLN UNIVERSITY OF THE
COMMONWEALTH SYSTEM OF HIGHER EDUCATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2008</u>	<u>Total 2007</u>
Operating Revenues					
Education and general:					
Tuition and fees	\$ 25,908,571	\$ -	\$ -	\$ 25,908,571	\$ 24,315,576
Room and board	13,458,658	-	-	13,458,658	12,834,852
Less scholarship allowances	(3,776,216)	-	-	(3,776,216)	(3,435,515)
Student charges, net	35,591,013	-	-	35,591,013	33,714,913
Government appropriations	13,786,000	-	-	13,786,000	13,516,000
Contracts and sponsored activities	4,506,956	-	-	4,506,956	6,193,080
Private gifts and grants	863,733	761,486	-	1,625,219	2,560,564
Investments:					
Endowment income	-	571,393	-	571,393	639,157
Other investment income	509,466	277,560	-	787,026	1,018,556
Other	370,513	-	-	370,513	409,102
Net assets released from restriction	4,727,291	(4,727,291)	-	-	-
Total operating revenues	<u>60,354,972</u>	<u>(3,116,852)</u>	<u>-</u>	<u>57,238,120</u>	<u>58,051,372</u>
Operating Expenses					
Instruction	16,868,635	-	-	16,868,635	15,163,186
Research	1,178,980	-	-	1,178,980	4,176,572
Academic support	5,276,366	-	-	5,276,366	4,305,290
Student services	9,030,017	-	-	9,030,017	7,861,089
Auxiliary enterprises	9,591,547	-	-	9,591,547	9,332,630
Administration and institutional support	12,556,783	-	-	12,556,783	13,674,332
Fundraising	671,787	-	-	671,787	681,331
Total operating expenses	<u>55,174,115</u>	<u>-</u>	<u>-</u>	<u>55,174,115</u>	<u>55,194,430</u>
Change in net assets from operations	<u>5,180,857</u>	<u>(3,116,852)</u>	<u>-</u>	<u>2,064,005</u>	<u>2,856,942</u>
Non-operating items					
State contributions for capital projects		9,994,534		9,994,534	-
Contributions-endowment	-	-	760,637	760,637	1,115,460
Realized and unrealized (loss) gain from investments	(96,408)	(1,280,843)	(348,308)	(1,725,559)	2,982,011
Other	12,397	(78,237)	65,840	-	-
Depreciation of state contributed assets	-	(1,060,013)	-	(1,060,013)	(953,448)
Change in net assets from non-operating items	<u>(84,011)</u>	<u>7,575,441</u>	<u>478,169</u>	<u>7,969,599</u>	<u>3,144,023</u>
Total change in net assets	<u>5,096,846</u>	<u>4,458,589</u>	<u>478,169</u>	<u>10,033,604</u>	<u>6,000,965</u>
Net assets:					
Beginning of year	30,502,034	43,736,207	14,995,115	89,233,356	83,232,391
End of year	<u>\$ 35,598,880</u>	<u>\$ 48,194,796</u>	<u>\$ 15,473,284</u>	<u>\$ 99,266,960</u>	<u>\$ 89,233,356</u>

The accompanying notes are an integral part of the financial statements.

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LINCOLN UNIVERSITY OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION STATEMENT OF FINANCIAL POSITION JUNE 30, 2008 (WITH COMPARATIVE TOTALS FOR 2007)

	2008	2007
ASSETS		
Cash and cash equivalents	\$ 10,850,313	\$ 12,819,385
Cash equivalents restricted for construction	74,379	2,852
Accounts receivable:		
Students, net of allowance of \$3,153,678	378,562	82,181
Federal and state governments, net of allowance of \$206,706	2,916,838	788,364
Other	94,254	49,235
Prepaid expenses	251,879	254,079
Inventories	164,302	165,054
Loans receivable, net of allowance of \$1,492,497	1,260,449	946,640
Long-term investments	23,879,707	24,641,777
Investment restricted for debt service	2,638,015	2,872,264
Funds held in trust by others	3,325,527	3,673,836
Plant and equipment, net	102,970,475	92,403,039
Bond issuance costs, net of amortization of \$174,647	1,222,526	1,266,188
Total assets	\$ 150,027,226	\$ 139,964,894
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 7,129,765	\$ 7,003,713
Security deposits	946,925	690,507
Deferred revenue	556,887	202,299
Capital lease obligations	953,498	1,282,214
Bonds payable	38,031,924	38,665,743
Asset retirement obligation	1,943,000	1,722,000
Government advances for student loans	1,198,267	1,165,062
Total liabilities	50,760,266	50,731,538
Net assets:		
Unrestricted	35,598,880	30,502,034
Temporarily restricted	48,194,796	43,736,207
Permanently restricted	15,473,284	14,995,115
Total net assets	99,266,960	89,233,356
Total liabilities and net assets	\$ 150,027,226	\$ 139,964,894

The accompanying notes are an integral part of the financial statements.

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 Lincoln University of the
 Commonwealth System of Higher Education

We have audited the accompanying statement of financial position of Lincoln University of the Commonwealth System of Higher Education (the University) as of June 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the 2007 financial statements and, in our report dated October 22, 2007, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 24, 2008, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Washington, D.C.
 October 24, 2008

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LINCOLN UNIVERSITY OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION

AUDITS OF FINANCIAL STATEMENTS AND FEDERAL AWARD PROGRAMS (WITH INDEPENDENT AUDITOR'S REPORTS)

YEAR ENDED JUNE 30, 2008
 (WITH COMPARATIVE TOTALS FOR 2007)

THOMPSON, COBB, BAZILIO & ASSOCIATES, P.C. Certified Public Accountants and Management, Systems and Financial Consultants

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The accompanying notes are an integral part of the financial statements.