

HAMLIN UNIVERSITY OF MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2023 AND 2022



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**HAMLIN UNIVERSITY OF MINNESOTA
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YEARS ENDED JUNE 30, 2023 AND 2022**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Hamline University of Minnesota
St. Paul, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hamline University of Minnesota, which comprise the balance sheets as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The financial responsibility ratio supplemental schedule, as required by Department of Education is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the financial responsibility ratio supplemental schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
January 25, 2024

**HAMLIN UNIVERSITY OF MINNESOTA
BALANCE SHEETS
JUNE 30, 2023 AND 2022**

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 2,335,988	\$ 3,638,200
Restricted Cash	2,461,911	5,230,105
Accounts Receivable (Net)	11,659,334	4,913,236
Prepaid Expenses and Other Assets	7,559,773	8,758,966
Contributions Receivable	2,287,230	1,968,309
Student Loans Receivable (Net)	1,284,067	2,151,516
Investments	128,390,770	117,113,531
Property, Plant, and Equipment (Net)	88,333,648	82,167,489
Construction in Progress	376,845	6,650,538
Beneficial Interest in Trusts	1,162,513	2,258,275
Right-of-Use Asset - Financing	33,090	92,331
Right-of-Use Asset - Operating	1,279,481	1,996,172
	\$ 247,164,650	\$ 236,938,668
Total Assets		
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 5,912,108	\$ 7,094,751
Deposits and Deferred Revenue	1,146,174	1,761,237
Annuities and Unitrusts Payable	591,542	725,619
Perkins Loans Refundable to Government	1,312,903	2,222,038
Long-Term Debt	42,080,497	43,832,959
Line of Credit	5,806,455	-
Lease Liability - Financing	32,164	90,398
Lease Liability - Operating	1,279,481	1,996,172
Total Liabilities	58,161,324	57,723,174
NET ASSETS		
Without Donor Restrictions	71,972,516	70,984,692
With Donor Restrictions	117,030,810	108,230,802
Total Net Assets	189,003,326	179,215,494
Total Liabilities and Net Assets	\$ 247,164,650	\$ 236,938,668

See accompanying Notes to Financial Statements.

**HAMLIN UNIVERSITY OF MINNESOTA
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
REVENUE			
Tuition and Fees, Net of Discount of \$42,021,276 in 2023 and \$40,926,950 in 2022	\$ 46,124,481	\$ -	\$ 46,124,481
Government Grants	9,200,214	-	9,200,214
Contributions	2,046,256	2,244,913	4,291,169
Investment Income, Net	314,092	(96,396)	217,696
Sale and Services of Educational Activities	840,451	12,550	853,001
Other Sources	1,516,919	250,174	1,767,093
Auxiliary Enterprises	6,886,784	-	6,886,784
Subtotal Revenue	<u>20,804,716</u>	<u>2,411,241</u>	<u>23,215,957</u>
Appropriation of Endowment Assets for Expenditure	1,243,078	4,146,412	5,389,490
Net Assets Released from Restrictions	5,031,990	(5,031,990)	-
Total Operating Revenue and Other Additions	<u>73,204,265</u>	<u>1,525,663</u>	<u>74,729,928</u>
EXPENSES			
Instruction	23,864,465	-	23,864,465
Academic Support	7,341,095	-	7,341,095
Research	53,578	-	53,578
Public Service	1,450,820	-	1,450,820
Student Services	16,318,135	-	16,318,135
Institutional Support	12,060,604	-	12,060,604
Auxiliary Enterprises	11,852,697	-	11,852,697
Total Expenses	<u>72,941,394</u>	<u>-</u>	<u>72,941,394</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	262,871	1,525,663	1,788,534
NONOPERATING ACTIVITIES			
Contributions	41,319	3,601,157	3,642,476
Net Investment Return	6,386,104	4,711,133	11,097,237
Appropriation of Endowment Assets for Expenditure	(5,389,490)	-	(5,389,490)
Change in Value of Split-Interest Agreements	-	(1,037,945)	(1,037,945)
Net Assets Released from Restrictions	-	-	-
Board Designated Unrestricted Spending	(312,980)	-	(312,980)
Total Nonoperating Activities	<u>724,953</u>	<u>7,274,345</u>	<u>7,999,298</u>
CHANGE IN NET ASSETS	987,824	8,800,008	9,787,832
Net Assets - Beginning of Year	<u>70,984,692</u>	<u>108,230,802</u>	<u>179,215,494</u>
NET ASSETS - END OF YEAR	<u>\$ 71,972,516</u>	<u>\$ 117,030,810</u>	<u>\$ 189,003,326</u>

See accompanying Notes to Financial Statements.

**HAMLIN UNIVERSITY OF MINNESOTA
STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022**

2022		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 48,956,814	\$ -	\$ 48,956,814
10,823,860	-	10,823,860
851,047	2,760,772	3,611,819
351,145	(244,623)	106,522
776,754	14,346	791,100
2,350,566	74,669	2,425,235
6,252,396	-	6,252,396
<u>21,405,768</u>	<u>2,605,164</u>	<u>24,010,932</u>
1,152,756	3,676,379	4,829,135
4,358,552	(4,358,552)	-
<u>75,873,890</u>	<u>1,922,991</u>	<u>77,796,881</u>
23,771,370	-	23,771,370
8,559,942	-	8,559,942
51,937	-	51,937
1,683,302	-	1,683,302
18,497,741	-	18,497,741
11,074,107	-	11,074,107
11,150,937	-	11,150,937
<u>74,789,336</u>	<u>-</u>	<u>74,789,336</u>
1,084,554	1,922,991	3,007,545
128,185	3,234,046	3,362,231
315,255	(19,775,228)	(19,459,973)
(4,829,135)	-	(4,829,135)
-	(251,861)	(251,861)
534,719	(534,719)	-
(144,391)	-	(144,391)
<u>(3,995,367)</u>	<u>(17,327,762)</u>	<u>(21,323,129)</u>
(2,910,813)	(15,404,771)	(18,315,584)
<u>73,895,505</u>	<u>123,635,573</u>	<u>197,531,078</u>
<u>\$ 70,984,692</u>	<u>\$ 108,230,802</u>	<u>\$ 179,215,494</u>

See accompanying Notes to Financial Statements.

**HAMLIN UNIVERSITY OF MINNESOTA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 9,787,832	\$ (18,315,584)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation, Loss on Disposal of Assets, and Lease Amortization	5,421,806	5,062,033
Prepaid Cloud-Based Software Amortization	1,109,665	1,103,113
Net Realized and Unrealized (Gain) Loss on Investments	(11,017,058)	19,781,550
Contributions Restricted for Long-Term Investment	(3,642,326)	(3,540,839)
Adjustment of Actuarial Liability for Annuities Payable	(6,516)	77,248
Change in Value of Beneficial Interest in Trusts	1,095,761	285,716
(Increase) Decrease in Assets:		
Accounts Receivable	(6,746,098)	640,190
Prepaid Expenses and Other Assets	1,243,524	(953,697)
Contributions Receivable	(318,921)	1,516,210
Student Loans Receivable	867,449	595,880
Right-of-Use Asset	1,007	(299)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(1,182,643)	1,373,769
Deposits and Deferred Revenue	(615,064)	(557,457)
Net Cash Provided (Used) by Operating Activities	(4,001,582)	7,067,833
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of Property, Plant, and Equipment	(6,423,936)	(9,629,869)
Purchases of Investments	(38,060,859)	(16,909,949)
Proceeds from Sale of Investments	37,800,679	18,145,866
Net Cash Used by Investing Activities	(6,684,116)	(8,393,952)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit	11,556,455	-
Proceeds from Contributions Restricted for Long-Term Investment	3,642,326	3,540,838
Grants Refundable to Government	(909,135)	(689,156)
Payments on Financing Leases	-	(61,910)
Payments on Line of Credit	(5,750,000)	-
Payments on Long-Term Debt	(1,796,793)	(1,659,883)
Payments on Annuities Payable	(127,561)	(111,103)
Net Cash Provided by Financing Activities	6,615,292	1,018,786
NET DECREASE IN CASH AND RESTRICTED CASH	(4,070,406)	(307,333)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	8,868,305	9,175,638
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 4,797,899	\$ 8,868,305
SUPPLEMENTAL DISCLOSURE OF TOTAL CASH		
Cash and Cash Equivalents	\$ 2,335,988	\$ 3,638,200
Restricted Cash	2,461,911	5,230,105
Cash, Cash Equivalents, and Restricted Cash - End of Year	\$ 4,797,899	\$ 8,868,305
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ 1,710,262	\$ 1,853,035

See accompanying Notes to Financial Statements.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Hamline University of Minnesota (University) is a nationally ranked university serving nearly 3,400 students in its three schools: College of Liberal Arts, School of Education, and School of Business.

