Mental Health Center of Boulder County, Inc. d/b/a Mental Health Partners

Financial Report
with Supplemental Information
June 30, 2020

Contents

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Independent Auditor's Report

To the Board of Directors
Mental Health Center of Boulder County, Inc.
d/b/a Mental Health Partners

Report on the Financial Statements

We have audited the accompanying financial statements of Mental Health Center of Boulder County, Inc. d/b/a Mental Health Partners as of and for the years ended June 30, 2020 and 2019, which comprise the balance sheet; the related statements of operations, changes in net assets, and cash flows; 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.

Auditor's 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 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 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 auditor's judgment, 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 financial position of Mental Health Center of Boulder County, Inc. d/b/a Mental Health Partners as of June 30, 2020 and 2019 and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Mental Health Center of Boulder County, Inc. d/b/a Mental Health Partners adopted the provisions under Financial Accounting Standards Board Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU was adopted on a modified prospective basis. Our opinion is not modified with respect to this matter.

To the Board of Directors
Mental Health Center of Boulder County, Inc.
d/b/a Mental Health Partners

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Mental Health Center of Boulder County, Inc. d/b/a Mental Health Partners' basic financial statements. The schedule of revenue is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of revenue has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2020 on our consideration of Mental Health Center of Boulder County, Inc. d/b/a Mental Health Partners' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Mental Health Center of Boulder County, Inc. d/b/a Mental Health Partners' internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 5, 2020

Balance Sheet

June 30, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	$ 10,002,043	$ 6,309,452
Short-term investments	1,356,501	1,460,620
Client accounts receivable - Net of allowance for doubtful accounts of $771,392 (2020) and $784,837 (2019)	474,015	475,548
Other receivables - Net	4,357,963	3,060,856
Assets limited as to use	828,428	734,333
Prepaid expenses and other assets	335,866	454,621
Total current assets	17,354,816	12,495,430
Investments in Affiliates	318,489	651,843
Property and Equipment - Net	25,491,844	26,860,273
Other Assets	100,988	50,795
Total assets	**$ 43,266,137**	**$ 40,058,341**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 940,024	$ 1,197,990
Current portion of long-term debt	686,089	705,087
Risk arrangement payable	839,704	1,486,966
Accrued liabilities and other:		
Accrued vacation	904,021	803,987
Deferred revenue	209,707	135,361
Other accrued liabilities	-	180,196
Trust annuity - Current portion	15,000	15,000
Accrued expenses	1,121,057	973,493
Total current liabilities	4,715,602	5,498,080
Long-term Debt - Net of current portion	14,043,326	11,235,651
Trust Annuity - Net of current portion	71,842	71,842
Total liabilities	18,830,770	16,805,573
Net Assets		
Without donor restrictions	23,706,019	22,665,185
With donor restrictions	729,348	587,583
Total net assets	24,435,367	23,252,768
Total liabilities and net assets	**$ 43,266,137**	**$ 40,058,341**

See notes to financial statements.

Statement of Operations

Years Ended June 30, 2020 and 2019

	2020	2019
Unrestricted Revenue and Gains		
Net client service revenue	$ 22,483,704	$ 21,317,831
State and federal contracts	10,300,616	9,073,116
Local government contracts	7,439,286	8,175,228
Public support	1,356,144	1,443,360
Gain on sale of property and equipment	2,900	3,007,796
Other revenue	538,016	563,850
Net assets released from restrictions	-	81,487
Total unrestricted revenue and gains	42,120,666	43,662,668
Expenses		
Personnel	28,125,603	27,121,976
Client related	3,359,541	3,758,361
Occupancy	1,470,127	1,420,528
Operating	5,839,528	5,865,757
Professional fees	187,538	130,736
Risk arrangement fees	1,148,489	451,628
Other	39,188	231,904
Donated items	1,033,500	1,267,788
Total expenses	41,203,514	40,248,678
Operating Income	917,152	3,413,990
Other Income (Expense)		
Investment income on cash and current investments	12,747	10,233
Gain (loss) on investment in equity investees	17,676	(194,266)
Unrealized investment gain	42,904	-
Total other income (expense)	73,327	(184,033)
Excess of Revenue Over Expenses	990,479	3,229,957
Unrealized Gains on Investments	-	23,317
Net Assets Released from Restrictions	50,355	250,000
Increase in Net Assets without Donor Restrictions	**$ 1,040,834**	**$ 3,503,274**

