

Hamm Memorial Psychiatric Clinic

St. Paul, Minnesota

Financial Statements

Years Ended June 30, 2023 and 2022



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, 2023 and 2022, 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, 2023 and 2022, 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.

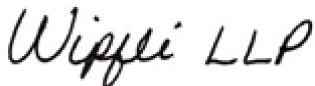
Auditor's Responsibilities for the Audit of the Financial Statements

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

November 10, 2023

Hamm Memorial Psychiatric Clinic

Balance Sheets

June 30,	2023	2022
Current assets:		
Cash and cash equivalents	\$ 883,381	\$ 1,011,058
Investments	924,996	899,635
Receivables:		
Patient accounts - Net	116,760	183,455
Other	36,088	71,548
Prepaid expenses	54,779	43,814
Total current assets	2,016,004	2,209,510
Property and equipment:		
Furniture and fixtures	145,408	198,784
Equipment	-	55,009
Leasehold improvements	846,071	779,600
Office electronics	16,161	355,885
Total property and equipment	1,007,640	1,389,278
Less - Accumulated depreciation	108,590	508,680
Property and equipment - Net	899,050	880,598
Right of use assets - Finance lease	1,822	4,948
Right of use assets - Operating lease	1,897,389	-
Other assets:		
Other receivables - Less current portion	20,000	30,000
The Saint Paul Foundation - Endowment funds	544,135	527,162
Total other assets	564,135	557,162
TOTAL ASSETS	\$ 5,378,400	\$ 3,652,218

Hamm Memorial Psychiatric Clinic

Balance Sheets (Continued)

June 30,	2023	2022
Current liabilities:		
Current portion of finance lease obligation	\$ 2,084	\$ 3,401
Current portion of operating lease obligation	167,479	-
Accounts payable	96,438	205,083
Accrued expenses	105,020	239,386
Total current liabilities	371,021	447,870
Long-term liabilities:		
Finance lease obligation - Less current portion	-	2,084
Operating lease obligation - Less current portion	1,880,085	-
Total long-term liabilities	1,880,085	2,084
Total liabilities	2,251,106	449,954
Net assets:		
Without donor restrictions	2,583,159	2,511,368
With donor restrictions	544,135	690,896
Total net assets	3,127,294	3,202,264
TOTAL LIABILITIES AND NET ASSETS	\$ 5,378,400	\$ 3,652,218

See accompanying notes to financial statements.

Hamm Memorial Psychiatric Clinic

Statements of Activities

Year Ended June 30, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Revenue:			
Patient service revenue	\$ 1,125,888	\$ -	\$ 1,125,888
Seminar fee and other	153,535	-	153,535
Total revenue	1,279,423	-	1,279,423
Other support:			
Grants and contributions	2,041,120	13,654	2,054,774
Contributions of nonfinancial assets	136,355	-	136,355
Investment income	35,672	-	35,672
Investment income - Endowment funds	-	24,962	24,962
Net assets released from restrictions	185,377	(185,377)	-
Total other support	2,398,524	(146,761)	2,251,763
Total revenue and other support	3,677,947	(146,761)	3,531,186
Expenses:			
Program services	2,754,133	-	2,754,133
Management and general	702,539	-	702,539
Fundraising	149,484	-	149,484
Total expenses	3,606,156	-	3,606,156
Change in net assets	71,791	(146,761)	(74,970)
Net assets at beginning	2,511,368	690,896	3,202,264
Net assets at end	\$ 2,583,159	\$ 544,135	\$ 3,127,294

Hamm Memorial Psychiatric Clinic

Statements of Activities (Continued)

Year Ended June 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Revenue:			
Patient service revenue	\$ 1,323,125	\$ -	\$ 1,323,125
Seminar fee and other	159,438	-	159,438
Total revenue	1,482,563	-	1,482,563
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)	-
Total other support	2,439,861	48,384	2,488,245
Total revenue and other support	3,922,424	48,384	3,970,808
Expenses:			
Program services	2,708,768	-	2,708,768
Management and general	667,781	-	667,781
Fundraising	167,485	-	167,485
Total expenses	3,544,034	-	3,544,034
Change in net assets	378,390	48,384	426,774
Net assets at beginning	2,132,978	642,512	2,775,490
Net assets at end	\$ 2,511,368	\$ 690,896	\$ 3,202,264

See accompanying notes to financial statements.

