

HAMLIN UNIVERSITY OF MINNESOTA

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2023 AND 2022

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



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.

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

Minneapolis, Minnesota
January 25, 2024

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

ASSETS	2023	2022
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

See accompanying Notes to Financial Statements.

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

	Without Donor Restrictions	2023 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>	23,215,957
Appropriation of Endowment Assets for Expenditure	1,243,078	4,146,412	5,389,490
Net Assets Released from Restrictions	<u>5,031,990</u>	<u>(5,031,990)</u>	-
Total Operating Revenue and Other Additions	73,204,265	1,525,663	74,729,928
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	<u>11,852,697</u>	-	11,852,697
Total Expenses	<u>72,941,394</u>	<u>-</u>	72,941,394
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	<u>(312,980)</u>	<u>-</u>	(312,980)
Total Nonoperating Activities	724,953	7,274,345	7,999,298
CHANGE IN NET ASSETS	987,824	8,800,008	9,787,832
Net Assets - Beginning of Year	70,984,692	108,230,802	179,215,494
NET ASSETS - END OF YEAR	\$ 71,972,516	\$ 117,030,810	\$ 189,003,326

See accompanying Notes to Financial Statements.

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

Without Donor Restrictions	2022 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
21,405,768	2,605,164	24,010,932
1,152,756	3,676,379	4,829,135
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See accompanying Notes to Financial Statements.

HAMLINE 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

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

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

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()8DInot wb recspnsiblefor s

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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	<u>1,843,715</u>	-	<u>3,193,493</u>	<u>2,842,650</u>	1,492,872
Total Deferred Revenue	<u>\$ 2,318,694</u>	\$ -	\$ 9,487,673	\$ 8,930,216	\$ 1,761,237

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

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	\$ 1,284,067	\$ 2,151,516

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:

HAMLINE 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	\$ 1,695,522	\$ 1,909,280

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	\$ 128,390,770	\$ 117,113,531

HAMLIN UNIVERSITY OF MINNESOTA

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

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 value of the trust and the present value of the expected distributions to the donor. The value of the trust is determined as the value of the trust assets less the value of the liabilities of the trust. The present value of the expected distributions to the donor is determined as the present value of the expected distributions to the donor based on the actuarial tables and the interest rate of 6% used in 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>	2023	2022
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		

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>	Operating Leases	Financing Leases
2024	\$ 541,244	\$ 32,115
2025	352,967	2,724
2026	179,914	-
2027	65,849	-
2028	48,668	-
Thereafter	217,838	-
Total	1,406,480	34,839

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

HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS

HAMLINE 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

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.

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	\$ 59,014,306	
Total Expenses/Losses	\$ 78,643,864	0.7504

Equity Ratio:

Modified Net Assets	\$ 188,077,157	
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HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

Primar y Reserve Ratio:

Expendable Net Assets:

