Jefferson Center for Mental Health, Inc. and Affiliates

Independent Auditor’s Reports and Consolidated Financial Statements

June 30, 2018 and 2017

Jefferson Center for Mental Health, Inc. and Affiliates

June 30, 2018 and 2017

Contents

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Independent Auditor's Report on Consolidated Financial Statements and Supplementary Information

Board of Directors
Jefferson Center for Mental Health, Inc. and Affiliates
Wheat Ridge, Colorado

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Jefferson Center for Mental Health, Inc. and Affiliates (the Organization), which comprise the consolidated balance sheets as of June 30, 2018 and 2017, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Jefferson Center for Mental Health, Inc. and Affiliates

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jefferson Center for Mental Health, Inc. and Affiliates as of June 30, 2018 and 2017, and the results of their operations, 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 opinions on the consolidated financial statements as a whole. The accompanying supplementary information, including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
December 20, 2018

Jefferson Center for Mental Health, Inc.
and Affiliates

Consolidated Balance Sheets

June 30, 2018 and 2017

Assets

	2018	2017
Current Assets		
Cash	$ 2,008,382	$ 8,056,636
Restricted cash	734,618	497,780
Short-term investments	7,083,354	11,597,975
Client accounts receivable, less allowance for uncollectible accounts; 2018 - $543,056 and 2017 - $662,940	667,715	668,871
Medicaid receivable, less allowance for uncollectible accounts; 2018 - $1,781,790 and 2017 - $1,526,751	403,396	589,627
Medicare receivable, less allowance for uncollectible accounts; 2018 - $651,086 and 2017 - $779,191	45,708	29,878
Accounts receivable, related parties	1,135,656	-
State and county receivables	1,628,021	1,943,409
Other receivables	1,040,068	1,483,847
Inventory	760,291	577,116
Prepaid expenses and other	565,548	631,852
Total current assets	16,072,757	26,076,991
Investments		
Rental property held for investment	591,436	639,696
Investment in Mental Health Risk Retention Group	41,000	41,000
Investment in Progressive Health Options, LLC	40,000	40,000
Investment in Foothills Health Solutions, LLC	7,044	-
Investment in Community Crisis Connections, LLC	24,028	24,028
Investment in Front Range Health Partners, LLC	153,730	184,320
Investment in Foothills Behavioral Health Partners, LLC	2,239,111	2,256,379
	3,096,349	3,185,423
Beneficial Interest in Community First Foundation	6,488,742	6,331,895
Property and Equipment, at Cost		
Land	2,070,835	2,070,835
Buildings and leasehold improvements	36,857,897	34,286,385
Office furniture and equipment	7,378,659	7,136,541
Vehicles	587,287	658,366
	46,894,678	44,152,127
Less accumulated depreciation	17,472,257	16,421,803
	29,422,421	27,730,324
Other Assets		
Other assets	808,159	743,178
Replacement reserves	119,806	129,382
	927,965	872,560
Total assets	$ 56,008,234	$ 64,197,193

Jefferson Center for Mental Health, Inc.
and Affiliates
Consolidated Balance Sheets (continued)
June 30, 2018 and 2017

Liabilities and Net Assets

	2018	2017
Current Liabilities		
Current maturities of long-term debt	$ 348,696	$ 328,747
Accounts payable	1,407,620	2,847,485
Accrued payroll and vacation pay	3,348,163	3,198,606
Accrued expenses	883,233	883,951
Accounts payable, related parties	-	6,202,631
Deferred revenue	33,421	164,662
Total current liabilities	6,021,133	13,626,082
Other Liabilities	808,159	743,178
Note Payable	100,000	100,000
Long-term Debt	1,391,253	1,731,923
Total liabilities	8,320,545	16,201,183
Net Assets		
Unrestricted		
Board-designated	1,696,179	1,750,000
Unrestricted	40,098,981	40,233,608
Total unrestricted	41,795,160	41,983,608
Temporarily restricted	546,645	666,518
Permanently restricted	5,345,884	5,345,884
Total net assets	47,687,689	47,996,010
Total liabilities and net assets	$ 56,008,234	$ 64,197,193

Jefferson Center for Mental Health, Inc.
and Affiliates

Consolidated Statements of Operations

Years Ended June 30, 2018 and 2017

	2018	2017
Unrestricted Revenues and Support		
Subcapitation premium revenue	$ 31,996,767	$ 34,844,979
Net client service revenue	25,119,711	22,534,701
State contracts	10,073,919	9,077,382
Local government contracts	690,981	577,439
Public support	50,056	107,776
Other	4,864,039	4,846,647
Change in beneficial interest of Community First Foundation	351,712	677,707
Net assets released from restrictions	744,873	108,482
Total unrestricted revenues and support	73,892,058	72,775,113
Expenses		
Personnel	57,541,275	57,392,879
Client related	8,473,678	9,001,590
Occupancy	3,630,110	3,145,048
Operating	3,793,306	3,414,563
Professional fees	397,078	425,828
Provision for bad debts	417,943	1,203,614
Other	687,827	860,457
Donated items	50,056	107,764
Total expenses	74,991,273	75,551,743
Operating Loss	(1,099,215)	(2,776,630)

