

# Hamm Memorial Psychiatric Clinic

St. Paul, Minnesota

Financial Statements

Years Ended June 30, 2022 and 2021



**WIPFLI**

## Independent Auditor's Report

Board of Directors  
Hamm Memorial Psychiatric Clinic  
St Paul, MN

### ***Opinion***

We have audited the accompanying financial statements of Hamm Memorial Psychiatric Clinic, which comprise the balance sheets as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hamm Memorial Psychiatric Clinic as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are required to be independent of Hamm Memorial Psychiatric Clinic and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hamm Memorial Psychiatric Clinic's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hamm Memorial Psychiatric Clinic's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hamm Memorial Psychiatric Clinic's ability to continue as a going concern for a reasonable period of time.

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



Wipfli LLP

Minneapolis, Minnesota

January 5, 2023

# Hamm Memorial Psychiatric Clinic

## Balance Sheets

June 30,	2022	2021
Current assets:		
Cash and cash equivalents	\$ 1,011,058	\$ 1,794,365
Investments	899,635	496,698
Receivables:		
Patient accounts - Net	183,455	127,399
Other	71,548	39,600
Prepaid expenses	43,814	56,015
<b>Total current assets</b>	<b>2,209,510</b>	<b>2,514,077</b>
Property and equipment:		
Furniture and fixtures	198,784	78,365
Equipment	70,639	70,639
Leasehold improvements	779,600	15,854
Office electronics	355,885	355,885
<b>Total property and equipment</b>	<b>1,404,908</b>	<b>520,743</b>
Less - Accumulated depreciation	519,362	500,356
<b>Property and equipment - Net</b>	<b>885,546</b>	<b>20,387</b>
Other assets:		
Other receivables - Less current portion	30,000	-
The Saint Paul Foundation - Endowment funds	527,162	551,679
<b>Total other assets</b>	<b>557,162</b>	<b>551,679</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,652,218</b>	<b>\$ 3,086,143</b>

# Hamm Memorial Psychiatric Clinic

## Balance Sheets (Continued)

June 30,	2022	2021
Current liabilities:		
Current portion of capital lease	\$ 3,401	\$ 3,196
Accounts payable	205,083	29,032
Accrued expenses	239,386	272,939
Total current liabilities	447,870	305,167
Long-term liabilities -		
Long-term capital lease obligations - Less current portion	2,084	5,486
Total liabilities	449,954	310,653
Net assets:		
Without donor restrictions	2,511,368	2,132,978
With donor restrictions	690,896	642,512
Total net assets	3,202,264	2,775,490
TOTAL LIABILITIES AND NET ASSETS	\$ 3,652,218	\$ 3,086,143

See accompanying notes to financial statements.

# Hamm Memorial Psychiatric Clinic

## Statements of Activities

Year Ended June 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Revenue:			
Patient service revenue - Net	\$ 1,323,125	\$ -	\$ 1,323,125
Seminar fee and other	159,438	-	159,438
<b>Total revenue</b>	<b>1,482,563</b>	<b>-</b>	<b>1,482,563</b>
Other support:			
Grants and contributions	1,988,271	323,200	2,311,471
Contributions of nonfinancial assets	195,746	-	195,746
Investment income	1,762	-	1,762
Investment loss - Endowment funds	-	(20,734)	(20,734)
Net assets released from restrictions	254,082	(254,082)	-
<b>Total other support</b>	<b>2,439,861</b>	<b>48,384</b>	<b>2,488,245</b>
<b>Total revenue and other support</b>	<b>3,922,424</b>	<b>48,384</b>	<b>3,970,808</b>
Expenses:			
Program services	2,708,768	-	2,708,768
Management and general	667,781	-	667,781
Fundraising	167,485	-	167,485
<b>Total expenses</b>	<b>3,544,034</b>	<b>-</b>	<b>3,544,034</b>
Change in net assets	378,390	48,384	426,774
Net assets at beginning	2,132,978	642,512	2,775,490
<b>Net assets at end</b>	<b>\$ 2,511,368</b>	<b>\$ 690,896</b>	<b>\$ 3,202,264</b>

