

HAMLIN UNIVERSITY OF MINNESOTA
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020



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**HAMLIN UNIVERSITY OF MINNESOTA
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YEARS ENDED JUNE 30, 2021 AND 2020**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Hamline University of Minnesota, which comprise the balance sheets as of June 30, 2021 and 2020, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Trustees
Hamline University of Minnesota

Opinion

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2021 Hamline University of Minnesota adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our conclusion is not modified with respect to this matter.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 21, 2021

**HAMLIN UNIVERSITY OF MINNESOTA
BALANCE SHEETS
JUNE 30, 2021 AND 2020**

ASSETS	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ -	\$ 5,006,384
Restricted Cash	9,175,638	2,642,906
Accounts Receivable (Net)	5,553,426	6,876,939
Prepaid Expenses and Other Assets	7,781,376	5,950,487
Contributions Receivable	3,484,519	7,494,607
Student Loans Receivable (Net)	2,747,396	3,571,299
Investments	138,130,998	100,847,785
Property, Plant, and Equipment (Net)	85,076,404	88,014,387
Construction in Progress	276,900	71,294
Beneficial Interest in Trusts	2,543,991	2,318,481
Right of Use Asset - Financing	151,571	-
Right of Use Asset - Operating	2,946,097	-
	<u>2,946,097</u>	<u>-</u>
Total Assets	<u>\$ 257,868,316</u>	<u>\$ 222,794,569</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 5,720,982	\$ 4,770,032
Deposits and Deferred Revenue	2,318,694	2,528,069
Annuities and Unitrusts Payable	759,475	824,034
Perkins Loans Refundable to Government	2,911,194	3,693,744
Long-Term Debt	45,530,859	45,481,848
Lease Liability - Financing	149,937	-
Lease Liability - Operating	2,946,097	-
	<u>2,946,097</u>	<u>-</u>
Total Liabilities	60,337,238	57,297,727
NET ASSETS		
Without Donor Restrictions	73,895,505	62,521,887
With Donor Restrictions	123,635,573	102,974,955
Total Net Assets	<u>197,531,078</u>	<u>165,496,842</u>
Total Liabilities and Net Assets	<u>\$ 257,868,316</u>	<u>\$ 222,794,569</u>

See accompanying Notes to Financial Statements.

**HAMLIN UNIVERSITY OF MINNESOTA
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>Operating Activities</u>			
REVENUE			
Tuition and Fees, Net of Discount of \$40,783,222 in 2021 and \$42,881,051 in 2020	\$ 50,821,030	\$ -	\$ 50,821,030
Government Grants	6,457,561	-	6,457,561
Contributions	1,211,226	1,453,397	2,664,623
Investment Income, Net	357,528	99,355	456,883
Sale and Services of Educational Activities	768,134	6,150	774,284
Other Sources	2,871,175	(1,626,047)	1,245,128
Auxiliary Enterprises	5,872,467	277	5,872,744
Subtotal Revenue	<u>17,538,091</u>	<u>(66,868)</u>	<u>17,471,223</u>
Appropriation of Endowment Assets for Expenditure	797,883	3,562,556	4,360,439
Net Assets Released from Restrictions	2,588,738	(2,588,738)	-
Total Operating Revenue and Other Additions	<u>71,745,742</u>	<u>906,950</u>	<u>72,652,692</u>
EXPENSES			
Instruction	22,816,083	-	22,816,083
Academic Support	8,296,125	-	8,296,125
Research	75,608	-	75,608
Public Service	1,628,857	-	1,628,857
Student Services	14,104,288	-	14,104,288
Institutional Support	13,611,797	-	13,611,797
Auxiliary Enterprises	10,231,837	-	10,231,837
Total Expenses	<u>70,764,595</u>	<u>-</u>	<u>70,764,595</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	981,147	906,950	1,888,097
<u>Nonoperating Activities</u>			
Contributions	111,021	2,894,734	3,005,755
Net Investment Return	9,761,489	21,613,858	31,375,347
Appropriation of Endowment Assets for Expenditure	(4,360,439)	-	(4,360,439)
Change in Value of Split-Interest Agreements	-	290,070	290,070
Net Assets Released from Restrictions	5,044,994	(5,044,994)	-
Debt Prepayment Penalty	(129,988)	-	(129,988)
Board Designated Unrestricted Spending	(34,606)	-	(34,606)
Total Nonoperating Activities	<u>10,392,471</u>	<u>19,753,668</u>	<u>30,146,139</u>
CHANGE IN NET ASSETS	11,373,618	20,660,618	32,034,236
Net Assets - Beginning of Year	<u>62,521,887</u>	<u>102,974,955</u>	<u>165,496,842</u>
NET ASSETS - END OF YEAR	<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 ACTIVITIES (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020**

2020		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 55,533,046	\$ -	\$ 55,533,046
5,134,106	-	5,134,106
5,572,853	6,959,284	12,532,137
312,374	(209,198)	103,176
799,621	555	800,176
1,881,481	89,580	1,971,061
7,118,646	83	7,118,729
<u>20,819,081</u>	<u>6,840,304</u>	<u>27,659,385</u>
765,077	3,367,620	4,132,697
5,159,873	(5,159,873)	-
<u>82,277,077</u>	<u>5,048,051</u>	<u>87,325,128</u>
24,933,196	-	24,933,196
9,182,261	-	9,182,261
82,267	-	82,267
2,454,625	-	2,454,625
15,732,372	-	15,732,372
16,360,517	-	16,360,517
11,803,054	-	11,803,054
<u>80,548,292</u>	<u>-</u>	<u>80,548,292</u>
1,728,785	5,048,051	6,776,836
45,189	926,138	971,327
3,983,144	(932,191)	3,050,953
(4,132,697)	-	(4,132,697)
-	1,057,031	1,057,031
103,156	(103,156)	-
<u>(317,041)</u>	<u>-</u>	<u>(317,041)</u>
<u>(318,249)</u>	<u>947,822</u>	<u>629,573</u>
1,410,536	5,995,873	7,406,409
<u>61,111,351</u>	<u>96,979,082</u>	<u>158,090,433</u>
<u>\$ 62,521,887</u>	<u>\$ 102,974,955</u>	<u>\$ 165,496,842</u>

See accompanying Notes to Financial Statements.

**HAMLIN UNIVERSITY OF MINNESOTA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 32,034,236	\$ 7,406,409
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation, Loss on Disposal of Assets, and Lease Amortization	5,411,119	5,833,410
Prepaid Cloud-Based Software Amortization	708,303	635,411
Net Realized and Unrealized Gain on Investments	(30,166,706)	(2,761,391)
Contributions Restricted for Long-Term Investment	(2,948,861)	(1,038,267)
Adjustment of Actuarial Liability for Annuities Payable	53,206	(227,422)
Change in Value of Beneficial Interest in Trusts	(225,511)	(810,445)
(Increase) Decrease in Assets:		
Accounts Receivable	1,323,513	(1,235,146)
Prepaid Expenses and Other Assets	(1,724,085)	(1,286,415)
Contributions Receivable	4,010,088	3,219,955
Student Loans Receivable	823,901	932,509
Right of Use Asset	(1,634)	-
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	951,000	(1,081,737)
Deposits and Deferred Revenue	(209,375)	60,666
Net Cash Provided by Operating Activities	10,039,194	9,647,537
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of Property, Plant, and Equipment	(3,387,045)	(3,569,749)
Purchases of Investments	(28,179,587)	(13,807,413)
Proceeds from Sale of Investments	21,063,033	13,509,447
Net Cash Used by Investing Activities	(10,503,599)	(3,867,715)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of Long-Term Debt	9,725,000	-
Proceeds from Contributions Restricted for Long-Term Investment	2,948,861	998,267
Grants Refundable to Government	(782,550)	(1,553,397)
Payments on Financing Leases	(61,910)	-
Payments on Long-Term Debt	(9,720,883)	(2,094,793)
Payments on Annuities Payable	(117,765)	(146,183)
Net Cash Provided (Used) by Financing Activities	1,990,753	(2,796,106)
NET INCREASE IN CASH AND RESTRICTED CASH	1,526,348	2,983,716
Cash and Cash Equivalents and Restricted Cash - Beginning of Year	7,649,290	4,665,574
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	\$ 9,175,638	\$ 7,649,290
SUPPLEMENTAL DISCLOSURE OF TOTAL CASH		
Cash and Cash Equivalents	\$ -	\$ 5,006,384
Restricted Cash	9,175,638	2,642,906
Cash and Cash Equivalents and Restricted Cash - End of Year	\$ 9,175,638	\$ 7,649,290
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ 1,793,065	\$ 1,979,377

See accompanying Notes to Financial Statements.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Hamline University (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 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 a “Most Affordable School for Incoming Freshmen with Financial Need”.

Hamline 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, 2021 AND 2020**

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 statements of financial position. 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, 2021 AND 2020**

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, 2021 and 2020, the allowance was \$1,264,009 and \$1,164,781 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, 2021 and 2020, the amortization is \$708,803 and \$635,411, 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 statements of financial position. 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, 2021 AND 2020**

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 statements of financial position. 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, 2021 AND 2020**

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 statements of financial position.

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, 2021 AND 2020**

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, 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>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>

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue (Continued)

The balance of deferred revenue at June 30, 2021, 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.

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 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 \$8,763,634 that have not been recognized at June 20, 2021, because qualifying expenditures have not yet been incurred.

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, 2020, the University received an allocation of \$1,285,114 for the student portion and \$1,285,113 for the institutional portion. As of June 30, 2020, the University had expended \$817,270 related to room and board refunds that are netted with Auxiliary Enterprises revenue on the Statement of Activities, as well as, the University had expended \$1,070,230 related to emergency student grants that is included in Student Services expense on the Statement of Activities. 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. A total of \$3,485,269 of the student portion and \$4,795,024 of the institutional portion is not yet recognized at June 30, 2021 because qualifying expenditures have not yet been incurred.

HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

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

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

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

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

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

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

Advertising Expense

Advertising expenses are expensed as incurred. Non-professional fee overhead advertising expense for the years ended June 30, 2021 and 2020 was \$278,698 and \$708,939 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.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Income Taxes (Continued)

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Measure of Operations

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

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

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

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.

Reclassification

Certain 2020 amounts in the accompanying financial statements have been reclassified to conform to the 2021 presentation. These reclassifications have no impact on total net assets; it only impacts the classification.

HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases* (Topic 842). This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The University adopted the requirements of the guidance effective July 1, 2020 and has elected to apply the provisions of this standard to the beginning of the period of adoption. There was no cumulative effect of the change in accounting of the beginning of the period of adoption. The University has not elected to adopt the package of practical expedients available in the year of adoption. The University has not elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the University's ROU assets.

In August 2018, FASB issued ASU 2018-13, *Fair Value Measurement* (Topic 820). The ASU removes and modifies disclosures requirements. Under the standard, modified and additional disclosures are included in the financial statements. The University has adopted this standard retrospectively.

In March 2019, FASB issued ASU 2019-03, *Updating the Definition of Collections* (Topic 958). The standard improves the definition of collections in the Master Glossary by realigning it with the definition used in the American Alliance of Museums' (AAM) Code of Ethics for Museums (the Code). Under the standard, an additional disclosure is included in the financial statements. The University has adopted this standard retrospectively.

Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2021, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2021. Management has performed their analysis through October 21, 2021, the date the financial statements were available to be issued.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 CONTRIBUTIONS RECEIVABLE

For the year ended June 30, 2021 contributions receivable included four pledges receivable that represented 68% of the receivable balance. For the year ended June 30, 2020, contributions receivable included one receivable from a matured bequest and one pledge receivable that represented 69% of the receivable balance. Contributions receivable are summarized as follows at June 30:

	2021	2020
Unconditional Promises Expected to be Collected in:		
Less Than One Year	\$ 1,189,850	\$ 5,165,119
One to Five Years	1,787,099	1,972,475
More than Five Years	592,500	452,500
Total Contributions	3,569,449	7,590,094
Allowance	-	-
Discount (0.46% and 0.18% for 2021 and 2020, Respectively)	(84,930)	(95,487)
Total Contributions, Net of Discount and Allowance	\$ 3,484,519	\$ 7,494,607

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, 2021 and 2020, student loans represented 1.1% and 1.6% of total assets, respectively.

At June 30, student loans consisted of the following:

	2021	2020
Federal Government Programs	\$ 2,729,041	\$ 3,554,999
Institutional Programs	18,355	16,300
Student Loan Receivable, Net	\$ 2,747,396	\$ 3,571,299

Funds advanced by the federal government of \$2,911,194 and \$3,693,744 at June 30, 2021 and 2020, respectively, are ultimately refundable to the government and are classified as liabilities in the balance sheet. During 2021 and 2020, 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.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3 STUDENT LOANS RECEIVABLE (CONTINUED)

At June 30, 2021 and 2020, 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
2021	\$ 116,248	\$ 33,282	\$ 806,139	\$ 955,669
2020	\$ 136,505	\$ 36,717	\$ 919,325	\$ 1,092,547

NOTE 4 INVESTMENTS

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

	Fair Value	
	2021	2020
Equities:		
Domestic	\$ 71,859,980	\$ 53,448,706
International	28,790,108	19,385,743
Subtotal Equities	<u>100,650,088</u>	<u>72,834,449</u>
Multi-Faceted Bonds	32,389,956	23,456,310
Private Equity, Hedge Funds, and Real Assets	2,740,774	2,811,281
Cash and Short-Term Investments	2,280,609	1,686,263
Other	69,571	59,482
Total Investments	<u>\$ 138,130,998</u>	<u>\$ 100,847,785</u>

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.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4 INVESTMENTS (CONTINUED)

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

	Fair Value	
	2021	2020
Private Equity	\$ 1,627,178	\$ 1,594,641
Real Assets	1,113,596	1,216,640
Total Alternative Investments	<u>\$ 2,740,774</u>	<u>\$ 2,811,281</u>

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

A certain portion of the U.S. Equities and Non-U.S. Equities are in pooled funds. At June 30, 2021 and 2020, the amount of pooled funds that include the University's assets was \$61,806,889 and \$49,786,595 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:

	2021	2020
Endowment Funds	\$ 137,006,749	\$ 99,802,999
Split-Interest Agreements	967,358	885,721
Unrestricted Investments	156,891	159,065
Total Investments	<u>\$ 138,130,998</u>	<u>\$ 100,847,785</u>

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.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 5 FAIR VALUE MEASUREMENTS

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

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>
June 30, 2020	Level 1	Level 2	Level 3	No Level	Total
Investments:					
Fixed Income - Multifaceted Bonds	\$ 327,215	\$ -	\$ -	\$ -	\$ 327,215
Fixed Income Collective Funds					
Measured at Net Asset Value	-	-	-	23,129,095	23,129,095
Equities - Domestic	11,239,978	-	-	-	11,239,978
Equity Collective Funds Measured at Net Asset Value	-	-	-	42,835,801	42,835,801
Equity Long/Short Fund of Funds					
Measured at Net Asset Value	-	-	-	18,758,670	18,758,670
Liquid Alternative Investments					
Measured at Net Asset Value	-	-	-	2,811,281	2,811,281
Other	25,451	-	-	-	25,451
Total Investments	11,592,644	-	-	87,534,847	99,127,491
Beneficial Interest in Trusts	-	-	2,318,481	-	2,318,481
Total	<u>\$ 11,592,644</u>	<u>\$ -</u>	<u>\$ 2,318,481</u>	<u>\$ 87,534,847</u>	<u>\$ 101,445,972</u>

