The Menninger Clinic and
The Menninger Clinic Foundation

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2021 and 2020

The Menninger Clinic and The Menninger Clinic Foundation

Table of Contents

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

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, 2021 and 2020 and the consolidating statements of operations and changes in net assets for the years ended June 30, 2021 and 2020 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the

2900 Weslayan, Suite 200 Houston, Texas 77027-5132 (713) 439-5757 Fax (713) 439-5758

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 9, 2021

The Menninger Clinic and The Menninger Clinic Foundation

Consolidated Balance Sheets as of June 30, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash	$ 3,397,245	$ 3,461,324
Patient accounts receivable	1,755,699	964,813
Prepaid expenses and other assets	622,371	470,070
Medical supplies	136,052	162,111
Operating contributions receivable, net *(Note 3)*	346,150	9,412,166
Assets limited as to use *(Notes 4 and 5)*	5,819,009	2,430,200
Total current assets	12,076,526	16,900,684
Contributions receivable for capital additions and endowment *(Note 3)*	2,355,487	1,876,116
Assets limited as to use *(Notes 4 and 5)*	83,843,817	71,305,936
Property and equipment, net *(Note 6)*	53,124,506	54,119,847
Other long-term assets	960,977	1,027,857
TOTAL ASSETS	$ 152,361,313	$ 145,230,440
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 637,182	$ 617,966
Interest payable		71,583
Accrued expenses:		
Payroll and employee benefits	2,152,597	2,445,386
Grants payable		249,772
Other *(Note 12)*	764,594	1,500,272
Notes payable *(Note 7)*	109,735	16,933,016
Deferred revenue	2,215,115	978,576
Derivative agreements *(Notes 5 and 7)*		87,562
Refundable advance on Paycheck Protection Program loan *(Note 2)*		5,499,822
Total current liabilities	5,879,223	28,383,955
Notes payable – long-term portion, net *(Note 7)*	15,136,215	
Total liabilities	21,015,438	28,383,955
Commitments and contingencies *(Note 14)*		
Net assets *(Note 10)*:		
Without donor restrictions *(Note 8)*	68,911,958	64,305,113
With donor restrictions *(Note 9)*	62,433,917	52,541,372
Total net assets	131,345,875	116,846,485
TOTAL LIABILITIES AND NET ASSETS	$ 152,361,313	$ 145,230,440

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, 2021 and 2020

	2021	2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
OPERATING REVENUE, GAINS, AND OTHER SUPPORT:		
Net patient service revenue	$ 56,215,230	$ 47,667,723
Contributions without donor restrictions	459,063	9,071,283
Special event revenue	343,280	202,578
Operating investment return	9,524,454	604,041
Other income, net	55,756	34,201
Net assets released from restrictions	6,762,217	4,011,386
Total operating revenue, gains, and other support	73,360,000	61,591,212
EXPENSES:		
Program services	55,376,344	54,846,046
Management and general	8,755,097	8,228,637
Fundraising	1,247,582	1,319,047
Total expenses	65,379,023	64,393,730
Operating income (loss)	7,980,977	(2,802,518)
Loss on involuntary conversion of assets	(1,479,812)	
Net non-operating investment return	(2,348,523)	246,089
Change in fair value of derivative agreements *(Note 7)*	87,562	278,847
Net assets released from restrictions for capital projects	366,641	
Excess of revenue, gains, and other support over expenses and changes in net assets without donor restrictions	4,606,845	(2,277,582)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions and bequests	4,457,434	1,489,052
Government grant contributions – Paycheck Protection Program *(Note 2)*	5,499,822	
Net investment return	7,064,147	769,330
Net assets released from restrictions for capital projects	(366,641)	
Net assets released from restrictions for operations	(6,762,217)	(4,011,386)
Changes in net assets with donor restrictions	9,892,545	(1,753,004)
CHANGES IN NET ASSETS	14,499,390	(4,030,586)
Net assets, beginning of year	116,846,485	120,877,071
Net assets, end of year	$ 131,345,875	$ 116,846,485

