The Menninger Clinic and
The Menninger Clinic Foundation

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2020 and 2019

The Menninger Clinic and The Menninger Clinic Foundation

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Blazek & Vetterling
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors of
The Menninger Clinic and The Menninger Clinic Foundation:

We have audited the accompanying financial statements of The Menninger Clinic and The Menninger Clinic Foundation, which comprise the consolidated balance sheets as of June 30, 2020 and 2019 and the related consolidated statements of operations and changes in net assets, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, 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 consolidated financial position of The Menninger Clinic and The Menninger Clinic Foundation as of June 30, 2020 and 2019 and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Supplementary information in the consolidating balance sheets as of June 30, 2020 and 2019 and the consolidating statements of operations and changes in net assets for the years ended June 30, 2020 and 2019 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the

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responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Blazek & Vetterling

November 5, 2020

The Menninger Clinic and The Menninger Clinic Foundation

Consolidated Balance Sheets as of June 30, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash	$ 3,461,324	$ 2,698,858
Patient accounts receivable	964,813	1,204,959
Prepaid expenses and other assets	470,070	489,177
Medical supplies	162,111	234,103
Operating contributions receivable, net *(Note 4)*	9,412,166	949,384
Assets limited as to use *(Notes 5 and 6)*	2,430,200	4,091,500
Total current assets	16,900,684	9,667,981
Operating contributions receivable, net *(Note 4)*		20,296
Contributions receivable for capital additions and endowment *(Note 4)*	1,876,116	4,236,344
Assets limited as to use *(Notes 5 and 6)*	71,305,936	72,940,652
Property and equipment, net *(Note 7)*	54,119,847	53,992,888
Other long-term assets	1,027,857	833,042
TOTAL ASSETS	$ 145,230,440	$ 141,691,203
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 617,966	$ 736,953
Interest payable	71,583	56,719
Accrued expenses:		
Payroll and employee benefits	2,445,386	2,817,720
Grants payable	249,772	
Other *(Note 13)*	1,500,272	513,026
Derivative agreements *(Notes 6 and 8)*	87,562	
Notes payable *(Note 8)*	16,933,016	840,000
Refundable advance on Paycheck Protection Program loan *(Note 3)*	5,499,822	
Deferred revenue	978,576	578,171
Total current liabilities	28,383,955	5,542,589
Notes payable – long-term portion, net *(Note 8)*		14,905,134
Derivative agreements *(Notes 6 and 8)*		366,409
Total liabilities	28,383,955	20,814,132
Commitments and contingencies *(Note 15)*		
Net assets *(Note 11):*		
Without donor restrictions *(Note 9)*	64,305,113	66,582,695
With donor restrictions *(Note 10)*	52,541,372	54,294,376
Total net assets	116,846,485	120,877,071
TOTAL LIABILITIES AND NET ASSETS	$ 145,230,440	$ 141,691,203

See accompanying notes to consolidated financial statements.

The Menninger Clinic and The Menninger Clinic Foundation

Consolidated Statements of Operations and Changes in Net Assets for the years ended June 30, 2020 and 2019

	2020	2019
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
OPERATING REVENUE, GAINS, AND OTHER SUPPORT:		
Net patient service revenue	$ 47,667,723	$ 51,824,594
Gifts without donor restrictions	9,071,283	1,973,199
Special event revenue	202,578	365,557
Operating investment return	604,041	1,275,486
Other income, net	34,201	5,846
Net assets released from restrictions	4,011,386	3,863,881
Total operating revenue, gains, and other support	61,591,212	59,308,563
EXPENSES:		
Program services	54,846,046	52,102,749
Management and general	8,228,637	7,544,144
Fundraising	1,319,047	1,539,766
Total expenses	64,393,730	61,186,659
Operating loss	(2,802,518)	(1,878,096)
Net non-operating investment return	246,089	279,827
Change in fair value of derivative agreements *(Note 8)*	278,847	61,108
Excess of revenue, gains, and other support over expenses and changes in net assets without donor restrictions	(2,277,582)	(1,537,161)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Gifts and bequests	1,489,052	1,427,909
Net investment return	769,330	1,193,833
Net assets released from restrictions for operations	(4,011,386)	(3,863,881)
Changes in net assets with donor restrictions	(1,753,004)	(1,242,139)
CHANGES IN NET ASSETS	(4,030,586)	(2,779,300)
Net assets, beginning of year	120,877,071	123,656,371
Net assets, end of year	$ 116,846,485	$ 120,877,071

See accompanying notes to consolidated financial statements.

The Menninger Clinic and The Menninger Clinic Foundation

Consolidated Statements of Functional Expenses for the years ended June 30, 2020 and 2019

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2020 TOTAL EXPENSES
Salaries and employee benefits	$ 29,483,884	$ 4,818,881	$ 888,416	$ 35,191,181
Purchased services	14,029,078	2,606,064	226,501	16,861,643
Supplies and other	5,308,018	620,007	125,499	6,053,524
Depreciation and amortization	3,642,211	153,356	38,339	3,833,906
Grants	1,674,415	500	32,835	1,707,750
Interest	708,440	29,829	7,457	745,726
Total expenses	$ 54,846,046	$ 8,228,637	$ 1,319,047	$ 64,393,730

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2019 TOTAL EXPENSES
Salaries and employee benefits	$ 28,500,122	$ 4,007,817	$ 1,010,151	$ 33,518,090
Purchased services	12,571,471	2,755,882	216,602	15,543,955
Supplies and other	5,507,369	610,708	270,579	6,388,656
Depreciation and amortization	3,328,969	139,536	34,884	3,503,389
Grants	1,477,540			1,477,540
Interest	717,278	30,201	7,550	755,029
Total expenses	$ 52,102,749	$ 7,544,144	$ 1,539,766	$ 61,186,659

See accompanying notes to consolidated financial statements.