Jefferson Center for Mental Health, Inc. and Affiliates

Consolidated Statements of Operations (continued)

Years Ended June 30, 2018 and 2017

	2018	2017
Other Income (Expense)		
Arvada Place investment rental revenue, net of rental expenses for; 2018 - $333,769 and 2017 - $332,188	184,735	141,500
Jefferson Center Apartments rental revenue, net of rental expenses for; 2018 - $72,811 and 2017 - $63,841	(11,023)	15,373
Jefferson Towers rental revenue, net of rental expenses for; 2018 - $62,495 and 2017 - $64,591	2,216	21,955
Yarrow rental revenue, net of rental expenses for; 2018 - $244,469 and 2017 - $238,089	2,570	(94,220)
Arbor Building rental revenue, net of rental expenses for; 2018 - $63,184 and 2017 - $92,320	29,240	34,953
Jefferson Plaza Building rental revenue, net of rental expenses for; 2018 - $148,739 and 2017 - $123,568	59,935	42,017
Net rental income (loss)		
Jefferson Therapeutic Living Apartments	21	11,026
Fenton Place Townhomes	(19,032)	(26,307)
Jefferson Hills Corporation	87,182	51,852
Insurance proceeds received	483,949	748,594
Investment return	108,339	256,602
Net loss on investment in equity investees	(108,056)	(38,499)
Total other income (expense)	820,076	1,164,846
Deficiency of Revenues Over Expenses	(279,139)	(1,611,784)
Net unrealized gains	90,688	331,620
Decrease in Unrestricted Net Assets	$ (188,451)	$ (1,280,164)

Jefferson Center for Mental Health, Inc.
and Affiliates
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2018 and 2017

	2018	2017
Unrestricted Net Assets		
Deficiency of revenues over expenses	$ (279,139)	$ (1,611,784)
Net unrealized gains	90,688	331,620
Decrease in unrestricted net assets	(188,451)	(1,280,164)
Temporarily Restricted Net Assets		
Restricted grant support	625,000	775,000
Net assets released from restriction	(744,870)	(108,482)
Increase (decrease) in temporarily restricted net assets	(119,870)	666,518
Change in Net Assets	(308,321)	(613,646)
Net Assets, Beginning of Year	47,996,010	48,609,656
Net Assets, End of Year	$ 47,687,689	$ 47,996,010

Jefferson Center for Mental Health, Inc. and Affiliates

Consolidated Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	2018	2017
Operating Activities		
Change in net assets	$ (308,321)	$ (613,646)
Items not requiring (providing) cash		
Gain on sale of property and equipment	(220,784)	(3,150)
Depreciation	1,793,493	1,711,434
Amortization	8,026	8,026
Provision for bad debts	417,943	1,203,614
Net loss on investment in equity investees	108,056	38,499
Change in the beneficial interest in assets held by Community First Foundation	(351,712)	(677,707)
Net unrealized losses	(90,688)	(331,620)
Changes in		
Restricted cash	(236,838)	(172,496)
Accounts receivable, net of accounts payable, related parties	(6,825,506)	(1,513,006)
Prepaid expenses and other assets	66,304	(190,156)
Inventories	(183,175)	5,564
Accounts payable and accrued expenses	(1,226,047)	(13,163)
Deferred revenue	(131,241)	(20,086)
Net cash used in operating activities	(7,180,490)	(567,893)
Investing Activities		
Purchases of investments	(7,647,247)	(272,535)
Net proceeds from disposition on investments	12,252,556	-
Purchases of property and equipment	(3,432,530)	(2,631,326)
Proceeds from disposition of property and equipment	215,984	3,150
Distribution from equity investee	-	1,756,066
Net distributions from Community First Foundation	194,865	153,088
Contribution paid to equity investee	(67,240)	(47,792)
Funded replacement reserves, net	9,576	(34,425)
Purchase of deferred compensation investments	(64,981)	-
Net cash provided by (used in) investing activities	1,460,983	(1,073,774)
Financing Activities		
Principal payments on long-term debt	(328,747)	(309,961)
Net cash used in financing activities	(328,747)	(309,961)
Decrease in Cash	(6,048,254)	(1,951,628)
Cash, Beginning of Year	8,056,636	10,008,264
Cash, End of Year	$ 2,008,382	$ 8,056,636
Supplemental Cash Flows Information		
Interest paid	$ 71,150	$ 154,187

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The consolidated financial statements include the following entities:

- Jefferson Center for Mental Health, Inc. and Affiliates (the Organization) provides mental health care services to residents of Clear Creek, Gilpin and Jefferson Counties in Colorado. In addition, the Organization controls 100% of Jefferson Hills Corporation, Jefferson Therapeutic Living Apartments, Jefferson Mental Health Foundation and Fenton Place Townhomes. The consolidated financial statements include the accounts of the Organization and its wholly-owned subsidiaries. The Organization also owns noncontrolling interests in Mental Health Risk Retention Group, Progressive Health Options, LLC, Community Crisis Connections, LLC, Foothills Health Solutions, LLC and Foothills Behavioral Health Partners, LLC as described in Note 5.

