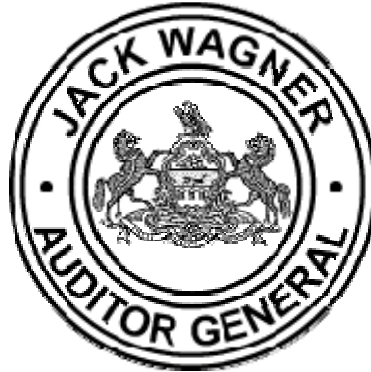


Lincoln University
of the
Commonwealth System of Higher Education
Lincoln University, Pennsylvania
Statement of Appropriation Earned
For the Fiscal Year Ended June 30, 2006



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Introductory Section

September 10, 2007

The Honorable Edward Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania, 17120

and Dr. Ivory V. Nelson
President
Lincoln University
Lincoln University, Pennsylvania 19352

Dear Governor Rendell and Dr. Nelson:

Enclosed is the independent auditor's report for the statement of appropriations earned of Lincoln University of the Commonwealth System of Higher Education for the fiscal year ended June 30, 2006. You will note that our opinion is dated June 29, 2007, which is the date our fieldwork closed.

Sincerely,

JACK WAGNER
Auditor General

Lincoln University

Lincoln University of Pennsylvania was chartered in April 1854, as Ashmun Institute. In 1866 the institute was renamed Lincoln University in honor of the recently slain President. The eighth president of the University stated that Lincoln University was the “first institution founded anywhere in the world to provide a higher education in the arts and sciences for ‘male youth of African descent.’”

Lincoln University is accredited by the Middle States Association of Colleges and Schools and offers academic programs in undergraduate study in the arts, sciences as well as graduate programs in human services, reading, education, mathematics, and administration.

From its inception, Lincoln has attracted an interracial and international enrollment from the surrounding community and around the world. The University first admitted women in 1952 and formally associated with the Commonwealth in 1972, becoming one of four state-related universities operating within the Commonwealth System of Higher Education.

Lincoln University comprises over 50 buildings located near the town of Oxford in southern Chester County, 45 miles southwest of Philadelphia and a Graduate Center located in West Philadelphia.

Control of Lincoln University is vested in a 39-member board of trustees that includes 18 University trustees (one being a student representative), 12 Commonwealth trustees and 6 alumni trustees. Additionally, there are three voting ex-officio members: the Governor of the Commonwealth, the Secretary of the Department of Education, and the President of Lincoln University. In addition, there are a number of honorary trustees (up to 4), and a number of emeritus trustees that varies annually.

Non-preferred Appropriation

As summarized below, the University—as one of the four state-related universities—received an annual appropriation from the Commonwealth. This annual appropriation is used to supplement the University’s educational and general program operations.

Fiscal Year Ended	Appropriation	Unrestricted educational and general	Appropriation Percent
June 30, 2006	\$12,934,000	\$48,293,495	26.8%

Note: The 26.8 percent represents the amount of Commonwealth appropriation as a percentage of total unrestricted expenditures.

Financial Section

Independent Auditor's Report

The Honorable Edward Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania, 17120

and Dr. Ivory V. Nelson
President
Lincoln University
Lincoln University, Pennsylvania 19352

Dear Governor Rendell and Dr. Nelson:

We have audited the accompanying statement of appropriation earned of Lincoln University for the fiscal year ended June 30, 2006. The statement of appropriation earned is the responsibility of the University's management. Our responsibility is to express an opinion on the statement of appropriation earned based on our audit.

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

The accompanying statement was prepared pursuant to the legislative requirements prescribed in Act 12A of 2005, as described in Note 3, and is not intended to be a complete presentation of the University's financial position or results of operations in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the accompanying statement of appropriation earned presents fairly, in all material respects, the earned appropriation of Lincoln University for the fiscal year ended June 30, 2006, on the basis of accounting described in Note 2.