The Menninger Clinic and The Menninger Clinic Foundation

Consolidated Statements of Cash Flows for the years ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (4,030,586)	$ (2,779,300)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation and amortization	3,833,906	3,503,389
Net realized and unrealized (gain) loss on investments	(35,682)	(804,369)
Change in value of derivative agreements	(278,847)	(61,108)
Contributions restricted for capital additions	(203,351)	(255,100)
Contributions restricted for endowment	(361,041)	(901,352)
Changes in operating assets and liabilities:		
Patient accounts receivable and contract assets	240,146	(87,218)
Prepaid expenses and other assets	19,107	195,840
Medical supplies	71,992	(91,009)
Contributions receivable (excluding capital additions and endowment)	(8,442,486)	1,761,855
Other long-term assets	(194,815)	(169,966)
Accounts payable and accrued expenses	745,697	(177,502)
Interest payable	14,864	(9,354)
Refundable advance on Paycheck Protection Program loan	5,499,822	
Contract liabilities	400,405	(247,622)
Net cash used by operating activities	(2,720,869)	(122,816)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(3,932,983)	(4,776,656)
Purchases of investments	(18,544,222)	(22,299,980)
Proceeds from sales of investments	16,992,612	17,633,710
Net change in cash held for investment	4,883,308	6,018,714
Net cash used by investing activities	(601,285)	(3,424,212)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advance from line of credit	2,000,000	
Repayments of notes payable	(840,000)	(840,000)
Proceeds from contributions restricted for capital additions	1,757,912	951,347
Proceeds from contributions restricted for endowment	1,166,708	1,463,102
Net cash provided by financing activities	4,084,620	1,574,449
NET CHANGE IN CASH	762,466	(1,972,579)
Cash, beginning of year	2,698,858	4,671,437
Cash, end of year	$ 3,461,324	$ 2,698,858

Supplemental disclosure of cash flow information:

Interest paid	$731,977	$764,383

See accompanying notes to consolidated financial statements.

NOTE 1 – ORGANIZATION

The Menninger Clinic (the Clinic) is a Texas nonprofit corporation that was formed in 2002 and commenced operations in Houston, Texas in 2003. The Clinic provides specialty inpatient and outpatient mental health services and promotes research and education in the field of mental health. Additionally, the Clinic operates *The Gathering Place*, a psychosocial clubhouse founded as a refuge for adults with mental illness, *Pathfinder*, a community re-integration program and Menninger 360, a Psychiatric Assertive Community Treatment (PACT) Program.

The Clinic operates on a 46.5-acre campus in southwest Houston where the Clinic and The Menninger Clinic Foundation (the Foundation) collaborate with various organizations in the areas of mental health research, treatment, training, and advocacy. The campus is comprised of three patient service buildings, a commons building, a facilities building and a hospitality building, collectively totaling approximately 161,000 square feet.

The Menninger Clinic Membership Foundation, a Kansas nonprofit corporation (the Membership Foundation) and Baylor College of Medicine (Baylor), a Texas nonprofit corporation, are the members (Members) of the Clinic. The Clinic's Board of Directors consists of up to 15 directors, and the successor directors are appointed by affirmative vote of both Members.

The Foundation is a Texas nonprofit corporation formed in 2002 to promote medical science through research in the field of psychiatry and its related disciplines; to provide for the instruction of physicians, nurses, therapists, and educators in a broad and intensive understanding of the human personality; and to provide diagnosis, treatment, and care of patients, including those whose funds may not be adequate for such treatment. The Clinic is the sole member of the Foundation. The Foundation's Board of Directors consists of up to 100 directors, and the successor directors are appointed by the Clinic's Board of Directors.

Federal income tax status – The Clinic and the Foundation are exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code. The Clinic is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(iii) and the Foundation is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

The 2018 Community Health Needs Assessment (CHNA) and related Implementation Strategy as of November 15, 2019 was completed in March 2020 and made available to the public in April 2020. The completion of the CHNA is a triannual requirement under §501(r) of the Internal Revenue Code.

Basis of presentation – The consolidated financial statements include the assets, liabilities, net assets and activities of the Clinic and the Foundation (collectively Menninger). Balances and transactions between the consolidated entities have been eliminated.

Cash includes demand deposits. Demand deposits exceed the federally insured limit per depositor per institution. Cash presented in the consolidated balance sheets and statements of cash flows excludes cash held for long-term investment purposes.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted to estimate the present value of future cash flows. An allowance for contributions receivable is provided when it is believed balances may not be collected in full. It is Menninger's policy to write off receivables against the allowance when management determines the receivable will not be collected. The allowance is determined using a combination of historical loss experience and individual account-by-account analysis of contributions receivable balances. It is possible that management's estimate regarding collectability will change in the near term resulting in a change in the carrying value of contributions receivable and beneficial interest.

Assets limited as to use consist of investments and a beneficial interest in charitable trust, which are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Property and equipment is reported at cost if purchased or at fair value at the date of gift if donated. Depreciation is calculated using the straight-line method over estimated useful lives of 3 to 10 years for furniture and equipment and 10 to 40 years for buildings and land improvements. Menninger capitalizes additions and improvements that have a tangible future economic life and a cost of more than $5,000.

Bond issuance costs represent costs related to the issuance of the notes payable and are amortized over the term of the bonds. Accumulated amortization is $262,362 and $234,750 at June 30, 2020 and 2019, respectively. Unamortized bond issuance costs are reported as a direct reduction of the related debt.