# Hamm Memorial Psychiatric Clinic

## Statements of Activities (Continued)

Year Ended June 30, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Revenue:			
Patient service revenue - Net	\$ 1,253,990	\$ -	\$ 1,253,990
Seminar fee and other	107,494	-	107,494
Total revenue	1,361,484	-	1,361,484
Other support:			
Grants and contributions	1,547,163	221,859	1,769,022
Forgiveness of Paycheck Protection Program loan	313,200	-	313,200
Investment loss	(207)	-	(207)
Investment return - Endowment funds	-	127,959	127,959
Net assets released from restrictions	161,047	(161,047)	-
Total other support	2,021,203	188,771	2,209,974
Total revenue and other support	3,382,687	188,771	3,571,458
Expenses:			
Program services	2,153,804	-	2,153,804
Management and general	537,352	-	537,352
Fundraising	115,726	-	115,726
Total expenses	2,806,882	-	2,806,882
Change in net assets	575,805	188,771	764,576
Net assets at beginning	1,557,173	453,741	2,010,914
Net assets at end	\$ 2,132,978	\$ 642,512	\$ 2,775,490

See accompanying notes to financial statements.

# Hamm Memorial Psychiatric Clinic

## Statements of Functional Expenses

Year Ended June 30, 2022	Clinical Services	Training and Professional Development	Research and Publication	Community Outreach	Total Program	Management and General	Fundraising	Total
Salaries	\$ 1,533,161	\$ 130,058	\$ 19,496	\$ 76,705	\$ 1,759,420	\$ 238,636	\$ 38,353	\$ 2,036,409
Employee benefits	335,464	26,484	4,414	17,656	384,018	48,554	8,828	441,400
Professional fees	253,465	4,475	4,370	908	263,218	231,633	89,306	584,157
Occupancy	184,501	22,443	2,448	5,139	214,531	25,378	4,896	244,805
Depreciation and amortization	9,503	-	-	-	9,503	9,503	-	19,006
Office supplies	13,453	2,635	177	708	16,973	5,209	354	22,536
Miscellaneous	58,431	2,081	99	494	61,105	108,868	25,748	195,721
<b>Totals</b>	<b>\$ 2,387,978</b>	<b>\$ 188,176</b>	<b>\$ 31,004</b>	<b>\$ 101,610</b>	<b>\$ 2,708,768</b>	<b>\$ 667,781</b>	<b>\$ 167,485</b>	<b>\$ 3,544,034</b>

Year Ended June 30, 2021	Clinical Services	Training and Professional Development	Research and Publication	Community Outreach	Total Program	Management and General	Fundraising	Total
Salaries	\$ 1,331,142	\$ 162,166	\$ 10,223	\$ 56,987	\$ 1,560,518	\$ 171,401	\$ 26,530	\$ 1,758,449
Employee benefits	266,448	28,992	2,135	11,901	309,476	35,253	5,540	350,269
Professional fees	49,766	4,310	5,602	617	60,295	227,430	54,712	342,437
Occupancy	148,032	20,157	1,742	3,513	173,444	19,939	3,714	197,097
Depreciation and amortization	3,523	-	-	-	3,523	3,523	-	7,046
Office supplies	10,517	1,191	88	489	12,285	6,605	228	19,118
Miscellaneous	29,888	4,199	27	149	34,263	73,201	25,002	132,466
<b>Totals</b>	<b>\$ 1,839,316</b>	<b>\$ 221,015</b>	<b>\$ 19,817</b>	<b>\$ 73,656</b>	<b>\$ 2,153,804</b>	<b>\$ 537,352</b>	<b>\$ 115,726</b>	<b>\$ 2,806,882</b>

See accompanying notes to financial statements.

# Hamm Memorial Psychiatric Clinic

## Statements of Cash Flows

Year Ended June 30,	2022	2021
Change in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 426,774	\$ 764,576
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	19,006	7,046
Investment (return) loss - Endowment funds	20,734	(127,959)
Contributions restricted for endowment	(16,200)	(17,330)
Forgiveness on paycheck protection program loan payable	-	(313,200)
Changes in operating assets and liabilities:		
Patient accounts receivable	(56,056)	32,302
Other receivables	(61,948)	(9,590)
Prepaid expenses	12,201	(5,194)
Accounts payable	55,632	(23,040)
Accrued expenses	(33,553)	98,564
Refundable advance	-	(10,000)
Total adjustments	(60,184)	(368,401)
Net cash flows from operating activities	366,590	396,175
Cash flows from investing activities:		
Disbursements from endowment funds	19,983	18,559
Purchases of property and equipment	(763,746)	(16,162)
Net cash flows from investing activities	(743,763)	2,397
Cash flows from financing activities -		
Principal payments on capital lease obligations	(3,197)	(3,003)
Net change in cash and cash equivalents	(380,370)	395,569
Cash and cash equivalents at beginning	2,291,063	1,895,494
Cash and cash equivalents at end	\$ 1,910,693	\$ 2,291,063