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, 2021 and 2020

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2021 TOTAL EXPENSES
Salaries and employee benefits	$ 30,075,551	$ 5,282,766	$ 842,436	$ 36,200,753
Purchased services	14,998,402	2,760,837	194,191	17,953,430
Supplies and other	5,364,527	519,207	166,654	6,050,388
Depreciation	3,853,359	161,824	40,456	4,055,639
Interest	727,264	30,463	3,845	761,572
Grants	357,241			357,241
Total expenses	$ 55,376,344	$ 8,755,097	$ 1,247,582	$ 65,379,023

	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	3,642,211	153,356	38,339	3,833,906
Interest	708,440	29,829	7,457	745,726
Grants	1,674,415	500	32,835	1,707,750
Total expenses	$ 54,846,046	$ 8,228,637	$ 1,319,047	$ 64,393,730

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, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 14,499,390	$ (4,030,586)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	4,055,639	3,833,906
Net realized and unrealized gain on investments	(12,700,127)	(35,682)
Change in value of derivative agreements	(87,562)	(278,847)
Contributions restricted for capital additions	(231,000)	(203,351)
Contributions restricted for endowment	(3,364,446)	(361,041)
Write-off of debt issuance costs	398,230	
Changes in operating assets and liabilities:		
Patient accounts receivable	(790,886)	240,146
Prepaid expenses and other assets	(152,301)	19,107
Medical supplies	26,059	71,992
Operating contributions receivable	9,066,016	(8,442,486)
Other long-term assets	66,880	(194,815)
Accounts payable and accrued expenses	(1,330,606)	760,561
Deferred revenue	1,236,539	400,405
Refundable advance on Paycheck Protection Program loan	(5,499,822)	5,499,822
Net cash provided (used) by operating activities	5,192,003	(2,720,869)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(2,488,305)	(3,932,983)
Purchases of investments	(80,267,702)	(18,544,222)
Proceeds from sales of investments	78,227,478	16,992,612
Net change in cash held for investment	(1,186,339)	4,883,308
Net cash used by investing activities	(5,714,868)	(601,285)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advance (repayment) from line of credit	(2,000,000)	2,000,000
Proceeds from refinance of notes payable	167,733	
Repayments of notes payable	(779,995)	(840,000)
Debt issuance costs	(45,027)	
Proceeds from contributions restricted for capital additions	1,856,200	1,757,912
Proceeds from contributions restricted for endowment	1,259,875	1,166,708
Net cash provided by financing activities	458,786	4,084,620
NET CHANGE IN CASH	(64,079)	762,466
Cash, beginning of year	3,461,324	2,698,858
Cash, end of year	$ 3,397,245	$ 3,461,324

Supplemental disclosure of cash flow information:

Interest paid in 2021 and 2020	$619,480	$731,977
Property acquired with capital lease	$571,993	
Refinance of debt	$14,630,000	

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 – These 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.

Debt issuance costs represent costs related to the issuance of the notes payable and are amortized over the term of the debt. Accumulated amortization is $1,246 and $262,362 at June 30, 2021 and 2020, respectively. Unamortized debt issuance costs are reported as a direct reduction of the related debt.

Derivative agreements – Menninger utilized 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. Derivative agreements expired during the fiscal year ended June 30, 2021.

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 service 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 payers 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, 2021, 2020, and 2019 were $2,215,115, $978,576, and $578,171, respectively. All deferred revenue at year end is recognized in the following fiscal year.

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. 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 changes 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, 2021 and 2020, 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, 2021 and 2020 was not significant.

Patient accounts receivable consist of amounts due for healthcare services provided. Menninger grants credit without collateral to its patients. Menninger's inpatients come from across the nation; outpatients are primarily local residents. Menninger's concentration of credit risk related 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, 2021, 2020, and 2019 were $1,755,699, $964,813, and $1,204,959, respectively. The percentage mix of receivables from the patients and third-party payers are as follows:

	2021	2020
Commercial insurance, contract and other	20%	11%
Patients	80%	89%
Total	100%	100%

Private pay patients may elect to finance a portion of amounts due through a local bank. Menninger incurs fees based on 13% of the outstanding balance of financed receivables. The bank will advance up to 50% of amounts owed to Menninger and will advance remaining amounts as it receives payment from the patients. Patient accounts receivable related to this plan were $146,887 and $92,954 at June 30, 2021 and 2020, respectively.