Derivative agreements – Menninger utilizes interest rate swap agreements to hedge interest rate exposures on debt. Interest rate swap agreements are recognized as assets or liabilities at fair value in the consolidated balance sheets and changes in the fair value of the interest rate swap agreements are recognized as change in value of derivative agreements in the consolidated statements of operations and changes in net assets.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service unless the donor also has placed a time restriction on the use of the long-lived asset, in which case the release occurs over the term of the time restriction. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Net patient revenue and net patient accounts receivable – Net patient revenue is recognized as performance obligations are satisfied and are reported at the amount that reflects the consideration Menninger expects to receive in exchange for the services provided. These amounts are due from patients and third-party payors and include variable considerations such as implicit and explicit price concessions. Generally, patients are billed prior to service for inpatient care, Menninger 360, and Pathfinder and at the time of service for outpatient care. Self-pay inpatient and Menninger 360, Pathfinder, and outpatient assessment services require a deposit. Amounts paid in advance are recognized as deferred revenue. Deferred revenue at June 30, 2020, 2019, and 2018 were $978,576, $578,171, and $825,793, respectively. The contracts do not result in other contract liabilities.

Performance obligations are based on the nature of the services provided. Revenue is recognized for performance obligations satisfied over time based on actual charges incurred in relation to the total expected or actual charges. Menninger believes this method provides an appropriate depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations. Generally, performance obligations satisfied over time relate to patients receiving inpatient care services or continuing care services such as outpatient assessments, Menninger 360 and Pathfinder. Performance obligations for inpatient care services are measured from admission to the point when there are no further services required for the patient, which is generally at the time of discharge. Performance obligations for continuing care are satisfied over the defined period in the patient contract, typically a week or month. Revenue for performance obligations satisfied at a point in time, which generally relate to patients receiving outpatient care or auxiliary inpatient services, are recognized when the services are provided.

Menninger provides other ancillary services such as meals and laundry for inpatients which are included in the per diem rates and are not treated as separate performance obligations.

Because patient service obligations are related to contracts with a duration of less than one year, Menninger has elected to apply the exemption provided and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient care, outpatient assessments, adolescent PHP, and Pathfinder services at the end of the reporting period. The performance obligations for these contracts are generally completed within days or weeks of the end of the reporting period.

Menninger is utilizing the portfolio approach practical expedient for contracts related to net patient revenue. Menninger accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. The portfolios consist of major payer classes for inpatient revenue and outpatient revenue. Based on historical collection trends and other analysis, Menninger has concluded that revenue for a given portfolio would not be materially different than if accounted for on a contract-by-contract basis.

Menninger has agreements with third-party payers that generally provide for payments to Menninger at amounts different from its established rates. For self-pay patients who do not qualify for charity care or discounted rates, Menninger recognizes revenue based on established rates, subject to certain discounts and implicit price concessions by Menninger. Menninger determines the transaction price based on standard charges for services provided, reduced by explicit price concessions provided to third-party payers, discounts provided to self-pay patients in accordance with Menninger's policy, and implicit price concessions provided to self-pay patients. Explicit price concessions are based on contractual agreements, discount policies and historical experience. Implicit price concessions represent differences between amounts billed and estimated consideration Menninger expects to receive from patients based on historical collection experience, current market conditions, and other factors.

Generally, patients who are covered by third-party payers are responsible for related co-pays, co-insurance, and deductibles, which vary in amount. The transaction price for patients with co-pays, co-insurance and deductibles is estimated based on historical collection experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any explicit price concessions, and implicit price concessions. Subsequent change to the estimate of the transaction price are generally recorded as adjustments to net patient revenue in the period of the change. For the years ended June 30, 2020 and 2019, adjustments arising from a change in the transaction price were not significant. 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, 2020 and 2019 was not significant.

Patient accounts receivable consist of amounts due from healthcare services provided. Menninger grants credit without collateral to its patients and does not provide financing. Menninger's inpatients come from across the nation; outpatients are primarily local residents. Menninger's concentration of credit risk relating to patient receivables is limited due to the diversity of patients and payers. Patient accounts receivable costs are amounts due from commercial insurance companies and private pay patients. Patient accounts receivable at June 30, 2020, 2019, and 2018 were $964,813, $1,204,959, and $1,117,741, respectively. The percentage mix of receivables from the patients and third-party payors are as follows:

	2020	2019
Commercial insurance, contract and other	11%	29%
Patient	89%	71%
Total	100%	100%

Charity care policy – Menninger has established a policy that defines charity services as those services for which no payment is anticipated. In assessing a patient's ability to pay, Menninger utilizes generally recognized minimum income guidelines relevant to the community in which the services are provided. No revenue is recognized for charity care, but the relevant costs and expenses incurred in providing these services are included in operating expenses. The cost of charity care is calculated based on the number of patient days provided for patients determined to qualify for charity care multiplied by the average cost per patient day. The cost of charity care provided was estimated to be $3.9 million and $2.7 million for the years ended June 30, 2020 and 2019, respectively. During the years ended June 30, 2020 and 2019, there were no contributions received that were restricted for charity care.

Gifts and bequests are recognized as contribution revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are subject to one or more barriers that must be overcome before Menninger is entitled to receive or retain funding. Conditional contributions are recognized in the same manner when the conditions have been met. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are classified as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Menninger reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Grants – The Foundation recognizes grants as operating expenses in the period in which an unconditional commitment is made. Grants payable at June 30, 2020 are expected to be paid in fiscal year 2021.

Operating income includes transactions deemed by management to be ongoing, and major or central to the provision of services provided by the organization. Revenue and expenses to provide these services are reported as elements of operating income for the report period. Non-operating income includes unrealized investment gain (loss) not restricted by the donor and changes in value of derivative agreements.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Management and general activities are not directly identifiable with specific program activities. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, or time. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation, utilities, repairs and maintenance are allocated based on square footage. Technology costs are allocated based on the number of computing units per function.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncement – In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842).* Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required by lessees and lessors to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. Menninger is required to adopt this ASU for fiscal year 2023. Adoption of this ASU will impact the financial reporting for operating leases and disclosures of the financial statements.

