

Hamm Memorial Psychiatric Clinic

St. Paul, Minnesota

Financial Statements

Years Ended June 30, 2020 and 2019



WIPFLI

Independent Auditor's Report

Board of Directors
Hamm Memorial Psychiatric Clinic
St. Paul, Minnesota

We have audited the accompanying financial statements of Hamm Memorial Psychiatric Clinic, which comprise the balance sheets as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, 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; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hamm Memorial Psychiatric Clinic as of June 30, 2020 and 2019, 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.

Wipfli LLP

Wipfli LLP

November 3, 2020
Minneapolis, Minnesota

Hamm Memorial Psychiatric Clinic

Balance Sheets

June 30,	2020	2019
Current assets:		
Cash and cash equivalents	\$ 1,495,094	\$ 819,112
Investments	400,400	701,017
Receivables:		
Patient accounts - Net	159,701	122,786
Other	30,010	1,393
Prepaid expenses	50,821	44,417
Total current assets	2,136,026	1,688,725
Property and equipment:		
Furniture and fixtures	78,365	78,365
Equipment	70,638	70,638
Leasehold improvements	15,854	15,854
Office electronics	339,724	339,724
Total property and equipment	504,581	504,581
Less - Accumulated depreciation	493,310	485,473
Property and equipment - Net	11,271	19,108
Other assets -		
The Saint Paul Foundation - Endowment funds	424,949	454,012
TOTAL ASSETS	\$ 2,572,246	\$ 2,161,845

Hamm Memorial Psychiatric Clinic

Balance Sheets (Continued)

June 30,	2020	2019
Current liabilities:		
Current portion of capital lease	\$ 3,003	\$ 2,821
Current maturities of paycheck protection program loan payable	138,620	-
Accounts payable	52,072	35,192
Accrued expenses	174,375	123,305
Refundable advance	10,000	-
Total current liabilities	378,070	161,318
Long-term liabilities:		
Long-term capital lease obligations - Less current portion	8,682	11,684
Paycheck protection program loan payable - Net	174,580	-
Total long-term liabilities	183,262	11,684
Total liabilities	561,332	173,002
Net assets:		
Without donor restrictions	1,557,173	1,534,581
With donor restrictions	453,741	454,262
Total net assets	2,010,914	1,988,843
TOTAL LIABILITIES AND NET ASSETS	\$ 2,572,246	\$ 2,161,845

See accompanying notes to financial statements.

Hamm Memorial Psychiatric Clinic

Statements of Activities

Year Ended June 30, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Revenue:			
Net patient service revenue - Net of contractual allowance and discounts	\$ 1,068,413	\$ -	\$ 1,068,413
Less - Provision for doubtful accounts	48,546	-	48,546
Net patient fees and contracts, less provision for doubtful accounts	1,019,867	-	1,019,867
Seminar fee and other	41,374	-	41,374
Total revenue	1,061,241	-	1,061,241
Other support:			
Contributions	1,617,809	11,569	1,629,378
Investment income	10,699	-	10,699
Investment return - Endowment funds	-	(11,189)	(11,189)
Net assets released from restrictions	901	(901)	-
Total other support	1,629,409	(521)	1,628,888
Total revenue and other support	2,690,650	(521)	2,690,129
Expenses:			
Program services	1,890,664	-	1,890,664
Management and general	691,052	-	691,052
Fundraising	86,342	-	86,342
Total expenses	2,668,058	-	2,668,058
Change in net assets	22,592	(521)	22,071
Net assets at beginning	1,534,581	454,262	1,988,843
Net assets at end	\$ 1,557,173	\$ 453,741	\$ 2,010,914

Hamm Memorial Psychiatric Clinic

Statements of Activities (Continued)