Statement of Changes in Net Assets

Years Ended June 30, 2020 and 2019

	2020	2019
Net Assets without Donor Restrictions		
Excess of revenue over expenses	$ 990,479	$ 3,229,957
Unrealized gains on investments	-	23,317
Net assets released from restrictions	50,355	250,000
Increase in net assets without donor restrictions	1,040,834	3,503,274
Net Assets with Donor Restrictions		
Restricted contributions	171,621	447,775
Change in unrealized gains and losses on investments	20,499	10,842
Net assets released from restrictions	(50,355)	(331,487)
Increase in net assets with donor restrictions	141,765	127,130
Increase in Net Assets	1,182,599	3,630,404
Net Assets - Beginning of year	23,252,768	19,622,364
Net Assets - End of year	**$ 24,435,367**	**$ 23,252,768**

Statement of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	$ 1,182,599	$ 3,630,404
Adjustments to reconcile change in net assets to net cash, cash equivalents, and restricted cash from operating activities:		
Depreciation and amortization expense	2,001,998	2,212,275
Provisions for uncollectible accounts	88,099	521,621
Realized and unrealized loss (gain) on investments	100,642	(43,307)
(Gain) loss on investments in equity investees	(17,676)	194,266
Gain on disposition of assets	(2,900)	(3,007,796)
Changes in operating assets and liabilities that (used) provided cash, cash equivalents, and restricted cash:		
Accounts receivable	(86,566)	(577,173)
Prepaid expenses and other assets	(1,228,545)	303,851
Accounts payable and other accrued expenses	(837,826)	(1,376,972)
Due to related party	-	(552,969)
Deferred revenue	74,346	(55,822)
Net cash, cash equivalents, and restricted cash provided by operating activities	1,274,171	1,248,378
Cash Flows from Investing Activities		
Purchases of investments	3,477	(16,655)
Proceeds from disposition of property and equipment	(615,863)	(242,727)
Proceeds from sale of property and equipment	2,900	3,462,900
Investment in equity method investee	351,030	1,557,601
Change in limited use assets	24,480	49,575
Net cash, cash equivalents, and restricted cash (used in) provided by investing activities	(233,976)	4,810,694
Cash Flows from Financing Activities		
Proceeds from debt	4,963,211	-
Payments on debt	(2,192,240)	(904,608)
Net cash, cash equivalents, and restricted cash provided by (used in) financing activities	2,770,971	(904,608)
Net Increase in Cash, Cash Equivalents, and Restricted Cash	3,811,166	5,154,464
Cash, Cash Equivalents, and Restricted Cash - Beginning of year	6,467,500	1,313,036
Cash, Cash Equivalents, and Restricted Cash - End of year	**$ 10,278,666**	**$ 6,467,500**
Balance Sheet Classification of Cash, Cash Equivalents, and Restricted Cash		
Cash and cash equivalents	$ 10,002,043	$ 6,309,452
Assets limited as to use - Restricted cash and cash equivalents	276,623	158,048
Total Cash, Cash Equivalents, and Restricted Cash	**$ 10,278,666**	**$ 6,467,500**
Supplemental Cash Flow Information - Cash paid for interest	$ 385,060	$ 402,577
Significant Noncash Transactions - Purchase of property and equipment through debt	$ -	$ 178,196

See notes to financial statements.

Note 1 - Nature of Business

Mental Health Center of Boulder County, Inc. d/b/a Mental Health Partners (the "Center") is a private, not-for-profit corporation formed to provide an integrated, comprehensive system of community-based mental health services to the residents of Boulder County, Colorado and Broomfield County, Colorado.

Note 2 - Significant Accounting Policies

Basis of Accounting

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 AICPA.

Basis of Presentation

The Center's financial statement presentation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are those whose use by the Center has been limited by donors.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Center considers all highly liquid investments, other than those limited as to use, with an initial maturity of three months or less to be cash equivalents. At various times throughout the year and at fiscal year end, the Center held balances of cash and cash equivalents in excess of federally insured limits.