NOTE 2 – ADOPTION OF NEW ACCOUNTING STANDARDS

Menninger adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* The core principle of the new guidance is that the entity should recognize revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for transferred goods or services using a 5-step process to determine when performance obligations are satisfied and revenue is recognized and requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. Menninger adopted the new standard effective July 1, 2018 using the full retrospective method.

The timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard and therefore, adoption of this ASU had no impact on total beginning net assets or changes in net assets for fiscal year 2019, but resulted in additional disclosures and changes in presentation.

Menninger adopted the amendments of ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, effective July 1, 2019. The amendments in this ASU clarify and improve guidance about whether an agreement is a contribution or an exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional. These amendments have been applied on a full prospective basis to agreements that were not completed as of the effective date or were entered into after the effective date. No changes were made to the 2019 financial statements as a result of adoption and there is no cumulative effect on net assets at the effective date.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of June 30 comprise the following:

	2020	2019
Financial assets:		
Cash	$ 3,461,324	$ 2,698,858
Patient accounts receivable and contract assets	964,813	1,204,959
Operating contributions receivable, net	9,412,166	969,680
Contribution receivable for capital addition and endowment	1,876,116	4,236,344
Assets limited as to use	73,736,136	77,032,152
Total financial assets	89,450,555	86,141,993
Less:		
Donor-restricted and board-designated endowment assets less appropriations	(50,364,802)	(44,733,595)
Board-designated reserves	(5,491,782)	(4,120,749)
Donor-restricted for capital projects	(11,416,076)	(10,219,586)
Total financial assets available for general expenditure	$ 22,177,895	$ 27,068,063

Menninger is substantially supported by net patient service revenue and gifts and regularly monitors liquidity required to meet its operating needs while striving to maximize the investment of available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Menninger considers all expenditures related to its ongoing activities of providing mental health care to its patients, related research and education related to mental health initiatives, as well as the conduct of services undertaken to support those activities, to be general expenditures. General expenditures also include annual debt service requirements.

Menninger has designated a portion of its resources without donor restrictions as board-designated reserves and endowments. These funds are invested for long-term appreciation, but remain available at the Board of Directors' discretion. Additionally, at June 30, 2020, Menninger had a $5,000,000 line of credit whose available balance was $3,000,000.

Paycheck Protection Program Loan – Refundable Advance

The Clinic received financial relief of approximately $5.5 million under the Small Business Administration's Paycheck Protection Program (PPP). Management expects all of the PPP loan to be forgiven as Menninger meets the eligibility requirements and used the loan to fund qualified payroll and other eligible costs. The loan is considered to be a conditional contribution and will be recognized as contribution revenue upon forgiveness by the bank. Any amounts not forgiven bear interest at 1% and is due April 15, 2022.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows:

	2020	2019
Contributions receivable – capital campaign	$ 1,655,200	$ 3,300,000
Contributions receivable – endowment	252,667	1,058,333
Contributions receivable – operating	9,415,632	992,247
Total contributions receivable	11,323,499	5,350,580
Discount to net present value at 1% to 5%	(4,944)	(75,239)
Allowance for doubtful contributions receivable	(30,273)	(69,317)
Contributions receivable, net	$ 11,288,282	$ 5,206,024

Contributions receivable at June 30, 2020 are expected to be collected as follows:

Within one year	$ 11,194,499
In one to five years	129,000
Total contributions receivable	$ 11,323,499

Contributions – At June 30, 2020 and 2019, 89% and 83%, respectively, of contributions receivable were due from two donors and three donors, respectively.

NOTE 5 – ASSETS LIMITED AS TO USE

The following summarizes the types of restrictions for those assets limited as to use:

	2020	2019
Donor-restricted for endowment	$ 30,213,191	$ 29,850,722
Board-designated for research, education, operations, and capital	22,534,744	23,771,083
Donor-restricted for capital projects	9,760,877	9,122,627
Donor-restricted for research, education, and operations	8,996,413	9,955,972
Total	71,505,225	72,700,404
Operating investments	2,230,911	4,331,748
Total assets limited as to use	$ 73,736,136	$ 77,032,152

Assets limited as to use consist of the following:

	2020	2019
Fixed-income mutual funds	$ 19,835,663	$ 19,128,276
Common stock	19,222,800	16,778,073
Equity mutual funds	17,021,035	18,297,783
Cash	13,625,001	18,508,309
Other mutual funds	1,960,927	1,182,314
Beneficial interest in charitable trust	1,945,501	2,032,961
Corporate debt securities	83,719	135,747
Real estate and infrastructure mutual funds	41,490	968,689
Total assets limited as to use	$ 73,736,136	$ 77,032,152

Beneficial Interest in Charitable Trust

Menninger was named a beneficiary of a charitable trust, which was created in 2014 upon the death of the trust settler for a period of 45 years from the date of death. The trust will distribute 25% of the income each year and 25% of the principal at termination of the trust, which is May 5, 2059.

Custodial Risk

Cash deposits in excess of Federal Deposit Insurance Corporation insurance limits are exposed to custodial risk. Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the fair values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheets and consolidated statements of operations and changes in net assets.