Year Ended June 30, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Revenue:			
Patient fees and contract revenue - Net of contractual allowances and discounts	\$ 1,078,431	\$ -	\$ 1,078,431
Less - Provision for doubtful accounts	18,137	-	18,137
Net patient fees and contract revenue, less provision for doubtful accounts	1,060,294	-	1,060,294
Seminar fee and other	11,711	-	11,711
Total revenue	1,072,005	-	1,072,005
Other support:			
Contributions	1,609,778	2,950	1,612,728
Investment income	23,524	-	23,524
Investment return - Endowment funds	-	(558)	(558)
Net assets released from restrictions	20,000	(20,000)	-
Total other support	1,653,302	(17,608)	1,635,694
Total revenue and other support	2,725,307	(17,608)	2,707,699
Expenses:			
Program services	1,957,331	-	1,957,331
Management and general	557,824	-	557,824
Fundraising	64,379	-	64,379
Total expenses	2,579,534	-	2,579,534
Change in net assets from operations	145,773	(17,608)	128,165
Net assets at beginning	1,388,808	471,870	1,860,678
Net assets at end	\$ 1,534,581	\$ 454,262	\$ 1,988,843

See accompanying notes to financial statements.

Hamm Memorial Psychiatric Clinic

Statements of Functional Expenses

Year Ended June 30, 2020	Clinical Services	Training and Professional Development	Research and Publication	Community Outreach	Total Program	Management and General	Fundraising	Total
Salaries	\$ 1,143,966	\$ 162,142	\$ 16,885	\$ 3,563	\$ 1,326,556	\$ 325,324	\$ 24,475	\$ 1,676,355
Employee benefits	246,653	36,325	4,168	880	288,026	79,639	6,042	373,707
Professional fee	46,544	4,773	9,104	60	60,481	215,652	32,466	308,599
Occupancy	145,421	21,377	2,062	1,611	170,471	25,837	3,810	200,118
Depreciation	3,919	-	-	-	3,919	3,918	-	7,837
Office supplies	8,728	1,293	148	31	10,200	6,219	215	16,634
Miscellaneous	25,661	4,557	41	752	31,011	34,463	19,334	84,808
Totals	\$ 1,620,892	\$ 230,467	\$ 32,408	\$ 6,897	\$ 1,890,664	\$ 691,052	\$ 86,342	\$ 2,668,058

Year Ended June 30, 2019	Clinical Services	Training and Professional Development	Research and Publication	Community Outreach	Total Program	Management and General	Fundraising	Total
Salaries	\$ 1,093,113	\$ 244,398	\$ 18,532	\$ 30,692	\$ 1,386,735	\$ 195,519	\$ 23,021	\$ 1,605,275
Employee benefits	212,192	55,312	4,404	7,294	279,202	45,631	5,471	330,304
Professional fee	46,383	8,147	6,314	518	61,362	220,076	22,101	303,539
Occupancy	151,493	26,386	2,293	2,784	182,956	23,197	4,019	210,172
Depreciation	4,941	-	-	-	4,941	4,942	-	9,883
Office supplies	7,796	2,055	164	271	10,286	5,072	203	15,561
Miscellaneous	20,269	3,344	31	8,205	31,849	63,387	9,564	104,800
Totals	\$ 1,536,187	\$ 339,642	\$ 31,738	\$ 49,764	\$ 1,957,331	\$ 557,824	\$ 64,379	\$ 2,579,534

See accompanying notes to financial statements.

Hamm Memorial Psychiatric Clinic

Statements of Cash Flows

Year Ended June 30,	2020	2019
Change in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 22,071	\$ 128,165
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Net unrealized and realized gains	(610)	(3,842)
Depreciation	7,837	9,883
Provision for doubtful accounts	48,546	18,137
Investment return - Endowment funds	11,189	558
Contributions restricted for endowment	(250)	(2,700)
Changes in operating assets and liabilities:		
Patient accounts receivable	(85,461)	(60,251)
Other receivables	(28,617)	357
Prepaid expenses	(6,404)	(14,721)
Accounts payable	16,880	9,505
Accrued expenses	51,070	(43,629)
Refundable advance	10,000	-
Total adjustments	24,180	(86,703)
Net cash flows from operating activities	46,251	41,462
Cash flows from investing activities:		
Change in investments	400,000	300,000
Disbursements from endowment funds	18,124	-
Net cash flows from investing activities	418,124	300,000
Cash flows from financing activities:		
Principal payments on capital lease obligations	(2,820)	(2,303)
Proceeds from paycheck protection program loan	313,200	-
Net cash flows from financing activities	310,380	(2,303)
Net change in cash and cash equivalents	774,755	339,159
Cash and cash equivalents at beginning	1,120,739	781,580
Cash and cash equivalents at end	\$ 1,895,494	\$ 1,120,739