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:

	2021	2020
Total Investments	<u>\$ 138,130,998</u>	<u>\$ 100,847,785</u>
Investments Not Measured at Fair Value on a Recurring Basis:		
Cash and Cash Equivalents	(2,280,609)	(1,686,263)
Cash Surrender Value of Life Insurance Policies	<u>(36,547)</u>	<u>(34,031)</u>
Total Investments Measured at Fair Value on a Recurring Basis	<u>\$ 135,813,842</u>	<u>\$ 99,127,491</u>

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2021:

Balances as of 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 as of June 30, 2021	<u>\$ 2,543,992</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, 2020:

Balances as of July 1, 2019	\$ 1,508,036
Net Realized and Unrealized	
Losses on Investments	(389,922)
Transfers In	-
Transfers Out	-
Investment Income	-
Purchases of Investments	1,411,148
Sales of Investments	(210,781)
Balances as of June 30, 2020	<u>\$ 2,318,481</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.

Instrument	Fair Value		Principal Valuation Technique	Unobservable Inputs	Range (Weighted Average)
	2021	2020			
Beneficial Interest in Trusts	\$ 2,543,992	\$ 2,318,481	Fair Value of Trust Investments	Time Period of Trust	N/A - 6.00% 3.86%

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

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

Net Asset Value

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

Fair value measurements of investments that calculate net asset value per Share (or its equivalent) as of June 30, 2020:

	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Equity Collective Funds	\$ 42,835,801	\$ -	Monthly/Annually	2 - 60 Days
Fixed Income Collective Funds	23,129,095	-	Monthly/Annually	2 - 60 Days
Equity Long/Short Fund of Funds	18,758,670	-	Annually	75 Days
Private Equity	1,594,641	502,467	Not Available	Not Available
Real Estate Funds	1,216,640	1,722,673	Not Available	Not Available

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

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

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

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

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

Net Asset Value (Continued)

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:

	2021	2020
Dividend and Interest	\$ 1,771,955	\$ 1,567,613
Advisory Fees	(544,471)	(705,261)
Net Realized and Unrealized Gains	30,166,706	2,761,391
Gain on Assets Held for Investment	31,394,190	3,623,743
Investment Income on Short-Term Investments	502,218	329,130
Total Net Gain on Investments	31,896,408	3,952,873
Investment Gain Designated for Current Operations	521,061	901,920
Investment Gain in Excess of Amount Designated for Current Operations	<u>\$ 31,375,347</u>	<u>\$ 3,050,953</u>

NOTE 7 PROPERTY, PLANT, AND EQUIPMENT

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

	2021	2020
Land	\$ 3,028,079	\$ 3,028,079
Land Improvements	9,355,308	9,263,881
Buildings and Building Improvements	153,311,702	152,605,306
Equipment	36,629,859	35,320,765
Academic Collection	11,482,722	11,175,744
Property, Plant, and Equipment	213,807,670	211,393,775
Less: Accumulated Depreciation	(128,731,266)	(123,379,388)
Subtotal Property, Plant, and Equipment, Net of Accumulated Depreciation	85,076,404	88,014,387
Construction in Process	276,900	71,294
Total	<u>\$ 85,353,304</u>	<u>\$ 88,085,681</u>

Total depreciation expense was \$5,351,878 and \$5,833,410 for the years ended June 30, 2021 and 2020, respectively.

HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021 and 2020, in making the calculation.

Investments held by the University under split-interest agreements totaled \$967,358 and \$885,721 at June 30, 2021 and 2020, respectively.