Hamm Memorial Psychiatric Clinic

Statements of Functional Expenses

Year Ended June 30, 2023	Clinical Services	Training and Professional Development	Research and Publication	Community Outreach	Total Program	Management and General	Fundraising	Total
Salaries	\$ 1,514,231	\$ 119,545	\$ 19,924	\$ 79,696	\$ 1,733,396	\$ 219,165	\$ 39,848	\$ 1,992,409
Employee benefits	276,075	21,795	3,633	14,530	316,033	39,957	7,265	363,255
Professional fees	39,561	140,823	-	-	180,384	296,708	43,961	521,053
Occupancy	216,158	31,703	2,882	2,882	253,625	38,900	5,764	298,289
Depreciation and amortization	187,674	22,791	2,490	5,250	218,205	25,820	4,980	249,005
Office supplies	-	-	-	-	-	21,910	6,165	28,075
Miscellaneous	17,034	33,310	21	2,125	52,490	60,079	41,501	154,070
Totals	\$ 2,250,733	\$ 369,967	\$ 28,950	\$ 104,483	\$ 2,754,133	\$ 702,539	\$ 149,484	\$ 3,606,156

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
Totals	\$ 2,387,978	\$ 188,176	\$ 31,004	\$ 101,610	\$ 2,708,768	\$ 667,781	\$ 167,485	\$ 3,544,034

See accompanying notes to financial statements.

Hamm Memorial Psychiatric Clinic

Statements of Cash Flows

Years Ended June 30,	2023	2022
Change in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ (74,970)	\$ 426,774
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	249,005	19,006
Investment (return) loss - Endowment funds	(24,962)	20,734
Contributions restricted for endowment	(13,379)	(16,200)
Bad debts - Pledge	30,000	-
Changes in operating assets and liabilities:		
Patient accounts receivable	66,695	(56,056)
Other receivables	15,460	(61,948)
Prepaid expenses	(10,965)	12,201
Accounts payable	11,774	55,632
Accrued expenses	(134,366)	(33,553)
Accrued interest on lease obligations	49,332	-
Total adjustments	238,594	(60,184)
Net cash flows from operating activities	163,624	366,590
Cash flows from investing activities:		
Disbursements from endowment funds	21,368	19,983
Purchases of property and equipment	(229,583)	(763,746)
Net cash flows from investing activities	(208,215)	(743,763)
Cash flows from financing activities -		
Payments on lease obligations	(57,725)	(3,197)
Net change in cash and cash equivalents	(102,316)	(380,370)
Cash and cash equivalents at beginning	1,910,693	2,291,063
Cash and cash equivalents at end	\$ 1,808,377	\$ 1,910,693

Hamm Memorial Psychiatric Clinic

Statements of Cash Flows (Continued)

Years Ended June 30,	2023	2022
Supplemental cash flow information:		
Cash paid for interest	\$ 247	\$ 415
Cash paid for amounts included in measurement of lease liabilities:		
Property and equipment additions under lease agreements	2,052,556	-
Property and equipment included in accounts payable	-	120,419
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents	\$ 883,381	\$ 1,011,058
Cash and cash equivalents in investments	924,996	899,635
Cash and cash equivalents at end	\$ 1,808,377	\$ 1,910,693

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 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

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, 2023 and 2022.

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

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.

Leases

The Clinic is a lessee in multiple noncancelable leases. If the contract provides the Clinic the right to substantially all of the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments.

The Clinic has elected to use a risk-free rate for a term similar to the underlying lease as the discount rate if the implicit rate in the lease contract is not readily determinable.

