

HAMLIN UNIVERSITY OF MINNESOTA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2024 AND 2023



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**HAMLIN UNIVERSITY OF MINNESOTA
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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, 2024 and 2023, 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, 2024 and 2023, 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 24, 2024

**HAMLIN UNIVERSITY OF MINNESOTA
BALANCE SHEETS
JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 2,335,988
Restricted Cash	2,434,021	2,461,911
Accounts Receivable (Net)	7,016,958	11,659,334
Prepaid Expenses and Other Assets	6,049,798	7,559,773
Contributions Receivable	2,069,924	2,287,230
Student Loans Receivable (Net)	836,782	1,284,067
Investments	147,050,428	128,390,770
Property, Plant, and Equipment (Net)	85,514,580	88,333,648
Construction in Progress	337,959	376,845
Beneficial Interest in Trusts	1,279,361	1,162,513
Right-of-Use Asset - Financing	244,421	33,090
Right-of-Use Asset - Operating	<u>1,725,120</u>	<u>1,279,481</u>
Total Assets	<u><u>\$ 254,559,352</u></u>	<u><u>\$ 247,164,650</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 5,675,801	\$ 5,912,108
Deposits and Deferred Revenue	1,068,097	1,146,174
Annuities and Unitrusts Payable	658,046	591,542
Perkins Loans Refundable to Government	787,059	1,312,903
Long-Term Debt	40,233,828	42,080,497
Line of Credit	2,505,034	5,806,455
Lease Liability - Financing	241,647	32,164
Lease Liability - Operating	<u>1,725,120</u>	<u>1,279,481</u>
Total Liabilities	52,894,632	58,161,324
NET ASSETS		
Without Donor Restrictions	68,329,186	71,972,516
With Donor Restrictions	<u>133,335,534</u>	<u>117,030,810</u>
Total Net Assets	<u><u>201,664,720</u></u>	<u><u>189,003,326</u></u>
Total Liabilities and Net Assets	<u><u>\$ 254,559,352</u></u>	<u><u>\$ 247,164,650</u></u>

See accompanying Notes to Financial Statements.

**HAMLIN UNIVERSITY OF MINNESOTA
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2024 AND 2023**

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
REVENUE			
Tuition and Fees, Net of Discount of \$42,160,115 in 2024 and \$42,021,276 in 2023	\$ 44,881,787	\$ -	\$ 44,881,787
Government Grants	3,358,004	-	3,358,004
Contributions	1,203,703	1,612,919	2,816,622
Investment Income, Net	372,098	(21,649)	350,449
Sale and Services of Educational Activities	743,928	142,938	886,866
Other Sources	2,390,696	134,562	2,525,258
Auxiliary Enterprises	6,569,420	-	6,569,420
Subtotal Revenue	14,637,849	1,868,770	16,506,619
Appropriation of Endowment Assets for Expenditure	1,261,922	4,247,093	5,509,015
Net Assets Released from Restrictions	6,410,983	(6,410,983)	-
Total Operating Revenue and Other Additions	67,192,541	(295,120)	66,897,421
EXPENSES			
Instruction	22,864,800	-	22,864,800
Academic Support	7,786,125	-	7,786,125
Research	445,188	-	445,188
Public Service	1,484,084	-	1,484,084
Student Services	16,193,456	-	16,193,456
Institutional Support	13,477,400	-	13,477,400
Auxiliary Enterprises	11,107,860	-	11,107,860
Total Expenses	73,358,913	-	73,358,913
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES BEFORE TRANSFERS	(6,166,372)	(295,120)	(6,461,492)
Transfers from Designated Without Donor Restrictions Net Assets	2,600,000	-	2,600,000
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES AFTER TRANSFERS	(3,566,372)	(295,120)	(3,861,492)
NONOPERATING ACTIVITIES			
Contributions	71,700	4,467,228	4,538,928
Net Investment Return	7,973,787	12,082,273	20,056,060
Appropriation of Endowment Assets for Expenditure	(5,509,015)	-	(5,509,015)
Change in Value of Split-Interest Agreements	-	50,343	50,343
Transfers to Undesignated Without Donor Restrictions Net Assets	(2,600,000)	-	(2,600,000)
Board Designated Unrestricted Spending	(13,430)	-	(13,430)
Total Nonoperating Activities	(76,958)	16,599,844	16,522,886
CHANGE IN NET ASSETS	(3,643,330)	16,304,724	12,661,394
Net Assets - Beginning of Year	71,972,516	117,030,810	189,003,326
NET ASSETS - END OF YEAR	<u>\$ 68,329,186</u>	<u>\$ 133,335,534</u>	<u>\$ 201,664,720</u>

See accompanying Notes to Financial Statements.