NOTE 6 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. 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. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at June 30, 2020 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets limited as to use:				
Domestic fixed-income mutual funds	$ 19,835,663			$ 19,835,663
Common stock – domestic large-cap	19,222,800			19,222,800
Equity mutual funds:				
International:				
Large-cap	8,872,874			8,872,874
Exchange-traded funds	5,628,297			5,628,297
Domestic:				
Mid-cap	2,343,134			2,343,134
Large-cap	144,500			144,500
SPDR S&P 500 ETF	24,665			24,665
Other	7,565			7,565
Other mutual funds	1,960,927			1,960,927
Beneficial interest in charitable trust			$ 1,945,501	1,945,501
Corporate debt securities		$ 83,719		83,719
Real estate and infrastructure mutual funds	41,490			41,490
Total assets measured at fair value	$ 58,081,915	$ 83,719	$ 1,945,501	$ 60,111,135

Assets measured at fair value at June 30, 2019 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets limited as to use:				
Domestic fixed-income mutual funds	$ 19,128,276			$ 19,128,276
Common stock – domestic large-cap	16,778,073			16,778,073
Equity mutual funds:				
International:				
Large-cap	9,491,612			9,491,612
Exchange-traded funds	4,570,370			4,570,370
Domestic:				
Mid-cap	4,040,444			4,040,444
Large-cap	120,561			120,561
SPDR S&P 500 ETF	57,361			57,361
Other	17,435			17,435
Other mutual funds	1,182,314			1,182,314
Beneficial interest in charitable trust			$ 2,032,961	2,032,961
Corporate debt securities		$ 135,747		135,747
Real estate and infrastructure mutual funds	968,689			968,689
Total assets measured at fair value	$ 56,355,135	$ 135,747	$ 2,032,961	$ 58,523,843

Liabilities measured at fair value at June 30, 2020 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Derivative agreements	$ 0	$ 87,562	$ 0	$ 87,562

Liabilities measured at fair value at June 30, 2019 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Derivative agreements	$ 0	$ 366,409	$ 0	$ 366,409

Valuation methods used for assets and liabilities measured at fair value are as follows:

- *Mutual funds* are valued at the reported net asset value of shares held at year end.
- *Common stock* and *exchange-traded funds* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Beneficial interest in charitable trust* is valued based on Menninger's percentage ownership in the fair value of the underlying assets of the trusts, as determined by the trustees.
- *Corporate debt securities* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas to calculate fair values.
- *Derivative agreements* are valued by using independent quotation bureau valuation models, which include cash flow analysis, credit spread and benchmark rate curves.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Menninger believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Changes in Level 3 assets measured at fair value during the year ended June 30 are as follows:

	BENEFICIAL INTEREST IN CHARITABLE TRUST
Balance at June 30, 2018	$ 2,103,461
Distribution from trust account	(70,500)
Balance at June 30, 2019	2,032,961
Change in fair value of beneficial interest	(15,710)
Distribution from trust account	(71,750)
Balance at June 30, 2020	$ 1,945,501

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2020	2019
Buildings	$ 39,750,855	$ 39,596,036
Furniture and equipment	32,801,092	29,828,425
Land improvements	7,424,466	7,416,030
Land	5,201,574	5,201,574
Construction in progress	1,733,531	1,032,417
Property and equipment, at cost	86,911,518	83,074,482
Accumulated depreciation	(32,791,671)	(29,081,594)
Property and equipment, net	$ 54,119,847	$ 53,992,888

NOTE 8 – NOTES PAYABLE

Notes payable consist of the following:

	2020	2019
$21 million tax-exempt bonds for construction of the Mental Health Epicenter, principal and interest due monthly October 2013 through October 2020, secured by land and buildings; interest rate of 65% of 30-day LIBOR plus 1.79% with a floor of 2.75%. Interest rate is 3.37% at June 30, 2020.	$ 15,330,000	$ 16,170,000
Less: Unamortized bond issuance costs	(396,984)	(424,866)
Subtotal	14,933,016	15,745,134
$5,000,000 line of credit with no maturity date, secured by an investment account with a balance of $9,602,000 at June 30, 2020; interest rate of variable LIBOR plus 1.2%. Interest rate is 1.3875% at June 30, 2020.	2,000,000	
Total notes payable	$ 16,933,016	$ 15,745,134

The tax-exempt bonds contain various covenants related to fiscal operations and financial performance, including limitations on additional borrowings.

The tax exempt bonds mature in fiscal year 2021, but management is currently in the process of refinancing.

Derivative agreements **–** Menninger is party to two interest rate swap agreements with two banks that effectively converted its variable rate bonds to a fixed rate as of April 1, 2012. The swap agreements have a notional amount of $15,330,000 at June 30, 2020 and mature October 27, 2020. Under the terms of the agreements, the Clinic pays fixed interest at a rate of 4.505%. The change in fair value of the derivative agreements were gains of approximately $279,000 and $61,000 in 2020 and 2019, respectively.

NOTE 9 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	2020	2019
Property and equipment, net	$ 39,066,959	$ 37,881,345
Undesignated	(6,814,647)	3,540,443
Board-designated endowment for clinical support	26,561,019	19,831,889
Board-designated for capital projects	3,421,535	3,207,889
Board-designated for clinical support	1,967,823	1,718,908
Board-designated for maintenance reserve	102,424	402,221
Total net assets without donor restrictions	$ 64,305,113	$ 66,582,695

The Board of Directors of Menninger does not have a specific policy in regards to establishing board-designated endowments or reserves. However, the Board of Directors may designate excess cash flow for reserves, specific projects, or endowments as deemed prudent.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	2020	2019
Subject to expenditure for specified purpose:		
Miracles in Mind Campaign and capital projects	$ 13,079,101	$ 13,429,349
Mental health initiatives in the schools	2,842,703	4,371,540
Donor-restricted for future periods	2,150,501	2,112,961
Research and education	1,569,893	1,687,274
Substance use and schizophrenia treatment	1,218,046	1,218,046
The Gathering Place	456,545	328,733
Other	758,725	237,418
Donor-restricted endowments:		
Research and education	13,738,092	13,825,238
Children and family center	9,151,655	9,123,666
General endowment	5,500,812	5,667,092
Other	2,075,299	2,293,059
Total net assets with donor restrictions	$ 52,541,372	$ 54,294,376

NOTE 11 – ENDOWMENT FUNDS

The endowment was established to provide long-term support to the programs and operations of the Clinic. The endowment consists of donor-restricted endowment funds and funds the Board of Directors has designated to function as an endowment. Board-designated endowment funds are classified as *net assets without donor restrictions* internally designated to provide support for the organization generally for a long-term, but not necessarily a specified period of time. The Board of Directors retains discretion over the use of these funds.