The University offers undergraduate, masters, doctorate, and professional degrees, as well as certificate and continuing studies programs. Founded in 1854, Hamline University of Minnesota was the first institution of higher learning in Minnesota.

During the past 168 years, the University has established a national reputation for academic quality, as well as providing students with personal attention and exceptional experiences. It is one of only 293 Phi Beta Kappa institutions in the United States. In the Best Regional Universities category, *U.S. News and World Report* ranks Hamline one of the top-ranked Minnesota universities for the past 20 consecutive years. LendEdu.com named Hamline University of Minnesota a “Most Affordable School for Incoming Freshmen with Financial Need”.

Hamline University of Minnesota is recognized as a diverse, learning-centered university that is rooted in a tradition of liberal education; dynamic, and actively inclusive; locally engaged and globally connected; and invested in the personal and professional growth of its employees and students. The University has a strong tradition of excellence in teaching, research, and scholarship. Among its longstanding values are commitments to rigorous academics; creation, dissemination, and practical application of knowledge; multicultural competencies; the development and education of the whole person; and an ethic of social justice and civic responsibility.

Located in the vibrant Twin Cities of Saint Paul and Minneapolis, Minnesota, Hamline is affiliated with the United Methodist Church. Its main campus in St. Paul is known for its central location, historic buildings, and beautiful gardens.

Basis of Presentation

The accompanying financial statements of the University have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America.

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the University and changes therein are classified as follows:

Net Assets Without Donor Restriction – Net assets that are not subject to donor-imposed restrictions. Net assets may be designated for specific purposes by action of the board of trustees.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Net Assets With Donor Restrictions – Net assets whose use by the University is subject to donor-imposed restrictions that can be fulfilled by actions of the University pursuant to those restrictions or that expire by the passage of time. Net assets may be subject to donor-imposed restrictions that they be maintained permanently by the University but permit the University to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Net assets with donor restrictions which are met in the current period are reclassified to net assets without donor restriction and reported as net assets released from restrictions. Expenses are reported as decreases in net assets without donor restriction.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

Cash and Cash Equivalents

Cash and cash equivalents include interest-bearing money market accounts and short-term investments with an original maturity of less than three months except those held for investment purposes.

Restricted Cash

The provisions of the University's long-term financing agreements require it to maintain a certain amount of its cash and cash equivalents in reserve funds, which are subject to restrictions on the disbursement of such funds. Accordingly, such amounts are reported separately from cash and cash equivalents in the balance sheets. Restricted cash also consists of cash and cash equivalents from the investments held by the University under split-interest agreements and bond escrow accounts.

Concentrations

The University maintains its operating cash balances with high credit quality financial institutions. At times, the amounts on deposit may exceed the Federal Deposit Insurance Corporation limit.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Receivables are stated at net realizable value. The University provides an allowance for bad debts using the allowance method, which is based on management's judgment considering historical information. Accounts past due more than 90 days are individually analyzed for collectability. When all collection efforts have been exhausted and no payments have been received, accounts are individually written off against the related allowance. At June 30, 2023 and 2022, the allowance was \$2,144,494 and \$1,680,530, respectively.

Prepaid and Other Assets

Prepaid expenses include payments made on cloud-based software projects that are amortized over the life of the contract once the project is complete. At June 30, 2023 and 2022, the amortization is \$1,109,665 and \$1,103,113, respectively. Other expenses include inventories which are carried at the lower of cost or net realizable value using the first-in, first-out (FIFO) method.

Grants Receivable

Grants receivable is entirely made up of the Employee Retention Credit (ERC) grant. Subsequent to year end, the cash was received.

Contributions Receivable

Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate (between the tax-free one-year treasury bill rate and the incremental borrowing rate) applicable to the year in which the pledge is received. Conditional promises are not included as revenue until such times as the conditions are substantially met.

Investments

The University invests in a variety of investment vehicles. In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the balance sheets. Investments in debt securities and marketable securities are carried at fair value, based upon quoted market prices or values provided by external investment managers. Unrealized gains and losses are recognized in the period in which they occur.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost at the date of acquisition or at fair value at the date of donation, less accumulated depreciation. If donors stipulate how long the assets must be used, the contributions are recorded as with donor restriction support. In the absence of such stipulation, contributions of property and equipment are recorded as without donor restriction.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant, and Equipment (Continued)

Depreciation is computed monthly on the straight-line method over the estimated useful lives of the assets as follows:

Buildings	20 to 75 Years
Land Improvements	10 to 20 Years
Building Improvements	20 Years
Equipment	3 to 20 Years
Library Materials	15 Years

Expenditures for new construction, major renewals and replacements, and equipment over \$2,500 are capitalized.

Collections

The University's collections, which were acquired through purchases and contributions since the University's inception, are not recognized as assets on the balance sheet. Purchases of collection items are recorded as decreases in net assets without donor restriction in the year in which the items are acquired or as donor-restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. The University's practice is not to deaccession any items from the collection.

The University's collections are made up of pottery, prints, musical instruments, and paintings that are held for educational and performance purposes. Each of the items are cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously.

Deferred Revenue

Deferred revenue represents students' tuition, fees, conference revenues, and housing revenues billed or received in advance for the summer term and other University programs.

Loans Refundable to Government

Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the University will record such disallowance at the time the determination is made.

Leases

The University determines if an arrangement is a lease at inception. Operating and financing leases are included in right-of-use (ROU) assets in the balance sheets. Note 10 discloses the breakout between operating and financing for the ROU asset and lease liability.

ROU assets represent the University's right to use an underlying asset for the lease term and lease liabilities represent the University's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Lease terms may include options to extend or terminate the lease when it is reasonably certain that the University will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The University has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the balance sheets.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the University has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

The University has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

Net Asset Classification

The University follows the provisions of *Endowments of Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds*. This provides guidance on classifying net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA). A key component of the guidance is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as net assets with donor restriction invested in perpetuity as net assets with donor restriction invested for a purpose until appropriated for expenditure. Another key component is a requirement for expanded disclosures about all endowment funds whether or not the organization is subject to UPMIFA.

The University's endowment consists of over 400 individual funds established for a variety of purposes including scholarships and program support. The endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of trustees has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as net assets with donor restrictions invested in perpetuity (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classification (Continued)

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restriction invested in perpetuity as net assets with donor restriction invested for a purpose until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the University and the donor-restricted fund
- (3) General economic conditions
- (4) The possible effects of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the University
- (7) The investment policies of the University

Revenue from Academic Programs

For both the campus and online programs, tuition and fee revenue is recognized in the fiscal year in which the academic programs are delivered. Institutional scholarships awarded to students reduce the amount of revenue recognized. In addition, students who officially withdraw before the 10th day of the term will not be responsible for any tuition charges. After that date, the student receives a partial refund in accordance with the University's refund policy. Refunds issued reduce the amount of revenue recognized. The University offers various fall, spring, winter, and summer sessions that vary in length based on program. Payments for services are due the first day of classes for each respective semester or term.

The University also provides services, such as housing and food services. Revenue from these services is recognized in the fiscal year in which the goods and services are provided. Students that withdraw from the University before the 10th day of the term may receive a partial refund in accordance with the University's refund policy. Refunds issued reduce the amount of revenue recognized.

Deferred Revenue

Deferred revenue represents payments received prior to the start of the academic term. The following table depicts activities for deferred revenue related to tuition, fees, and auxiliary services:

	Balance at June 30, 2022	Refunds Issued	Revenue Recognized Included in June 30, 2023 Balance	Cash Received in Advance of Performance	Balance at June 30, 2023
Deposits	\$ 53,971	\$ -	\$ 5,777,447	\$ 5,723,476	\$ -
Deferred Programs Revenue	214,394	-	165,463	82,605	131,536
Deferred Summer Revenue and Study Abroad Program	1,492,872	-	3,011,436	2,533,202	1,014,638
Total Deferred Revenue	\$ 1,761,237	\$ -	\$ 8,954,346	\$ 8,339,283	\$ 1,146,174

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue (Continued)

	Balance at June 30, 2021	Refunds Issued	Revenue Recognized Included in June 30, 2022 balance	Cash Received in Advance of Performance	Balance at June 30, 2022
Deposits	\$ 238,558	\$ -	\$ 6,159,982	\$ 5,975,395	\$ 53,971
Deferred Programs Revenue	236,421	-	134,198	112,171	214,394
Deferred Summer Revenue and Study Abroad Program	1,843,715	-	3,193,493	2,842,650	1,492,872
Total Deferred Revenue	<u>\$ 2,318,694</u>	<u>\$ -</u>	<u>\$ 9,487,673</u>	<u>\$ 8,930,216</u>	<u>\$ 1,761,237</u>

The balance of deferred revenue at June 30, 2023, less any refunds, will be recognized as revenue over the academic term as services are rendered. The University applies the practical expedient in paragraph 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Accounts Receivable (Student)

Accounts receivable represents payments not yet received for academic terms already completed. The following table depicts activities for accounts receivable related to tuition, fees, and auxiliary services:

	2023	2022
Student Accounts Receivable - Beginning of the Year	\$ 3,151,512	\$ 3,606,362
Payments Made	(53,236,770)	(56,080,579)
Charges for Tuition and Fees	53,011,265	55,209,210
Change in Allowance and Write Offs	284,494	416,519
Student Accounts Receivable - End of the Year	<u>\$ 3,210,501</u>	<u>\$ 3,151,512</u>

Grants from Governmental Agencies

Conditional government grants and contracts are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each contract, are made. Funds received but not yet earned are shown as deferred revenue. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, Hamline University of Minnesota will record such disallowance at the time the final assessment is made. A portion of the University's revenue is derived from cost reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the University has incurred expenditures in compliance with specific contract or grant provisions. The University received cost reimbursable grants of \$152,226 that have not been recognized at June 30, 2023, because qualifying expenditures have not yet been incurred.

HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants from Governmental Agencies (Continued)

Due to COVID-19, the Federal Government passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020 which included funding for the Higher Education Emergency Relief Fund (HEERF). These funds were awarded to institutions of higher education in two equal allotments; institutional aid to provide support for pivoting instruction to online delivery or reimbursement of refunds, and a student portion to provide emergency financial aid grants to students. For the year ended June 30, 2021, the University received additional allocations of \$4,770,714 for the student portion and \$6,135,095 for the institutional portion from the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRSSA) and the American Rescue Plan (ARP). As of June 30, 2021, the University had recognized \$1,340,000 related to lost revenue and had expended an additional \$457,912 on qualifying expenditures, as well as, the University had expended \$1,500,600 related to emergency student grants that is included in Student Services expense on the statement of activities. For the year ended June 30, 2022, the University expended the remaining \$3,485,269 of the student portion on emergency student grants that is included in the Student Services on the statement activities. The University also expended the remaining \$4,795,024 of the institutional portion. \$4,790,785 was related to lost revenue and \$4,310 was expended with qualifying expenditures. As of June 30, 2022, all HEERF dollars have been expended.

Fair Value Measurement

The University follows the provisions of *Fair Value Measurements*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. *Fair Value Measurements* established a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of the asset or liability as of the measurement date. *Fair Value Measurements* expanded disclosures about instruments measured at fair value. *Fair Value Measurements* applied to other accounting pronouncements that require or permit fair value measurements and, accordingly, *Fair Value Measurements* does not require any new fair value measurements.

As noted above, *Fair Value Measurements* establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices or similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

Level 3 – Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Advertising Expense

Advertising expenses are expensed as incurred. Non-professional fee overhead advertising expense for the years ended June 30, 2023 and 2022 was \$523,906 and \$442,654, respectively.

Federal Income Taxes

The IRS has determined that the University is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income tax. However, any unrelated business income may be subject to taxation.

The University has adopted the accounting standard relating to Accounting for Uncertainty in Income Taxes. This standard clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The implementation of this standard had no impact on the University's financial statements.

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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Measure of Operations

The University's change in net assets from operating activities includes all operating revenue and expense that are an integral part of its programs and supporting activities including net asset released from donor restrictions to support operating expenditures, as well as investment returns allocated by the board of trustees to support operations as established by the endowment spending policy.

The measure of operations includes support for operating activities without donor restriction and with donor restrictions that are not long-term in nature.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measure of Operations (Continued)

The measure of operations excludes support for nonoperating activities including investment returns in excess of amounts allocated to support current operations, changes in the market value of trusts held by others and other changes in split-interest agreements, and private gifts restricted for long-term investment and capital projects.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. Such reclassification has no effect on the change in net assets or the net assets previously stated.

Changes in Nonoperating Net Assets

Certain items are listed below the Change in Operating Net Assets after Transfers and before the Change in Net Assets. These items have been deemed nonoperating or unusual transactions and thus are not considered part of the change in operating net assets. The transactions include the endowment income, the distribution from the endowment, expenses from designated funds, and other nonrecurring transactions.

Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2023, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2023. Management has performed their analysis through January 25, 2024, the date the financial statements were available to be issued.

NOTE 2 CONTRIBUTIONS RECEIVABLE

For the year ended June 30, 2023 contributions receivable included four pledges receivable that represented 58% of the receivable balance. For the year ended June 30, 2022, contributions receivable included two pledges receivable that represented 40% of the receivable balance. Contributions receivable are summarized as follows at June 30:

	2023	2022
Unconditional Promises Expected to be Collected in:		
Less Than One Year	\$ 195,944	\$ 497,869
One to Five Years	1,809,897	1,081,375
More than Five Years	520,000	520,000
Total Contributions	2,525,841	2,099,244
Allowance	-	(25,000)
Discount (4.49% and 2.99% for 2023 and 2022, Respectively)	(238,611)	(105,935)
Total Contributions, Net of Discount and Allowance	\$ 2,287,230	\$ 1,968,309

HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 STUDENT LOANS RECEIVABLE

The University issues uncollateralized loans to students based on financial need. Student loans are funded through Perkins loan programs or institutional resources. Perkins loans are assignable to the federal government when proper due diligence procedures are performed. At June 30, 2023 and 2022, student loans represented 0.5% and 0.9% of total assets, respectively.

At June 30, student loans consisted of the following:

	2023	2022
Federal Government Programs	\$ 1,269,712	\$ 2,137,161
Institutional Programs	14,355	14,355
Student Loan Receivable, Net	<u>\$ 1,284,067</u>	<u>\$ 2,151,516</u>

Funds advanced by the federal government of \$1,312,903 and \$2,222,038 at June 30, 2023 and 2022, respectively, are ultimately refundable to the government and are classified as liabilities in the balance sheet. During 2023 and 2022, the University returned excess cash on hand to the federal government and returned a proportional University-contributed amount to the University's operational cash accounts.