- Jefferson Hills Corporation (JHC) is a not-for-profit corporation organized under the laws of the State of Colorado as a wholly-owned subsidiary of Jefferson Center for Mental Health, Inc. JHC was organized for the purpose of providing services for Department of Human Services. Youth are placed by the county or State of Colorado. JHC operates a crisis stabilization program at the Lakewood and Aurora facilities. This program called New Vistas at Jefferson Hills (New Vistas) serves children and youth from 5 – 18-1/2 years of age. A majority of the Organization's revenues from New Vistas are derived from the Behavioral Health Organizations holding the Medicaid capitation contracts. The Organization also operates a day treatment program called Jefferson Hills Academy, at the Lakewood facility, of which a majority of revenues are received from public school districts.

- FHA Project No. 101-EH144 operates as Jefferson Therapeutic Living Apartments (JTLA), a Colorado not-for-profit corporation. JTLA was established to operate rental units, consisting of a six-unit apartment building, under Section 202 of the National Housing Act. Such projects are regulated by HUD as to rent charges and method of operations.

- Jefferson Mental Health Foundation (the Foundation) is a corporation whose purpose is to solicit support to sustain and expand programs that benefit overall mental health and enhance the quality of life of Jefferson County residents. The Foundation is an affiliate of Jefferson Center for Mental Health, Inc. and its governing board includes, but is not limited to, members of Jefferson Center for Mental Health, Inc.

- FHA Project No. 101-HD019-NP-CMI operates as Fenton Place Townhomes (Fenton), a Colorado not-for-profit corporation. Fenton was established to operate rental units, consisting of nine townhomes under Section 811 of the National Housing Act. Such projects are regulated by HUD as to rent charges and operating methods.

Principals of Consolidation and Basis of Accounting

The accompanying consolidated financial statements include the accounts of Jefferson Center for Mental Health, Inc., Jefferson Hills Corporation, Jefferson Therapeutic Living Apartments, Foothills Mental Health Foundation and Fenton Place Townhomes. All material intercompany transactions and balances have been eliminated in the consolidated financial statements.

The financial statements conform with the reporting guidelines issued by the State of Colorado Department of Human Services, Office of Health and Rehabilitation Services, Mental Health Services, including guidelines outlined in the *Audit and Accounting Guide for Health Care Organizations* issued by the American Institute of Certified Public Accountants.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

At June 30, 2018, the Organization's cash accounts exceeded federally insured limits by approximately $3,542,000.

Accounts Receivable

First- and third-party accounts receivable are reported at amounts expected to be realized. The allowance for uncollectible accounts is based upon the Organization's past collection experience, the character of the receivable, current economic conditions and other factors which, in management's judgment, should be considered in estimating the allowance for uncollectible accounts. Public agencies' contracts and grants accounts receivable are considered to be fully collectible by management; accordingly, no allowance for uncollectible accounts has been provided.

Inventories

Inventories mainly consist of medical and pharmaceutical supplies and are stated at the lower of cost or market, which is primarily determined using the first-in, first-out method.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividends, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return is reflected in the statements of operations as unrestricted in the absence of any donor or legally imposed restrictions.

Investments in and Advances to Affiliates

The Organization utilizes the equity method of accounting for investments in and advances to certain affiliates over which the Organization exercises significant influence. Under this method, the Organization's share of the net income or net losses of the affiliates is reflected as income or loss in equity investees and serves to increase or reduce the recorded amount of the Organization's investment in and advances to the affiliates.

Property and Equipment

Property and equipment are depreciated on a straight-line basis over the estimated useful life of each asset. Leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and leasehold improvements	3-30 years
Office furniture and equipment	3-15 years
Vehicles	5 years

Deferred Revenue

Deferred revenue includes county and municipal contract revenues received, which have not yet been used for their specified purpose.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

Net Client Service Revenue

The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. Net client service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The Organization provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Charity care is not reported as revenue.

Contributions

Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received. The gifts are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions.

Donated Materials and Building Space

Donations of materials and building space are recorded as both a revenue and an expense. Donated materials are valued at their estimated current market values as determined by vendor price lists and various other methods. Donated building space is valued at estimated fair rental value based upon rentals of similar real estate.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in Note 9. Certain costs have been allocated among the program, general and administrative, and fundraising categories based on the actual expense purpose.

Income Taxes

The Organization has been recognized as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. The Organization is subject to federal income tax on any unrelated business taxable income. Unrelated business income tax is computed on the income from the rental property held for investment.