Donor-restricted endowment funds are maintained in accordance with explicit donor stipulations and are subject to the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA). TUPMIFA provides guidelines about what constitutes prudent spending and explicitly requires consideration of preservation of the fund. The Board of Directors has interpreted TUPMIFA as requiring a focus on the entirety of donor-restricted endowment funds, including original gift amounts and net appreciation, allowing the Foundation to appropriate for expenditure or accumulate as much of an endowment fund as considered prudent for the uses, benefits, purposes, and duration for which the fund was established, subject to explicit donor stipulations.

As a result of this interpretation, Menninger classifies contributions to an endowment plus any donor-stipulated accumulations as *net assets with donor restrictions* required to be maintained in perpetuity. This amount is not reduced by investment losses or by appropriation and spending. The portion of the endowment not required to be maintained in perpetuity is also classified as *net assets with donor restrictions* until appropriated in accordance with spending policies and used for the stipulated purpose, if any.

An endowment fund is *underwater* if the fair value of the fund's investments falls below the amount required to be maintained in perpetuity because of declines in the fair value of investments and/or continued appropriation and spending in accordance prudent spending. At June 30, 2020, funds with original gift values of $4,054,783, fair values of $2,576,519, and deficiencies of $1,478,264, were reported in *net assets with donor restrictions*. At June 30, 2019, funds with original gift values of $2,298,978, fair values of $1,691,866, and deficiencies of $607,112 were reported in *net assets with donor restrictions*. Deficiencies of this nature result from unfavorable market fluctuations and continued appropriations.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Foundation's Board of Directors, the endowment assets are invested in a manner that is intended to produce an annualized return that is at or above the internally derived aggregate benchmark. The minimum long-term objective is to obtain a rate-of-return that will preserve the real value of the endowment assets after program and research spending, investment expenses and inflation.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The Foundation has a policy of appropriating for distribution each year an amount not to exceed 5% of its endowment fund's fair value as measured as of December 31 of the preceding fiscal year. In situations where there are significant, unusual, or non-recurring needs for funding of programs, education or research, the Board of Directors of the Foundation has the authority to approve the appropriation of funds for distribution in excess of 5%.

Changes in net assets of the donor-restricted endowment funds are as follows:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS		
	BOARD-DESIGNATED ENDOWMENT	ACCUMULATED EARNINGS, NET	REQUIRED TO BE MAINTAINED IN PERPETUITY	TOTAL
Endowment net assets, June 30, 2018	$ 24,265,820	$ 3,439,647	$ 26,625,766	$ 54,331,233
Gifts, bequests and special event revenue	2,132,285		901,352	3,033,637
Net investment return	895,847	1,193,833		2,089,680
Appropriations for expenditure	(7,462,063)	(1,251,543)		(8,713,606)
Endowment net assets, June 30, 2019	19,831,889	3,381,937	27,527,118	50,740,944
Gifts, bequests, special event revenue	9,164,522		361,041	9,525,563
Net investment return	524,655	769,330		1,293,985
Appropriations for expenditure	(2,960,047)	(1,573,568)		(4,533,615)
Endowment net assets, June 30, 2020	$ 26,561,019	$ 2,577,699	$ 27,888,159	$ 57,026,877

NOTE 12 – PATIENT SERVICE REVENUE

Menninger disaggregates revenue from contracts with customers by type of services and payor source as this depicts the nature, amount, timing, uncertainty, and cash flows as affected by economic factors. Revenue from contracts with customers consist of the following for the year ended June 30, 2020:

	OVER TIME			POINT IN TIME			
	INPATIENT CARE – GENERAL	MENNINGER 360	PATHFINDERS	INPATIENT AUXILIARY SERVICES	OUTPATIENT	OTHER REVENUE	TOTAL PATIENT REVENUE
Self-patient	$ 33,698,708	$ 2,159,149	$ 5,361,872	$ 813,786	$ 4,265,536	$ 686,628	$ 46,985,679
Commercial insurance, contract and other	658,200			15,789	8,055		682,044
Total	$ 34,356,908	$ 2,159,149	$ 5,361,872	$ 829,575	$ 4,273,591	$ 686,628	$ 47,667,723

Revenue from contracts with customers consist of the following for the year ended June 30, 2019:

	OVER TIME			POINT IN TIME			
	INPATIENT CARE – GENERAL	MENNINGER 360	PATHFINDERS	INPATIENT AUXILIARY SERVICES	OUTPATIENT	OTHER REVENUE	TOTAL PATIENT REVENUE
Self-patient	$ 37,419,601	$ 1,752,143	$ 5,590,940	$1,923,428	$ 3,373,751	$ 629,436	$ 50,689,299
Commercial insurance, contract and other	1,110,000			25,295			1,135,295
Total	$ 38,529,601	$ 1,752,143	$ 5,590,940	$1,948,723	$ 3,373,751	$ 629,436	$ 51,824,594

NOTE 13 – RELATED PARTY TRANSACTIONS

The Clinic granted to Baylor approximately $400,000 for each fiscal year ended June 30, 2020 and 2019 for research and development programs. Other transactions with Members for the years ended June 30, 2020 and 2019 include payments to Baylor for medical staff salaries and related benefits of approximately $10.2 million and $10.2 million, respectively. These transactions are reflected as operating expenses in the consolidated financial statements. At June 30, 2020 and 2019, accrued expenses due to Baylor were $1,116,341 and $171,841, respectively.