# Hamm Memorial Psychiatric Clinic

## Statements of Cash Flows (Continued)

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Year Ended June 30,	2022	2021
<b>Noncash investing and financing activities:</b>		
Property and equipment included in accounts payable	\$ 120,419	\$ -
<b>Reconciliation of cash and cash equivalents to the balance sheets:</b>		
Cash and cash equivalents	\$ 1,011,058	\$ 1,794,365
Cash and cash equivalents in investments	899,635	496,698
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Cash and cash equivalents at end	\$ 1,910,693	\$ 2,291,063

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See accompanying notes to financial statements.

# Hamm Memorial Psychiatric Clinic

## Notes to Financial Statements

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### 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 of America (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

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Receivables and Credit Policy**

##### **Patient Accounts**

Patient accounts receivable are reported at the amount that reflects the consideration to which the Clinic expects to be entitled in exchange for providing patient care services. Patient accounts receivable are recorded in the accompanying balance sheets net of contractual adjustments, discounts, and implicit price concessions, which reflects management's estimate of the transaction price. The Clinic estimates the transaction price based on negotiated contractual agreements, historical experience, and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions and is recorded through a reduction of gross revenue and a credit to patient accounts receivable. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. The Clinic does not have a policy to charge interest on past due accounts.

##### **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, 2022 and 2021.

#### **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.

# Hamm Memorial Psychiatric Clinic

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **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.

#### **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 Service Revenue**

Patient service revenue is reported at the amount that reflects the consideration to which the Clinic expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and include variable consideration for retroactive revenue adjustments resulting from settlement of audits, reviews, and investigations. Generally, the Clinic bills the patients and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided. For revenue from services provided to patients of the Clinic, the performance obligation is satisfied as the patient simultaneously receives and consumes the benefits provided as the patient care services are performed. In the case of these services, recognition of the obligation over time yields the same result as recognizing the obligation at a point in time. The Clinic believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

# Hamm Memorial Psychiatric Clinic

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Patient Service Revenue** (Continued)

The Clinic determines the transaction price, which involves significant estimates and judgment, based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Clinic's policy, and implicit price concessions provided to patients. The Clinic determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. The Clinic determines its estimate of implicit price concessions based on its historical collection experience for each patient portfolio based on payor class and service type.

The Clinic has agreements with third-party payors, 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.

#### **Laws and Regulations**

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. Because of investigations by governmental agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which in some instances have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Clinic's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims, or penalties would have upon the Clinic.

The Centers for Medicare and Medicaid Services (CMS) uses recovery audit contractors (RACs) to search for potentially inaccurate Medicare payments that may have been made to health care providers and that were not detected through existing CMS program integrity efforts. Once the RAC identifies a claim it believes is inaccurate, the RAC makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. The Clinic has not been notified by the RAC of any potential significant reimbursement adjustments. In addition, the contracts the Clinic has with commercial payors also provide for retroactive audit and review of claims.

# Hamm Memorial Psychiatric Clinic

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Patient Service Revenue** (Continued)

##### **Accounting for Contractual Arrangements**

Adjustments arising from a change in the transaction price was not significant in 2022 and 2021.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Clinic also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Clinic estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended June 30, 2022 and 2021, was not significant.

Consistent with the Clinic's mission, care is provided to patients regardless of their ability to pay. Therefore, the Clinic has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Clinic expects to collect based on its collection history with those patients.

The promised amount of consideration from patients and third-party payors has not been adjusted for the effects of a significant financing component due to the Clinic's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Clinic does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

All incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Clinic otherwise would have recognized is one year or less in duration.

