

**HAMLIN UNIVERSITY OF MINNESOTA**

**FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION, AND  
SINGLE AUDIT COMPLIANCE REPORTS**

**YEARS ENDED JUNE 30, 2022 AND 2021**



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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, 2022 and 2021, 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, 2022 and 2021, 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit. 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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.

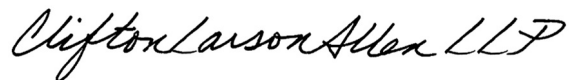
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**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 and the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 and the accompanying schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022, on our consideration of Hamline University of Minnesota’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hamline University of Minnesota’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hamline University of Minnesota’s internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
October 28, 2022

**HAMLIN UNIVERSITY OF MINNESOTA  
BALANCE SHEETS  
JUNE 30, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3,638,200	\$ -
Restricted Cash	5,230,105	9,175,638
Accounts Receivable (Net)	4,913,236	5,553,426
Prepaid Expenses and Other Assets	8,758,966	7,781,376
Contributions Receivable	1,968,309	3,484,519
Student Loans Receivable (Net)	2,151,516	2,747,396
Investments	117,113,531	138,130,998
Property, Plant, and Equipment (Net)	82,167,489	85,076,404
Construction in Progress	6,650,538	276,900
Beneficial Interest in Trusts	2,258,275	2,543,991
Right of Use Asset - Financing	92,331	151,571
Right of Use Asset - Operating	1,996,172	2,946,097
	\$ 236,938,668	\$ 257,868,316
<b>Total Assets</b>		
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 7,094,751	\$ 5,720,982
Deposits and Deferred Revenue	1,761,237	2,318,694
Annuities and Unitrusts Payable	725,619	759,475
Perkins Loans Refundable to Government	2,222,038	2,911,194
Long-Term Debt	43,832,959	45,530,859
Lease Liability - Financing	90,398	149,937
Lease Liability - Operating	1,996,172	2,946,097
	57,723,174	60,337,238
<b>Total Liabilities</b>		
<b>NET ASSETS</b>		
Without Donor Restrictions	70,984,692	73,895,505
With Donor Restrictions	108,230,802	123,635,573
Total Net Assets	179,215,494	197,531,078
<b>Total Liabilities and Net Assets</b>	\$ 236,938,668	\$ 257,868,316

See accompanying Notes to Financial Statements.

**HAMLIN UNIVERSITY OF MINNESOTA  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING ACTIVITIES</b>			
<b>REVENUE</b>			
Tuition and Fees, Net of Discount of \$40,926,950 in 2022 and \$40,783,222 in 2021	\$ 48,956,814	\$ -	\$ 48,956,814
Government Grants	10,823,860	-	10,823,860
Contributions	851,047	2,760,772	3,611,819
Investment Income, Net	351,145	(244,623)	106,522
Sale and Services of Educational Activities	776,754	14,346	791,100
Other Sources	2,350,566	74,669	2,425,235
Auxiliary Enterprises	6,252,396	-	6,252,396
Subtotal Revenue	<u>21,405,768</u>	<u>2,605,164</u>	<u>24,010,932</u>
Appropriation of Endowment Assets for Expenditure	1,152,756	3,676,379	4,829,135
Net Assets Released from Restrictions	4,358,552	(4,358,552)	-
Total Operating Revenue and Other Additions	<u>75,873,890</u>	<u>1,922,991</u>	<u>77,796,881</u>
<b>EXPENSES</b>			
Instruction	23,771,370	-	23,771,370
Academic Support	8,559,942	-	8,559,942
Research	51,937	-	51,937
Public Service	1,683,302	-	1,683,302
Student Services	18,497,741	-	18,497,741
Institutional Support	11,074,107	-	11,074,107
Auxiliary Enterprises	11,150,937	-	11,150,937
Total Expenses	<u>74,789,336</u>	<u>-</u>	<u>74,789,336</u>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	1,084,554	1,922,991	3,007,545
<b>NONOPERATING ACTIVITIES</b>			
Contributions	128,185	3,234,046	3,362,231
Net Investment Return	315,255	(19,775,228)	(19,459,973)
Appropriation of Endowment Assets for Expenditure	(4,829,135)	-	(4,829,135)
Change in Value of Split-Interest Agreements	-	(251,861)	(251,861)
Net Assets Released from Restrictions	534,719	(534,719)	-
Debt Prepayment Penalty	-	-	-
Board Designated Unrestricted Spending	(144,391)	-	(144,391)
Total Nonoperating Activities	<u>(3,995,367)</u>	<u>(17,327,762)</u>	<u>(21,323,129)</u>
<b>CHANGE IN NET ASSETS</b>	(2,910,813)	(15,404,771)	(18,315,584)
Net Assets - Beginning of Year	<u>73,895,505</u>	<u>123,635,573</u>	<u>197,531,078</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 70,984,692</u>	<u>\$ 108,230,802</u>	<u>\$ 179,215,494</u>

See accompanying Notes to Financial Statements.