Net Client Service Revenue and Accounts Receivable

The Center provides care to individuals whose care is covered by certain third-party payors, such as Medicaid and various insurance carriers, in addition to care provided to private-pay individuals. The Center records net client service revenue at the estimated net realizable amounts from clients, third-party payors, and others for services rendered. Client services are billed under the established amount per contracts with third-party payors for contractual revenue and recorded as revenue when the services are provided. Client and third-party fees are recorded as revenue when the services are performed.

The Center assesses a client's ability to pay at the time services are rendered, and accounts receivable are reduced by an allowance for doubtful accounts, if any. The difference between the standard rates, or the discounted rates if negotiated or provided by policy, and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. Additionally, management reviews data about its major payor sources of revenue in relation to the sufficiency of the allowance for doubtful accounts.

For receivables associated with self-pay clients (which includes both clients without insurance and clients with deductible and copay balances due for which third-party coverage exists for part of the bill), the Center records a provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many clients are unable or unwilling to pay the portion of their bills for which they are financially responsible. An allowance for uncollectible accounts has not been provided for accounts receivable that are considered to be fully collectible.

Note 2 - Significant Accounting Policies (Continued)

Contract Revenue, Public Support, and Other Receivables

Contract revenue, public support, and related other receivables primarily consist of amounts earned and due from federal, state, and local governments for services provided. A portion of this revenue is derived from cost-reimbursable federal and other contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Center has incurred expenditures in compliance with specific contract or grant provisions. The Center received cost-reimbursable grants of $3,418,317 and $2,337,375 that have not been recognized at June 30, 2020 and 2019, respectively, because qualifying expenditures have not yet been incurred. Receivables are stated at the amount management expects to collect on outstanding balances. As of June 30, 2020 and 2019, management has determined that it is not necessary to establish an allowance for uncollectible amounts for these types of revenue and receivables. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense.

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 that is initially restricted by donor stipulation, and for which the restriction will be satisfied in the same year, is included in net assets without donor restrictions. Other investment return is reflected in the statements of operations and changes in net assets as net assets without donor restrictions and net assets with donor restrictions based on the existence and nature of any donor or legally imposed restrictions.

Assets Limited as to Use

Assets limited as to use include assets held by trustees, assets to be used by the clients of the Center, assets that are externally restricted by donors for the building space contribution, and assets restricted for bond funds.

Investments in Affiliates

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

Property and Equipment

Property and equipment are depreciated on the straight-line method based upon the estimated useful lives of the assets ranging from 3 to 40 years. Leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives.

Long-lived Assets

The Center reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Center looks primarily to the undiscounted future cash flows in its assessment of whether long-lived assets have been impaired. Through June 30, 2020 and 2019, no impairment has been deemed necessary.

Deferred Revenue

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

Note 2 - Significant Accounting Policies (Continued)

Charity Care

The Center provides various programs and services to individuals who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Center estimates the cost of providing charity care by applying the average yearly cost per relative unit to the indigent care units. The cost of charity care is partially funded by grants received from Boulder County, Colorado and Broomfield County, Colorado. These estimated costs of caring for charity patients and providing charity programs for the year ended June 30, 2020 and 2019 was approximately $299,417 and $225,150, respectively.

Contributions

Contributions are available for use unless specifically restricted by the donors. The Center recognized contributions when cash, or an unconditional promise to give, is received. Conditional promises to give (that is, those with a measurable or other barrier and a right of return) are not recognized until the conditions on which they depend have been met.. Contributions are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions. In-kind donations are recorded at fair value at the date of the gift. In the absence of donor specification that income and gains on donated funds are restricted, such income and gains are reported as income without restrictions.

Donated Building Space and Services

Donations of building space and services are recorded as both revenue and expense. Donated building space is valued at estimated fair rental value based on rentals of similar real estate. Donations of professional services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in Note 13. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated on the basis of time and effort. Building-related costs are allocated based on department headcount. Other expenses utilized by all employees, such as insurance, utilities, and training, are allocated based on total direct expenses incurred by program. Costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

The Center is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes is made for federal, state, or local taxes.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Center and recognize a tax liability if the Center has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Center and has concluded that, as of June 30, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Note 2 - Significant Accounting Policies (Continued)

If incurred, interest and penalties associated with tax positions are recorded in the period assessed as interest expense. No interest or penalties have been assessed as of June 30, 2020 or 2019.