# Hamm Memorial Psychiatric Clinic

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **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 contributions of nonfinancial assets in the accompanying statements of activities with an 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.

#### **Income Taxes**

The Clinic is a publicly supported tax-exempt corporation as described in Section 501(c)(3) of the Internal Revenue 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.

# Hamm Memorial Psychiatric Clinic

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Accounting Pronouncements Adopted

In September 2020, the FASB issued Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). The objective of this ASU is to assist organizations with the presentation of contributed nonfinancial assets within the statement of activities and to expand disclosures on the various contributed nonfinancial assets recognized, including disaggregated category types, the valuation techniques and inputs used to arrive at fair value, and the policy for either monetizing or utilizing contributed nonfinancial assets. The Clinic adopted this guidance as of July 1, 2021, on a retrospective basis. There was no change to reported net assets or the change in net assets for either period presented.

#### Future Accounting Pronouncements

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.

#### Subsequent Events

Subsequent events have been evaluated through January 5, 2023, which is the date the financial statements were available to be issued.

### Note 2: Receivables - Net

Receivables - net consisted of the following at June 30:

	2022	2021
Patient accounts receivable	\$ 317,455	\$ 261,399
Less: Contractual adjustments and implicit price concessions	134,000	134,000
Patient accounts receivable - Net	183,455	127,399
Other	101,548	39,600
Less: Other - Long term portion	(30,000)	-
Total receivables - Net	\$ 255,003	\$ 166,999

The Clinic's receivables as of July 1, 2020, was \$189,711.

# Hamm Memorial Psychiatric Clinic

## Notes to Financial Statements

### Note 3: Investments

Investments consisted of cash and cash equivalents of \$899,635 and \$496,698 as of June 30, 2022 and 2021, respectively.

#### Investment Income

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

	2022	2021
Cash and cash equivalents - Interest income	\$ 1,659	\$ 1,337
Investments:		
Investment income	103	44
Realized losses	-	(1,588)
Investment income (loss)	\$ 1,762	\$ (207)

### Note 4: 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:

	2022	2021
Cash and cash equivalents	\$ 1,011,058	\$ 1,794,365
Investments	899,635	496,698
Patient accounts receivable - Net	183,455	127,399
Other receivables	71,548	39,600
Total financial assets available for general expenditure within one year	\$ 2,165,696	\$ 2,458,062

# Hamm Memorial Psychiatric Clinic

## Notes to Financial Statements

### Note 5: Lease Commitments

The Clinic leases a copier under a capital lease. The Clinic entered into the 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.

Future minimum payments under the capital lease obligation consist of the following at June 30, 2022:

2023	\$	3,648
2024		2,127
<hr/>		
Total		5,775
Less - Amount representing interest		290
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Present value of minimum lease payments		5,485
Less - Current portion		3,401
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Long-term capital lease obligations	\$	2,084

Cost of equipment under the capital lease obligation, which is included in equipment, was \$15,630 at June 30, 2022 and 2021. Accumulated depreciation of equipment under the capital lease obligation was \$10,682 and \$7,555 at June 30, 2022 and 2021, respectively.

The Clinic leases office space under an operating lease, located in the Historic Hamm Building. 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 and the Clinic rented office space on a month to month basis until moving to a new office space in July 2022.

During 2022, the Clinic entered into a lease for new office space, located in the River Park Plaza. A lease was signed on December 17, 2021, for a term of ten years and eight months. The commencement date of the lease is August 1, 2022, and per the lease, the Clinic is responsible for monthly base rent payments starting in the ninth-month following the commencement date. The new office space lease is set to expire on March 1, 2033 and can be extended in two-five year periods. Future minimum lease payments under this agreement is summarized as follows at June 30, 2022:

2023	\$	54,324
2024		218,383
2025		222,767
2026		227,263
2027		232,183
Thereafter		1,425,094
<hr/>		
Total	\$	2,380,014

# Hamm Memorial Psychiatric Clinic

## Notes to Financial Statements

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### **Note 5: Lease Commitments** (Continued)

Rent expense was \$155,103 and \$135,452 for the years ended June 30, 2022 and 2021, respectively.

### **Note 6: Paycheck Protection Program Loan**

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act created and funded the Small Business Administration 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. In 2020, the Clinic applied for and was approved for a loan of \$313,200. The PPP loan was eligible to 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 PPP loan was fully forgiven on February 24, 2021, and was recognized into income for the year ended June 30, 2021.