**HAMLIN UNIVERSITY OF MINNESOTA  
STATEMENTS OF ACTIVITIES (CONTINUED)  
YEARS ENDED JUNE 30, 2022 AND 2021**

2021		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 50,821,030	\$ -	\$ 50,821,030
6,457,561	-	6,457,561
1,211,226	1,453,397	2,664,623
357,528	99,355	456,883
768,134	6,150	774,284
2,871,175	(1,626,047)	1,245,128
5,872,467	277	5,872,744
17,538,091	(66,868)	17,471,223
797,883	3,562,556	4,360,439
2,588,738	(2,588,738)	-
71,745,742	906,950	72,652,692
22,816,083	-	22,816,083
8,296,125	-	8,296,125
75,608	-	75,608
1,628,857	-	1,628,857
14,104,288	-	14,104,288
13,611,797	-	13,611,797
10,231,837	-	10,231,837
70,764,595	-	70,764,595
981,147	906,950	1,888,097
111,021	2,894,734	3,005,755
9,761,489	21,613,858	31,375,347
(4,360,439)	-	(4,360,439)
-	290,070	290,070
5,044,994	(5,044,994)	-
(129,988)	-	(129,988)
(34,606)	-	(34,606)
10,392,471	19,753,668	30,146,139
11,373,618	20,660,618	32,034,236
62,521,887	102,974,955	165,496,842
<u>\$ 73,895,505</u>	<u>\$ 123,635,573</u>	<u>\$ 197,531,078</u>

See accompanying Notes to Financial Statements.



**HAMLIN UNIVERSITY OF MINNESOTA  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (18,315,584)	\$ 32,034,236
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation, Loss on Disposal of Assets, and Lease Amortization	5,062,033	5,411,119
Prepaid Cloud-Based Software Amortization	1,103,113	708,303
Net Realized and Unrealized (Gain) Loss on Investments	19,781,550	(30,166,706)
Contributions Restricted for Long-Term Investment	(3,540,839)	(2,948,861)
Adjustment of Actuarial Liability for Annuities Payable	77,248	53,206
Change in Value of Beneficial Interest in Trusts	285,716	(225,511)
(Increase) Decrease in Assets:		
Accounts Receivable	640,190	1,323,513
Prepaid Expenses and Other Assets	(953,697)	(1,724,085)
Contributions Receivable	1,516,210	4,010,088
Student Loans Receivable	595,880	823,901
Right of Use Asset	(299)	(1,634)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	1,373,769	951,000
Deposits and Deferred Revenue	(557,457)	(209,375)
Net Cash Provided by Operating Activities	7,067,833	10,039,194
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of Property, Plant, and Equipment	(9,629,869)	(3,387,045)
Purchases of Investments	(16,909,949)	(28,179,587)
Proceeds from Sale of Investments	18,145,866	21,063,033
Net Cash Used by Investing Activities	(8,393,952)	(10,503,599)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of Long-Term Debt	-	9,725,000
Proceeds from Contributions Restricted for Long-Term Investment	3,540,838	2,948,861
Grants Refundable to Government	(689,156)	(782,550)
Payments on Financing Leases	(61,910)	(61,910)
Payments on Long-Term Debt	(1,659,883)	(9,720,883)
Payments on Annuities Payable	(111,103)	(117,765)
Net Cash Provided by Financing Activities	1,018,786	1,990,753
<b>NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH</b>	(307,333)	1,526,348
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	9,175,638	7,649,290
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	\$ 8,868,305	\$ 9,175,638
<b>SUPPLEMENTAL DISCLOSURE OF TOTAL CASH</b>		
Cash and Cash Equivalents	\$ 3,638,200	\$ -
Restricted Cash	5,230,105	9,175,638
Cash, Cash Equivalents, and Restricted Cash - End of Year	\$ 8,868,305	\$ 9,175,638
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid During the Year for Interest	\$ 1,853,035	\$ 1,793,065

See accompanying Notes to Financial Statements.

**HAMLIN UNIVERSITY OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**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 167 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 290 Phi Beta Kappa institutions in the United States. In the Best Regional Universities category, *U.S. News and World Report* ranks Hamline one of the top-ranked Minnesota universities for the past 20 consecutive years. LendEdu.com named Hamline University of Minnesota a “Most Affordable School for Incoming Freshmen with Financial Need”.

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

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

**Basis of Presentation**

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

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

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

**HAMLIN UNIVERSITY OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

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

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

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

**Cash and Cash Equivalents**

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

**Restricted Cash**

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

**Concentrations**

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

**HAMLIN UNIVERSITY OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**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, 2022 and 2021, the allowance was \$1,680,530 and \$1,264,009 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, 2022 and 2021, the amortization is \$1,103,113 and \$708,803, 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  
JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property, Plant, and Equipment (Continued)**

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

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

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

**Collections**

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

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

**Deferred Revenue**

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

**Loans Refundable to Government**

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

**Leases**

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

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

**HAMLIN UNIVERSITY OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases (Continued)**

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

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

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

**Net Asset Classification**

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

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

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

**HAMLIN UNIVERSITY OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

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

**HAMLIN UNIVERSITY OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Revenue (Continued)**

	Balance at June 30, 2020	Refunds Issued	Revenue Recognized included in June 30, 2021 balance	Cash Received in Advance of Performance	Balance at June 30, 2021
Deposits	\$ 250,678	\$ -	\$ 7,316,282	\$ 7,304,162	\$ 238,558
Deferred Programs Revenue	378,540	-	227,706	85,587	236,421
Deferred Summer Revenue and Study Abroad Program	<u>1,898,851</u>	<u>-</u>	<u>2,520,390</u>	<u>2,465,254</u>	<u>1,843,715</u>
Total Deferred Revenue	<u>\$ 2,528,069</u>	<u>\$ -</u>	<u>\$ 10,064,378</u>	<u>\$ 9,855,003</u>	<u>\$ 2,318,694</u>

The balance of deferred revenue at June 30, 2022, 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:

	<u>2022</u>	<u>2021</u>
Student Accounts Receivable - Beginning of the Year	\$ 3,606,362	\$ 3,893,838
Payments Made	(645,441,964)	(329,728,326)
Charges for Tuition and Fees	644,570,595	329,341,622
Change in Allowance and Write Offs	416,519	99,228
Student Accounts Receivable - End of the Year	<u>\$ 3,151,512</u>	<u>\$ 3,606,362</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 \$264,473 that have not been recognized at June 20, 2022, because qualifying expenditures have not yet been incurred.