Excess of Revenue Over Expenses

The statement of operations includes excess of revenue over expenses. Changes in net assets without donor restrictions, which are excluded from excess of revenue over expenses, consistent with industry practice, include unrealized gains and losses on debt securities classified as other than trading, net assets released from donor restrictions, and other expenses pertaining to losses incurred by the Center that are not part of normal operations.

Risk Arrangement Payable

The Center receives subcapitation funding from Colorado Community Health Alliance (CCHA), through its letter of agreement with Front Range Health Partners, as a subcontractor supporting CCHA's capitated contract with the Colorado Department of Health Care Policy Health First Colorado Accountable Care Collaborative. The contract includes a risk arrangement of 5 percent of the CCHA premium received from the State of Colorado. The Center has accrued a payable of approximately $840,000 and $1,487,000 at June 30, 2020 and 2019, respectively, which represents the estimated loss for the fiscal 2020 and 2019 contract year. Actual results could differ materially.

New Accounting Pronouncements

As of July 1, 2019, the Center adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The Center has adopted the ASU on a modified prospective basis, without any adjustment to amounts previously recognized. The adoption did not have a material impact to the financial statements since adoption, and the Center's revenue recognition practices were substantially unchanged as a result of applying the ASU.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The adoption of this standard resulted in unrealized gains on equity securities being reported within excess of revenue over expenses on the statement of operations for the year ended June 30, 2020.

In December 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The Center adopted the standard on July 1, 2019 and applied the standard on a retrospective basis. Under the new guidance, transfers between restricted cash and unrestricted cash are no longer presented on the statement of cash flows. Additionally, the beginning and ending balances of cash, cash equivalents, and restricted cash on the consolidated statement of cash flows now include restricted cash balances. The new presentation requirements have been applied retrospectively, and amounts reported on the June 30, 2019 statement of cash flows have been adjusted as follows: the June 30, 2019 beginning of year cash and cash equivalents on the statement of cash flows was revised from $1,175,537 to cash, cash equivalents, and restricted cash of $1,313,036. The June 30, 2019 net cash and cash equivalents provided by investing activities was revised from $4,790,345 to net cash, cash equivalents, and restricted cash provided by investing activities of $4,810,694. The June 30, 2019 end of year cash and cash equivalents on the statement of cash flows was revised from $6,309,452 to cash, cash equivalents, and restricted cash of $6,467,500. A reconciliation to the balance sheet has been added to the statement of cash flows as a result of the adoption of this standard.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Center's year ending June 30, 2021. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. The Center has not yet determined which application method it will use.

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Center's year ending June 30, 2023 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The Center is currently evaluating the impact of the pending adoption of this new standard on its financial statements.

Impact of COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. With consideration of guidance from health organizations and government directives, the Center has transitioned its employees to a working environment that is primarily remote. The Center has not seen significant decreases in revenue or changes regarding grant funding as of the report date. The Center may continue to experience fluctuations in its investment portfolio due to ongoing market volatility, as well as other impacts to its activities, functional expenses, cash flows, and financial conditions, as the pandemic continues, which are unable to be predicted.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including November 5, 2020, which is the date the financial statements were available to be issued.

Note 3 - Liquidity and Availability of Resources

The Center's financial assets available within one year of the June 30 for general expenditures are as follows:

	2020	2019
Cash and cash equivalents	$ 10,002,043	$ 6,309,452
Short-term investments	1,356,501	1,460,620
Client accounts receivables - Net	474,015	475,548
Other receivables - Net	4,357,963	3,060,856
Total	$ 16,190,522	$ 11,306,476

These balances are not subject to donor or other contractual restrictions that would make them unavailable for general expenditure within one year of the balance sheet date.

Note 3 - Liquidity and Availability of Resources (Continued)

The Center has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately $6,500,000 at June 30, 2020 and 2019. The Center has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Center also realizes there could be unanticipated liquidity needs.