The ROU assets for leases are amortized on a straight-line basis over the lease term.

For all underlying classes of assets, the Clinic has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Clinic is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Clinic recognizes short-term lease cost on a straight-line basis over the lease term.

The Clinic made an accounting policy election for equipment to not separate the lease components of a contract and its associated non-lease components, lessor-provided maintenance, and other services. For all other underlying classes of assets, the Clinic separates lease and non-lease components to determine the lease payment.

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 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.

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.

Hamm Memorial Psychiatric Clinic

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Service Revenue (Continued)

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.

Accounting for Contractual Arrangements

Adjustments arising from a change in the transaction price was not significant in 2023 and 2022.

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, 2023 and 2022, 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.

Hamm Memorial Psychiatric Clinic

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Service Revenue (Continued)

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.

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

The Clinic has recorded in-kind contributions for professional services from social worker and psychiatry residents and interns used in operations in the statement of activities in accordance with financial accounting standards which requires only contributions of services received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded.

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 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 February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). ASU 2016-02 is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases on the balance sheet. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The Clinic adopted this guidance for the year ended June 30, 2023, with modified retrospective application to July 1, 2022 through a cumulative-effect adjustment. The Clinic has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Clinic accounted for its existing operating leases as operating leases and capital leases as finance leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether the classification of the leases would be different in accordance with ASC Topic 842, or (c) whether any unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Similarly, the Clinic did not reassess service contracts evaluated for lease treatment under ASC 840 for embedded leases under ASC 842.

This standard did not have a material impact on the Clinic's net assets or cash flows from operations. The most significant impact was the recognition of the ROU assets and lease obligation for an operating lease that began in 2023.

Subsequent Events

Subsequent events have been evaluated through November 10, 2023, which is the date the financial statements were available to be issued.

Hamm Memorial Psychiatric Clinic

Notes to Financial Statements

Note 2: Receivables - Net

Receivables - net consisted of the following at June 30:

	2023	2022
Patient accounts receivable	\$ 250,760	\$ 317,455
Less: Contractual adjustments and implicit price concessions	134,000	134,000
Patient accounts receivable - Net	116,760	183,455
Other	56,088	101,548
Less: Other - Long term portion	(20,000)	(30,000)
Total receivables - Net	\$ 152,848	\$ 255,003

The Clinic's receivables as of July 1, 2021, was \$166,999.

Note 3: Investments

Investments consisted of cash and cash equivalents of \$924,996 and \$899,635 as of June 30, 2023 and 2022, respectively.

Investment Income

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

	2023	2022
Cash and cash equivalents - Interest income	\$ 10,311	\$ 1,659
Investments:		
Investment income	24,616	103
Unrealized Gain on Investments	745	-
Investment income	\$ 35,672	\$ 1,762

Hamm Memorial Psychiatric Clinic

Notes to Financial Statements

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:

	2023	2022
Cash and cash equivalents	\$ 883,381	\$ 1,011,058
Investments	924,996	899,635
Patient accounts receivable - Net	116,760	183,455
Other receivables	36,088	71,548
Total financial assets available for general expenditure within one year	\$ 1,961,225	\$ 2,165,696

Note 5: Leases

The Clinic leases office space and equipment. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. The Clinic's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments.

Components of lease expense were as follows for the year ended June 30, 2023:

Lease cost		
Finance lease cost:		
Interest	\$	3,126
Amortization of right-of-use asset		247
Operating lease cost		204,499
Total lease cost	\$	207,872

Lease expense for the year ended June 30, 2022, was \$155,103.