**HAMLIN UNIVERSITY OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**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, 2022 AND 2021**

**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, 2022 and 2021 was \$442,654 and \$278,698 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, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measure of Operations (Continued)**

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

**Changes in Nonoperating Net Assets**

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

**Subsequent Events**

Management has performed an analysis of the activities and transactions subsequent to June 30, 2022, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2022. Management has performed their analysis through October 28, 2022, the date the financial statements were available to be issued.

**NOTE 2 CONTRIBUTIONS RECEIVABLE**

For the year ended June 30, 2022 contributions receivable included two pledges receivable that represented 40% of the receivable balance. For the year ended June 30, 2021, contributions receivable included four pledges receivable that represented 68% of the receivable balance. Contributions receivable are summarized as follows at June 30:

	2022	2021
Unconditional Promises Expected to be Collected in:		
Less Than One Year	\$ 497,869	\$ 1,189,850
One to Five Years	1,081,375	1,787,099
More than Five Years	520,000	592,500
Total Contributions	2,099,244	3,569,449
Allowance	(25,000)	-
Discount (2.99% and 0.46% for 2022 and 2021, Respectively)	(105,935)	(84,930)
Total Contributions, Net of Discount and Allowance	\$ 1,968,309	\$ 3,484,519

**HAMLIN UNIVERSITY OF MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**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, 2022 and 2021, student loans represented 0.9% and 1.1% of total assets, respectively.

At June 30, student loans consisted of the following:

	2022	2021
Federal Government Programs	\$ 2,137,161	\$ 2,729,041
Institutional Programs	14,355	18,355
Student Loan Receivable, Net	<u>\$ 2,151,516</u>	<u>\$ 2,747,396</u>

Funds advanced by the federal government of \$2,222,038 and \$2,911,194 at June 30, 2022 and 2021, respectively, are ultimately refundable to the government and are classified as liabilities in the balance sheet. During 2022 and 2021, 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, 2022 and 2021, 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
2022	\$ 91,080	\$ 31,782	\$ 817,615	\$ 940,477
2021	\$ 116,248	\$ 33,282	\$ 806,139	\$ 955,669

**NOTE 4 INVESTMENTS**

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

	Fair Value	
	2022	2021
Equities:		
Domestic	\$ 61,423,334	\$ 71,859,980
International	22,038,748	28,790,108
Subtotal Equities	<u>83,462,082</u>	<u>100,650,088</u>
Multi-Faceted Bonds	30,230,156	32,389,956
Private Equity, Hedge Funds, and Real Assets	1,909,280	2,740,774
Cash and Short-Term Investments	1,470,551	2,280,609
Other	41,462	69,571
Total Investments	<u>\$ 117,113,531</u>	<u>\$ 138,130,998</u>

**HAMLIN UNIVERSITY OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**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	
	2022	2021
Private Equity	\$ 744,638	\$ 1,627,178
Real Assets	1,164,642	1,113,596
Total Alternative Investments	\$ 1,909,280	\$ 2,740,774

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, 2022 and 2021, the amount of pooled funds that include the University's assets was \$53,728,302 and \$61,806,889 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:

	2022	2021
Endowment Funds	\$ 116,245,850	\$ 137,006,749
Split-Interest Agreements	709,973	967,358
Unrestricted Investments	157,708	156,891
Total Investments	\$ 117,113,531	\$ 138,130,998

**HAMLIN UNIVERSITY OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**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, 2022	Level 1	Level 2	Level 3	No Level	Total
Investments:					
Fixed Income - Multifaceted Bonds	\$ 227,252	\$ -	\$ -	\$ -	\$ 227,252
Fixed Income Collective Funds					
Measured at Net Asset Value	-	-	-	30,002,904	30,002,904
Equities - Domestic	17,757,897	-	-	-	17,757,897
Equity Collective Funds Measured					
at Net Asset Value	-	-	-	52,525,411	52,525,411
Equity Long/Short Fund of Funds					
Measured at Net Asset Value	-	-	-	13,178,774	13,178,774
Liquid Alternative Investments					
Measured at Net Asset Value	-	-	-	1,909,280	1,909,280
Other	4,100	-	-	-	4,100
Total Investments	17,989,249	-	-	97,616,369	115,605,618
Beneficial Interest in Trusts	-	-	2,258,275	-	2,258,275
Total	<u>\$ 17,989,249</u>	<u>\$ -</u>	<u>\$ 2,258,275</u>	<u>\$ 97,616,369</u>	<u>\$ 117,863,893</u>
June 30, 2021	Level 1	Level 2	Level 3	No Level	Total
Investments:					
Fixed Income - Multifaceted Bonds	\$ 286,431	\$ -	\$ -	\$ -	\$ 286,431
Fixed Income Collective Funds					
Measured at Net Asset Value	-	-	-	32,103,525	32,103,525
Equities - Domestic	22,487,210	-	-	-	22,487,210
Equity Collective Funds Measured at					
Net Asset Value	-	-	-	62,888,826	62,888,826
Equity Long/Short Fund of Funds					
Measured at Net Asset Value	-	-	-	15,274,052	15,274,052
Liquid Alternative Investments					
Measured at Net Asset Value	-	-	-	2,740,774	2,740,774
Other	33,024	-	-	-	33,024
Total Investments	22,806,665	-	-	113,007,177	135,813,842
Beneficial Interest in Trusts	-	-	2,543,992	-	2,543,992
Total	<u>\$ 22,806,665</u>	<u>\$ -</u>	<u>\$ 2,543,992</u>	<u>\$ 113,007,177</u>	<u>\$ 138,357,834</u>