**HAMLIN UNIVERSITY OF MINNESOTA
STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED JUNE 30, 2024 AND 2023**

2023		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 46,124,481	\$ -	\$ 46,124,481
9,200,214	-	9,200,214
2,046,256	2,244,913	4,291,169
314,092	(96,396)	217,696
840,451	12,550	853,001
1,516,919	250,174	1,767,093
6,886,784	-	6,886,784
20,804,716	2,411,241	23,215,957
1,243,078	4,146,412	5,389,490
5,031,990	(5,031,990)	-
73,204,265	1,525,663	74,729,928
23,864,465	-	23,864,465
7,341,095	-	7,341,095
53,578	-	53,578
1,450,820	-	1,450,820
16,318,135	-	16,318,135
12,060,604	-	12,060,604
11,852,697	-	11,852,697
72,941,394	-	72,941,394
262,871	1,525,663	1,788,534
-	-	-
262,871	1,525,663	1,788,534
41,319	3,601,157	3,642,476
6,386,104	4,711,133	11,097,237
(5,389,490)	-	(5,389,490)
-	(1,037,945)	(1,037,945)
-	-	-
(312,980)	-	(312,980)
724,953	7,274,345	7,999,298
987,824	8,800,008	9,787,832
70,984,692	108,230,802	179,215,494
\$ 71,972,516	\$ 117,030,810	\$ 189,003,326

See accompanying Notes to Financial Statements.

HAMLIN UNIVERSITY OF MINNESOTA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 12,661,394	\$ 9,787,832
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation, Loss on Disposal of Assets, and Lease Amortization	5,475,267	5,421,806
Prepaid Cloud-Based Software Amortization	1,091,783	1,109,665
Net Realized and Unrealized Gain on Investments	(16,990,252)	(11,017,058)
Contributions Restricted for Long-Term Investment	(4,467,228)	(3,642,326)
Donated Securities	(445,482)	(549,117)
Adjustment of Actuarial Liability for Annuities Payable	172,288	(6,516)
Change in Value of Beneficial Interest in Trusts	(116,848)	1,095,761
(Increase) Decrease in Assets:		
Accounts Receivable	4,642,376	(6,746,098)
Prepaid Expenses and Other Assets	1,993,713	1,243,524
Contributions Receivable	217,306	(318,921)
Student Loans Receivable	447,285	867,449
Right-of-Use Asset	(1,848)	1,007
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(704,922)	(1,182,643)
Deposits and Deferred Revenue	(78,077)	(615,064)
Net Cash Provided (Used) by Operating Activities	<u>3,896,755</u>	<u>(4,550,699)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of Property, Plant, and Equipment	(3,709,095)	(6,423,936)
Purchases of Investments	(46,868,853)	(37,511,742)
Proceeds from Sale of Investments	45,644,929	37,800,679
Net Cash Used by Investing Activities	<u>(4,933,019)</u>	<u>(6,134,999)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit	11,658,508	11,556,455
Proceeds from Contributions Restricted for Long-Term Investment	4,467,228	3,642,326
Grants Refundable to Government	(525,844)	(909,135)
Payments on Line of Credit	(14,959,929)	(5,750,000)
Payments on Long-Term Debt	(1,861,793)	(1,796,793)
Payments on Annuities Payable	(105,784)	(127,561)
Net Cash Provided (Used) by Financing Activities	<u>(1,327,614)</u>	<u>6,615,292</u>
NET DECREASE IN CASH AND RESTRICTED CASH	(2,363,878)	(4,070,406)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>4,797,899</u>	<u>8,868,305</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u><u>\$ 2,434,021</u></u>	<u><u>\$ 4,797,899</u></u>
SUPPLEMENTAL DISCLOSURE OF TOTAL CASH		
Cash and Cash Equivalents	\$ -	\$ 2,335,988
Restricted Cash	2,434,021	2,461,911
Cash, Cash Equivalents, and Restricted Cash - End of Year	<u><u>\$ 2,434,021</u></u>	<u><u>\$ 4,797,899</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	<u><u>\$ 1,719,506</u></u>	<u><u>\$ 1,710,262</u></u>