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 $2.5 and $3.9 million for the years ended June 30, 2021 and 2020, respectively. During the years ended June 30, 2021 and 2020, there were no contributions received that were restricted for charity care.

Contributions 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. Contributions 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 are all paid in the subsequent year.

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 loss on involuntary conversion of assets and unrealized investment gain (loss) not restricted by the donor and changes in fair 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. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, or time. Management and general activities are not directly identifiable with specific program or fundraising activities. 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 – 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:

	2021	2020
Financial assets:		
Cash	$ 3,397,245	$ 3,461,324
Patient accounts receivable	1,755,699	964,813
Operating contributions receivable, net	346,150	9,412,166
Assets limited as to use	89,662,826	73,736,136
Contributions receivable for capital additions and endowment	2,355,487	1,876,116
Total financial assets	97,517,407	89,450,555
Less:		
Donor-restricted and board-designated endowment assets less appropriations	(59,507,535)	(50,364,802)
Board-designated reserves	(4,824,324)	(5,491,782)
Donor-restricted for capital projects	(9,747,314)	(11,416,076)
Total financial assets available for general expenditure	$ 23,438,234	$ 22,177,895

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, 2021, Menninger had a $2,500,000 line of credit available to be drawn upon.

In March 2020, the World Health Organization declared a pandemic related to the global outbreak of the COVID-19 virus and a national emergency was declared in the United States. In fiscal years 2020 and 2021, Menninger experienced a decrease in census, increased costs of personal protection equipment and additional disinfection of the facilities. The extent of the continued impact of the pandemic on operational and financial performance will depend on developments such as the duration of the outbreak, and the impact on potential patients and donors.

In response to the pandemic, Menninger applied for and received a $5,499,822 Paycheck Protection Program (PPP) loan through the Small Business Administration. The PPP loan was forgiven in fiscal year 2021 as Menninger met the conditions of the contribution by using it for allowable payroll and other costs and being negatively impacted by the pandemic. Forgiveness of the PPP loan was recognized as a government grant contribution in fiscal year 2021.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows:

	2021	2020
Contributions receivable – capital campaign	$ 30,000	$ 1,655,200
Contributions receivable – endowment	2,398,539	252,667
Contributions receivable – operating	356,856	9,415,632
Total contributions receivable	2,785,395	11,323,499
Discount to net present value at 1% to 5%	(196)	(4,944)
Allowance for doubtful contributions receivable	(83,562)	(30,273)
Contributions receivable, net	$ 2,701,637	$ 11,288,282

Contributions receivable at June 30, 2021 are expected to be collected as follows:

Within one year	$ 2,755,895
In one to five years	29,500
Total contributions receivable	$ 2,785,395

Contributions – At June 30, 2021 and 2020, 93% and 89%, respectively, of contributions receivable were due from three donors.

NOTE 4 – ASSETS LIMITED AS TO USE

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

	2021	2020
Donor-restricted for endowment	$ 38,553,163	$ 30,213,191
Board-designated for research, education, operations, and capital	29,884,318	22,534,744
Donor-restricted for capital projects	9,718,214	9,760,877
Donor-restricted for research, education, and operations	8,563,425	8,996,413
Total	86,719,120	71,505,225
Operating investments	2,943,706	2,230,911
Total assets limited as to use	$ 89,662,826	$ 73,736,136

Assets limited as to use consist of the following:

	2021	2020
Fixed-income mutual funds	$ 30,616,826	$ 19,835,663
Equity mutual funds	29,759,998	17,021,035
Cash	14,811,340	13,625,001
Common stock	12,201,993	19,222,800
Beneficial interest in charitable trust	2,184,047	1,945,501
Other mutual funds	82,231	2,002,417
Corporate debt securities	6,391	83,719
Total assets limited as to use	$ 89,662,826	$ 73,736,136