For charitable remainder trusts for which Hamline is not the trustee the value of the beneficial interest in the remainder trusts is recorded when the trust agreement has been received and there is sufficient information available to value the agreement. The amount recorded is the beneficial interest which is the net expected benefit to be received. This is determined as the difference between the fair value of the trust assets and the actuarial liability. The actuarial liability is adjusted annually using actuarial tables appropriate for the type of arrangement, number of lives covered, and age and gender characteristics of the donor. The University used an interest rate of 6% at June 30, 2021 and 2020 in making the calculation.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 9 LONG-TERM DEBT

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

<u>Description</u>	<u>2021</u>	<u>2020</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 \$3,613,619 of bond premium in 2021. The balance includes \$289,784 of bond issuance costs in 2021. The bonds are secured by a reserve account in the amount of \$2,393,496 and \$2,414,518 at June 30, 2021 and 2020.	\$ 36,133,619	\$ 37,050,412
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 \$6,535,052 at June 30, 2021.	9,725,000	-
MHEFA Revenue Note, Series 2017A, bearing interest at 2.41%, interest is payable monthly beginning August 1, 2017 to October 1, 2026 (Original amount of \$6,726,000). The proceeds were used for prepaying the Series Seven L note (\$4,000,000) plus one months accrued interest. In addition to the proceeds were used to fund the defeasance on an advance basis the Series Seven K1 remaining principal of \$2,755,000 plus remaining interest. On September 30, 2020, the entire remaining principal amount and accrued interest in the total amount of \$5,368,638 was paid in full. The remaining bond issuance cost of \$79,949 was expensed and recognized as interest expense during the year ended June 30, 2021. In addition, \$129,988 in prepayment penalties were incurred and charged as expense in the same period.	-	5,356,000
MHEFA Bonds of 2013, Series Seven Y2, bearing interest at 1.47%, interest is payable monthly beginning November 1, 2013 to October 1, 2025 (Original amount of \$6,210,000). The proceeds were used for refunding the Series Six E2 bonds. On June 29, 2021, the entire remaining principal amount in the amount of \$2,975,000 was paid in full with the proceeds of MHEFA Revenue and Refunding Note, Series 2021.	-	3,510,000
Subtotal	45,858,619	45,916,412
Less: Unamortized Bond Issuance Costs and Unamortized Defeased Loss	(327,760)	(434,564)
Total	\$ 45,530,859	\$ 45,481,848

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 9 LONG-TERM DEBT (CONTINUED)

As of June 30, 2021, 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>
2022	\$ 1,585,000
2023	1,660,000
2024	1,725,000
2025	1,795,000
2026	1,860,000
Thereafter	33,620,000
Total Long-Term Debt	<u>\$ 42,245,000</u>

Total interest expense and amortization on debt was \$1,865,471 and \$1,868,144 for the years ended June 30, 2021 and 2020, respectively. Included in those amounts is \$99,998 and -\$101,055 of bond issuance net of bond premium amortization for the years ended June 30, 2021 and 2020, 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	\$ 1,338,165	\$ 61,910
2023	1,187,301	61,910
2024	196,231	32,115
2025	61,304	2,724
2026	42,861	-
Thereafter	314,220	-
Total	<u>3,140,082</u>	<u>158,659</u>
Amount Representing Interest	<u>(193,985)</u>	<u>(8,722)</u>
Total Lease Liability	<u>\$ 2,946,097</u>	<u>\$ 149,937</u>

Rental expense for the years ended June 30, 2021 and 2020 was \$1,298,945 and \$1,273,763 respectively. Included in those amounts is \$720,411 and \$712,740 of rental expense for office space for the years ended June 30, 2021 and 2020, respectively.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 10 LEASES (CONTINUED)

	2021
Lease Cost:	
Finance Lease Cost:	\$ 210,811
Amortization of Right-of-Use Assets	59,240
Interest on Lease Liabilities	1,036
Operating Lease Cost	4,384,567
Sublease Income	(462,451)
Total Lease Cost	4,193,203
Other Information:	
Operating Cash Flows from Financing Leases	60,276
Operating Cash Flows from Operating Leases	1,455,769
Financing Cash Flows from Financing Leases	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	4,384,567
Weighted-Average Remaining Lease Term - Financing Lease	2.44
Weighted-Average Remaining Lease Term - Operating Lease	3.02
Weighted-Average Discount Rate - Financing Leases	2.23%
Weighted-Average Discount Rate - Operating Leases	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 2021 and 2020. Principal is repayable on May 17, 2022, which is the expiration date of the agreement. At June 30, 2021 and 2020, the University had no borrowings under this agreement. The interest rate on this line of credit was 2.17% at June 30, 2021 and 2.78% at June 30, 2020.