At June 30, 2023 and 2022, the following amounts were past due under student loan programs:

June 30,	1-60 Days Past Due	60-90 Days Past Due	90+ Days Past Due	Total Past Due
2023	\$ 28,077	\$ 24,446	\$ 523,353	\$ 575,876
2022	\$ 91,080	\$ 31,782	\$ 817,615	\$ 940,477

NOTE 4 INVESTMENTS

Investments as defined by asset allocation category at June 30 consist of the following:

	Fair Value	
	2023	2022
Equities:		
Domestic	\$ 79,183,669	\$ 61,423,334
International	16,253,045	22,038,748
Subtotal Equities	<u>95,436,714</u>	<u>83,462,082</u>
Multi-Faceted Bonds	30,425,443	30,230,156
Private Equity, Hedge Funds, and Real Assets	1,695,522	1,909,280
Cash and Short-Term Investments	795,729	1,470,551
Other	37,362	41,462
Total Investments	<u>\$ 128,390,770</u>	<u>\$ 117,113,531</u>

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 4 INVESTMENTS (CONTINUED)

Investments in debt securities and marketable securities are carried at fair value, based upon quoted market prices or values provided by external investment managers. Unrealized gains and losses are recognized in the period in which they occur. As noted above, within the portfolio certain investments are invested in funds for which value is not determinable on a daily basis and are held by private companies. These are commonly referred to as Alternative investments. These include Hedge Funds, Private Equity Funds, Real Estate Funds, Venture Capital Funds, Commodity Funds, Offshore Fund Vehicles, Fund of Funds, and Bank Collective Common Trusts. Alternative Investments may be structured through Limited Partnerships, Limited Liability Corporations, Trusts, or Corporations. The estimated fair values of Alternative Investments may differ significantly from the values that would have been used had a ready market existed for these investments, and these differences could be material.

The Alternative Investments within the University's portfolio consist of the following at June 30:

	Fair Value	
	2023	2022
Private Equity	\$ 474,672	\$ 744,638
Real Assets	1,220,850	1,164,642
Total Alternative Investments	<u>\$ 1,695,522</u>	<u>\$ 1,909,280</u>

Private equity investments are investments in limited partnership interests and are carried at fair values as determined by the general partner in the absence of readily ascertainable market values. Hedge funds are investment vehicles that explicitly pursue absolute returns on their investments using financial instruments such as stocks, bonds, commodities, currencies, and derivatives through techniques such as shorting, leveraging, arbitrage, swaps and other strategies. Real Assets investments include real estate, energy, timber, agricultural land, mining, and other similar investments.

A certain portion of the U.S. Equities and Non-U.S. Equities are in pooled funds. At June 30, 2023 and 2022, the amount of pooled funds that include the University's assets was \$44,248,951 and \$53,728,302, respectively.

Investments include funds traditionally considered the endowment of the University, as well as assets of split-interest agreements and net assets without donor restriction. As of June 30, the allocations shown at fair value are as follows:

	2023	2022
Endowment Funds	\$ 127,883,136	\$ 116,245,850
Split-Interest Agreements	507,634	709,973
Unrestricted Investments	-	157,708
Total Investments	<u>\$ 128,390,770</u>	<u>\$ 117,113,531</u>

HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4 INVESTMENTS (CONTINUED)

The University uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the University values all other assets and liabilities refer to Note 1 – Summary of Significant Accounting Policies.

NOTE 5 FAIR VALUE MEASUREMENTS

Assets measured at fair value on a recurring basis as of June 30:

June 30, 2023	Level 1	Level 2	Level 3	No Level	Total
Investments:					
Fixed Income - Multifaceted Bonds	\$ 217,258	\$ -	\$ -	\$ -	\$ 217,258
Fixed Income Collective Funds					
Measured at Net Asset Value	-	-	-	30,208,185	30,208,185
Equities - Domestic	34,934,718	-	-	-	34,934,718
Equity Collective Funds Measured					
at Net Asset Value	-	-	-	53,534,909	53,534,909
Equity Long/Short Fund of Funds					
Measured at Net Asset Value	-	-	-	6,967,087	6,967,087
Liquid Alternative Investments					
Measured at Net Asset Value	-	-	-	1,695,522	1,695,522
Total Investments	35,151,976	-	-	92,405,703	127,557,679
Beneficial Interest in Trusts	-	-	1,162,513	-	1,162,513
Total	<u>\$ 35,151,976</u>	<u>\$ -</u>	<u>\$ 1,162,513</u>	<u>\$ 92,405,703</u>	<u>\$ 128,720,192</u>
June 30, 2022	Level 1	Level 2	Level 3	No Level	Total
Investments:					
Fixed Income - Multifaceted Bonds	\$ 227,252	\$ -	\$ -	\$ -	\$ 227,252
Fixed Income Collective Funds					
Measured at Net Asset Value	-	-	-	30,002,904	30,002,904
Equities - Domestic	17,757,897	-	-	-	17,757,897
at Net Asset Value	-	-	-	52,525,411	52,525,411
Equity Long/Short Fund of Funds					
Measured at Net Asset Value	-	-	-	13,178,774	13,178,774
Liquid Alternative Investments					
Measured at Net Asset Value	-	-	-	1,909,280	1,909,280
Other	4,100	-	-	-	4,100
Total Investments	17,989,249	-	-	97,616,369	115,605,618
Beneficial Interest in Trusts	-	-	2,258,275	-	2,258,275
Total	<u>\$ 17,989,249</u>	<u>\$ -</u>	<u>\$ 2,258,275</u>	<u>\$ 97,616,369</u>	<u>\$ 117,863,893</u>

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

The totals do not include certain amounts as they are not measured on a recurring basis at fair value. The table below reconciles total University investments:

	2023	2022
Total Investments	\$ 128,390,770	\$ 117,113,531
Investments Not Measured at Fair Value on a Recurring Basis:		
Cash and Cash Equivalents	(795,729)	(1,470,551)
Cash Surrender Value of Life Insurance Policies	(37,362)	(37,362)
Total Investments Measured at Fair Value on a Recurring Basis	\$ 127,557,679	\$ 115,605,618

Level 3 Assets

There were no transfers in or out in the University's Level 3 financial assets for the year ended June 30, 2023 and 2022.

The value of beneficial interests in trust represents an irrevocable right to receive distributions in perpetuity from a trust that is managed by a third-party. The University does not have variance power over the trust's portfolio. The value is estimated based on the fair value of the underlying investments held by the trust.

Instrument	Fair Value		Principal Valuation Technique	Unobservable Inputs	Range (Weighted Average)
	2023	2022			
Beneficial Interest in Trusts	\$ 1,162,513	\$ 2,258,275	Fair Value of Trust Investments	Time Period of Trust	N/A - 6.00% 3.86%

The University values certain investment holdings at fair value using their net asset value and has the ability to redeem its investment with the investee at net asset value per share (or its equivalent) at the measurement date.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

Net Asset Value

Fair value measurements of investments that calculate net asset value per Share (or its equivalent) as of June 30, 2023:

	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Equity Collective Funds	\$ 53,534,909	\$ -	Monthly/Annually	2 - 60 Days
Fixed Income Collective Funds	30,208,185	-	Monthly/Annually	2 - 60 Days
Equity Long/Short Fund of Funds	6,967,087	-	Annually	75 Days
Private Equity	474,672	502,467	Not Available	Not Available
Real Estate Funds	1,220,850	1,673,015	Not Available	Not Available

Fair value measurements of investments that calculate net asset value per Share (or its equivalent) as of June 30, 2022:

	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Equity Collective Funds	\$ 52,525,411	\$ -	Monthly/Annually	2 - 60 Days
Fixed Income Collective Funds	30,002,904	-	Monthly/Annually	2 - 60 Days
Equity Long/Short Fund of Funds	13,178,774	-	Annually	75 Days
Private Equity	744,638	502,467	Not Available	Not Available
Real Estate Funds	1,164,642	1,722,673	Not Available	Not Available

Equity Collective Funds includes investments in long only funds and an enhanced index fund that are invested in domestic and international common stock. The fair value of the investment in this category is based on quoted market prices for the underlying securities which comprise the net asset value of the collective fund. The funds provide full disclosure of the underlying holdings, whereby the University is able to verify its account balances.