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 5 – 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, 2021 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets limited as to use:				
Domestic fixed-income mutual funds	$ 30,616,826			$ 30,616,826
Equity mutual funds:				
International:				
Exchange-traded funds	14,146,570			14,146,570
Large-cap	1,536,132			1,536,132
Domestic:				
Exchange-traded funds	13,642,250			13,642,250
Large-cap	435,046			435,046
Common stock:				
Domestic large-cap	9,478,553			9,478,553
International	2,723,440			2,723,440
Beneficial interest in charitable trust			$ 2,184,047	2,184,047
Other mutual funds	82,231			82,231
Corporate debt securities		$ 6,391		6,391
Total assets measured at fair value	$ 72,661,048	$ 6,391	$ 2,184,047	$ 74,851,486

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
Equity mutual funds:				
International:				
Exchange-traded funds	5,628,297			5,628,297
Large-cap	8,872,874			8,872,874
Domestic:				
Large-cap	144,500			144,500
Mid-cap	2,343,134			2,343,134
SPDR S&P 500 ETF	24,665			24,665
Other	7,565			7,565
Common stock – domestic large-cap	19,222,800			19,222,800
Beneficial interest in charitable trust			$ 1,945,501	1,945,501
Other mutual funds	1,960,927			1,960,927
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

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

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.
- *Exchange-traded funds* and *common stock* 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, 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
Change in fair value of beneficial interest	283,796
Distribution from trust account	(45,250)
Balance at June 30, 2021	$ 2,184,047

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2021	2020
Buildings	$ 40,823,634	$ 39,750,855
Furniture and equipment	33,275,697	32,801,092
Land improvements	7,442,025	7,424,466
Land	5,201,574	5,201,574
Construction in progress	2,866,535	1,733,531
Property and equipment, at cost	89,609,465	86,911,518
Accumulated depreciation	(36,484,959)	(32,791,671)
Property and equipment, net	$ 53,124,506	$ 54,119,847

NOTE 7 – NOTES PAYABLE

Notes payable consist of the following:

	2021	2020
$17,050,000 loan for the construction of the Mental Health Epicenter, interest due monthly through March 2024, principal and interest due monthly beginning April 2024 through March 2031, secured by land and buildings; fixed interest rate of 3.1%.	$ 14,797,733	
Less: Unamortized debt issuance costs	(43,781)	
Subtotal	14,753,952	
$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 was 3.37% at June 30, 2020.		$ 15,330,000
Less: Unamortized bond issuance costs		(396,984)
Subtotal		14,933,016
$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 was 1.3875% at June 30, 2020.		2,000,000
Capital lease obligation – Menninger entered into a five-year agreement for the purchase of pharmaceutical management equipment. The equipment cost approximately $572,000 and is included in equipment at June 30, 2021 with accumulated depreciation of $40,516.	491,998	
Total notes payable	$ 15,245,950	$ 16,933,016

Notes payable are due in the fiscal year ended June 30 as follows:

	CAPITAL LEASES	CONSTRUCTION NOTE	TOTAL
2022	$ 124,099		$ 124,099
2023	124,099		124,099
2024	124,099	$ 147,977	272,076
2025	124,099	591,909	716,008
Thereafter	31,000	14,057,847	14,088,847
Total minimum lease payments	527,396	14,797,733	15,325,129
Less: Interest	(35,398)		(35,398)
Less: Unamortized debt issuance costs		(43,781)	(43,781)
Total notes payable	$ 491,998	$ 14,753,952	$ 15,245,950

Line of credit – Menninger has a $2,500,000 line of credit secured by land and buildings with a bank that expires March 31, 2023. Interest on the line of credit is at the bank's prime rate less 0.25% with a floor of 3.25%. No amounts were outstanding on this line of credit at June 30, 2021.

Derivative agreements **–** Menninger was 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 had a notional amount of $15,330,000 at June 30, 2020 and matured on October 27, 2020. Under the terms of the agreements, the Clinic paid a fixed interest rate of 4.505%. The change in fair value of derivative agreements were gains of approximately $87,000 and $279,000 in 2021 and 2020, respectively.