Hamm Memorial Psychiatric Clinic

Statements of Cash Flows (Continued)

	2020	2019
Noncash investing and financing activities:		
Capital lease addition entered into for equipment	\$ -	\$ 15,630
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents	\$ 1,495,094	\$ 819,112
Cash and cash equivalents in investments	400,400	301,627
Cash and cash equivalents at end	\$ 1,895,494	\$ 1,120,739

See accompanying notes to financial statements.

Hamm Memorial Psychiatric Clinic

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Description of Organization

Hamm Memorial Psychiatric Clinic (the "Clinic") provides a variety of outpatient mental health and related services to adults and operates in the Twin Cities metropolitan area.

The Clinic offers a full spectrum of outpatient mental health services in English and Spanish, including:

Clinical Services - The Clinic seeks to treat symptoms and also to help clients gain insight into and understanding of their behavior. The Clinic team comprises clinical social workers, psychologists, and psychiatrists working together to improve mental health.

Training and Professional Development - The Clinic's training program provides specialized training and education for graduates and post-graduates in clinical social work, psychology, and psychiatry. The Clinic's comprehensive approach to training enables students to provide direct client care under close supervision.

Research and Publication - The Clinic conducts effectiveness research. Effectiveness research seeks to determine whether the treatment at the Clinic is effective in a community mental health center setting with a variety of clients.

Community Outreach - The Clinic works to educate the public about mental health issues and promotes the value of good mental health. It also works to be a voice in the community for persons with mental illness and to improve public awareness of the scope of influence adult mental illness has on the community.

Financial Statement Presentation

The Clinic follows accounting standards set by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The ASC is the single source of authoritative accounting principles generally accepted in the United States (GAAP) to be applied to nongovernmental entities.

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying financial statements in conformity with GAAP requires management to make certain estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

Cash Equivalents

The Clinic considers highly liquid debt instruments with an original maturity of three months or less to be cash equivalents, excluding amounts held as short-term investments or that are restricted.

Hamm Memorial Psychiatric Clinic

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Receivables and Credit Policy

Patient Accounts

Patient accounts receivable are uncollateralized patient obligations that are stated at the amount management expects to collect from outstanding balances. Most patients are local residents. The Clinic bills third-party payers on the patients' behalf, or if a patient is uninsured, that patient is billed directly. Once claims are settled with the primary payer, any secondary insurance is billed, and patients are billed for copay and deductible amounts that are the patients' responsibility. Payments on patient accounts receivable are applied to the specific claim identified on the remittance advice or statement. The Clinic does not have a policy to charge interest on past due accounts.

Patient accounts receivable are recorded in the accompanying balance sheets net of contractual adjustments and an allowance for doubtful accounts, which reflects management's best estimate of the amounts that will not be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross revenue and a credit to patient accounts receivable. In addition, management provides for probable uncollectible amounts through a reduction of gross revenue and a credit to the allowance for doubtful accounts.

In evaluating patient accounts receivable, the Clinic analyzes past results and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. Specifically, for receivables associated with services provided to patients who have third-party coverage, the Clinic analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for doubtful accounts for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely.

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Clinic records a provision for doubtful accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. Payment is required 30 days after receipt of the invoice. Patient accounts receivable past due more than 90 days are individually analyzed for collectability. Accounts for which no payments have been received for five months are written off. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Hamm Memorial Psychiatric Clinic

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Receivables and Credit Policy (Continued)

Other

Other receivables include uncollateralized obligations for services performed and other amounts due to the Clinic. Management believes the other receivables are fully collectible; therefore, no allowance for doubtful accounts was recorded at June 30, 2020, and June 30, 2019.