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, 2022, which is the expiration date of the agreement. At June 30, 2021 and 2020, the University had no borrowings under this agreement.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 12 ENDOWMENT

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

It is the policy of the board to spend 4.5% of the rolling three-year market value of the Endowment assets. At its discretion the board may change the targeted spending rate in any one year to achieve the strategic objectives of the University. During fiscal 2021 and 2020, the University endowment appropriation designated for current operations was \$4,360,439 and \$4,132,697, 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, 2021, there were no funds with deficiencies. As of June 30, 2020, funds with original gift values of \$6,135,844, and fair values of \$6,032,688, and deficiencies of \$103,156 were reported in net assets with donor restrictions. Deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new with donor restrictions invested in perpetuity contributions and continued appropriations for certain programs that was deemed prudent by the board of trustees.

Endowment by Net Asset Class

	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>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 87,575,924	\$ 87,575,924
Board-Designated Endowment Funds	12,983,697	-	12,983,697
Total Funds	<u>\$ 12,983,697</u>	<u>\$ 87,575,924</u>	<u>\$ 100,559,621</u>

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 12 ENDOWMENT (CONTINUED)

Changes in Endowment Net Assets

	2021		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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>
	2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 13,096,395	\$ 87,453,456	\$ 100,549,851
Investment Return	3,983,144	(932,191)	3,050,953
Contributions	35,082	926,138	961,220
Appropriation of Endowment Assets for Expenditure	(4,132,697)	-	(4,132,697)
Other	1,773	128,521	130,294
Endowment Net Assets, End of Year	<u>\$ 12,983,697</u>	<u>\$ 87,575,924</u>	<u>\$ 100,559,621</u>

NOTE 13 RESTRICTIONS AND LIMITATION ON NET ASSET BALANCES

The board has designated \$25,984,583 and \$12,983,697 of net assets without donor restriction as funds functioning as endowment as of June 30, 2021 and 2020, respectively.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 13 RESTRICTIONS AND LIMITATION ON NET ASSET BALANCES (CONTINUED)

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

	2021	2020
Donor-Restricted Net Assets not invested in Perpetuity:		
Program Support	\$ 7,772,569	\$ 12,010,239
Physical Plant Acquisition	795,792	796,379
Accumulated Earnings from Endowment Funds		
Subject to Donor Restrictions	38,419,527	16,908,825
Underwater Endowment	-	(103,156)
Split-Interest Agreements	262,425	192,864
Total Donor-Restricted Net Assets not Invested in Perpetuity	47,250,313	29,805,151
 Donor-Restricted Net Assets Invested in Perpetuity:		
Endowment	73,684,692	70,770,255
Split-Interest Agreements	2,658,024	2,357,005
Gifts Designated for Student Loans	42,544	42,544
Total Donor-Restricted Net Assets Invested in Perpetuity	76,385,260	73,169,804
 Total Net Assets with Donor Restrictions	\$ 123,635,573	\$ 102,974,955

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:

	2021	2020
Operating:		
Scholarship Support	\$ 2,175,833	\$ 2,030,547
Other Instructional Support	412,905	2,194,195
Operating Budget Support	-	935,131
Total Operating Net Assets Released from Restriction	2,588,738	5,159,873
 Total Net Assets Released from Restriction	\$ 2,588,738	\$ 5,159,873