Hamm Memorial Psychiatric Clinic

Notes to Financial Statements

Note 5: Leases (Continued)

Supplemental cash flow information related to leases is as follows for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from finance lease	\$	247
Operating cash flows from operating lease		54,324
Financing cash flows from finance lease		3,401

Supplemental information for the year ended June 30, 2023:

Weighted-average remaining lease term - Finance lease	0.00 years
Weighted-average remaining lease term - Operating lease	9.66 years
Weighted-average discount rate - Finance lease	2.61 %
Weighted-average discount rate - Operating lease	0.01 %

Maturities of lease liabilities are as follows as of June 30, 2023:

	Operating Lease	Finance Lease
2024	\$ 218,383	\$ 2,128
2025	222,767	-
2026	227,263	-
2027	231,796	-
2028	236,442	-
Thereafter	1,188,652	-
Total lease payments	2,325,303	2,128
Less imputed interest	(277,739)	(44)
Total	\$ 2,047,564	\$ 2,084

Note 6: Contributed Nonfinancial Assets

Contributed nonfinancial assets for the year ended June 30, 2023 and 2022, of \$136,355 and \$195,746, respectively, 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 7: 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:

	2023	2022
Held for supporting access to opioid treatment	\$ -	\$ 50,000
Restricted for relocation and expansion	-	5,000
Held for web portal	-	27,000
Held for general support to increase access and equity of mental health services	-	75,833
Endowment to be held in perpetuity - Nonprofit endowment - Held at the Foundation	24,267	24,144
Endowment to be held in perpetuity - Dr. James J. Jordan Endowment for Psychiatry - Held at the Foundation	519,868	503,018
Held for addition to Hart-Fitzpatrick Endowment	-	901
Other	-	5,000
Totals	\$ 544,135	\$ 690,896

As a result of having incurred expenditures that satisfied donor restrictions, the Clinic released \$185,377 and \$254,082 of net assets from restrictions during the year ended June 30, 2023 and 2022, respectively.

Note 8: 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 8: 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, 2021	\$ 551,679
Contributions	16,200
Disbursement to be used for donor restricted purpose	(19,983)
Investment loss	(20,734)
Balance at June 30, 2022	527,162
Contributions	13,379
Disbursements to be used for donor restricted purpose	(21,368)
Investment gain	24,962
Balance at June 30, 2023	\$ 544,135

Hamm Memorial Psychiatric Clinic

Notes to Financial Statements

Note 9: 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:

	2023		2022	
	Market Value	Contributions Paid	Market Value	Contributions Paid
Hamm Foundation Fund	\$ 20,575,580	\$ 881,900	\$ 20,428,899	\$ 742,448
Hamm Memorial Psychiatric Clinic Endowment Fund	141,415	5,600	140,557	5,491
Shawn Marie Hart/Eleanor Fitzpatrick NFP Fund	24,267	929	24,144	945
Shawn Marie Hart/Eleanor Fitzpatrick Designated Fund	181,644	7,199	180,677	7,058
Totals	\$ 20,922,906	\$ 895,628	\$ 20,774,277	\$ 755,942

Note 10: Patient Service Revenue

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

	2023	2022
Medicaid	\$ 683,262	\$ 678,237
Medicare	260,754	287,137
Commercial and other	757,120	1,192,969
Private pay	369,152	216,237
Total gross patient service revenue	2,070,288	2,374,580
Less - Contractual allowances, discounts, and implicit price concessions	944,400	1,051,455
Patient service revenue - Net of contractual allowances, discounts, and implicit price concessions	\$ 1,125,888	\$ 1,323,125

Hamm Memorial Psychiatric Clinic

Notes to Financial Statements

Note 11: 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 \$42,680 and \$47,185 for the years ended June 30, 2023 and 2022, respectively.

Note 12: 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 \$970,713 and \$935,074 for the years ended June 30, 2023 and 2022, respectively.

Note 13: 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 January 1, 2024.

Note 14: 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:

	2023	2022
Medicaid	20 %	23 %
Medicare	14	15
Commercial and other	34	31
Private pay	32	31
Totals	100 %	100 %

Hamm Memorial Psychiatric Clinic

Notes to Financial Statements

Note 14: 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, 2023, the Clinic's deposits exceeded the insured limits by approximately \$641,000.