NOTE 14 – EMPLOYEE BENEFIT PLANS

Retirement benefits – The Clinic is a participating employer in The Menninger Clinic 403(b) Retirement Savings Plan (the Savings Plan) to provide retirement benefits to eligible employees. Under the Savings Plan, all employees of the Clinic become participants in the plan following the completion of one year of service and are immediately vested. One year of service is credited for eligibility purposes for a plan year in which an employee works 1,000 or more hours. Through December 31, 2019, eligible employees received an employer matching contribution up to 3% of qualified earnings. Effective January 1, 2020, the Savings Plan was amended to remove the 1,000 hour eligibility requirement and to increase the employer matching contribution to 5% of qualified earnings. The Clinic's contribution to the Savings Plan was approximately $789,000 and $619,000 for the years ended June 30, 2020 and 2019, respectively.

Health benefits – Menninger has a self-funded health benefit plan, which is administered by a third-party. Menninger is primarily self-insured up to $100,000 per employee for health benefits with additional third-party coverage provided by an aggregate stop-loss policy, which limits the maximum individual and aggregate losses. Self-insurance costs are accrued based upon the aggregate of the liability for reported claims and an estimated liability for claims incurred but not yet reported and are reported on an undiscounted basis.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Insurance – The Clinic maintains claims-made policies for its malpractice coverage to cover any claims in the ordinary course of business. Baylor provides coverage for its physicians who provide services to the Clinic under an agreement between the Clinic and Baylor. Primary limits of $1,000,000 per occurrence with an annual aggregate limit of $3,000,000 apply with no deductibles. Claims that are insured under the claims-made policies are covered only if the occurrence is reported prior to expiration of the policy period. In the event the current policies are not renewed or replaced with equivalent insurance coverage, claims based on occurrences during their term but reported subsequently, will be uninsured. There are known incidents that have resulted in the assertion of claims, as well as claims from unknown incidents that may be asserted arising from services provided. Management does not expect such claims to have a material adverse effect on Menninger's financial position.

Lease commitments – Leases that do not meet the criteria for capitalization are classified as operating leases, with related expenses recognized in the period incurred. The Clinic has entered into leases for office space, vehicles, and equipment for terms extending through 2026. Future minimum lease payments on the facility, vehicles, and equipment leases at June 30, 2020 are payable as follows:

2021	$ 291,637
2022	115,266
2023	103,390
2024	103,184
2025 and thereafter	145,438
Total	$ 758,915

Additionally, the Clinic has leases for certain facilities that may be terminated with minimal notice. Total rental expenses for all operating leases, including those requiring minimal notice, were approximately $793,000 and $725,000 for years ended June 30, 2020 and 2019, respectively.

Construction commitments – The Clinic has signed contracts for renovations of The Gathering Place and construction of a new outpatient service building. At June 30, 2020, the total outstanding commitment on these contracts was approximately $1.5 million. Subsequent to year end, an additional contract of $280,000 was executed for an owner's representative.

NOTE 16 – PANDEMIC AND SUBSEQUENT EVENTS

In March 2020, the Director-General of the World Health Organization declared a pandemic related to the global outbreak of the new coronavirus COVID-19 and a national emergency was declared in the United States. Business disruption caused by the pandemic is expected to reduce revenue in fiscal year 2021. The extent of the impact of COVID-19 on Menninger's future operational and financial performance will depend on developments such as the duration and spread of the outbreak, impact on Menninger's staff, patients, donors, and vendors, all of which are uncertain and cannot be predicted. While Menninger expects this matter to negatively impact its operating results and financial position, the financial impact cannot be reasonably estimated at this time.

Subsequent to year end, the Clinic paid down the $2 million line of credit balance and entered into an agreement to extend the maturity date of the tax-exempt bonds to April 2021. The agreement modified the interest rate for the extension period to LIBOR plus 3.0%.

Management has evaluated subsequent events through November 5, 2020, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

The Menninger Clinic and The Menninger Clinic Foundation

Consolidating Balance Sheet as of June 30, 2020

	THE CLINIC	THE FOUNDATION	ELIMINATIONS	TOTAL
ASSETS				
Current assets:				
Cash	$ 2,532,406	$ 928,918		$ 3,461,324
Patient accounts receivable	964,813			964,813
Prepaid expenses and other assets	470,070			470,070
Medical supplies	162,111			162,111
Operating contributions receivable, net		9,412,166		9,412,166
Assets limited as to use		2,430,200		2,430,200
Due from the Foundation	1,341,080		$ (1,341,080)	
Total current assets	5,470,480	12,771,284	(1,341,080)	16,900,684
Contributions receivable for capital additions and endowment		1,876,116		1,876,116
Assets limited as to use		71,305,936		71,305,936
Property and equipment, net	54,119,847			54,119,847
Other long-term assets	1,027,857			1,027,857
TOTAL ASSETS	$ 60,618,184	$ 85,953,336	$ (1,341,080)	$ 145,230,440
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	$ 575,259	$ 42,707		$ 617,966
Interest payable	71,583			71,583
Accrued expenses:				
Payroll and employee benefits	2,445,386			2,445,386
Grants payable	249,772			249,772
Other	1,500,272			1,500,272
Derivative agreements	87,562			87,562
Notes payable	16,933,016			16,933,016
Advance on Paycheck Protection Program loan	5,499,822			5,499,822
Deferred revenue	900,776	77,800		978,576
Due to the Clinic		1,341,080	$ (1,341,080)	
Total liabilities	28,263,448	1,461,587	(1,341,080)	28,383,955
Net assets:				
Without donor restrictions	32,354,736	31,950,377		64,305,113
With donor restrictions		52,541,372		52,541,372
Total net assets	32,354,736	84,491,749		116,846,485
TOTAL LIABILITIES AND NET ASSETS	$ 60,618,184	$ 85,953,336	$ (1,341,080)	$ 145,230,440

The Menninger Clinic and The Menninger Clinic Foundation

Consolidating Statement of Operations and Changes in Net Assets for the year ended June 30, 2020