Note 4 - Assets Limited as to Use

Assets limited as to use of $828,428 and $734,333 consist entirely of cash and money market funds at June 30, 2020 and 2019, respectively.

The detail of assets limited as to use is summarized in the following schedule:

	2020	2019
Repair and replacement reserve fund (A)	$ 40,461	$ 49,994
Cash held for use by clients (B)	276,623	158,048
Assets held in trust (C)	511,344	526,291
Total	$ 828,428	$ 734,333

(A) The Center maintains a reserve for building repairs in accordance with Housing and Urban Development and Colorado Housing Finance Authority regulations. Disbursement of these funds requires prior approval from the respective agency.

(B) The Center receives funds on behalf of certain clients that are restricted by government agencies for the exclusive benefit of the named clients.

(C) The Center is the beneficiary of an irrevocable trust (see Note 14).

Note 5 - Investments and Investment Return

Investments consist of the following at June 30:

	2020	2019
Certificates of deposit	$ 19,027	$ 18,378
Money market	49,933	66,507
Mutual funds:		
Fixed income	40,416	129,786
Equities	344,263	386,113
Exchange-traded funds	902,862	679,640
Total	$ 1,356,501	$ 1,280,424

Total investment return is composed of the following at June 30:

	2020	2019
Interest and dividend income	$ 12,747	$ 10,233
Unrealized gains - Without donor restrictions	42,904	23,317
Unrealized gains - With donor restrictions	20,499	10,842
Total	$ 76,150	$ 44,392

Note 6 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The Center values its financial assets and liabilities based on 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 following fair value hierarchy prioritizes observable inputs used to measure fair value into three broad levels, which are described below:

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Center has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In determining fair value, the Center utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considering counterparty credit risk in its assessment of fair value. These classifications (Levels 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

Following is a description of the valuation methodologies used for assets measured at fair value:

Mutual funds and exchange-traded funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Fixed income: Valued based on yields currently available on comparable securities of the issuer or other issuers with similar credit ratings.

Financial assets carried at fair value are classified in the tables below in one of the three categories described previously:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2020
Mutual funds:				
Fixed income	$ 40,416	$ -	$ -	$ 40,416
Equities	344,263	-	-	344,263
Exchange-traded funds	902,862	-	-	902,862
Total	$ 1,287,541	$ -	$ -	$ 1,287,541

Note 6 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
Mutual funds:				
Fixed income	$ 129,786	$ -	$ -	$ 129,786
Equities	566,309	-	-	566,309
Exchange-traded funds	679,640	-	-	679,640
Total	$ 1,375,735	$ -	$ -	$ 1,375,735

Investments on the balance sheet, as further described in Note 5, include cash and cash equivalents of $68,960 and $84,885 at June 30, 2020 and 2019, respectively. Cash and cash equivalents are not measured at fair value on a recurring basis; therefore, they are not included in the table above.

The Center's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the end of the reporting period. There were no significant transfers between levels for the years ended June 30, 2020 and 2019.

Note 7 - Investments in Affiliates

Investments in affiliates consist of the following:

	2020	2019
Foothills Health Solutions, LLC	$ 4,821	$ 5,713
Progressive Health Options, LLC	12,893	17,482
Community Crisis Connection, LLC	-	24,028
Front Range Health Partners, LLC	262,439	244,248
Foothills Behavioral Health Partners, LLC	38,336	360,372
Total	$ 318,489	$ 651,843

Foothills Health Solutions, LLC

The Center invested $50,075 in Foothills Health Solutions, LLC (FHS), a Colorado limited liability company. Initial capital was contributed during the year ended June 30, 2017 based on the pledge to transfer the LSLPN license and its statutory deposit account from the entity formerly known as Foothills Health Solutions to bid the Regional Accountable Entity. A partnership with Rocky Mountain would have changed the tax status of the entity, and the LSLPN would have been forfeited, so (new) FHS was created on April 14, 2017, and (old) FHS was renamed to Front Range Health Partners on April 14, 2017. Even though the LSLPN was never transferred and Rocky Mountain never joined, the partner members agreed to equity of one-fifth each for Clinica, Salud, MCPN, Jefferson Center for Mental Health, and the Center instead of treating contributions pro rata. The Center is one of five equal members and maintains a 20 percent ownership.