Investments

Investments are measured at fair value in the accompanying balance sheets. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in revenue and other support without donor restrictions, unless the income or loss is restricted by donor or law.

Fair Value Measurements

Fair value is 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. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Property, Equipment, and Depreciation

Property and equipment acquisitions are recorded at cost or, if donated, at fair value on the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Leasehold improvements are depreciated, and equipment under capital lease obligations is amortized over the shorter period of the estimated useful life or the remaining term of the lease using the straight-line method. Estimated useful lives for leasehold improvements, furniture and fixtures, office electronics, and equipment range from three to seven years.

Purchases of property and equipment having a cost of \$2,000 or more and an estimated useful life of more than one year are capitalized at cost.

Hamm Memorial Psychiatric Clinic

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions consist of investments and otherwise unrestricted amounts that are available for use in carrying out the mission of the Clinic and include those expendable resources which have been designated for special use by the Clinic's Board of Directors. Net assets with donor restrictions are those whose use by the Clinic has been limited by donors to a specific time period or purpose or which have been restricted by donors to be maintained by the Clinic in perpetuity.

Patient Fees and Contracts

The Clinic recognizes patient fee revenue associated with services provided to patients who have third-party payer coverage primarily on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for subsidies given by the Clinic for those unable to pay the billed amounts, the Clinic recognizes revenue on the basis of discounted rates established under the Clinic's uninsured patient policy.

Contributions

Contributions are considered available for use without restriction unless specifically restricted by the donor. Unconditional promises to give cash and other assets to the Clinic are reported at fair value at the date the promise is received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributions are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions.

In-Kind Contributions

Donated goods and services are reflected in the accompanying financial statements at their estimated fair values at the date of receipt to the extent that those services required specialized skills which, if not provided by donations, would have to be purchased by the Clinic. In-kind contributions are presented as a revenue and offsetting program cost.

Functional Expenses

The costs of providing programs and services have been summarized on a functional basis. Salaries and related expenses are allocated based on job descriptions and systematically by management based on the program benefited. Expenses, other than salaries and related expenses, that are not directly identifiable by program or supporting service are allocated systematically by management based on the program benefited.

Hamm Memorial Psychiatric Clinic

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes

The Clinic is a publicly supported tax-exempt corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal income taxes on related income. The Clinic is also exempt from state income taxes under similar provisions of the Minnesota Statutes.

Accounting Pronouncements Adopted

In November 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows, Restricted Cash* (Topic 230). The amendments in ASU No. 2016-18 require that a statement of cash flows explain the change during the period in total cash, cash equivalents, and amounts generally described as restricted cash and cash equivalents. This requires that a reconciliation be shown to reconcile the total cash and cash equivalents on the statement of cash flows to the related captions in the balance sheet. This ASU is effective for the Clinic's year ended June 30, 2020, and has been adopted retrospectively for the year ended June 30, 2019.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The Clinic adopted this standard on July 1, 2019, on a modified prospective basis. Adoption of this standard did not have a material impact on the Clinic's financial statements.

Future Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This new standard supersedes current revenue recognition requirements in FASB ASC (Topic 605), *Revenue Recognition*, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for the Clinic's year ending June 30, 2021. Management is evaluating the impact this pronouncement will have on revenue recognition of the Clinic.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The objective of this ASU is to assist organizations in recognizing the right to use of an asset and its related liability or obligation when there is a contract in place that includes the right to control or direct the use of an identifiable asset. This ASU also includes provisions whereby the majority of leases that have lease terms greater than one year are to be recorded as capital leases on the balance sheet, whereas in the past these leases might have been recorded as either capital leases or operating leases. This ASU is effective for the Clinic's year ending June 30, 2023. Management is evaluating the impact this pronouncement will have on the Clinic.

Hamm Memorial Psychiatric Clinic

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

Subsequent events have been evaluated through November 3, 2020, which is the date the financial statements were available to be issued.

Note 2: Reimbursement Arrangements With Third-Party Payers

The Clinic has agreements with third-party payers, including the Minnesota Department of Human Services (Medicaid) and commercial insurance carriers that provide for reimbursement at amounts which vary from its established rates. The basis for payment to the Clinic under these agreements includes prospectively determined rates and discounts from established charges.

Compliance

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, particularly those related to the Medicaid program, can be subject to government review and interpretation as well as regulatory actions unknown and unasserted at this time. In recent years, federal government activity has increased with respect to investigations and allegations concerning possible violations of regulations by health care providers, which could result in the imposition of significant fines and penalties as well as significant repayments of previously billed and collected revenue from patients' services.

Note 3: Patient Accounts Receivable

Patient accounts receivable - net consisted of the following at June 30:

	2020	2019
Patient accounts receivable	\$ 293,701	\$ 224,786
Less:		
Allowance for contractual adjustment	100,000	100,000
Allowance for doubtful accounts	34,000	2,000
Patient accounts receivable - Net	\$ 159,701	\$ 122,786

Hamm Memorial Psychiatric Clinic

Notes to Financial Statements

Note 4: Investments

Investments consisted of the following at June 30:

	2020	2019
Certificates of deposit - Negotiable	\$ -	\$ 399,390
Cash and cash equivalents	400,400	301,627
Investments	\$ 400,400	\$ 701,017

Investment Income

Investment income, including net realized and unrealized gains (losses) on investments, consisted of the following for the years ended June 30:

	2020	2019
Cash and cash equivalents - Interest income	\$ 5,779	\$ 11,319
Investments:		
Investment income	4,310	8,363
Realized and unrealized gains	610	3,842
Investment income	\$ 10,699	\$ 23,524

Note 5: Fair Value Measurements

The following is a description of the valuation methodologies used for assets measured at fair value.

Certificates of deposit: Certificates of deposit are valued at cost plus accrued interest, which approximates fair value.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Clinic believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value could result in a different fair value measurement at the reporting date.

Hamm Memorial Psychiatric Clinic

Notes to Financial Statements

Note 5: Fair Value Measurements (Continued)

There are no assets measured at fair value at June 30, 2020. The following table sets forth by level, within the fair value hierarchy, the fair value of the Clinic's assets at June 30, 2019:

June 30, 2019	Level 1	Level 2	Level 3	Total Assets at Fair Value
Certificates of deposit - Negotiable	\$ -	\$ 399,390	\$ -	\$ 399,390

Reconciliation of the fair value hierarchy table to the financial statements was as follows at June 30:

	2020	2019
Investments per balance sheets	\$ 400,400	\$ 701,017
Less:		
Cash and cash equivalents	(400,400)	(301,627)
Totals from the fair value hierarchy table	\$ -	\$ 399,390

Note 6: Liquidity

The following reflects the Clinic's financial assets and liquidity as of the balance sheet dates, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet dates. Financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled capital lease or debt payments, and capital items, were as follows at June 30:

	2020	2019
Cash and cash equivalents	\$ 1,495,094	\$ 819,112
Investments	400,400	701,017
Patient accounts receivable - Net	159,701	122,786
Total financial assets available for general expenditure within one year	\$ 2,055,195	\$ 1,642,915

Note 7: Lease Commitments

The Clinic leases a copier under a capital lease. The copier lease obligation at an imputed interest rate of 4.606%, with payments due in monthly installments of \$168.22, matured in January 2019. The Clinic then entered into a new lease obligation at an imputed interest rate of 6.25%, with payments due in monthly installments of \$304 through January 2024, collateralized by the leased equipment.