**HAMLIN UNIVERSITY OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**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:

	<u>2022</u>	<u>2021</u>
Total Investments	\$ 117,113,531	\$ 138,130,998
Investments Not Measured at Fair Value on a Recurring Basis:		
Cash and Cash Equivalents	(1,470,551)	(2,280,609)
Cash Surrender Value of Life Insurance Policies	<u>(37,362)</u>	<u>(36,547)</u>
Total Investments Measured at Fair Value on a Recurring Basis	<u>\$ 115,605,618</u>	<u>\$ 135,813,842</u>

**Level 3 Assets**

The following table provides summary of changes in fair value of the University's Level 3 financial assets for the year ended June 30, 2022:

Balances - July 1, 2021	\$ 2,543,992
Net Realized and Unrealized Losses on Investments	(285,717)
Transfers In	-
Transfers Out	-
Investment Income	-
Purchases of Investments	-
Sales of Investments	-
Balances - June 30, 2022	<u>\$ 2,258,275</u>

The following table provides summary of changes in fair value of the University's Level 3 financial assets for the year ended June 30, 2021:

Balances - July 1, 2020	\$ 2,318,481
Net Realized and Unrealized Gains on Investments	225,511
Transfers In	-
Transfers Out	-
Investment Income	-
Purchases of Investments	-
Sales of Investments	-
Balances - June 30, 2021	<u>\$ 2,543,992</u>

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.

**HAMLIN UNIVERSITY OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Level 3 Assets (Continued)**

Instrument	Fair Value		Principal Valuation Technique	Unobservable Inputs	Range (Weighted Average)
	2022	2021			
Beneficial Interest in Trusts	\$ 2,258,275	\$ 2,543,992	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, 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

Fair value measurements of investments that calculate net asset value per Share (or its equivalent) as of June 30, 2021:

	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Equity Collective Funds	\$ 62,888,826	\$ -	Monthly/Annually	2 - 60 Days
Fixed Income Collective Funds	32,103,525	-	Monthly/Annually	2 - 60 Days
Equity Long/Short Fund of Funds	15,274,052	-	Annually	75 Days
Private Equity	1,627,178	479,250	Not Available	Not Available
Real Estate Funds	1,113,596	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.



**HAMLIN UNIVERSITY OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Net Asset Value (Continued)**

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.

**NOTE 6 INVESTMENT INCOME**

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

	2022	2021
Dividend and Interest	\$ 777,151	\$ 1,771,955
Advisory Fees	(700,197)	(544,471)
Net Realized and Unrealized Gains (Losses)	(19,781,550)	30,166,706
Gain (Loss) on Assets Held for Investment	(19,704,596)	31,394,190
Investment Income on Short-Term Investments	342,619	502,218
Total Net Gain (Loss) on Investments	(19,361,977)	31,896,408
Investment Gain Designated for Current Operations	97,996	521,061
Investment Gain in Excess of Amount Designated for Current Operations	\$ (19,459,973)	\$ 31,375,347

**HAMLIN UNIVERSITY OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 7 PROPERTY, PLANT, AND EQUIPMENT**

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

	2022	2021
Land	\$ 3,028,079	\$ 3,028,079
Land Improvements	9,436,370	9,355,308
Buildings and Building Improvements	153,788,474	153,311,702
Equipment	37,620,030	36,629,859
Academic Collection	11,778,902	11,482,722
Property, Plant, and Equipment	<u>215,651,855</u>	<u>213,807,670</u>
Less: Accumulated Depreciation	<u>(133,484,366)</u>	<u>(128,731,266)</u>
Subtotal Property, Plant, and Equipment, Net of Accumulated Depreciation	82,167,489	85,076,404
Construction in Process	6,650,538	276,900
Total	<u>\$ 88,818,027</u>	<u>\$ 85,353,304</u>

Total depreciation expense was \$5,101,190 and \$5,351,878 for the years ended June 30, 2022 and 2021, 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.

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, 2022 and 2021, in making the calculation.

Investments held by the University under split-interest agreements totaled \$709,974 and \$967,358 at June 30, 2022 and 2021, respectively.

**HAMLIN UNIVERSITY OF MINNESOTA  
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**NOTE 8 SPLIT-INTEREST AGREEMENTS (CONTINUED)**

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, 2022 and 2021 in making the calculation.

**NOTE 9 LONG-TERM DEBT**

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

<u>Description</u>	<u>2022</u>	<u>2021</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 \$3,476,825 of bond premiums in 2021. The balance includes \$274,660 of bond issuance costs in 2021. The bonds are secured by a reserve account in the amount of \$2,435,791 and \$2,393,496 at June 30, 2022 and 2021.	\$ 35,186,825	\$ 36,133,619
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 \$2,761,399 and \$6,535,052 at June 30, 2022 and 2021.	<u>8,950,000</u>	<u>9,725,000</u>
Subtotal	44,136,825	45,858,619
Less: Unamortized Bond Issuance Costs and Unamortized Defeased Loss	<u>(303,866)</u>	<u>(327,760)</u>
Total	<u>\$ 43,832,959</u>	<u>\$ 45,530,859</u>

**HAMLIN UNIVERSITY OF MINNESOTA  
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JUNE 30, 2022 AND 2021**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

As of June 30, 2022, 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>
2023	\$ 1,660,000
2024	1,725,000
2025	1,795,000
2026	1,860,000
2027	1,925,000
Thereafter	31,695,000
Total Long-Term Debt	<u>\$ 40,660,000</u>

Total interest expense and amortization on debt was \$1,732,035 and \$1,865,471 for the years ended June 30, 2022 and 2021, respectively. Included in those amounts is -\$112,899 and -\$109,938 of bond issuance net of bond premium amortization for the years ended June 30, 2022 and 2021, respectively. The amount of bond issuance net of bond amortization for the year ended June 30, 2021 included the remaining bond issuance cost of \$79,949 and prepayment penalties of \$129,988 of Series 2017A.