Note 7 - Investments in Affiliates (Continued)

Progressive Health Options, LLC

The Center originally 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 that 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 Center is one of 17 equal members comprising behavioral health providers in the State of Colorado and, therefore, maintains a 5.88 percent ownership.

Community Crisis Connection, LLC

The Center originally invested $10,000 in Community Crisis Connection, LLC, a Colorado limited liability company. Community Crisis Connection, LLC was organized to establish, operate, and maintain a comprehensive, easily accessible, and integrated system for people in the metro Denver region who are experiencing significant behavioral health crises, including Crisis Stabilization Services, available at all times with walk-in capacity to provide services to individuals who are in behavioral health crises and whose needs cannot be accommodated safely in the community or in less restrictive environments; Mobile Crisis Services, available to respond to behavioral health crises in the community; and Crisis Residential/Crisis Respite Services provided in supervised housing or foster home settings to offer additional crisis stabilization and support in a safe and neutral environment. Community Crisis Connection, LLC did not renew the contract with the Office of Behavioral Health and was dissolved as of June 30, 2019.

Front Range Health Partners, formerly Foothills Health Solutions, 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 Center has a 50 percent ownership in 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. Financial position and results of operations of the investee are summarized as follows:

	2020	2019
Current assets	$ 2,767,937	$ 4,464,438
Property and other long-term assets - Net	361,462	372,665
Total assets	3,129,399	4,837,103
Current liabilities	2,604,521	4,348,607
Members' equity	$ 524,878	$ 488,496
Expenses	52,497,020	49,261,472
Other income	52,574,423	48,900,508
Net income (loss)	$ 77,403	$ (360,964)

The Center recognized a gain on the FHRP in equity investment of $38,702 as of June 30, 2020 and a loss of $160,255 as of June 30, 2019.

Note 7 - Investments in Affiliates (Continued)

Foothills Behavioral Health Partners, LLC

Foothills Behavioral Health Partners, LLC (FBHP) previously held the Medicaid capitation contract with the state. This was taken over by CCHA at the beginning of fiscal year 2019. The Center contributed $705,204 to FBHP during 2009 to obtain the 45 percent ownership. In FY 2019, FBHP reduced the amount of payable due from the Center against the investment and was formally dissolved by board resolution in April 2020. Remaining assets as of June 30, 2020 are pending final tax refunds, which will be distributed to members when received. Financial position and results of operations of FBHP are summarized as follows:

	2020	2019
Current assets	$ 85,667	$ 398,776
Other long-term assets - Net	-	397,490
Total assets	85,667	796,266
Current liabilities	47,331	24,136
Members' equity	$ 38,336	$ 772,130
Revenue	$ -	$ 104,154
Net loss	$ (9,463)	$ (12,298)

Note 8 - Property and Equipment

The Center's property and equipment are composed of the following:

	2020	2019
Buildings and leasehold improvements	$ 20,427,095	$ 20,383,109
Land	7,115,872	7,115,872
Software	4,563,991	4,563,991
Equipment and capital lease equipment	4,672,913	4,234,436
Vehicles	352,897	377,031
Construction in progress	-	32,368
Total cost	37,132,768	36,706,807
Accumulated depreciation	11,640,924	9,846,534
Net property and equipment	$ 25,491,844	$ 26,860,273

Depreciation and amortization expense for 2020 and 2019 was $1,984,292 and $2,194,815, respectively.

Note 9 - Long-term Debt

Long-term debt at June 30, 2020 and 2019 is summarized as follows:

	2020	2019
Mortgage payable, Department of Housing and Urban Development (A)	$ -	$ 6,045
Revenue Bonds, Series 2014 (B)	6,726,821	6,997,963
Revenue Bonds, Series 2015 (C)	4,378,119	4,620,754
Line of credit (D)	306,676	402,172
Equipment note payable, KS State Bank (E)	115,811	147,580
Capital lease obligations (F)	15,687	68,392
Sunflower Note, PPP loan (G)	3,470,763	-
Unamortized debt issuance costs	(284,462)	(302,168)
Long-term debt less unamortized debt issuance costs	14,729,415	11,940,738
Less current portion	686,089	705,087
Long-term portion	$ 14,043,326	$ 11,235,651

(A) Mortgage payable, Department of Housing and Urban Development, due in December 2019, payable in amounts of $1,037 monthly, including interest at 7.625 percent, secured by a deed of trust.