Deficiency of Revenues Over Expenses

The statements of operations include deficiency of revenues over expenses. Changes in unrestricted net assets, which are excluded from deficiency of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Note 2: Charity Care

The Organization provided care to indigent patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Organization's direct and indirect costs for services furnished under the Organization's charity care policy were $2,761,544 and $2,238,005 for June 30, 2018 and 2017, respectively. The Organization has received approximately $1,297,689 and $1,031,638 in 2018 and 2017, respectively, to subsidize charity services provided under its charity care policy.

Note 3: Rental Property Held for Investment and Restricted Cash

The Organization owns land and an apartment building held for investment purposes. The balances consist of the following:

	2018	2017
Land	$ 43,000	$ 43,000
Buildings and improvements	1,576,527	1,576,527
	1,619,527	1,619,527
Less accumulated depreciation	1,028,091	979,831
	$ 591,436	$ 639,696

Restricted cash accounts related to this investment consisted of the following:

	2018	2017
Management escrow	$ 634,809	$ 412,081
Income tax deposit	100	100
Tenant deposits	23,199	23,578
	$ 658,108	$ 435,759

The Organization also has restricted cash related to a financing agreement between JHC and Colorado Housing and Finance Authority (CHFA). A replacement reserve fund must be established and maintained by JHC. JHC deposits $1,200 per month into the fund. The funds may be used for payment of any required repair or replacement costs that are capitalized with the approval of CHFA. For both years ended June 30, 2018 and 2017, JHC deposited $14,400 to the restricted cash fund. The balance of the restricted cash fund was $70,658 and $56,258 at June 30, 2018 and 2017, respectively. The Organization also has restricted cash relating to tenant deposits at Fenton and JTLA of $5,852 and $5,763 at June 30, 2018 and 2017, respectively.

The revenues and expenses related to the apartment building included in the accompanying statements of operations for the years ended June 30 are as follows:

	2018	2017
Net rental revenue	$ 521,132	$ 475,269
Operating expenses		
Administrative	94,698	96,901
Maintenance and repairs	137,453	129,006
Management fees	31,405	28,602
Taxes and insurance	24,581	33,924
Depreciation expense	48,260	45,336
Total operating expenses	336,397	333,769
Net rental income	$ 184,735	$ 141,500

Note 4: Investments and Investment Return

	2018	2017
Cash	$ 709	$ 1,057,209
Money market mutual funds	690,945	1,405,996
Government and agency bonds	-	249,834
Corporate bonds	563,820	880,245
Marketable equity securities	1,127,551	2,487,876
Mutual funds invested in U.S. government bonds	109,908	109,649
Mutual funds invested in fixed-income bonds	3,196,771	4,500,791
Mutual funds invested in floating-rate securities	204,186	362,633
Certificates of deposit	1,189,464	543,742
Short-term investments	$ 7,083,354	$ 11,597,975

Total investment return is comprised of the following:

	2018	2017
Interest and dividend income	$ 108,339	$ 256,602
Net unrealized gains	90,688	331,620
	$ 199,027	$ 588,222

Note 5: Investments and Related-party Transactions

Mental Health Risk Retention Group

The Organization accounts for its investment in the Mental Health Risk Retention Group (MHRRG) under the cost method. MHRRG is a captive insurance corporation organized by and for the benefit of mental health centers. The Organization paid $343,098 and $283,078 in liability insurance premiums to MHRRG for the years ended June 30, 2018 and 2017, respectively. The investment balance at June 30, 2018 and 2017 was $41,000.

Investment in Progressive Health Options, LLC

The Organization invested $40,000 in Progressive Health Options, LLC (Progressive Health Options), a Colorado limited liability company. Progressive Health Options was organized to develop, form and operate an integrated, collaborative and coordinated provider network which fosters innovation in health care delivery, and will improve the quality of health care while reducing costs, including enhanced accountability, outcomes and shared savings. The Organization is one of 17 equal members comprising behavioral health providers in the State of Colorado and therefore maintains a 5.88% ownership.

Community Crisis Connection, LLC

On September 1, 2014, Community Crisis Connection, LLC (CCC) was created and became the holder of the Crisis Stabilization Services Contract for persons in a specified geographic area. The Organization has a 16.67% interest in CCC at June 30, 2018 and accounts for its investment under the equity method. The Organization also entered into a separate agreement with CCC to provide payroll, human resource, and other administrative services to CCC. The total amount of revenue received related to the relationship with CCC was $2,178,071 and $2,030,491 for the years ended June 30, 2018 and 2017, respectively, and is included in state contracts – other on the statements of operations. Additionally, $807,464 and $381,696 for 2018 and 2017, respectively, is included as a receivable in accounts receivable, affiliates and accounts payable, affiliates in 2018 and 2017, on the balance sheets. Financial position and results of operations of the investee are summarized as follows:

	2018	2017
Current assets	$ 3,111,779	$ 1,897,096
Total assets	3,111,779	1,897,096
Current liabilities	2,967,611	1,752,928
Members' equity	$ 144,168	$ 144,168
Revenues	$ 9,916,735	$ 9,265,664
Net income	$ -	$ 27,462

The Organization contributed $0 during 2018 and 2017, and recognized losses on the investment in equity investee of $0 and $63,635 at June 30, 2018 and 2017, respectively. The investment balance was $24,028 at June 30, 2018 and 2017.