Fixed Income Collective Funds includes investments in fixed income securities and derivative securities. The fair value of the investment in this category is based on quoted market prices for the underlying securities which comprise the net asset value of the collective fund. The funds provide full disclosure of the underlying holdings, whereby the University is able to verify its account balances.

Equity Long/Short Fund of Funds is invested primarily in long/short equity managers. The fair value of the fund of funds in this category has been estimated using the net asset value of the investments.

Private equity funds include funds that make investments directly into private companies or conduct buyouts of public companies that result in a delisting of public equity. Redemption is not available and these investments are held for long-term purposes.

Real Estate Funds include mutual funds that primarily focus on investing in securities offered by public real estate companies. Redemption is not available and these investments are held for long-term purposes.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 6 INVESTMENT INCOME

The following schedule summarizes the investment return and its classification in the statements of activities:

	2023	2022
Dividend and Interest	\$ 427,252	\$ 777,151
Advisory Fees	(601,448)	(700,197)
Net Realized and Unrealized Gains (Losses)	<u>11,017,058</u>	<u>(19,781,550)</u>
Gain (Loss) on Assets Held for Investment	10,842,862	(19,704,596)
Investment Income on Short-Term Investments	<u>254,375</u>	<u>244,623</u>
Total Net Gain (Loss) on Investments	<u><u>\$ 11,097,237</u></u>	<u><u>\$ (19,459,973)</u></u>

NOTE 7 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following at June 30:

	2023	2022
Land	\$ 3,028,079	\$ 3,028,079
Land Improvements	9,507,567	9,436,370
Buildings and Building Improvements	163,625,226	153,788,474
Equipment	38,875,244	37,620,030
Academic Collection	12,144,463	11,778,902
Property, Plant, and Equipment	<u>227,180,579</u>	<u>215,651,855</u>
Less: Accumulated Depreciation	<u>(138,846,931)</u>	<u>(133,484,366)</u>
Subtotal Property, Plant, and Equipment, Net of Accumulated Depreciation	88,333,648	82,167,489
Construction in Process	<u>376,845</u>	<u>6,650,538</u>
Total	<u><u>\$ 88,710,493</u></u>	<u><u>\$ 88,818,027</u></u>

Total depreciation expense was \$5,362,565 and \$5,101,190 for the years ended June 30, 2023 and 2022, respectively.

NOTE 8 SPLIT-INTEREST AGREEMENTS

The University has arrangements with donors classified as charitable remainder trusts, perpetual trusts, charitable annuity trusts, and charitable gift annuities. In general, under these arrangements, the University receives a gift from a donor in which it has a remainder interest and agrees to pay the donor-stipulated amounts over the life of the donor. The arrangement may cover one or more lives.

The University invests and administers the related assets and makes distributions to the beneficiaries as required. When the agreement reaches the end of its term, remaining assets are retained by the University as without donor restriction or with donor restriction net assets or, in some instances, distributed to third-party beneficiaries.

HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 8 SPLIT-INTEREST AGREEMENTS (CONTINUED)

When a split interest gift is received, it is recorded as a partial gift and a partial liability. The liability is calculated based on an actuarial calculation of the present value of future distributions to the donor and the remaining amount of the initial receipts is retained for the benefit of the University or third-party beneficiaries.

The actuarial liability is adjusted annually using actuarial tables appropriate for the type of arrangement, number of lives covered, and age and gender characteristics of the donor. The University used an interest rate of 6% at June 30, 2023 and 2022, in making the calculation.

Investments held by the University under split-interest agreements totaled \$507,634 and \$709,974 at June 30, 2023 and 2022, respectively.

For charitable remainder trusts for which Hamline is not the trustee the value of the beneficial interest in the remainder trusts is recorded when the trust agreement has been received and there is sufficient information available to value the agreement. The amount recorded is the beneficial interest which is the net expected benefit to be received. This is determined as the difference between the fair value of the trust assets and the actuarial liability. The actuarial liability is adjusted annually using actuarial tables appropriate for the type of arrangement, number of lives covered, and age and gender characteristics of the donor. The University used an interest rate of 6% at June 30, 2023 and 2022 in making the calculation.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 9 LONG-TERM DEBT

Long-term debt consisted of the following at June 30:

<u>Description</u>	<u>2023</u>	<u>2022</u>
MHEFA Revenue Note, Series 2017B, bearing interest at 4.20%, interest is payable in varying installments beginning April 1, 2018 to October 1, 2047 (Original amount of \$34,650,000). The proceeds were used to fund the defeasance on an advance basis the Series Seven K2 remaining principal of \$18,330,000 plus remaining interest and the Series Seven E. remaining principal of \$11,335,000 plus remaining interest. In addition the proceeds were used for various capital projects. The balance includes \$3,340,032 of bond premium in 2023. The balance includes \$259,535 of bond issuance costs in 2023. The bonds are secured by a reserve account in the amount of \$2,435,853 and \$2,435,791 at June 30, 2023 and 2022.	\$ 34,205,032	\$ 35,186,825
MHEFA Revenue and Refunding Note, Series 2021, bearing interest at 2.23%, interest is payable monthly beginning August 1, 2021 to October 1, 2031 (Original amount of \$9,725,000). The proceeds were used for prepaying the remainder of the Series Seven Y2 note (\$2,975,000). In addition to the proceeds were used for various capital projects. Remaining proceeds are held in a construction account with a balance of \$-0- and \$2,761,399 at June 30, 2023 and 2022.	<u>8,135,000</u>	<u>8,950,000</u>
Subtotal	42,340,032	44,136,825
Less: Unamortized Bond Issuance Costs and Unamortized Defeased Loss	<u>(259,535)</u>	<u>(303,866)</u>
Total	<u>\$ 42,080,497</u>	<u>\$ 43,832,959</u>

As of June 30, 2023, future debt service requirements (principal payments), excluding impact of bond premium and discount, on all long-term borrowings are summarized as follows:

<u>Year Ending June 30.</u>	<u>Scheduled Payment Amount</u>
2024	\$ 1,725,000
2025	1,795,000
2026	1,860,000
2027	1,925,000
2028	1,985,000
Thereafter	<u>29,710,000</u>
Total Long-Term Debt	<u>\$ 39,000,000</u>

Total interest expense and amortization on debt was \$1,681,911 and \$1,732,035 for the years ended June 30, 2023 and 2022, respectively. Included in those amounts is -\$83,693 and -\$112,899 of bond issuance net of bond premium amortization for the years ended June 30, 2023 and 2022, respectively.

HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 10 LEASES

The University entered into various lease agreements for equipment and office space. Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Additionally, the agreements generally require the University to pay real estate taxes, insurance, and repairs. In turn, the University sublet significant amounts of office space. The following table provides quantitative information concerning the University's leases.

<u>Year Ending June 30,</u>	<u>Operating Leases</u>	<u>Financing Leases</u>
2024	\$ 541,244	\$ 32,115
2025	352,967	2,724
2026	179,914	-
2027	65,849	-
2028	48,668	-
Thereafter	217,838	-
Total	<u>1,406,480</u>	<u>34,839</u>
Amount Representing Interest	<u>(126,999)</u>	<u>(2,675)</u>
Total Lease Liability	<u>\$ 1,279,481</u>	<u>\$ 32,164</u>

Rental expense for the years ended June 30, 2023 and 2022 was \$1,553,629 and \$1,545,470, respectively. Included in those amounts is \$778,969 and \$728,082 of rental expense for office space for the years ended June 30, 2023 and 2022, respectively.