	THE CLINIC	THE FOUNDATION	ELIMINATIONS	TOTAL
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:				
OPERATING REVENUE, GAINS, AND OTHER SUPPORT:				
Net patient service revenue	$ 47,667,723			$ 47,667,723
Gifts without donor restrictions		$ 9,071,283		9,071,283
Special event revenue		202,578		202,578
Operating investment return	203	603,838		604,041
Grants from the Foundation	5,257,443		$ (5,257,443)	
Other income	34,201			34,201
Net assets released from restrictions		4,011,386		4,011,386
Total operating revenue, gains, and other support	52,959,570	13,889,085	(5,257,443)	61,591,212
EXPENSES:				
Grants to the Clinic		5,257,443	(5,257,443)	
Program services	54,479,053	366,993		54,846,046
Management and general	8,228,637			8,228,637
Fundraising		1,319,047		1,319,047
Total expenses	62,707,690	6,943,483	(5,257,443)	64,393,730
Operating income (loss)	(9,748,120)	6,945,602	0	(2,802,518)
Net non-operating investment return		246,089		246,089
Change in fair value of derivative agreements	278,847			278,847
Excess of revenue, gains, and other support over expenses and changes in net assets without donor restrictions	(9,469,273)	7,191,691		(2,277,582)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:				
Gifts and bequests		1,489,052		1,489,052
Net investment return		769,330		769,330
Net assets released from restrictions for operations		(4,011,386)		(4,011,386)
Changes in net assets with donor restrictions		(1,753,004)		(1,753,004)
CHANGES IN NET ASSETS	(9,469,273)	5,438,687	0	(4,030,586)
Net assets, beginning of year	41,824,009	79,053,062		120,877,071
Net assets, end of year	$ 32,354,736	$ 84,491,749	$ 0	$ 116,846,485

The Menninger Clinic and The Menninger Clinic Foundation

Consolidating Balance Sheet as of June 30, 2019

	THE CLINIC	THE FOUNDATION	ELIMINATIONS	TOTAL
ASSETS				
Current assets:				
Cash	$ 770,345	$ 1,928,513		$ 2,698,858
Patient accounts receivable	1,204,959			1,204,959
Prepaid expenses and other assets	489,177			489,177
Medical supplies	234,103			234,103
Operating contributions receivable, net		949,384		949,384
Assets limited as to use		4,091,500		4,091,500
Due from the Foundation	4,779,841		$ (4,779,841)	
Total current assets	7,478,425	6,969,397	(4,779,841)	9,667,981
Operating contributions receivable, net		20,296		20,296
Contributions receivable for capital additions and endowment		4,236,344		4,236,344
Assets limited as to use		72,940,652		72,940,652
Property and equipment, net	53,992,888			53,992,888
Other long-term assets	833,042			833,042
TOTAL ASSETS	$ 62,304,355	$ 84,166,689	$ (4,779,841)	$ 141,691,203
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	$ 403,167	$ 333,786		$ 736,953
Interest payable	56,719			56,719
Accrued expenses:				
Payroll and employee benefits	2,817,720			2,817,720
Other	513,026			513,026
Notes payable – current portion	840,000			840,000
Deferred revenue	578,171			578,171
Due to the Clinic		4,779,841	$ (4,779,841)	
Total current liabilities	5,208,803	5,113,627	(4,779,841)	5,542,589
Notes payable – long-term portion, net	14,905,134			14,905,134
Derivative agreements	366,409			366,409
Total liabilities	20,480,346	5,113,627	(4,779,841)	20,814,132
Net assets:				
Without donor restrictions	41,824,009	24,758,686		66,582,695
With donor restrictions		54,294,376		54,294,376
Total net assets	41,824,009	79,053,062		120,877,071
TOTAL LIABILITIES AND NET ASSETS	$ 62,304,355	$ 84,166,689	$ (4,779,841)	$ 141,691,203

The Menninger Clinic and The Menninger Clinic Foundation

Consolidating Statement of Operations and Changes in Net Assets for the year ended June 30, 2019

	THE CLINIC	THE FOUNDATION	ELIMINATIONS	TOTAL
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:				
OPERATING REVENUE, GAINS, AND OTHER SUPPORT:				
Net patient service revenue	$ 51,824,594			$ 51,824,594
Gifts without donor restrictions		$ 1,973,199		1,973,199
Special event revenue		365,557		365,557
Operating investment return	3,473	1,272,013		1,275,486
Grants from the Foundation	9,249,039		$ (9,249,039)	
Other income	5,846			5,846
Net assets released from restrictions		3,863,881		3,863,881
Total operating revenue, gains, and other support	61,082,952	7,474,650	(9,249,039)	59,308,563
EXPENSES:				
Grants to the Clinic		9,249,039	(9,249,039)	
Program services	51,695,927	406,822		52,102,749
Management and general	7,544,144			7,544,144
Fundraising		1,539,766		1,539,766
Total expenses	59,240,071	11,195,627	(9,249,039)	61,186,659
Operating income (loss)	1,842,881	(3,720,977)	0	(1,878,096)
Net non-operating investment return		279,827		279,827
Change in fair value of derivative agreements	61,108			61,108
Excess of revenue, gains, and other support over expenses and change in net assets without donor restrictions	1,903,989	(3,441,150)		(1,537,161)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:				
Gifts and bequests		1,427,909		1,427,909
Net investment return		1,193,833		1,193,833
Net assets released from restrictions for operations		(3,863,881)		(3,863,881)
Changes in net assets with donor restrictions		(1,242,139)		(1,242,139)
CHANGES IN NET ASSETS	1,903,989	(4,683,289)	0	(2,779,300)
Net assets, beginning of year	39,920,020	83,736,351		123,656,371
Net assets, end of year	$ 41,824,009	$ 79,053,062	$ 0	$ 120,877,071