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

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
YEARS ENDED JUNE 30, 2024 AND 2023**

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
YEARS ENDED JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Receivables are stated at net realizable value. The University provides an allowance for credit losses using the allowance method. The College periodically assess its methodologies for estimating credit losses in consideration with historical trends, changes in the overall economic environment, and current future economic conditions. 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, 2024 and 2023, the allowance was \$1,804,242 and \$2,144,493, 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, 2024 and 2023, the amortization is \$1,091,783 and \$1,109,665, 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.

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
YEARS ENDED JUNE 30, 2024 AND 2023**

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
YEARS ENDED JUNE 30, 2024 AND 2023**

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
YEARS ENDED JUNE 30, 2024 AND 2023**

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, 2023	Refunds Issued	Revenue Recognized Included in June 30, 2023 Balance	Cash Received in Advance of Performance	Balance at June 30, 2024
Deposits	\$ -	\$ -	\$ 5,747,186	\$ 5,753,700	\$ 6,514
Deferred Programs Revenue	131,536	-	136,748	130,134	124,922
Deferred Summer Revenue and Study Abroad Program	1,014,638	-	2,406,390	2,328,413	936,661
Total Deferred Revenue	<u>\$ 1,146,174</u>	<u>\$ -</u>	<u>\$ 8,290,324</u>	<u>\$ 8,212,247</u>	<u>\$ 1,068,097</u>

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue (Continued)

	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	<u>\$ 1,761,237</u>	<u>\$ -</u>	<u>\$ 8,954,346</u>	<u>\$ 8,339,283</u>	<u>\$ 1,146,174</u>

The balance of deferred revenue at June 30, 2024, 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:

	2024	2023
Student Accounts Receivable - Beginning of the Year	\$ 3,210,501	\$ 3,151,512
Payments Made	(50,088,901)	(53,236,770)
Charges for Tuition and Fees	51,451,207	53,011,265
Change in Allowance and Write Offs	(340,251)	284,494
Student Accounts Receivable - End of the Year	<u>\$ 4,232,556</u>	<u>\$ 3,210,501</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 \$1,279,750 that have not been recognized at June 30, 2024, because qualifying expenditures have not yet been incurred.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2024 and 2023 was \$670,524 and \$523,906, respectively.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

The University has adopted Accounting Standards Update (ASU) 2016-03, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. The University adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the University's financial statements but did change how the allowance for credit losses is determined.

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. For the year ended June 30, 2024, there was a \$2,600,000 board approved transfer to reduce capital spending through a transfer to operating activities. There was no such activity for the year ended June 30, 2023.

Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2024, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2024. Management has performed their analysis through October 24, 2024, the date the financial statements were available to be issued.

NOTE 2 CONTRIBUTIONS RECEIVABLE

For the year ended June 30, 2024 contributions receivable included three pledges receivable that represented 43% of the receivable balance. For the year ended June 30, 2023, contributions receivable included four pledges receivable that represented 58% of the receivable balance. Contributions receivable are summarized as follows at June 30:

	<u>2024</u>	<u>2023</u>
Unconditional Promises Expected to be Collected in:		
Less Than One Year	\$ 124,095	\$ 195,944
One to Five Years	1,562,880	1,809,897
More than Five Years	550,000	520,000
Total Contributions	<u>2,236,975</u>	<u>2,525,841</u>
Allowance	-	-
Discount (4.52% and 4.49% for		
2024 and 2023, Respectively)	<u>(167,051)</u>	<u>(238,611)</u>
Total Contributions, Net of Discount and Allowance	<u><u>\$ 2,069,924</u></u>	<u><u>\$ 2,287,230</u></u>

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

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, 2024 and 2023, student loans represented 0.3% and 0.5% of total assets, respectively.

At June 30, student loans consisted of the following:

	2024	2023
Federal Government Programs	\$ 822,427	\$ 1,269,712
Institutional Programs	14,355	14,355
Student Loan Receivable, Net	<u>\$ 836,782</u>	<u>\$ 1,284,067</u>

Funds advanced by the federal government of \$787,059 and \$1,312,903 at June 30, 2024 and 2023, respectively, are ultimately refundable to the government and are classified as liabilities in the balance sheet. During 2024 and 2023, 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, 2024 and 2023, 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
2024	\$ 27,233	\$ 25,395	\$ 183,400	\$ 236,028
2023	\$ 28,077	\$ 24,446	\$ 523,353	\$ 575,876

NOTE 4 INVESTMENTS

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

	Fair Value	
	2024	2023
Equities:		
Domestic	\$ 67,457,483	\$ 79,183,669
International	33,326,678	16,253,045
Subtotal Equities	100,784,161	95,436,714
Multi-Faceted Bonds	41,343,662	30,425,443
Private Equity, Hedge Funds, and Real Assets	2,528,498	1,695,522
Cash and Short-Term Investments	2,355,929	795,729
Other	38,178	37,362
Total Investments	<u>\$ 147,050,428</u>	<u>\$ 128,390,770</u>

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

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	
	2024	2023
Private Equity	\$ 1,378,157	\$ 474,672
Real Assets	1,150,341	1,220,850
Total Alternative Investments	<u>\$ 2,528,498</u>	<u>\$ 1,695,522</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, 2024 and 2023, the amount of pooled funds that include the University's assets was \$39,638,219 and \$44,248,951, 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:

	2024	2023
Endowment Funds	\$ 146,404,930	\$ 127,883,136
Split-Interest Agreements	480,496	507,634
Unrestricted Investments	165,002	-
Total Investments	<u>\$ 147,050,428</u>	<u>\$ 128,390,770</u>

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

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, 2024	Level 1	Level 2	Level 3	No Level	Total
Investments:					
Fixed Income - Multifaceted Bonds	\$ 177,387	\$ -	\$ -	\$ -	\$ 177,387
Fixed Income Collective Funds	20,530,295	-	-	-	20,530,295
Equities - Domestic	81,736,922	-	-	-	81,736,922
Equity Collective Funds Measured at Net Asset Value	-	-	-	39,683,219	39,683,219
Liquid Alternative Investments Measured at Net Asset Value	-	-	-	2,816,703	2,816,703
Total Investments	102,444,604	-	-	42,499,922	144,944,526
Beneficial Interest in Trusts	-	-	1,279,361	-	1,279,361
Total	<u>\$ 102,444,604</u>	<u>\$ -</u>	<u>\$ 1,279,361</u>	<u>\$ 42,499,922</u>	<u>\$ 146,223,887</u>
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	9,892,108	-	-	12,192,388	22,084,496
Equities - Domestic	59,311,452	-	-	-	59,311,452
Equity Collective Funds Measured at Net Asset Value	-	-	-	37,281,864	37,281,864
Equity Long/Short Fund of Funds Measured at Net Asset Value	-	-	-	6,967,087	6,967,087
Other	-	-	-	1,695,522	1,695,522
Total Investments	69,420,818	-	-	58,136,861	127,557,679
Beneficial Interest in Trusts	-	-	1,162,513	-	1,162,513
Total	<u>\$ 69,420,818</u>	<u>\$ -</u>	<u>\$ 1,162,513</u>	<u>\$ 58,136,861</u>	<u>\$ 128,720,192</u>

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

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:

	2024	2023
Total Investments	\$ 147,050,428	\$ 128,390,770
Investments Not Measured at Fair Value on a Recurring Basis:		
Cash and Cash Equivalents	(2,067,724)	(795,729)
Cash Surrender Value of Life Insurance Policies	(38,178)	(37,362)
Total Investments Measured at Fair Value on a Recurring Basis	<u>\$ 144,944,526</u>	<u>\$ 127,557,679</u>

Level 3 Assets

There were no transfers in or out in the University's Level 3 financial assets for the year ended June 30, 2024 and 2023.