	<u>2023</u>	<u>2022</u>
Lease Cost:		
Finance Lease Cost:	\$ 210,811	\$ 210,811
Amortization of Right-of-Use Assets	59,240	59,240
Interest on Lease Liabilities	3,677	2,371
Operating Lease Cost	5,489,863	4,799,096
Sublease Income	<u>(479,230)</u>	<u>(470,840)</u>
Total Lease Cost	<u>\$ 5,284,361</u>	<u>\$ 4,600,678</u>
Other Information:		
Operating Cash Flows from Financing Leases	\$ 62,917	\$ 61,611
Operating Cash Flows from Operating Leases	\$ 1,407,457	\$ 1,393,144
Financing Cash Flows from Financing Leases	\$ 61,910	\$ 61,910
Right-of-Use Asset Obtained in Exchange for New		
Operating Lease Liabilities	\$ 690,766	\$ 414,529
Weighted-Average Remaining Lease Term - Financing Lease	1.72	3.32
Weighted-Average Remaining Lease Term - Operating Lease	4.21	2.78
Weighted-Average Discount Rate - Financing Leases	2.23%	2.23%
Weighted-Average Discount Rate - Operating Leases	2.23%	2.23%

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 11 LINE OF CREDIT

The University has an unsecured line of credit totaling \$7,000,000 with a bank. Interest is payable monthly at 2.25% plus the one-month Secured Overnight Financing Rate Data (SOFR) rate in 2023 and 2022. Principal is repayable on May 17, 2024, which is the expiration date of the agreement. At June 30, 2023 and 2022, the University had an outstanding borrowing of \$5,260,000 and \$-0-, respectively.

The University also has an unsecured revolving line of credit totaling \$3,000,000 with another bank. Interest is payable quarterly at 2.0% plus SOFR rate. At June 30, 2023 and 2022, the University had an outstanding borrowing of \$546,455 and \$-0-, respectively. This balance was paid off subsequent to year end in September 2023 and the line of credit matured on January 5, 2024, with no extension.

NOTE 12 ENDOWMENT

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of endowment assets. Under this policy approved by the board of trustees, the endowment assets are invested in a manner that is intended to achieve an annualized total return after investment management fees of 5.5% net of inflation. Actual returns in any given year may vary from this amount.

It is the policy of the board to spend 4.5% of the rolling three-year market value of the Endowment assets. At its discretion, the board may change the targeted spending rate in any one year to achieve the strategic objectives of the University. During fiscal 2023 and 2022, the University endowment appropriation designated for current operations was \$5,389,490 and \$4,829,135, respectively.

From time-to-time, the fair value of endowment funds associated with individual donor-restricted endowment funds may fall below the level the University is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. As of June 30, 2023, funds with original gift values of \$3,078,907 and fair values of \$2,772,058, and deficiencies of \$306,850 were reported in net assets with donor restrictions. As of June 30, 2022, funds with original gift values of \$4,811,221 and fair values of \$4,276,502, and deficiencies of \$534,719 were reported in net assets with donor restrictions. Deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new with donor restrictions invested in perpetuity contributions and continued appropriations for certain programs that was deemed prudent by the board of trustees.

HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 12 ENDOWMENT (CONTINUED)

Endowment by Net Asset Class

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 103,874,240	\$ 103,874,240
Board-Designated Endowment Funds	22,642,376	-	22,642,376
Total Funds	<u>\$ 22,642,376</u>	<u>\$ 103,874,240</u>	<u>\$ 126,516,616</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 95,619,679	\$ 95,619,679
Board-Designated Endowment Funds	21,601,144	-	21,601,144
Total Funds	<u>\$ 21,601,144</u>	<u>\$ 95,619,679</u>	<u>\$ 117,220,823</u>

Changes in Endowment Net Assets

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 21,601,144	\$ 95,619,679	\$ 117,220,823
Investment Return	6,386,105	4,711,132	11,097,237
Contributions	41,169	3,601,157	3,642,326
Appropriation of Endowment Assets for Expenditure	(5,389,490)	-	(5,389,490)
Other	3,448	(57,728)	(54,280)
Endowment Net Assets, End of Year	<u>\$ 22,642,376</u>	<u>\$ 103,874,240</u>	<u>\$ 126,516,616</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 25,984,583	\$ 112,104,219	\$ 138,088,802
Investment Return	315,255	(19,775,228)	(19,459,973)
Contributions	128,783	3,412,056	3,540,839
Appropriation of Endowment Assets for Expenditure	(4,829,135)	-	(4,829,135)
Other	1,658	(121,368)	(119,710)
Endowment Net Assets, End of Year	<u>\$ 21,601,144</u>	<u>\$ 95,619,679</u>	<u>\$ 117,220,823</u>

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 13 RESTRICTIONS AND LIMITATION ON NET ASSET BALANCES

Net asset with donor restriction are available for the following purposes as of June 30:

	<u>2023</u>	<u>2022</u>
Donor-Restricted Net Assets not invested in Perpetuity:		
Program Support	\$ 11,547,304	\$ 9,940,682
Physical Plant Acquisition	290,741	217,574
Accumulated Earnings from Endowment Funds		
Subject to Donor Restrictions	23,661,782	19,178,518
Underwater Endowment	(306,850)	(534,719)
Split-Interest Agreements	<u>204,483</u>	<u>207,390</u>
Total Donor-Restricted Net Assets not Invested in Perpetuity	35,397,460	29,009,445
Donor-Restricted Net Assets Invested in Perpetuity:		
Endowment	80,519,308	76,975,880
Split-Interest Agreements	1,071,498	2,202,933
Gifts Designated for Student Loans	<u>42,544</u>	<u>42,544</u>
Total Donor-Restricted Net Assets Invested in Perpetuity	<u>81,633,350</u>	<u>79,221,357</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 117,030,810</u></u>	<u><u>\$ 108,230,802</u></u>

Net assets were released from donor restriction as expenses were incurred satisfying the with donor restriction purposes or by the passage of time or the occurrence of other events specified by donors as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Operating:		
Scholarship Support	\$ 2,907,489	\$ 2,305,847
Other Instructional Support	<u>2,124,501</u>	<u>2,052,705</u>
Total Operating Net Assets Released from Restriction	5,031,990	4,358,552
Total Net Assets Released from Restriction	<u><u>\$ 5,031,990</u></u>	<u><u>\$ 4,358,552</u></u>

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 14 EXPENSES BY FUNCTION AND NATURAL CLASSIFICATION

The University reports expenditures in categories reflecting core operational objectives for higher education as defined by Integrated Postsecondary Education Data System (IPEDS). During the year expenses are directly coded to program activities (instruction, research, academic support, student services, and auxiliary enterprises) or support services (institutional services, which includes fundraising). Expenses which are not directly identifiable by program or support service including operation and maintenance of plant expenses are allocated based on depreciation expense, interest expense is allocated based on the programs and/or supporting functions that directly benefit from the related debt issuance.

Expenses are categorized as a functional expense as follows:

Instruction includes the instruction expenses of the undergraduate college, schools, departments, and other instructional divisions of the University.

Academic Support represents support services that are an integral part of the University's primary mission of instruction and includes expenses for libraries, galleries, audio/visual services, academic development, academic computing support, course and curriculum development, and academic administration.

Research is related to activities specifically organized to produce research outcomes and either commissioned by an agency external to the institution or separately budgeted by an organizational unit within the University.

Public Service is specifically for public service and for activities established primarily to provide noninstructional services beneficial to groups external to the institution and includes expenses for the Wesley Center and the Mediation Center.

Student Services includes such expenses as admissions, financial aid administration, registrar activities and activities whose primary purpose is to contribute to students' emotional and physical well-being and to their intellectual, cultural, and social development outside the context of the formal instructional program.

Institutional Support reflects the day-to-day operational support of the University and includes expenses for general administrative services, executive direction and planning, legal and fiscal operations, administrative computing support, communications, and development.

Auxiliary Enterprises is essentially the self-supporting operations of the University that exist to furnish a service to students, faculty, or staff, and that charge a fee that is directly related to, although not necessarily equal to, the cost of the service. Examples are residence halls, food services, student health services, and bookstores.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 14 EXPENSES BY FUNCTION AND NATURAL CLASSIFICATION (CONTINUED)

All expense categories, except Institutional Support, are considered Program Service expenses. Expenses associated with the operation and maintenance of plant, depreciation and interest expense are allocated across all functional expense categories as follows:

- **Depreciation** expense for buildings and equipment are allocated based on the use of the building.
- **Plant Operation and Maintenance** expenses for the administration, supervision, operation, maintenance, preservation, and protection of the University's physical plant follow depreciation allocations.
- **Interest Expense** follows the depreciation allocations.

Program activities reflect the major activities of the institution for instruction, research, academic support, student services, and auxiliary enterprises. Support activities include institutional support and fundraising.

Expenses reported by function on the statement of activities and changes in net assets are summarized by natural classification for the year ended June 30, 2023:

	Program Activities	Support Activities		Total
		Institutional Support	Fundraising	
Salaries and Wages (Incl. Students)	\$22,005,352	\$4,862,133	\$964,299	\$ 27,831,784
Employee Benefits	5,837,443	1,041,544	185,618	7,064,605
Professional Services	4,522,617	832,021	92,483	5,447,121
Dining Service	2,566,799	-	-	2,566,799
Advertising and Promotion	1,742,105	386,282	2,090	2,130,477
Office Expenses	4,003,666	393,985	39,805	4,437,456
General, Program, Other Expense	1,582,481	1,436,510	55,525	3,074,516
Travel	1,798,113	146,128	47,474	1,991,715
Information Technology	2,661,967	480,232	68,486	3,210,685
Facility Overhead Expense	6,762,466	447,981	43,378	7,253,825
Interest	1,609,371	94,929	9,620	1,713,920
Depreciation and Amortization	6,101,390	390,507	39,574	6,531,471
Total Expenses	\$ 61,193,770	\$ 10,512,252	\$ 1,548,352	\$ 73,254,374

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 14 EXPENSES BY FUNCTION AND NATURAL CLASSIFICATION (CONTINUED)

Expenses reported by function on the statement of activities and changes in net assets are summarized by natural classification for the year ended June 30, 2022:

	Program Activities	Support Activities		Total
		Institutional Support	Fundraising	
Salaries and Wages (Incl. Students)	\$ 22,833,751	\$ 4,485,339	\$ 820,553	\$ 28,139,643
Employee Benefits	5,946,488	953,524	197,719	7,097,731
Professional Services	4,386,440	245,531	16,463	4,648,434
Dining Service	2,097,780	-	-	2,097,780
Advertising and Promotion	1,536,640	401,988	62,268	2,000,896
Office Expenses	3,530,608	414,444	67,620	4,012,672
General, Program, Other Expense	5,151,189	1,613,718	84,953	6,849,860
Travel	1,408,439	170,597	15,424	1,594,460
Information Technology	2,849,927	546,701	14,643	3,411,271
Facility Overhead Expense	6,672,489	497,063	11,875	7,181,427
Interest	1,628,608	95,600	10,199	1,734,407
Depreciation and Amortization	5,817,261	313,771	34,114	6,165,146
Total Expenses	<u>\$ 63,859,620</u>	<u>\$ 9,738,276</u>	<u>\$ 1,335,831</u>	<u>\$ 74,933,727</u>

NOTE 15 LIQUIDITY

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments. The University considers all expenditures related to its ongoing activities of teaching, research, and public service as well as the conduct of services undertaken to support general institutional expenditures.

In addition to financial assets available to meet general expenditures, the University operates with a balanced operating budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. As more fully described in Note 11 of the Financial Statements, the University also has committed lines of credit in the amount of \$7,000,000 and \$3,000,000 with banks, which it could draw upon in the event of an unanticipated liquidity need.

For purposes of analyzing resources, the University considers various sources of liquidity including cash and cash equivalents, receivables, and investments. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the balance sheet date. In addition, the University invests cash in excess of daily requirements in short-term investments.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 15 LIQUIDITY (CONTINUED)

As of June 30, 2023, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 2,335,988	\$ 3,638,200
Contributions for General Expenditures Due in One Year or Less	195,944	161,350
Accounts Receivable, Net	11,659,334	3,516,448
Investments	22,642,376	21,601,144
Investments Appropriated for Current Use	1,243,078	1,152,756
Total Financial Assets	<u>\$ 38,076,720</u>	<u>\$ 30,069,898</u>

Board-designated endowment in the amount of \$22,642,376 and \$21,601,144 at June 30, 2023 and 2022, respectively, is subject to an annual spending rate as described in Note 12, Endowment footnote. Although the University does not intend to spend from the gift corpus of these funds, these amounts could be made available if deemed necessary.

NOTE 16 RETIREMENT PLAN

The University participates in the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) (the Plan), which covers certain faculty and staff employees. Nonelective discretionary contributions equal to 5% of eligible compensation and discretionary match contributions up to 2.5% of pretax elective deferrals are required under the program. Benefits are based upon amounts accumulated for the account of each individual employee at date of retirement. Contributions by the University for the Plan were \$1,638,791 and \$1,632,021 for the years ended June 30, 2023 and 2022, respectively.

NOTE 17 OTHER POSTRETIREMENT BENEFITS

Prior to 2004, the University provided medical benefits for eligible employees who retired at or beyond age 55 with 10 or more years of service. In 2003, the Plan was amended to provide benefits only to those employees retiring on or before June 30, 2008. The University adopted the curtailment methodology of recognizing the financial impact in the year of the change. The Plan is contributory for all retired employees. The University does not prefund these costs.

	<u>2023</u>	<u>2022</u>
Accumulated Postretirement Benefit Obligation:		
Retirees	\$ 790,904	\$ 839,018
Fully Eligible Active Plan Participants	-	-
Accrued Postretirement Benefit Cost Included in Accounts Payable and Accrued Expenses	<u>\$ 790,904</u>	<u>\$ 839,018</u>

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 18 RELATED PARTY

Pledges from certain board of trustee members and parents of trustee members are included in the financial statements. The pledges outstanding were \$926,169 and \$1,171,169 for the years ended June 30, 2023 and 2022, respectively.

See Note 19 for a description of the related party relationship between the University and the Mitchell Hamline School of Law.

NOTE 19 COMBINATION OF UNIVERSITY SCHOOL OF LAW AND WILLIAM MITCHELL SCHOOL OF LAW

In 2015, the University entered into a definitive agreement to combine the Hamline School of Law (HUSL) and William Mitchell College of Law (WMCL). The American Bar Association (ABA) granted acquiescence to combine Hamline University School of Law with William Mitchell College of Law, and to recognize Mitchell Hamline School of Law (MHSL) as a fully ABA-approved law school effective on December 28, 2015. The newly combined school is located primarily on William Mitchell's existing campus. The MHSL is an autonomous, nonprofit institution governed by an independent board of trustees, with a strong, visible, and long lasting affiliation to Hamline University of Minnesota. Students are able to earn dual degrees through the school's affiliation with Hamline University of Minnesota.

Major terms of the combination as defined by the Definitive Agreement fall into these categories: transfer of assets and liabilities, fees and expenses of the combination, ongoing financial consideration and governance and leadership.

Certain transactions fees and expenses of the combination were split between HUSL and WMCL, without reimbursement back to either party. Other specific costs related to the startup of the newly formed MHSL were also shared equally in payout but are fully reimbursable to the University by MHSL in eight equal installments, without interest, with the first payment made on June 30, 2017. The split fees that reimbursable to the University resulted in \$102,941 and \$205,882 of accounts receivable as of June 30, 2023 and 2022, respectively.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 19 COMBINATION OF UNIVERSITY SCHOOL OF LAW AND WILLIAM MITCHELL SCHOOL OF LAW (CONTINUED)

Ongoing financial consideration relates to an agreement that MHSL will pay to the University within a designated length of time following each fiscal year-end, a percentage of that fiscal year's net tuition revenue as defined by the terms of the combination's Definitive Agreement. That agreement resulted in revenue of \$132,038 and \$185,854 for the years ended June 30, 2023 and 2022, respectively.

The governance and leadership terms of the combination state that the University shall have the right to nominate to and maintain on, the MHSL Board of Trustees equal to 33% of the total MHSL Trustees, inclusive of the President of the University. All MHSL Board of Trustees, regardless of who nominated them, will have the same terms, rights, privileges, and responsibilities in their capacity as trustees.