NOTE 8 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	2021	2020
Property and equipment, net of depreciation and related debt	$ 37,878,556	$ 39,066,959
Undesignated	802,935	(6,814,647)
Board-designated endowment for clinical support	24,446,993	26,561,019
Board-designated for capital projects reserve	3,318,766	3,421,535
Board-designated for clinical support reserve	2,464,708	1,967,823
Board-designated for maintenance reserve		102,424
Total net assets without donor restrictions	$ 68,911,958	$ 64,305,113

The Board of Directors of Menninger does not have a specific policy in regard 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 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	2021	2020
Subject to expenditure for specified purpose:		
Miracles in Mind Campaign and capital projects	$ 12,990,940	$ 13,079,101
Donor-restricted for future periods	2,234,020	2,150,501
Mental health initiatives in the schools	2,126,675	2,842,703
Research and education	1,935,359	1,569,893
Substance use and schizophrenia treatment	1,224,029	1,218,046
The Gathering Place	46,495	456,545
Other	996,848	758,725
Donor-restricted endowments:		
Research and education	18,964,453	13,738,092
Children and family center	12,405,358	9,151,655
General endowment	7,087,890	5,500,812
Other	2,421,850	2,075,299
Total net assets with donor restrictions	$ 62,433,917	$ 52,541,372

NOTE 10 – 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 with prudent spending. At June 30, 2021, funds with original gift values of $396,448, fair values of $118,274 and deficiencies of $278,174, were reported in *net assets with donor restrictions*. 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*. 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's spending policy will be consistent with its investment objective of achieving long-term real growth in its assets. In order to achieve such long-term real growth, the Foundation's goal is that total grants and expenses do not exceed the Foundation's total inflation-adjusted return on investments. The Board may draw down all or any portion of the endowment fund on demand.

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, 2019	$ 19,831,889	$ 3,381,937	$ 27,527,118	$ 50,740,944
Contributions, bequests and 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
Contributions, bequests, special event revenue	1,440,543		3,364,446	4,804,989
Net investment return	6,386,997	6,596,173		12,983,170
Transfers to fund deficits	(1,250,995)	1,250,995		
Redesignation	(512,726)			(512,726)
Appropriations for expenditure	(8,177,845)	(797,921)		(8,975,766)
Endowment net assets, June 30, 2021	$ 24,446,993	$ 9,626,946	$ 31,252,605	$ 65,326,544

NOTE 11 – 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, 2021:

	OVER TIME			POINT IN TIME			
	INPATIENT CARE – GENERAL	MENNINGER 360	PATHFINDERS	INPATIENT AUXILIARY SERVICES	OUTPATIENT	OTHER REVENUE	TOTAL PATIENT REVENUE
Self-patient	$ 32,586,149	$ 2,823,965	$ 5,232,846	$ 9,385,752	$ 4,913,344	$ 349,464	$ 55,291,520
Commercial insurance, contract and other	814,200			82,310	27,200		923,710
Total	$ 33,400,349	$ 2,823,965	$ 5,232,846	$ 9,468,062	$ 4,940,544	$ 349,464	$ 56,215,230

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

NOTE 12 – RELATED PARTY TRANSACTIONS

The Clinic granted to Baylor approximately $400,000 for the fiscal year ended June 30, 2020 for research and development programs. Other transactions with Members for the years ended June 30, 2021 and 2020 include payments to Baylor for medical staff salaries and related benefits of approximately $11.6 million and $10.2 million, respectively. These transactions are reflected as operating expenses in the consolidated financial statements. At June 30, 2021 and 2020, accrued expenses due to Baylor were $289,304 and $1,116,341, respectively.

NOTE 13 – 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. Employees received an employer matching contribution up to 5% of qualified earnings. The Clinic's contribution to the Savings Plan was approximately $1,082,000 and $789,000 for the years ended June 30, 2021 and 2020, 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 $125,000 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 14 – 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, 2021 are payable as follows:

2022	$ 198,092
2023	188,120
2024	173,792
2025	102,179
2026	43,258
Total	$ 705,441

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 $995,000 and $793,000 for years ended June 30, 2021 and 2020, respectively.