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)
	2024	2023			
Beneficial Interest in Trusts	\$ 1,279,361	\$ 1,162,513	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.

Net Asset Value

Fair value measurements of investments that calculate net asset value per Share (or its equivalent) as of June 30, 2024:

	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Equity Collective Funds	\$ 39,683,219	\$ -	Monthly/Annually	2 - 60 Days
Fixed Income Collective Funds	-	-	Monthly/Annually	2 - 60 Days
Private Equity	1,666,362	9,014,138	Not Available	Not Available
Real Estate Funds	1,150,341	1,673,015	Not Available	Not Available

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

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	\$ 37,281,864	\$ -	Monthly/Annually	2 - 60 Days
Fixed Income Collective Funds	12,192,388	-	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

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
YEARS ENDED JUNE 30, 2024 AND 2023**

NOTE 6 INVESTMENT INCOME

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

	2024	2023
Dividend and Interest	\$ 3,568,723	\$ 427,252
Advisory Fees	(521,839)	(601,448)
Net Realized and Unrealized Gains	16,990,252	11,017,058
Gain on Assets Held for Investment	20,037,136	10,842,862
Investment Income on Short-Term Investments	18,924	254,375
Total Net Gain on Investments	<u>\$ 20,056,060</u>	<u>\$ 11,097,237</u>

NOTE 7 PROPERTY, PLANT, AND EQUIPMENT

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

	2024	2023
Land	\$ 3,028,079	\$ 3,028,079
Land Improvements	9,710,726	9,507,567
Buildings and Building Improvements	165,269,354	163,625,226
Equipment	39,522,462	38,875,244
Academic Collection	12,240,075	12,144,463
Property, Plant, and Equipment	229,770,696	227,180,579
Less: Accumulated Depreciation	(144,256,116)	(138,846,931)
Subtotal Property, Plant, and Equipment, Net of Accumulated Depreciation	85,514,580	88,333,648
Construction in Process	337,959	376,845
Total	<u>\$ 85,852,539</u>	<u>\$ 88,710,493</u>

Total depreciation expense was \$5,409,185 and \$5,362,565 for the years ended June 30, 2024 and 2023, 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
YEARS ENDED JUNE 30, 2024 AND 2023**

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, 2024 and 2023, in making the calculation.

Investments held by the University under split-interest agreements totaled \$480,496 and \$507,634 at June 30, 2024 and 2023, 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, 2024 and 2023 in making the calculation.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

NOTE 9 LONG-TERM DEBT

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

<u>Description</u>	<u>2024</u>	<u>2023</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 \$2,435,791 and \$2,435,853 at June 30, 2024 and 2023.	\$ 33,178,239	\$ 34,205,032
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- at June 30, 2024 and 2023.	<u>7,300,000</u>	<u>8,135,000</u>
Subtotal	40,478,239	42,340,032
Less: Unamortized Bond Issuance Costs and Unamortized Defeased Loss	<u>(244,411)</u>	<u>(259,535)</u>
Total	<u><u>\$ 40,233,828</u></u>	<u><u>\$ 42,080,497</u></u>

As of June 30, 2024, 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>
2025	\$ 1,795,000
2026	1,860,000
2027	1,925,000
2028	1,985,000
2029	2,050,000
Thereafter	<u>27,660,000</u>
Total Long-Term Debt	<u><u>\$ 37,275,000</u></u>

Total interest expense and amortization on debt was \$1,697,724 and \$1,681,911 for the years ended June 30, 2024 and 2023, respectively. Included in those amounts is -\$121,669 and -\$83,693 of bond issuance net of bond premium amortization for the years ended June 30, 2024 and 2023, respectively.

HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

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>
2025	\$ 632,786	\$ 46,710
2026	460,675	43,988
2027	297,932	43,988
2028	220,134	43,988
2029	103,655	43,988
Thereafter	168,197	43,988
Total	1,883,379	266,650
Amount Representing Interest	(158,259)	(25,003)
Total Lease Liability	<u>\$ 1,725,120</u>	<u>\$ 241,647</u>

Rental expense for the years ended June 30, 2024 and 2023 was \$914,399 and \$1,553,629, respectively. Included in those amounts is \$105,446 and \$778,696 of rental expense for office space for the years ended June 30, 2024 and 2023, respectively.

	<u>2024</u>	<u>2023</u>
Lease Cost:		
Finance Lease Cost:		
Amortization of Right-of-Use Assets	\$ 70,858	\$ 59,240
Interest on Lease Liabilities	3,397	3,677
Operating Lease Cost	6,620,651	5,489,863
Sublease Income	-	(479,230)
Total Lease Cost	<u>\$ 6,694,906</u>	<u>\$ 5,073,550</u>
Other Information:		
Operating Cash Flows from Financing Leases	\$ 74,255	\$ 62,917
Operating Cash Flows from Operating Leases	\$ 685,149	\$ 1,407,457
Financing Cash Flows from Financing Leases	\$ 76,103	\$ 61,910
Right-of-Use Asset Obtained in Exchange for New		
Operating Lease Liabilities	\$ 1,412,977	\$ 690,766
Weighted-Average Remaining Lease Term - Financing Lease	4.52	1.72
Weighted-Average Remaining Lease Term - Operating Lease	5.14	4.21
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
YEARS ENDED JUNE 30, 2024 AND 2023**

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 2024 and 2023. Principal is repayable on May 17, 2025, which is the expiration date of the agreement. At June 30, 2024 and 2023, the University had an outstanding borrowing of \$2,505,034 and \$5,260,000, respectively.

The University also had an unsecured revolving line of credit totaling \$3,000,000 with another bank. Interest was payable quarterly at 2.0% plus SOFR rate. At June 30, 2024 and 2023, the University had an outstanding borrowing of \$0- and \$546,455, respectively. This balance was paid off during the current fiscal year 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 2024 and 2023, the University endowment appropriation designated for current operations was \$5,509,015 and \$5,389,490, 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, 2024, funds with original gift values of \$118,999 and fair values of \$117,867, and deficiencies of \$1,132 were reported in net assets with donor restrictions. 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. 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
YEARS ENDED JUNE 30, 2024 AND 2023**

NOTE 12 ENDOWMENT (CONTINUED)

Endowment by Net Asset Class

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 122,039,978	\$ 122,039,978
Board-Designated Endowment Funds	25,180,141	-	25,180,141
Total Funds	<u>\$ 25,180,141</u>	<u>\$ 122,039,978</u>	<u>\$ 147,220,119</u>

	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>

Changes in Endowment Net Assets

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 22,642,376	\$ 103,874,240	\$ 126,516,616
Investment Return	7,973,787	12,082,273	20,056,060
Contributions	71,700	4,395,528	4,467,228
Appropriation of Endowment Assets for Expenditure	(5,509,015)	-	(5,509,015)
Other	1,293	1,687,937	1,689,230
Endowment Net Assets, End of Year	<u>\$ 25,180,141</u>	<u>\$ 122,039,978</u>	<u>\$ 147,220,119</u>

	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>

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

NOTE 13 RESTRICTIONS AND LIMITATION ON NET ASSET BALANCES

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

	2024	2023
Donor-Restricted Net Assets not invested in Perpetuity:		
Program Support	\$ 9,608,572	\$ 11,547,304
Physical Plant Acquisition	388,114	290,741
Accumulated Earnings from Endowment Funds		
Subject to Donor Restrictions	35,438,337	23,661,782
Underwater Endowment	(1,132)	(306,850)
Split-Interest Agreements	251,340	204,483
Total Donor-Restricted Net Assets not		
Invested in Perpetuity	45,685,231	35,397,460
Donor-Restricted Net Assets Invested in Perpetuity:		
Endowment	86,602,773	80,519,308
Split-Interest Agreements	1,004,986	1,071,498
Gifts Designated for Student Loans	42,544	42,544
Total Donor-Restricted Net Assets		
Invested in Perpetuity	87,650,303	81,633,350
Total Net Assets with Donor Restrictions	<u>\$ 133,335,534</u>	<u>\$ 117,030,810</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:

	2024	2023
Operating:		
Scholarship Support	\$ 3,069,177	\$ 2,907,489
Other Instructional Support	3,341,806	2,124,501
Total Operating Net Assets Released from		
Restriction	6,410,983	5,031,990
Total Net Assets Released from Restriction	<u>\$ 6,410,983</u>	<u>\$ 5,031,990</u>

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

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
YEARS ENDED JUNE 30, 2024 AND 2023**

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, 2024:

		Support Activities		
	Program Activities	Institutional Support	Fundraising	Total
Salaries and Wages (Incl. Students)	\$ 22,024,954	\$ 6,203,919	\$ 1,029,041	\$ 29,257,914
Employee Benefits	5,792,368	1,273,273	222,153	7,287,794
Professional Services	5,497,081	210,378	116,690	5,824,149
Dining Service	2,174,026	-	-	2,174,026
Advertising and Promotion	1,833,747	515,693	2,831	2,352,271
Office Expenses	2,914,999	712,396	48,621	3,676,016
General, Program, Other Expense	1,968,465	1,506,943	53,439	3,528,847
Travel	1,877,666	187,871	35,817	2,101,354
Information Technology	2,750,060	500,728	62,627	3,313,415
Facility Overhead Expense	5,219,349	282,911	41,492	5,543,752
Interest	1,639,308	93,282	13,165	1,745,755
Depreciation and Amortization	6,202,920	319,114	45,016	6,567,050
Total Expenses	<u>\$ 59,894,943</u>	<u>\$ 11,806,508</u>	<u>\$ 1,670,892</u>	<u>\$ 73,372,343</u>

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

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, 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	4,003,665	393,985	39,805	4,437,455
General, Program, Other Expense	1,582,482	1,436,511	55,525	3,074,518
Travel	1,798,113	146,127	47,474	1,991,714
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	<u>\$ 61,193,770</u>	<u>\$ 10,512,252</u>	<u>\$ 1,548,352</u>	<u>\$ 73,254,374</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 a committed line of credit in the amount of \$7,000,000 with a bank, 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
YEARS ENDED JUNE 30, 2024 AND 2023**

NOTE 15 LIQUIDITY (CONTINUED)

As of June 30, 2024, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	2024	2023
Cash and Cash Equivalents	\$ -	\$ 2,335,988
Contributions for General Expenditures Due in One Year or Less	124,095	195,944
Accounts Receivable, Net	7,016,958	11,659,334
Investments	25,180,141	22,642,376
Investments Appropriated for Current Use	1,261,922	1,243,078
Total Financial Assets	<u>\$ 33,583,116</u>	<u>\$ 38,076,720</u>

Board-designated endowment in the amount of \$25,180,141 and \$22,642,376 at June 30, 2024 and 2023, 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 \$1,516,732 and \$1,638,791 for the years ended June 30, 2024 and 2023, 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.

	2024	2023
Accumulated Postretirement Benefit Obligation:		
Retirees	\$ 1,010,123	\$ 790,904
Fully Eligible Active Plan Participants	-	-
Accrued Postretirement Benefit Cost Included in Accounts Payable and Accrued Expenses	<u>\$ 1,010,123</u>	<u>\$ 790,904</u>

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

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 \$958,664 and \$1,171,169 for the years ended June 30, 2024 and 2023, respectively. In addition, contributions from board of trustees was \$1,323,146 and \$1,014,265 for the years ended June 30, 2024 and 2023, 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 are reimbursable to the University resulted in \$0- and \$102,941 of accounts receivable as of June 30, 2024 and 2023, respectively.

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 \$203,647 and \$132,038 for the years ended June 30, 2024 and 2023, 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.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

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

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 for years ended June 30, 2024 and 2023.

NOTE 20 COMMITMENTS AND CONTINGENCIES

For the years ended June 30, 2024, the University had commitments to investment funds in the amount of \$10,687,153, funded through reallocation of investments.

Legal Claims

In the normal course of business, the University has claims made against them. As of June 30, 2024, 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.

The composite score for the year ended June 30, 2024 is as follows:

Primary Reserve Ratio:

Expendable Net Assets	\$ 67,645,824	
Total Expenses/Losses	\$ 78,881,358	<u>0.8576</u>

Equity Ratio:

Modified Net Assets	\$ 200,706,056	
Modified Assets	\$ 253,600,688	<u>0.7914</u>

Net Income Ratio:

Change in Net Assets		
Without Donor Restrictions	\$ (3,643,330)	
Total Revenues/Gains	\$ 75,238,028	<u>-0.0484</u>

<u>Ratio</u>	<u>Strength Factor</u>	<u>Weight</u>	<u>Composite Scores</u>
0.8576	3.00	40%	1.20
0.7914	3.00	40%	1.20
-0.0484	-0.21	20%	-0.04
			<u>2.4</u>

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

NOTE 21 COMPOSITE SCORE (CONTINUED)

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, 2023	\$ 71,849,372
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>(3,789,937)</u>
d.	Balance pre-implementation property, plant, and equipment, net	68,059,435
4	Debt financed post-implementation property, plant, and equipment, net	
	Long-lived assets acquired with debt subsequent to June 30, 2019:	
a.	Equipment	16,000
b.	Land improvements	-
c.	Building	<u>6,057,000</u>
d.	Total property, plant, and equipment, net acquired with debt exceeding 12 months	6,073,000
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	11,720,104
7	Total Property, Plant, and Equipment, net - June 30, 2024	<u><u>\$ 85,852,539</u></u>

Debt to be excluded from expendable net assets

8	Pre-implementation debt:	
a.	Ending balance of pre-implementation as of June 30, 2023	\$ 33,945,497
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>(1,011,669)</u>
d.	Balance Pre-implementation Debt	32,933,828
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	6,750,000
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	550,000
	Total Long Term Debt - June 30, 2024	<u><u>\$ 40,233,828</u></u>

HAMLIN UNIVERSITY OF MINNESOTA
FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE
JUNE 30, 2024

Primary Reserve Ratio:

		Expendable Net Assets:	
1	Statement of Financial Position (SFP)	Net Assets without Donor Restrictions	
			\$ 68,329,186
2	SFP	Net Assets with Donor Restrictions	133,335,534
3	Note 13	Net Assets Restricted in Perpetuity	87,650,303
4	Note 18	Unsecured Related-Party Receivable	958,664
5	Note 13	Donor Restricted Annuities, Term Endowments, Life Income Funds	251,340
6	Note 21 Line 3d	Property, Plant, and Equipment Pre-Implementation	68,059,435
7	Note 21 Line 4d	Property, Plant, and Equipment Post-Implementation with Outstanding Debt for Original Purchase	6,073,000
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	11,720,104
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	1,725,120
12	N/A	Intangible Assets	-
13	Note 17	Post-Employment and Pension Liabilities	1,010,123
14	Note 21 Line 8d	Long-Term Debt - for Long-Term Purposes Pre-Implementation	32,933,828
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	1,725,120
		Total Expenses And Losses:	
18	Statement of Activities (SOA)	Total Expenses (Operating and Nonoperating) without Donor Restrictions	78,881,358
19	N/A	Non-service 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	\$ 68,329,186
23	SFP	Net Assets with Donor Restrictions	133,335,534
24	N/A	Intangible Assets	-
25	Note 18	Unsecured Related-Party Receivables	958,664
		Modified Assets:	
26	SFP	Total Assets	254,559,352
27	N/A	Lease Right-of-Use Asset Pre-Implementation	-
28	N/A	Intangible Assets	-
29	Note 18	Unsecured Related-Party Receivables	958,664

Net Income Ratio:

30	SOA	Change in Net Assets Without Donor Restrictions	\$ (3,643,330)
		Total Revenues and Gains:	
31	SOA	Total Operating Revenue (Including Net Assets Released from Restrictions)	67,192,541
32	SOA	Investments Gain, Net (Aggregate Operating and Nonoperating Interest, Dividends, Realized and Unrealized Gains)	7,973,787
		Non-service 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	71,700



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