In the process of combining operations, it was necessary to write down any remaining assets from the academic collection. The remaining fair market value of the academic collection is recorded as Discontinued Operations Assets Held for Sale and is reflected in Prepaid Expenses and Other Assets in the accompanying balance sheet. The discontinued operations assets balances were \$3,236 and \$3,236 for years ended June 30, 2023 and 2022.

NOTE 20 COMMITMENTS AND CONTINGENCIES

For the years ended June 30, 2023 and 2022, the University had commitments to investment funds in the amount of \$2,175,482, funded through reallocation of investments.

Legal Claims

In the normal course of business, the University has claims made against them. As of June 30, 2023, the amount and likelihood of loss is not determined. The University believes these claims are without merit and intends to vigorously defend the matters.

NOTE 21 COMPOSITE SCORE

The University participates in various federally funded student financial aid programs. Under regulatory provisions of these programs, the University is required to demonstrate financial responsibility by meeting a certain composite score based on a formula developed by the Department of Education. This score uses financial ratios based on the University's audited financial statements. The composite score calculated reflects the overall relative financial health of institutions along a scale of negative 1.0 to positive 3.0.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 21 COMPOSITE SCORE (CONTINUED)

The composite score for the year ended June 30, 2022 is as follows:

Primary Reserve Ratio:

Expendable Net Assets	<u>\$ 59,014,306</u>	
Total Expenses/Losses	<u>\$ 78,643,864</u>	<u>0.7504</u>

Equity Ratio:

Modified Net Assets	<u>\$ 188,077,157</u>	
Modified Assets	<u>\$ 246,238,481</u>	<u>0.7638</u>

Net Income Ratio:

Change in Net Assets Without Donor Restrictions	<u>\$ 987,824</u>	
Total Revenues/Gains	<u>\$ 79,631,688</u>	<u>0.0124</u>

<u>Ratio</u>	<u>Strength Factor</u>	<u>Weight</u>	<u>Composite Scores</u>
0.7504	3.00	40%	1.20
0.7638	3.00	40%	1.20
0.0124	1.62	20%	<u>0.32</u>
			<u>2.7</u>

See below for additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV.

Property, Plant, and Equipment, net

3 Pre-implementation property, plant, and equipment, net	
a. Ending balance of pre-implementation as of June 30, 2022	\$ 75,907,933
b. Reclassify capital lease assets previously included in PPE, net prior to the implementation of ASU 2016-02 leases standard	-
c. Less subsequent depreciation and disposals (net of accumulated depreciation)	<u>(4,058,561)</u>
d. Balance pre-implementation property, plant, and equipment, net	71,849,372
4 Debt financed post-implementation property, plant, and equipment, net	
Long-lived assets acquired with debt subsequent to June 30, 2019:	
a. Equipment	20,000
b. Land improvements	-
c. Building	<u>6,730,000</u>
d. Total property, plant, and equipment, net acquired with debt exceeding 12 months	6,750,000
5 Construction in progress - acquired subsequent to June 30, 2019	-
6 Post-implementation property, plant, and equipment, net, acquired without debt:	
a. Long-lived assets acquired without use of debt subsequent to June 30, 2019	10,111,121
7 Total Property, Plant, and Equipment, net - June 30, 2023	<u>\$ 88,710,493</u>

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 21 COMPOSITE SCORE (CONTINUED)

Debt to be excluded from expendable net assets

8	Pre-implementation debt:		
	a.	Ending balance of pre-implementation as of June 30, 2022	\$ 34,882,959
	b.	Reclassify capital leases previously included in long-term debt prior to the implementation of ASU 2016-02 leases standard.	-
	c.	Less subsequent debt repayments	<u>(937,462)</u>
	d.	Balance Pre-implementation Debt	<u>33,945,497</u>
9	Allowable post-implementation debt used for capitalized long-lived assets:		
	a.	Equipment - all capitalized	20,000
	b.	Land improvements	-
	c.	Buildings	<u>6,730,000</u>
	d.	Balance Post-implementation Debt	<u>6,750,000</u>
10	Construction in progress (CIP) financed with debt or line of credit		-
11	Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value		<u>1,385,000</u>
	Total Long Term Debt - June 30, 2023		<u><u>\$ 42,080,497</u></u>

HAMLIN UNIVERSITY OF MINNESOTA
FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE
JUNE 30, 2023

Primary Reserve Ratio:		Expendable Net Assets:	
1	Statement of Financial Position (SFP)	Net Assets without Donor Restrictions	\$ 71,972,516
2	SFP	Net Assets with Donor Restrictions	117,030,810
3	Note 13	Net Assets Restricted in Perpetuity	81,633,350
4	Note 18	Unsecured Related-Party Receivable	926,169
5	Note 13	Donor Restricted Annuities, Term Endowments, Life Income Funds	204,483
6	Note 21 Line 3d	Property, Plant, and Equipment Pre-Implementation	71,849,372
7	Note 21 Line 4d	Property, Plant, and Equipment Post-Implementation with Outstanding Debt for Original Purchase	6,750,000
8	Note 21 Line 5	Construction in Progress Purchased with Long-Term Debt	-
9	Note 21 Line 35	Post-Implementation Property, Plant, and Equipment, Net, Acquired without Debt	10,111,121
10	N/A	Lease Right-of-Use Asset, Pre-Implementation (Grandfather of Leases Option not Chosen)	-
11	SFP	Lease Right-of-Use Asset, Post-Implementation	1,279,481
12	N/A	Intangible Assets	-
13	Note 17	Post-Employment and Pension Liabilities	790,904
14	Note 21 Line 8d	Long-Term Debt - for Long-Term Purposes Pre-Implementation	33,945,497
15	Note 21 Line 9d	Long-Term Debt - for Long-Term Purposes Post-Implementation	6,750,000
16	Note 21 Line 10	Line of Credit for Construction In Progress	-
17	N/A	Pre-Implementation Right-of-Use Asset Liability	-
18	SFP	Post-Implementation Right-of-Use Asset Liability	1,279,481
		Total Expenses And Losses:	
18	Statement of Activities (SOA)	Total Expenses (Operating and Nonoperating) without Donor Restrictions	78,643,864
19	N/A	Nonservice Component of Pension/Postemployment (Nonoperating) Cost, (if Loss)	-
20	N/A	Sale of Fixed Assets (if Loss)	-
21	N/A	Change in Value of Interest-Rate Swap Agreements (if Loss)	-
Equity Ratio:		Modified Net Assets:	
22	SFP	Net Assets without Donor Restrictions	\$ 71,972,516
23	SFP	Net Assets with Donor Restrictions	117,030,810
24	N/A	Intangible Assets	-
25	Note 18	Unsecured Related-Party Receivables	926,169
		Modified Assets:	
26	SFP	Total Assets	247,164,650
27	N/A	Lease Right-of-Use Asset Pre-Implementation	-
28	N/A	Intangible Assets	-
29	Note 18	Unsecured Related-Party Receivables	926,169
Net Income Ratio:		Change in Net Assets Without Donor Restrictions	
30	SOA		\$ 987,824
		Total Revenues and Gains:	
31	SOA	Total Operating Revenue (Including Net Assets Released from Restrictions)	72,890,173
32	SOA	Investments Gain, Net (Aggregate Operating and Nonoperating Interest, Dividends, Realized and Unrealized Gains)	6,700,196
		Nonservice Component of Pension/Postemployment (Nonoperating) Cost (if Gain)	-
33	N/A		-
34	N/A	Pension-Related Changes other than Net Periodic Pension Costs (if Gain)	-
35	N/A	Change in Value of Annuity Agreement (Typically in Nonoperating)	-
36	N/A	Change in Value of Interest-Rate Swap Agreements (if Gain)	-
37	N/A	Sale of Fixed Assets (if Gain)	-
38	SOA	Other Gains	41,319



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