Construction commitments – The Clinic has signed contracts for the construction of a new outpatient service building. At June 30, 2021, the total outstanding commitment on these contracts was approximately $11.2 million.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 9, 2021, which is the date that the financial statements were available for issuance. As a result of this evaluation, no 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, 2021

	THE CLINIC	THE FOUNDATION	ELIMINATIONS	TOTAL
ASSETS				
Current assets:				
Cash	$ 610,798	$ 2,786,447		$ 3,397,245
Patient accounts receivable	1,755,699			1,755,699
Prepaid expenses and other assets	622,371			622,371
Medical supplies	136,052			136,052
Operating contributions receivable, net		346,150		346,150
Assets limited as to use		5,819,009		5,819,009
Due from the Foundation	2,426,538		$ (2,426,538)	
Total current assets	5,551,458	8,951,606	(2,426,538)	12,076,526
Contributions receivable for capital additions and endowment		2,355,487		2,355,487
Assets limited as to use		83,843,817		83,843,817
Property and equipment, net	53,124,506			53,124,506
Other long-term assets	960,977			960,977
TOTAL ASSETS	$ 59,636,941	$ 95,150,910	$ (2,426,538)	$ 152,361,313
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	$ 577,195	$ 59,987		$ 637,182
Accrued expenses:				
Payroll and employee benefits	2,152,597			2,152,597
Other	764,594			764,594
Notes payable	109,735			109,735
Deferred revenue	2,215,115			2,215,115
Due to the Clinic		2,426,538	$ (2,426,538)	
Total current liabilities	5,819,236	2,486,525	(2,426,538)	5,879,223
Notes payable – long-term portion, net	15,136,215			15,136,215
Total liabilities	20,955,451	2,486,525	(2,426,538)	21,015,438
Net assets:				
Without donor restrictions	38,681,490	30,230,468		68,911,958
With donor restrictions		62,433,917		62,433,917
Total net assets	38,681,490	92,664,385		131,345,875
TOTAL LIABILITIES AND NET ASSETS	$ 59,636,941	$ 95,150,910	$ (2,426,538)	$ 152,361,313

The Menninger Clinic and The Menninger Clinic Foundation

Consolidating Statement of Operations and Changes in Net Assets for the year ended June 30, 2021

	THE CLINIC	THE FOUNDATION	ELIMINATIONS	TOTAL
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:				
OPERATING REVENUE, GAINS, AND OTHER SUPPORT:				
Net patient service revenue	$ 56,215,230			$ 56,215,230
Contributions without donor restrictions		$ 459,063		459,063
Special event revenue		343,280		343,280
Operating investment return	928	9,523,526		9,524,454
Grants from the Foundation	10,012,042		$ (10,012,042)	
Other income, net	55,756			55,756
Net assets released from restrictions	5,499,822	1,262,395		6,762,217
Total operating revenue, gains, and other support	71,783,778	11,588,264	(10,012,042)	73,360,000
EXPENSES:				
Grants to the Clinic		10,012,042	(10,012,042)	
Program services	55,309,677	66,667		55,376,344
Management and general	8,755,097			8,755,097
Fundraising		1,247,582		1,247,582
Total expenses	64,064,774	11,326,291	(10,012,042)	65,379,023
Operating income	7,719,004	261,973	0	7,980,977
Loss on involuntary conversion of assets	(1,479,812)			(1,479,812)
Net non-operating investment return		(2,348,523)		(2,348,523)
Change in fair value of derivative agreements	87,562			87,562
Net assets released for capital projects		366,641		366,641
Excess of revenue, gains, and other support over expenses and changes in net assets without donor restrictions	6,326,754	(1,719,909)		4,606,845
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:				
Contributions and bequests		4,457,434		4,457,434
Government grant contributions – Paycheck Protection Program	5,499,822			5,499,822
Net investment return		7,064,147		7,064,147
Net assets released from restrictions for operations	(5,499,822)	(1,629,036)		(7,128,858)
Changes in net assets with donor restrictions	0	9,892,545		9,892,545
CHANGES IN NET ASSETS	6,326,754	8,172,636	0	14,499,390
Net assets, beginning of year	32,354,736	84,491,749		116,846,485
Net assets, end of year	$ 38,681,490	$ 92,664,385	$ 0	$ 131,345,875

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
Notes payable	16,933,016			16,933,016
Deferred revenue	900,776	77,800		978,576
Derivative agreements	87,562			87,562
Refundable advance on Paycheck Protection Program loan	5,499,822			5,499,822
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
Contributions 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, net	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 change in net assets without donor restrictions	(9,469,273)	7,191,691		(2,277,582)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:				
Contributions 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