**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>
2022	\$ 1,320,647	\$ 61,910
2023	326,775	32,115
2024	144,271	2,724
2025	56,299	-
2026	47,714	-
Thereafter	266,506	-
Total	<u>2,162,212</u>	<u>96,749</u>
Amount Representing Interest	<u>(166,040)</u>	<u>(6,351)</u>
Total Lease Liability	<u>\$ 1,996,172</u>	<u>\$ 90,398</u>

Rental expense for the years ended June 30, 2022 and 2021 was \$1,545,470 and \$1,298,945 respectively. Included in those amounts is \$728,082 and \$720,411 of rental expense for office space for the years ended June 30, 2022 and 2021, respectively.

**HAMLIN UNIVERSITY OF MINNESOTA  
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**NOTE 10 LEASES (CONTINUED)**

	2022	2021
Lease Cost:		
Finance Lease Cost:	\$210,811	\$ 210,811
Amortization of Right-of-Use Assets	59,240	59,240
Interest on Lease Liabilities	2,371	1,036
Operating Lease Cost	4,799,096	4,384,567
Sublease Income	(470,840)	(462,451)
Total Lease Cost	4,600,678	4,193,203
Other Information:		
Operating Cash Flows from Financing Leases	61,611	60,276
Operating Cash Flows from Operating Leases	1,393,144	1,455,769
Financing Cash Flows from Financing Leases	61,910	61,910
Right-of-Use Asset Obtained in Exchange for New Financing Lease Liabilities	-	210,811
Right-of-Use Asset Obtained in Exchange for New Operating Lease Liabilities	414,529	4,384,567
Weighted-Average Remaining Lease Term - Financing Lease	3.32	2.44
Weighted-Average Remaining Lease Term - Operating Lease	2.78	3.02
Weighted-Average Discount Rate - Financing Leases	2.23%	2.23%
Weighted-Average Discount Rate - Operating Leases	2.23%	2.23%

**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 2.07% plus the one-month London Interbank Offered Rate (LIBOR) rate in 2022 and 2021. Principal is repayable on May 17, 2023, which is the expiration date of the agreement. At June 30, 2022 and 2021, the University had no borrowings under this agreement. The interest rate on this line of credit was 2.21% at June 30, 2022 and 2.17% at June 30, 2021.

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 LIBOR. Principal is repayable on July 5, 2023, which is the expiration date of the agreement. At June 30, 2022 and 2021, the University had no borrowings under this agreement.

**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.

**HAMLIN UNIVERSITY OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 12 ENDOWMENT (CONTINUED)**

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 2022 and 2021, the University endowment appropriation designated for current operations was \$4,829,135 and \$4,360,439, 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, 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. As of June 30, 2021, there were no funds with deficiencies. 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.

**Endowment by Net Asset Class**

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 95,619,679	\$ 95,619,679
Board-Designated Endowment Funds	21,601,144	-	21,601,144
Total Funds	<u>\$ 21,601,144</u>	<u>\$ 95,619,679</u>	<u>\$ 117,220,823</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 112,104,219	\$ 112,104,219
Board-Designated Endowment Funds	25,984,583	-	25,984,583
Total Funds	<u>\$ 25,984,583</u>	<u>\$ 112,104,219</u>	<u>\$ 138,088,802</u>

**Changes in Endowment Net Assets**

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 25,984,583	\$ 112,104,219	\$ 138,088,802
Investment Return	315,255	(19,775,228)	(19,459,973)
Contributions	128,783	3,412,056	3,540,839
Appropriation of Endowment Assets for Expenditure	(4,829,135)		(4,829,135)
Other	1,658	(121,368)	(119,710)
Endowment Net Assets, End of Year	<u>\$ 21,601,144</u>	<u>\$ 95,619,679</u>	<u>\$ 117,220,823</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 12,983,019	\$ 87,575,922	\$ 100,558,941
Investment Return	9,761,489	21,613,858	31,375,347
Contributions	98,731	2,850,130	2,948,861
Appropriation of Endowment Assets for Expenditure	(4,360,439)	-	(4,360,439)
Other	7,501,783	64,309	7,566,092
Endowment Net Assets, End of Year	<u>\$ 25,984,583</u>	<u>\$ 112,104,219</u>	<u>\$ 138,088,802</u>

**HAMLIN UNIVERSITY OF MINNESOTA  
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**NOTE 13 RESTRICTIONS AND LIMITATION ON NET ASSET BALANCES**

The board has designated \$21,601,144 and \$25,984,583 of net assets without donor restriction as funds functioning as endowment as of June 30, 2022 and 2021, respectively.