This report is intended solely for the information and use of the Commonwealth of Pennsylvania and Lincoln University and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

JACK WAGNER
Auditor General

June 29, 2007

**Lincoln University
Statement of Appropriation Earned**

June 30, 2006

Computation of Eligible Costs:

<u>Unrestricted Educational and General Expenditures and Mandatory Transfers</u>	<u>Educational and General</u>
Instruction	\$14,909,475
Research	3,434,404
Academic Support	3,892,591
Student Services	7,564,302
Auxiliary Enterprises	8,177,164
Administration and Institutional Support	9,633,636
Fundraising	<u>681,923</u>
Total Educational and General Expenditures and Mandatory Transfers	<u>\$48,293,495</u>

Computation of Appropriation Earned:

Reported costs	\$48,293,495
Less Audit Adjustments	<u>0</u>
Eligible Costs	<u>\$48,293,495</u>
Maximum appropriation per Act 12A	<u>\$12,934,000</u>
Appropriation Earned Lesser of Eligible Costs or Maximum Appropriation	<u>\$12,934,000</u>

Notes to the Statement of Appropriation Earned are an integral part of this report.

Notes to the Statement of Appropriation Earned

1. Reporting Entity

The Commonwealth of Pennsylvania chartered Lincoln University, on April 29, 1854. In 1972, the University formally associated with the Commonwealth, thereby becoming one of four state-related universities operating within the Commonwealth System of Higher Education. Today, Lincoln University is a coeducational institution that offers baccalaureate degrees in the arts and sciences and in selected pre-professional fields. It also offers masters' degrees in human services, education, mathematics, reading, administration, and school administration.

2. Summary of Significant Accounting Policies

Lincoln University follows the recommendations for accounting and reporting included in the *Industry Audit Guide for Colleges and Universities* issued by the American Institute of Certified Public Accountants. In addition, the University uses the descriptions and classifications of unrestricted expenditures and transfers identified in Part 5 of the *College and University Business Administration's Administrative Service* published by the National Association of College and University Business Officers.

Fund Accounting

The University maintains the endowment fund, departmental funds, and related accumulated gains in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting purposes into funds that are in accordance with specified activities or objectives. Separate accounts are maintained for each fund, and funds with similar characteristics are combined into fund groups for financial reporting purposes. The annual appropriation from the Commonwealth is classified as unrestricted current funds.

Accrual Basis

The statement of appropriation earned has been prepared on the accrual basis of accounting. Under this system, revenues are recorded when earned and expenses are recognized when incurred.

Financial Section

3. Basis for Reporting Appropriations Earned

Act 12A of 2005 provided an appropriation for educational and general expenses of \$12,934,000 to Lincoln University of the Commonwealth System of Higher Education for the fiscal year ended June 30, 2006.

The appropriation is made based on costs incurred. Reimbursable costs include unrestricted and restricted current funds, direct and indirect expenditures, and transfers attributable to the applicable program. The appropriation is considered earned when reimbursable costs equal or exceed the amount appropriated by the Commonwealth.

4. Enrollment Statistics

The University provided educational services to students for the 2005-2006 academic year as follows:

<u>Term</u>	<u>Number of Students</u>	<u>Number of Pennsylvania Students</u>	<u>Percent of Pennsylvania Students</u>
<u>Fall 2005</u>			
Undergraduate students	1,707	807	47.3%
Graduate students	<u>557</u>	<u>350</u>	62.8%
Total	<u>2,264</u>	<u>1,157</u>	51.1%
<u>Spring 2006</u>			
Undergraduate students	1,605	755	47.0%
Graduate students	<u>540</u>	<u>337</u>	62.4%
Total	<u>2,145</u>	<u>1,092</u>	50.9%

Audit Adjustments

Audit Adjustments

The University's annual appropriation from the Pennsylvania General Assembly provides the Auditor General with the right, in respect to the moneys appropriated by the Commonwealth, to audit and disallow expenditures made for purposes inconsistent with the appropriation. Testing of Lincoln University expenditures for the fiscal year ended June 30, 2006, consisted of selecting a sample of 48 educational and general invoices totaling \$1,131,847 to determine if expenditures were incurred to support the stated purpose of the appropriation.

June 30, 2006, Audit Adjustments

No exceptions were noted in the sample of 48 invoices totaling \$1,131,847.

Audit Report Distribution List

This report was initially distributed to the following:

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The Honorable James J. Rhoades
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Pennsylvania Department of Education

Connie Huber
Comptroller
Labor, Education, and Community
Services
Office of the Budget

Lincoln University
Dr. Ivory V. Nelson
President

Board of Trustees

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, Pennsylvania 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our Web site at www.auditorgen.state.pa.us.