### **Note 7: Contributed Nonfinancial Assets**

Contributed nonfinancial assets for the year ended June 30, 2022, of \$195,746 consisted of services.

The Clinic recognizes contributed nonfinancial assets within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed services recognized comprise professional services from social worker and psychiatry residents and interns. Contributed services are valued and reported at the estimated fair value in the financial statements based on current rates for similar services.

# Hamm Memorial Psychiatric Clinic

## Notes to Financial Statements

### Note 8: 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:

	2022	2021
Held for supporting access to opioid treatment	\$ 50,000	\$ -
Restricted for relocation and expansion	5,000	-
Held for web portal	27,000	-
Held for seeking safety from persecution - Asylum assessment services program	-	9,932
Held for general support to increase access and equity of mental health services	75,833	40,000
Held for early intervention program for mental illness in youth	-	40,000
Endowment to be held in perpetuity - Nonprofit endowment - Held at the Foundation	24,144	26,157
Endowment to be held in perpetuity - Dr. James J. Jordan Endowment for Psychiatry - Held at the Foundation	503,018	525,522
Held for addition to Hart-Fitzpatrick Endowment	901	901
Other	5,000	-
<b>Totals</b>	<b>\$ 690,896</b>	<b>\$ 642,512</b>

As a result of having incurred expenditures that satisfied donor restrictions, the Clinic released \$254,082 and \$161,047 of net assets from restrictions during the year ended June 30, 2022 and 2021, respectively.

### Note 9: 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

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### Note 9: 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.

In addition, 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, 2020	\$ 424,949
Contributions	17,330
Disbursement to be used for donor restricted purpose	(18,559)
Investment return	127,959
Balance at June 30, 2021	551,679
Contributions	16,200
Disbursements to be used for donor restricted purpose	(19,983)
Investment loss	(20,734)
Balance at June 30, 2022	\$ 527,162

# Hamm Memorial Psychiatric Clinic

## Notes to Financial Statements

### Note 10: 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:

	2022		2021	
	Market Value	Contributions Paid	Market Value	Contributions Paid
Hamm Foundation Fund	\$ 20,428,899	\$ 742,448	\$ 21,957,293	\$ 835,042
Hamm Memorial Psychiatric Clinic Endowment Fund	140,557	5,491	151,891	5,228
Shawn Marie Hart/Eleanor Fitzpatrick NFP Fund	24,144	945	26,156	901
Shawn Marie Hart/Eleanor Fitzpatrick Designated Fund	180,677	7,058	195,246	6,720
Totals	\$ 20,774,277	\$ 755,942	\$ 22,330,586	\$ 847,891

### Note 11: Patient Service Revenue

Patient service revenue consisted of the following for the years ended June 30:

	2022	2021
Medicaid	\$ 678,237	\$ 602,120
Medicare	287,137	289,662
Commercial and other	1,192,969	1,287,662
Private pay	216,237	269,566
Total gross patient service revenue	2,374,580	2,449,010
Less - Contractual allowances, discounts, and implicit price concessions	1,051,455	1,195,020
Patient service revenue - Net of contractual allowances, discounts, and implicit price concessions	\$ 1,323,125	\$ 1,253,990

# Hamm Memorial Psychiatric Clinic

## Notes to Financial Statements

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### 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 \$47,185 and \$44,273 for the years ended June 30, 2022 and 2021, respectively.

### Note 13: 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 \$935,074 and \$737,254 for the years ended June 30, 2022 and 2021, respectively.

### Note 14: Professional Liability Insurance

The Clinic has professional liability insurance for claims incurred during a policy year regardless of when claims are reported (occurrence coverage). The liability insurance policy is renewable annually and has been renewed by the insurance carrier for the Clinic of the annual period extending through December 29, 2023.

### 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:

	2022	2021
Medicaid	23 %	21 %
Medicare	15	14
Commercial and other	31	39
Private pay	31	26
Totals	100 %	100 %

# Hamm Memorial Psychiatric Clinic

## Notes to Financial Statements

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### **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, 2022, the Clinic's deposits exceeded the insured limits by approximately \$701,000.