Foothills Behavioral Health Partners, LLC

Effective July 1, 2009, Foothills Behavioral Health Partners, LLC (FBHP) became the holder of the Medicaid Capitation Contract. Effective July 1, 2009, FBHP, of which the Organization has a 45% interest, became the contract holder. The Organization contributed $705,204 to FBHP during 2009 for the 45% interest. The total amount of revenue received related to the relationship with FBHP was $37,996,767 and $34,844,979 for the years ended June 30, 2018 and 2017, respectively. The investment is accounted for under the equity method. Financial position and results of operations of the investee are summarized as follows:

	2018	2017
Current assets	$ 13,190,453	$ 21,919,035
Long-term investment	-	432,516
Total assets	13,190,453	22,351,551
Current liabilities	8,186,853	17,309,950
Members' equity	$ 5,003,600	$ 5,041,601
Revenues	$ 82,090,401	$ 86,017,026
Net income (loss)	$ (38,001)	$ 55,859

At June 30, 2018 and 2017, the Organization owed FBHP $1,359,826 and $6,614,182, respectively, and FBHP owed the Organization $1,678,385 and $29,860, respectively. These amounts are included in accounts receivable, affiliates and accounts payable, affiliates in 2018 and 2017 on the balance sheets. The Organization contributed $0 and $47,792 during 2018 and 2017, respectively, to FBHP. The Organization recorded a (loss) gain on the investment of equity investee of $(17,268) and $25,136 at June 30, 2018 and 2017, respectively. The investment balance was $2,239,111 and $2,256,379 at June 30, 2018 and 2017, respectively.

Front Range Health Partners, LLC

Effective April 14, 2017, Foothills Health Solutions, LLC filed a name change with the State of Colorado to Front Range Health Partners (FRHP). The Organization has a 50% ownership of FRHP. FRHP is working to develop products to offer to large independent physician groups, hospital-based physician groups or eventually insurance companies that add behavioral health or behavioral medicine services in these practices or manage the related care (for insurance companies) on a fee-for-service or shared savings basis. On July 1, 2018, FRHP has contracted with CCHA, LLC, on behalf of the Organization to provide managed care services (see Note 17). The investment is accounted for under the equity method. Financial position and results of operations of the investee are summarized as follows:

	2018	2017
Current assets	$ 40,271	$ 74,323
Investments	342,588	335,347
Total assets	382,859	409,670
Current liabilities	75,399	120,110
Members' equity	$ 307,460	$ 289,560
Revenues	$ -	$ -
Net loss	$ (22,315)	$ (79,062)

The Organization contributed $16,665 and $0, and recognized a loss on the investment of equity investee of $47,257 and $0 at June 30, 2018 and 2017, respectively. FRHP distributed $1,756,066 to the Organization during 2017. The investment balance was $153,730 and $184,320 at June 30, 2018 and 2017, respectively. The Organization has a receivable recorded of $9,633 and $0 at June 30, 2018 and 2017, respectively. The amount is included in accounts receivable, affiliates on the balance sheets.

Foothills Health Solutions

Foothills Health Solutions (FHS) operates as a Colorado not-for-profit corporation. FHS was established to manage a comprehensive, integrated and community based network that provides primary care, behavioral health, dental and pharmacy services for health plans. The Organization is one of five members who each have a 20% interest. The investment is accounted for using the equity method. Financial position and results of operations of the investee are summarized as follows:

	2018
Current assets	$ 334
Due from Front Range Health Partners	40,874
Property and other long-term assets, net	4,041
Total assets	45,249
Current liabilities	5,409
Members' equity	$ 39,840
Revenues	$ 5,408
Net loss	$ (237,185)

The Organization contributed $50,575 and recognized a loss on the investment of equity investee of $43,531 at June 30, 2018. The investment balance was $7,044 at June 30, 2018.

Note 6: Beneficial Interest in Community First Foundation

The Organization has an agreement with the Community First Foundation (CFF) to create an endowment fund. The Community First Foundation makes all of the investment decisions for the endowment fund. The original investment and any subsequent contributions are to be held in the endowment in perpetuity and are included in permanently restricted net assets. Income from the endowment is unrestricted. Activity related to the endowment is as follows:

	2018	2017
Retained beneficial interest, beginning of year	$ 6,331,895	$ 5,807,276
Net distributions from CFF	(194,865)	(153,088)
Gain on investments held by CFF	351,712	677,707
Retained beneficial interest, end of year	$ 6,488,742	$ 6,331,895

As of June 30, 2018 and 2017, the amount of the original investment and additional contributions was $5,345,884. These amounts are held into perpetuity by the Community First Foundation.