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

	2022	2021
Donor-Restricted Net Assets not invested in Perpetuity:		
Program Support	\$ 9,940,682	\$ 7,772,569
Physical Plant Acquisition	217,574	795,792
Accumulated Earnings from Endowment Funds	-	
Subject to Donor Restrictions	19,178,518	38,419,527
Underwater Endowment	(534,719)	-
Split-Interest Agreements	207,390	262,425
Total Donor-Restricted Net Assets not Invested in Perpetuity	29,009,445	47,250,313
Donor-Restricted Net Assets Invested in Perpetuity:		
Endowment	76,975,880	73,684,692
Split-Interest Agreements	2,202,933	2,658,024
Gifts Designated for Student Loans	42,544	42,544
Total Donor-Restricted Net Assets Invested in Perpetuity	79,221,357	76,385,260
Total Net Assets with Donor Restrictions	\$ 108,230,802	\$ 123,635,573

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:

	2022	2021
Operating:		
Scholarship Support	\$ 2,305,847	\$ 2,175,833
Other Instructional Support	2,052,705	412,905
Total Operating Net Assets Released from Restriction	4,358,552	2,588,738
Total Net Assets Released from Restriction	\$ 4,358,552	\$ 2,588,738

**HAMLIN UNIVERSITY OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**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  
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**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, 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	5,006,798	1,613,718	84,953	6,705,469
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
<b>Total Expenses</b>	<b>\$ 63,715,229</b>	<b>\$ 9,738,276</b>	<b>\$ 1,335,831</b>	<b>\$ 74,789,336</b>

**HAMLIN UNIVERSITY OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**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, 2021:

	Program Activities	Support Activities		Total
		Institutional Support	Fundraising	
Salaries and Wages (Incl. Students)	\$ 23,217,306	\$ 5,347,129	\$ 809,054	\$ 29,373,489
Employee Benefits	6,815,377	1,525,109	184,079	8,524,565
Professional Services	4,497,152	112,964	23,556	4,633,672
Dining Service	1,627,077	-	-	1,627,077
Advertising and Promotion	1,308,585	252,961	8,410	1,569,956
Office Expenses	2,424,705	601,631	58,643	3,084,979
General, Program, Other Expense	2,554,738	1,512,862	40,541	4,108,141
Travel	378,977	26,846	4,233	410,056
Information Technology	979,127	2,309,501	8,602	3,297,230
Facility Overhead Expense	5,658,365	612,827	8,296	6,279,488
Interest	1,630,592	103,327	2,601	1,736,520
Depreciation and Amortization	6,060,797	57,159	1,466	6,119,422
<b>Total Expenses</b>	<b>\$ 57,152,798</b>	<b>\$ 12,462,316</b>	<b>\$ 1,149,481</b>	<b>\$ 70,764,595</b>

The University has a policy that allows functional units to expend funds from board-designated funds. The activity in the funds is as follows:

	2022	2021
Beginning Balance	\$ 859,939	\$ 889,655
Additions	3,358	4,890
Expense	(144,391)	(34,606)
Ending Balance	<u>\$ 718,906</u>	<u>\$ 859,939</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.

**HAMLIN UNIVERSITY OF MINNESOTA  
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**NOTE 15 LIQUIDITY (CONTINUED)**

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. As of June 30, 2022, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	2022	2021
Cash and Cash Equivalents	\$ 3,638,200	\$ -
Contributions for General Expenditures Due in One Year or Less	161,350	600,591
Accounts Receivable, Net	3,516,448	5,264,560
Investments	21,601,144	25,984,583
Investments Appropriated for Current Use	1,152,756	797,883
Total Financial Assets	\$ 30,069,898	\$ 32,647,617

Board-designated endowment in the amount of \$21,601,144 and \$25,984,583 at June 30, 2022 and 2021, 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 \$1,632,021 and \$1,778,951 for the years ended June 30, 2022 and 2021, 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.

**HAMLIN UNIVERSITY OF MINNESOTA  
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**NOTE 17 OTHER POSTRETIREMENT BENEFITS (CONTINUED)**

	2022	2021
Accumulated Postretirement Benefit Obligation:		
Retirees	\$ 839,018	\$ 887,072
Fully Eligible Active Plan Participants	-	-
Accrued Postretirement Benefit Cost Included in Accounts Payable and Accrued Expenses	\$ 839,018	\$ 887,072

**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 \$1,171,169 and \$2,920,450 for the years ended June 30, 2022 and 2021, respectively.

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

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

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

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

Certain transactions fees and expenses of the combination were split between HUSL and WMCL, without reimbursement back to either party. Other specific costs related to the startup of the newly formed MHSL were also shared equally in payout but are fully reimbursable to the University by MHSL in eight equal installments, without interest, with the first payment made on June 30, 2017. The split fees that reimbursable to the University resulted in \$205,882 and \$308,823 of accounts receivable as of June 30, 2022 and 2021, respectively.

**HAMLIN UNIVERSITY OF MINNESOTA  
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**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 \$185,854 and \$169,622 for the years ended June 30, 2022 and 2021, 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 \$3,561 for years ended June 30, 2022 and 2021.

**NOTE 20 COMMITMENTS AND CONTINGENCIES**

For the years ended June 30, 2022 and 2021, the University had commitments to investment funds in the amount of \$2,225,140, funded through reallocation of investments.

**Legal Claims**

In the normal course of business, the University has claims made against them. As of June 30, 2022, 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  
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**NOTE 21 COMPOSITE SCORE (CONTINUED)**

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

Primary Reserve Ratio:

Expendable Net Assets	<u>\$ 45,519,528</u>	
Total Expenses/Losses	<u>\$ 79,762,862</u>	<u>0.5707</u>

Equity Ratio:

Modified Net Assets	<u>\$ 178,044,325</u>	
Modified Assets	<u>\$ 235,767,499</u>	<u>0.7552</u>

Net Income Ratio:

Change in Net Assets Without Donor Restrictions	<u>\$ (2,910,813)</u>	
Total Revenues/Gains	<u>\$ 76,852,049</u>	<u>-0.0379</u>

<u>Ratio</u>	<u>Strength Factor</u>	<u>Weight</u>	<u>Composite Scores</u>
0.5707	3.00	40%	1.20
0.7552	3.00	40%	1.20
-0.0379	0.05	20%	<u>0.01</u>
			<u>2.41</u>

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

**Property, Plant, and Equipment, net**

3 Pre-implementation property, plant, and equipment, net	
a. Ending balance of pre-implementation as of June 30, 2021	\$ 82,399,691
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>(6,491,758)</u>
d. Balance pre-implementation property, plant, and equipment, net	75,907,933
4 Debt financed post-implementation property, plant, and equipment, net	
Long-lived assets acquired with debt subsequent to June 30, 2019:	
a. Equipment	-
b. Land improvements	-
c. Building	-
d. Total property, plant, and equipment, net acquired with debt exceeding 12 months	<u>-</u>
5 Construction in progress - acquired subsequent to June 30, 2019	71,294
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	12,838,800
7 Total Property, Plant, and Equipment, net - June 30, 2022	<u>\$ 88,818,027</u>

**HAMLIN UNIVERSITY OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 21 COMPOSITE SCORE (CONTINUED)**

**Debt to be excluded from expendable net assets**

8	Pre-implementation debt:		
	a.	Ending balance of pre-implementation as of June 30, 2021	\$ 35,805,859
	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>(922,900)</u>
	d.	Balance Pre-implementation Debt	<u>34,882,959</u>
9	Allowable post-implementation debt used for capitalized long-lived assets:		
	a.	Equipment - all capitalized	-
	b.	Land improvements	-
	c.	Buildings	-
	d.	Balance Post-implementation Debt	<u>-</u>
10	Construction in progress (CIP) financed with debt or line of credit		-
11	Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value		<u>8,950,000</u>
	Total Long Term Debt - June 30, 2022		<u><u>\$ 43,832,959</u></u>

**HAMLIN UNIVERSITY OF MINNESOTA**  
**FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE**  
**JUNE 30, 2022 AND 2021**

<b>Primary Reserve Ratio:</b>		<b>Expendable Net Assets:</b>	
1	Statement of Financial Position (SFP)	Net Assets without Donor Restrictions	\$ 70,984,692
2	SFP	Net Assets with Donor Restrictions	108,230,802
3	Note 13	Net Assets Restricted in Perpetuity	79,221,357
4	Note 18	Unsecured Related-Party Receivable	1,171,169
5	Note 13	Donor Restricted Annuities, Term Endowments, Life Income Funds	207,390
6	Note 21 Line 3d	Property, Plant, and Equipment Pre-Implementation	75,907,933
7	Note 21 Line 4d	Property, Plant, and Equipment Post-Implementation with Outstanding Debt for Original Purchase	-
8	Note 21 Line 5	Construction in Progress Purchased with Long-Term Debt	71,294
9	Note 21 Line 35	Post-Implementation Property, Plant, and Equipment, Net, Acquired without Debt	12,838,800
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	1,996,172
12	N/A	Intangible Assets	-
13	Note 17	Post-Employment and Pension Liabilities	839,018
14	Note 21 Line 8d	Long-Term Debt - for Long-Term Purposes Pre-Implementation	34,882,959
15	Note 21 Line 9d	Long-Term Debt - for Long-Term Purposes Post-Implementation	-
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	1,996,172
		<b>Total Expenses And Losses:</b>	
18	Statement of Activities (SOA)	Total Expenses (Operating and Nonoperating) without Donor Restrictions	79,762,862
19	N/A	Nonservice Component of Pension/Postemployment (Nonoperating) Cost, (if Loss)	-
20	N/A	Sale of Fixed Assets (if Loss)	-
21	N/A	Change in Value of Interest-Rate Swap Agreements (if Loss)	-
<b>Equity Ratio:</b>		<b>Modified Net Assets:</b>	
22	SFP	Net Assets without Donor Restrictions	\$ 70,984,692
23	SFP	Net Assets with Donor Restrictions	108,230,802
24	N/A	Intangible Assets	-
25	Note 18	Unsecured Related-Party Receivables	1,171,169
		<b>Modified Assets:</b>	
26	SFP	Total Assets	236,938,668
27	N/A	Lease Right-of-Use Asset Pre-Implementation	-
28	N/A	Intangible Assets	-
29	Note 18	Unsecured Related-Party Receivables	1,171,169
<b>Net Income Ratio:</b>		<b>Change in Net Assets Without Donor Restrictions</b>	<b>\$ (2,910,813)</b>
		<b>Total Revenues and Gains:</b>	
31	SOA	Total Operating Revenue (Including Net Assets Released from Restrictions)	75,522,745
32	SOA	Investments Gain, Net (Aggregate Operating and Nonoperating Interest, Dividends, Realized and Unrealized Gains)	666,400
		Nonservice Component of Pension/Postemployment (Nonoperating) Cost (if Gain)	-
33	N/A		-
34	N/A	Pension-Related Changes other than Net Periodic Pension Costs (if Gain)	-
35	N/A	Change in Value of Annuity Agreement (Typically in Nonoperating)	-
36	N/A	Change in Value of Interest-Rate Swap Agreements (if Gain)	-
37	N/A	Sale of Fixed Assets (if Gain)	-
38	SOA	Other Gains	662,904





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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hamline University of Minnesota, which comprise the balance sheets as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2022.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Hamline University of Minnesota's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hamline University of Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of Hamline University of Minnesota's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

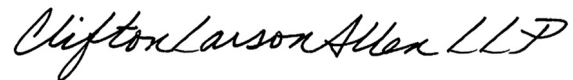
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

***Report on Compliance and Other Matters***

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

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
October 28, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Hamline University of Minnesota's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Hamline University of Minnesota's major federal programs for the year ended June 30, 2022. Hamline University of Minnesota's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Hamline University of Minnesota complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance 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 relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Hamline University of Minnesota's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Hamline University of Minnesota's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Hamline University of Minnesota's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Hamline University of Minnesota's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Hamline University of Minnesota's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Hamline University of Minnesota's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Hamline University of Minnesota's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on Hamline University of Minnesota's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Hamline University of Minnesota's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on Hamline University of Minnesota's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. Hamline University of Minnesota's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
October 28, 2022

**HAMLIN UNIVERSITY OF MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2022**

Federal Grantor/Program or Cluster Title	Assistance Listing Number (ALN)	Pass-Through Entity Identifying Number	Additional Award Identification	Passed Through to Subrecipients	Federal Expenditures
<b>U.S. Department of Education:</b>					
<u>Student Financial Assistance Cluster:</u>					
Federal Pell Grant Program	84.063	N/A		\$ -	\$3,628,363
Federal Supplemental Educational Opportunity Grant Program	84.007	N/A		-	434,948
Federal Work Study Program	84.033	N/A		-	376,843
Federal Teach	84.379	N/A		-	20,286
Federal Direct Loans	84.268	N/A		-	17,922,525
Federal Perkins Loans - Beginning Balance	84.038	N/A		-	2,729,041
Federal Perkins Loans - Loans Issued in 2022	84.038	N/A		-	-
Total Student Financial Assistance Cluster				-	25,112,006
Migrant Education Program	84.011	N/A		-	199,335
ATLAS - ABE Supplemental	84.002	N/A		-	20,725
ELM Grant	84.365Z	N/A		-	232,043
Higher Education Emergency Relief Funds (HEERF)					
Passed through the State of Minnesota					
Governor's Emergency Education Relief Fund	84.425C	N/A	COVID-19	-	82,266
Direct:					
Higher Education Emergency Relief Funds	84.425E	N/A	COVID-19	-	3,485,269
Higher Education Emergency Relief Funds	84.425F	N/A	COVID-19	-	4,795,024
Total HEERF				-	8,362,559
Total Department of Education				-	33,926,668
<u>Research and Development Cluster</u>					
<b>U.S. Environmental Protection Agency:</b>					
Enhanced Raman Spectroscopy to Detect Pb in H2O	65.516	N/A		-	8,306
Total Environmental Protection Agency				-	8,306
Total Research and Development Cluster				-	8,306
<b>Department of Homeland Security:</b>					
Federal Emergency Management Agency	97.036	N/A	COVID-19	-	175,948
Total Department of Homeland Security				-	175,948
<b>Department of the Interior:</b>					
Kilauea Point National Wildlife Refuge Multimedia Gallery	15.654	N/A		-	6,984
Total Department of the Interior				-	6,984
<b>U.S. Department of Commerce</b>					
Superior Waters Education and Outreach Initiative	16.560	N/A		-	63,592
Total Department of Commerce				-	63,592
<b>Total Federal Awards</b>				\$ -	\$ 34,181,498

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**HAMLIN UNIVERSITY OF MINNESOTA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2022**

**NOTE 1 BASIS FOR PRESENTATION**

The purpose of the schedule of expenditures of federal awards (the Schedule) is to present a summary of those activities of Hamline University of Minnesota (the University) that have been financed by the United States Government (federal awards). Federal awards received directly from federal agencies are included in the Schedule.

Additionally, all federal awards passed through from other entities have been included on the Schedule. Although the University is required to match certain grants, as defined in the grants, no such matching is included in the Schedule.

The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, statement of activities, or cash flows of the University.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The College has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 3 FEDERAL LOAN PROGRAMS**

The University administers the following federal loan programs:

	ALN Number	Outstanding Balance at June 30, 2022
Perkins Loan Program	<u>84.038</u>	<u>\$ 2,137,161</u>

**HAMLIN UNIVERSITY OF MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2022**

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**Section I – Summary of Auditors’ Results**

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**A. FINANCIAL STATEMENTS**

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes            x       no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes            x       none

Noncompliance material to financial statements noted? \_\_\_\_\_ yes            x       no

**B. FEDERAL AWARDS**

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_ yes            x       no
- Significant deficiency(ies) identified?       x       yes      \_\_\_\_\_ none

Type of auditors’ report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?       x       yes      \_\_\_\_\_ no

**Identification of Major Federal Programs**

Student Financial Assistance Program Cluster 84.007, 84.268, 84.033, 84.038, 84.379, 84.063  
Higher Education Emergency Relief Funds 84.425

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000/\$187,500

Auditee qualified as low-risk auditee?       x       yes      \_\_\_\_\_ no



**HAMLIN UNIVERSITY OF MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2022**

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***Section II – Financial Statement Findings***

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Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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**2022-001 Eligibility and Certification Approval Report (ECAR)**

Federal Agency: Department of Education

Federal Program Title: Student Financial Assistance Cluster

ALN Numbers: Various

Award Period: July 1, 2021 through June 30, 2022

Type of Finding:

- Significant Deficiency in Internal Control Over Compliance
- Other Matters

**Criteria or specific requirement:** The Code of Federal Regulations, 34 CFR 668.25(e) states that an institution must notify the Department of Education by way of the ECAR within 10 days of a change in position of an official at the University.

**Condition:** During our testing, we noted that the change in Vice President (VP) of Finance was not reported timely to the Department of Education.

**Questioned costs:** None

**Context:** During our testing, we noted the VP of Finance had a change in position and it was not updated within 10 days.

**Cause:** The VP of Finance left in August 2021 and there was no replacement until June 2022. The removal of the position was not done to add a temporary VP of Finance until the permanent replacement began.

**Effect:** The University is not in compliance with Department of Education requirements that state the ECAR must have accurately reported information.

**Repeat Finding:** No

**Recommendation:** We recommend the University review its reporting procedures surrounding updating the ECAR to ensure reporting is accurate and completed.

**Views of responsible officials:** There is no disagreement with the audit finding.



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