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 14 EXPENSES BY FUNCTION AND NATURAL CLASSIFICATION

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

Expenses are categorized as a functional expense as follows:

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

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

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

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

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

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

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

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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, 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
Total Expenses	\$ 57,152,798	\$ 12,462,316	\$ 1,149,481	\$ 70,764,595

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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, 2020:

	Program Activities	Support Activities		Total
		Institutional Support	Fundraising	
Salaries and Wages (Incl. Students)	\$ 25,150,762	\$ 6,824,715	\$ 925,974	\$ 32,901,451
Employee Benefits	6,980,504	1,741,157	191,061	8,912,722
Professional Services	5,093,702	1,256,155	93,140	6,442,997
Dining Service	2,875,561	-	-	2,875,561
Advertising and Promotion	1,403,856	541,382	11,271	1,956,509
Office Expenses	3,048,931	1,054,173	102,812	4,205,916
General, Program, Other Expense	3,867,554	350,245	66,377	4,284,176
Travel	1,593,167	238,928	27,973	1,860,068
Information Technology	913,229	2,142,172	6,948	3,062,349
Facility Overhead Expense	5,400,296	291,084	18,198	5,709,578
Interest	1,754,187	107,803	6,154	1,868,144
Depreciation and Amortization	6,106,026	343,204	19,591	6,468,821
Total Expenses	<u>\$ 64,187,775</u>	<u>\$ 14,891,018</u>	<u>\$ 1,469,499</u>	<u>\$ 80,548,292</u>

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

	2021	2020
Beginning Balance	\$ 889,655	\$ 1,190,705
Additions	4,890	15,991
Expense	(34,606)	(317,041)
Ending Balance	<u>\$ 859,939</u>	<u>\$ 889,655</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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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, 2021, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	2021	2020
Cash and Cash Equivalents	\$ -	\$ 5,006,384
Contributions for General Expenditures Due in One Year or Less	600,591	5,165,119
Accounts Receivable, Net	5,264,560	5,982,747
Investments	25,984,583	12,983,697
Investments Appropriated for Current Use	797,883	765,077
Total Financial Assets	\$ 32,647,617	\$ 29,903,024

Board-designated endowment in the amount of \$25,984,583 and \$12,983,697 at June 30, 2021 and 2020, 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 \$1,778,951 and \$1,910,631 for the years ended June 30, 2021 and 2020, 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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 17 OTHER POSTRETIREMENT BENEFITS (CONTINUED)

	2021	2020
Accumulated Postretirement Benefit Obligation:		
Retirees	\$ 887,072	\$ 909,204
Fully Eligible Active Plan Participants	-	-
Accrued Postretirement Benefit Cost Included in Accounts Payable and Accrued Expenses	\$ 887,072	\$ 909,204

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 \$2,920,450 and \$3,072,500 for the years ended June 30, 2021 and 2020, respectively.

The University contracts with a board member's firm for construction projects. The University has a conflict of interest policy in place which is updated annually and also performs an independent third party review of these contracts. The expenditures paid were \$34,532 and \$167,556 for the years ended June 30, 2021 and 2020, 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. Students are able to earn dual degrees through the school's affiliation with Hamline University.

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.

**HAMLIN UNIVERSITY OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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

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 \$308,823 and \$411,764 of accounts receivable as of June 30, 2021 and 2020, respectively.

Ongoing financial consideration relates to an agreement that MHSL will pay to the University within a designated length of time following each fiscal year-end, a percentage of that fiscal year's net tuition revenue as defined by the terms of the combination's Definitive Agreement. That agreement resulted in revenue of \$169,622 and \$113,617 for the years ended June 30, 2021 and 2020, 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 \$3,561 and \$3,801 for years ended June 30, 2021 and 2020.

NOTE 20 COMMITMENTS AND CONTINGENCIES

For the years ended June 30, 2021 and 2020, 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, 2021, the amount and likelihood of loss is not determined. The University believes these claims are without merit and intends to vigorously defend the matters.

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