Note 7: Note Payable

During 2010, the Organization received proceeds of $100,000 from the issuance of a note payable to the County of Jefferson, on behalf of the Jefferson County HOME Investment Partnerships Program, to be used for the purchase of an apartment building. The note is noninterest-bearing, and due on demand upon (a) sale of the property; (b) failure of the Organization on or before November 1, 2019, to rent seven of the apartment units on the property to eligible beneficiaries for a period of five years for each unit beginning on the date each unit is first rented to an eligible beneficiary. As of June 30, 2018 and 2017, the balance on the note payable is $100,000.

Note 8: Long-term Debt

Long-term debt is summarized as follows:

	2018	2017
Mortgage, Colorado Housing and Finance Authority (A)	$ 1,169,890	$ 1,344,343
Note payable, First Bank (B)	585,346	727,320
Mortgage payable (C)	20,306	32,626
	1,775,542	2,104,289
Less current maturities	348,696	328,747
Less unamortized deferred financing costs	35,593	43,619
	$ 1,391,253	$ 1,731,923

(A) Due November 1, 2023; payable $21,399 monthly, including interest at 6.50%; secured by first deed of trust on the land and building (Lakewood facility), as well as a first lien security interest in certain personal property.

(B) Due February 1, 2022; payable $14,597 monthly, including interest at 4.95%, secured by a first deed of trust on land and building (Aurora facility).

(C) Due December 1, 2019; payable $1,199 monthly, including interest at 7.625%; collateralized by real estate.

Aggregate annual maturities on long-term debt at June 30, 2018, are:

Years Ending	
2019	$ 348,696
2020	362,233
2021	376,897
2022	340,807
2023	241,632
Thereafter	105,277
	$ 1,775,542

Total interest expense was $194,936 and $134,396, respectively, for the years ended June 30, 2018 and 2017, of which $189,360 and $127,791, respectively, are reported in operating expenses and $5,576 and $6,605, respectively, are reported in rental expenses in the statements of operations.

Note 9: Functional Expenses

Functional expenses consist of the following classifications and amounts:

	2018	2017
Mental health services	$ 46,475,082	$ 48,218,451
Substance abuse services	1,490,294	-
Children's residential services	11,940,454	12,951,227
Administrative and general services	15,074,549	14,382,065
Other services	10,894	-
	$ 74,991,273	$ 75,551,743

Note 10: Net Assets

Board-designated Net Assets – Unrestricted

The Board has designated net assets for the following purposes:

	2018	2017
Business development	$ 900,000	$ 900,000
Contingencies	200,000	200,000
Develop public support	500,000	500,000
Renovations of Yarrow building	96,179	150,000
	$ 1,696,179	$ 1,750,000

Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes:

	2018	2017
Community First Foundation LAUNCH Together	$ 546,645	$ 338,942
Community First Foundation Mental Health First Aid	-	217,160
Buell Foundation Rural Expansion & Jefferson County Early Childhood Mental Health Consultation	-	110,416
	$ 546,645	$ 666,518

During 2018 and 2017, net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes of LAUNCH Together start-up phase, mental health first aid and early childhood mental health consultation in the amount of $744,873 and $108,482, respectively.

Permanently Restricted Net Assets

Permanently restricted net assets are restricted to:

	2018	2017
Investments to be held in perpetuity	$ 5,345,884	$ 5,345,884

Note 11: Rental Income

The Organization rents office space to unrelated businesses under noncancelable leases with varying terms and expiration dates. Future minimum rentals to be received under these leases for the fiscal years ending June 30 are as follows:

2019	$ 96,295

Note 12: Operating Leases

The Organization leases various buildings under operating leases expiring through the fiscal year ending 2020. Future minimum lease payments under these noncancelable leases at June 30, 2018, are as follows:

2019	$ 102,726
2020	60,706
Future minimum lease payments	$ 163,432

The Organization incurred rent expense of $152,622 and $106,261 for the years ended June 30, 2018 and 2017, respectively.

Note 13: Employee Benefits

Defined Contribution Retirement Plan

All employees of the Organization completing one year of service are eligible to participate in a money purchase defined contribution retirement plan. The Organization contributes 1% of compensation for each eligible employee and will match employee contributions up to an additional 3%. The Organization also pays administrative costs of the plan.

The Organization made retirement contributions totaling $1,311,005 and $1,274,898 for the years ended June 30, 2018 and 2017, respectively. The Organization's policy is to fund the plan currently and to record the costs as expenses in the year in which they are incurred.

Deferred Compensation Plan

The Organization has a nonqualified deferred compensation plan. Assets of $808,159 and $743,178 were held as a part of other assets at June 30, 2018 and 2017, respectively. Liabilities of $808,159 and $743,178 were included at June 30, 2018 and 2017, respectively as part of other liabilities.