Hamm Memorial Psychiatric Clinic

Notes to Financial Statements

Note 7: Lease Commitments (Continued)

Future minimum payments under the capital lease obligation consist of the following at June 30, 2020:

2021	\$	3,648
2022		3,648
2023		3,648
2024		2,128
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Total		13,072
Less - Amount representing interest		1,387
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Present value of minimum lease payments		11,685
Less - Current portion		3,003
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Long-term capital lease obligations	\$	8,682
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Cost of equipment under the capital lease obligation, which is included in equipment, was \$15,630 at June 30, 2020 and 2019. Accumulated depreciation of equipment under the capital lease obligation was \$4,429 and \$1,303 at June 30, 2020 and 2019, respectively.

The Clinic leases office space under an operating lease. A lease was signed on April 6, 2012, for a term of five years and three months. The original lease expired on June 30, 2017. A lease amendment was signed on June 9, 2017, for a three-year term. The amended lease expired on June 30, 2020. The Clinic currently rents the office space on a month to month basis until a new lease agreement is signed.

Rent expense was \$148,975 and \$154,454 for the years ended June 30, 2020 and 2019, respectively.

Note 8: Paycheck Protection Program Loan

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") created and funded the Small Business Administration (SBA) Paycheck Protection Program (PPP) to provide loans designated to help small businesses cover their near-term operating expenses and to provide an incentive to retain their employees during the COVID-19 crisis. The Clinic applied for and was approved for a loan of \$313,200 that may be partially or fully forgiven based on the level of employee retention and if utilized for payroll costs, mortgage obligations, rent, or utilities within a specified covered period and in accordance with the terms and conditions of the PPP loan. The portion of the loan that is not forgiven, if any, will have a maturity of April 15, 2022, and will bear interest at 1%.

Hamm Memorial Psychiatric Clinic

Notes to Financial Statements

Note 9: Net Assets With Donor Restrictions

Net assets with donor restrictions include assets set aside in accordance with donor restrictions as to time or use. Net assets with donor restrictions were available for the following purposes at June 30:

	2020	2019
Held for addition to Dr. James J. Jordan Endowment for Psychiatry	\$ 6,200	\$ 250
COVID-19 costs and education	5,369	-
Held for psychiatry training	17,223	-
Endowment to be held in perpetuity - Nonprofit endowment - Held at the Foundation	21,047	22,663
Endowment to be held in perpetuity - Dr. James J. Jordan Endowment for Psychiatry - Held at the Foundation	403,902	431,349
Totals	\$ 453,741	\$ 454,262

As a result of having incurred expenditures that satisfied donor restrictions, the Clinic released \$901 and \$20,000 of net assets from restrictions during the year ended June 30, 2020 and 2019, respectively.

Note 10: Endowment

The nonprofit endowment fund is held at the St. Paul Foundation (the "Foundation") in a separate fund designated as the Shawn Marie Hart/Eleanor Fitzpatrick Fund. The Clinic's agreement with the Foundation requires that income of the nonprofit endowment fund be distributed to the Clinic subject to the Foundation's Board of Trustees approval and spending rate restrictions. Principal is not to be used to supplement, augment, or add to the general operating budget of the Clinic.

The Dr. James J. Jordan Endowment for Psychiatry is also held at the Foundation in a separate fund. Like the nonprofit endowment fund, the Clinic's agreement with the Foundation requires that income of the Dr. James J. Jordan Endowment for Psychiatry be distributed to the Clinic subject to the Foundation's Board of Trustees' approval and spending rate restrictions. Principal is not to be used to supplement, augment, or add to the general operating budget of the Clinic.

Hamm Memorial Psychiatric Clinic

Notes to Financial Statements

Note 10: Endowment (Continued)

Donor-Restricted Endowments

The Clinic is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions until the Board of Directors appropriates such amounts for expenditure and any other purpose restrictions have been met. The Board of Directors of the Clinic has interpreted UPMIFA as requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Clinic considers a fund to be underwater when the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Clinic has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Additionally, in accordance with UPMIFA, the Clinic considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Clinic, and (7) the investment policies of the Clinic.