Note 14: Disclosures About Fair Value of Financial Instruments

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018 and 2017:

	2018			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Cash	$ 709	$ -	$ -	$ -
Money market mutual funds	690,945	690,945	-	-
Corporate bonds	563,820	-	563,820	-
Marketable equity securities	1,127,551	1,127,551	-	-
Mutual funds invested in U.S. government bonds	109,908	109,908	-	-
Mutual funds invested in fixed-income bonds	3,196,771	3,196,771	-	-
Mutual funds invested in floating-rate securities	204,186	204,186	-	-
Certificates of deposit, recorded at cost	1,189,464	N/A	N/A	N/A
Beneficial interest in Community First Foundation	6,488,742	-	6,488,742	-

	2017			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Cash	$ 1,057,209	$ -	$ -	$ -
Money market mutual funds	1,405,996	1,405,996	-	-
Government and agency bonds	249,834	-	249,834	-
Corporate bonds	880,245	-	880,245	-
Marketable equity securities	2,487,876	2,487,876	-	-
Mutual funds invested in U.S. government bonds	109,649	109,649	-	-
Mutual funds invested in fixed-income bonds	4,500,791	4,500,791	-	-
Mutual funds invested in floating-rate securities	362,633	362,633	-	-
Certificates of deposit recorded at cost	543,742	N/A	N/A	N/A
Beneficial interest in Community First Foundation	6,331,895	-	6,331,895	-

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2018.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Organization does not carry any Level 3 securities.

Investment Held at a Private Foundation

The Organization has an investment held at the Community First Foundation. The investment is a diversified portfolio consisting of money market funds, marketable equity securities, fixed income securities and mutual funds. All of the securities in the portfolio are priced based on observable inputs. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy.

Note 15: Commitments and Contingencies

Grant Funds

During 2011, the Organization received $181,850 of HOME Investment Partnership Program (HOME) funds. The amount was passed through Jefferson County. The money from the grant was used to purchase the Jefferson Towers building. As part of the grant terms two of the units shall be rented to eligible beneficiaries whose income is less than or equal to 50% of AMI and five units shall be rented to eligible beneficiaries whose income is less than or equal to 80% of AMI. The Organization must ensure that the building remains affordable for a period of 15 years for the HOME grant. If the Organization does not meet the affordability requirements, the Organization shall reimburse Jefferson County 100% of the grant amount. At the end of the 15-year period, no restrictions on the use of the property shall be in effect.

Fenton Place Townhomes (Fenton)

The Deed of Trust for Fenton is a 40-year note held by HUD and was provided under the Capital Advance Program included in Section 811 of the National Housing Act. The note is collateralized by all the land and buildings of Fenton and bears interest at 6.75%. The note matures on July 1, 2039. Under the Capital Advance Program, the note shall bear no interest and repayment is not required so long as the housing remains available for very low-income elderly persons, thus it is not reported as a liability in the Organization's financial statements. The funds of $701,600 were shown as grant income in 2009, the year the grant was received.

Note 16: Conditional Gift

The Organization has received the following conditional promise to give at June 30, 2018 and 2017 for the purpose of the LAUNCH Together in Jefferson County grant. This promise to give is not recognized in the financial statements:

	2018	2017
Conditional promise to give upon approval of satisfactory progress	$ 975,000	$ 1,600,000

Note 17: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Allowance for Net Client Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient revenues are described in Note 1.

Revenue Concentration

Approximately 42% and 48%, respectively, of the Organization's unrestricted revenues for the years ended June 30, 2018 and 2017, were the result of the subcapitation managed care contract with FBHP (see Note 5) to provide mental health managed care services for Medicaid recipients. Under the subcapitation agreement, the Organization will be required to provide all mental health services for any clients (Covered Persons) participating under the Colorado Medicaid program within the covered area for fixed, monthly prepaid contracted amounts based on Medicaid recipient categories for all Covered Persons.

The contract with FBHP expired on June 30, 2018. The State of Colorado awarded a new contract that went into effect July 1, 2018 to CCHA, LLC. The Organization has contracted with CCHA to continue to provide these services. The contract is between Front Range Health Partners (FRHP) on behalf of the Organization. Management believes the revenue obtained under the contract with CCHA will be less than the revenue obtained from the contract with FBHP, but does not believe it will have such an adverse effect that the Organization would not be able to continue.

Professional Liability Coverage and Claims

The Organization pays fixed premiums for annual professional liability insurance coverage under a claims-made policy. Under such policy, only claims made and reported to the insurer are covered during the policy term, regardless of when the incident giving rise to the claim occurred. There were no claims outstanding at June 30, 2018 and 2017, and the Organization is not aware of any unasserted claims or unreported incidents which are expected to exceed malpractice insurance coverage limits.

Litigation

The Organization is subject to claims and lawsuits that arose primarily in the ordinary course of its operations. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the balance sheets, change in net assets and cash flows of the Organization. Events could occur that would change this estimate materially in the near term.