Changes in endowment net assets for the years ended June 30, are as follows:

	With Donor Restrictions
Balance at June 30, 2018	\$ 451,870
Contributions	2,700
Investment return	(558)
Balance at June 30, 2019	454,012
Contributions	250
Disbursements to be used for donor restricted purpose	(17,223)
Released from restrictions	(901)
Investment return	(11,189)
Balance at June 30, 2020	\$ 424,949

Hamm Memorial Psychiatric Clinic

Notes to Financial Statements

Note 11: Funds Held by Others

The Clinic is a designated grantee of a portion of the Hamm Foundation Fund, the Shawn Marie Hart/Eleanor Fitzpatrick Fund, and the Richey Fund of the Foundation. Any distributions of assets of these funds to the Clinic are at the discretion of the Foundation. Income earned by the funds is distributed to the Clinic on a periodic basis agreed on by both parties. The assets of the funds have not been included in the Clinic's financial statements. Contributions to the Clinic and the market values of the funds were as follows for the years ended June 30:

	2020		2019	
	Market Value	Contributions Paid	Market Value	Contributions Paid
Hamm Foundation Fund	\$ 17,645,561	\$ 731,780	\$ 18,936,097	\$ 704,885
Hamm Memorial Psychiatric Clinic Endowment Fund	121,918	8,212	130,941	5,169
Shawn Marie Hart/Eleanor Fitzpatrick NFP Fund	21,047	901	22,663	896
Shawn Marie Hart/Eleanor Fitzpatrick Designated Fund	156,717	6,700	168,316	6,645
Richey Fund	76,723	3,272	81,986	3,228
Totals	\$ 18,021,966	\$ 750,865	\$ 19,340,003	\$ 720,823

Note 12: Retirement Plan

The Clinic sponsored a retirement plan (the "Plan") that went into effect on July 1, 2006, for all employees. Participation in the Plan was voluntary and was open to employees who had attained the age of 18 and completed three months of service. Beginning January 1, 2010, the Plan was changed to become a discretionary plan in which the Clinic may elect, but is not required, to make a matching contribution. The Clinic elected to reinstate a matching contribution of 4% starting in October 2017. Total matching contributions were \$32,850 and \$42,894 for the years ended June 30, 2020 and 2019, respectively.

Hamm Memorial Psychiatric Clinic

Notes to Financial Statements

Note 13: Patient Fees and Contract Revenue (Net of Contractual Allowances and Discounts)

Patient fees and contract revenue, net of contractual allowances and discounts, consisted of the following for the years ended June 30:

	2020	2019
Medicaid	\$ 438,779	\$ 405,889
Medicare	207,357	199,142
Commercial and other	1,142,311	1,136,334
Private pay	239,550	206,272
Total gross patient fees and contracts revenue	2,027,997	1,947,637
Less - Allowances and discounts	959,584	869,206
Patient fees and contract revenue - Net of contractual allowances and discounts	\$ 1,068,413	\$ 1,078,431

Note 14: Related-Party Transactions

The Clinic receives a significant amount of contributions from related parties. Contributions received from board members, their family members, and related foundations totaled \$664,732 and \$814,037 for the years ended June 30, 2020 and 2019, respectively.

Note 15: Concentration of Credit Risk

Financial instruments that potentially subject the Clinic to credit risk consist principally of accounts receivable and cash deposits in excess of insured limits in financial institutions.

Patient accounts receivable consist of amounts due from patients, their insurers, or governmental agencies (primarily Medicaid) for health care provided to the patients. The majority of the Clinic's patients are from St. Paul, Minnesota, and the surrounding area.

The mix of receivables was as follows at June 30:

	2020	2019
Medicaid	16 %	16 %
Medicare	8	10
Commercial and other	47	67
Private pay	29	7
Totals	100 %	100 %

Hamm Memorial Psychiatric Clinic

Notes to Financial Statements

Note 15: Concentration of Credit Risk (Continued)

The Clinic maintains a depository relationship with an area financial institution that is a Federal Deposit Insurance Corporation (FDIC) insured institution. The Clinic maintains cash in accounts at this institution which is insured by the FDIC up to \$250,000. At June 30, 2020, the Clinic's deposits exceeded the insured limits by approximately \$1,246,000.

Note 16: Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 classifications.