Note 18: Subsequent Events

Subsequent events have been evaluated through December 20, 2018, which is the date the financial statements were available to be issued.

Supplementary Information

Jefferson Center for Mental Health, Inc.
and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development				
Section 8 Project-Based Cluster				
Lower Income Housing Assistance	14.182	N/A	$ 32,625	$ -
Total Section 8 Project-Based Cluster			32,625	-
CDBG - Entitlement Grants Cluster				
Passed through from Jefferson County, Colorado				
Community Development Block Grants/Entitlement Grants	14.218	IA TM 13-01697	18,343	-
Passed through from City of Arvada, Colorado				
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-08-0001-207	12,500	-
Total CDBG - Entitlement Grants Cluster			30,843	-
U.S. Department of Health and Human Services				
Passed through from Colorado Department of Human Services				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	SM060813; 25015; 67250	19,960	-
Block Grants for Community Mental Health Services	93.958	16IHJA79851; 16 IHJA 81714	748,561	-
Child Care and Development Block Grant	93.575	CTGGA IHIA 2018*0028	137,978	-
Passed through from Colorado Department of Public Health and Environment				
Public Health Emergency Preparedness	93.069	17FJHA88845	8,500	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	PO FAAA 201800007446	2,105	-
Passed through from Colorado Department of Health Care Policy and Finance				
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624	2016-000000000000-491	239,533	-

Jefferson Center for Mental Health, Inc.
and Affiliates

Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
Medicaid Cluster				
Passed through from Colorado Department of Health Care Policy and Finance				
Medical Assistance Program	93.778	3010-1406; 3011-9035; 3012-9080	342,395	-
Total Medicaid Cluster			342,395	-
Passed through from Signal Behavioral Health Network				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Not Provided	511,895	-
Total Federal Awards			$ 2,074,395	$ -

Notes to Schedule:

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Jefferson Center for Mental Health, Inc. and Affiliates under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Jefferson Center for Mental Health, Inc. and Affiliates, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Jefferson Center for Mental Health, Inc. and Affiliates.

2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following as applicable, either the cost principles in OMB Circular A-122 or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Jefferson Center for Mental Health, Inc. and Affiliates has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Jefferson Center for Mental Health, Inc. and Affiliates

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2018

3. The federal loan programs listed subsequently are administered directly by Jefferson Center for Mental Health, Inc. and Affiliates, and balances and transactions relating to these programs are included in Jefferson Center for Mental Health, Inc. and Affiliates basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2018 consists of:

CFDA Number	Program Name	Outstanding Balance at June 30, 2018
14.182	Lower Income Housing Assistance	$ 20,306

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Directors
Jefferson Center for Mental Health, Inc. and Affiliates
Wheat Ridge, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Jefferson Center for Mental Health, Inc. and Affiliates (the Organization), which comprise the consolidated balance sheet as of June 30, 2018, and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 20, 2018.

Internal Control Over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Organization's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
December 20, 2018

BKD LLP
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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Directors
Jefferson Center for Mental Health, Inc. and Affiliates
Wheat Ridge, Colorado

Report on Compliance for Each Major Federal Program

We have audited the compliance of Jefferson Center for Mental Health, Inc. and Affiliates' (the Organization) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2018. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Jefferson Center for Mental Health, Inc. and Affiliates' financial statements include the operations of FHA Project No. 101-HD019-NP-CMI, which operates as Fenton Place Townhomes (Fenton), which received $701,600 in 1998 for a Capital Advance Grant, which is not included in the schedule during the year ended June 30, 2018. Our audit, described below, did not include the operations of Fenton because Fenton engaged other auditors to perform an audit in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
December 20, 2018

Jefferson Center for Mental Health, Inc.
and Affiliates
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Summary of Auditor's Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)?	☐ Yes	☒ None Reported
Material weakness(es)?	☐ Yes	☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:

Significant deficiency(ies)?	☐ Yes	☒ None Reported
Material weakness(es)?	☐ Yes	☒ No

5. The opinion expressed in the independent auditor's report on compliance for major federal award programs was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimed

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a) ☐ Yes ☒ No

Jefferson Center for Mental Health, Inc.
and Affiliates

Schedule of Findings and Questioned Costs (continued)

Year Ended June 30, 2018

7. The Organization's major program was:

Cluster/Program	CFDA Number
Block Grants for Community Mental Health Services	93.958

8. The threshold used to distinguish between Type A and Type B programs was $750,000.

9. The Organization qualified as a low-risk auditee? ☒ Yes ☐ No

Jefferson Center for Mental Health, Inc.
and Affiliates

Schedule of Findings and Questioned Costs (continued)

Year Ended June 30, 2018

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding

No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding	Questioned Costs

No matters are reportable.

Jefferson Center for Mental Health, Inc.
and Affiliates

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2018

Reference Number	Summary of Finding	Status

No matters are reportable.