(B) On June 9, 2014, Boulder County, Colorado issued $8,135,000 of revenue bonds on behalf of the Center to finance the improvement and equipping of a new health care facility and redeem the Series 2005 Adjustable Rate Revenue Bonds and pay in full the Center's remaining obligation on a note payable. The interest rate on the bonds is a fixed rate of 2.80 percent and is subject to a conversion of interest rate in future periods. The bonds are issued pursuant to a remarketing agreement and are subject to optional tender, with a final bond maturity date of June 1, 2039. Unamortized debt issuance costs based on an imputed interest rate of approximately 3.0 percent were approximately $156,000 and $164,000 at June 30, 2020 and 2019, respectively.

The reimbursement agreement also requires the Center to comply with certain restrictive covenants related to liquidity and a debt service coverage ratio. At June 30, 2020 and 2019, the Center was in compliance with the respective debt covenants.

(C) On December 1, 2015, Boulder County, Colorado issued $6,675,000 of revenue bonds on behalf of the Center to finance the purchase of a new building and finance the improvements of two health care facilities owned by the Center. Interest rate on the revenue bonds is at a fixed rate of 3.30 percent. The bonds have a final maturity date of December 1, 2045. Unamortized debt issuance costs based on an imputed interest rate of approximately 3.50 percent were approximately $129,000 and $138,000 at June 30, 2020 and 2019, respectively.

The reimbursement agreement also requires the Center to comply with certain restrictive covenants related to liquidity and a debt service coverage ratio. At June 30, 2020 and 2019, the Center was in compliance with the respective debt covenants.

(D) During November 2017, the Center entered into a line of credit agreement with a bank. The line of credit agreement converted to a term loan on April 30, 2018 and matures on May 1, 2023. Principal and interest are due monthly in the amount of $9,555. The interest rate is fixed at 5.50 percent. The term loan is secured by a deed of trust.

The reimbursement agreement also requires the Center to comply with certain restrictive covenants related to liquidity and a debt service coverage ratio. At June 30, 2020 and 2019, the Center was in compliance with the respective debt covenants.

(E) Equipment note payable, KS State Bank, due in September 2023, payable in amounts of $3,602 monthly, including interest at 8.48 percent, secured by the equipment included in the note.

Note 9 - Long-term Debt (Continued)

(F) At varying rates of imputed interest up to 4.58 percent, due through May 2021. Collateralized by property and equipment. Property and equipment include the following property under capital leases at June 30, 2020 and 2019:

	2020	2019
Equipment	$ 572,639	$ 651,805
Less accumulated depreciation	(559,615)	(592,671)
Net	$ 13,024	$ 59,134

(G) During the year ended June 30, 2020, the Center received $4,970,763 through the Paycheck Protection Program under the CARES Act. Under ASC 470, the Center has elected to account for these funds as a loan payable until it is repaid or legal notice of forgiveness is received. Subsequent to receipt of these funds, the Center returned $1,500,000. These funds are presented as a loan payable on the balance sheet as of June 30, 2020.

The balance of the above debt matures as follows:

Years Ending June 30	Debt (Excluding Capital Lease Obligations)
2021	$ 670,402
2022	4,166,235
2023	710,117
2024	590,119
2025	604,762
Thereafter	8,256,555
Total	$ 14,998,190

The balance of the above capital leases matures as follows:

Years Ending June 30	Capital Lease Obligations
2021	$ 15,949
Less amounts represent interest	(262)
Present value of future minimum lease payments	$ 15,687

Note 10 - Contingent Liability

The Center received a worthy cause designated funds grant in the amount of $900,000 in October 2014 from Boulder County, Colorado (the "County"). The grant was to help fund the capital improvements on 1820 Alpine Avenue. Pursuant to the grant agreement, if the Center sells or transfers the building without the County's written consent, files for bankruptcy, assigns the property to creditors, or merges with another entity where control of the building would transfer possession, the grant will become immediately repayable to the County. During the year ended June 30, 2020, the building at 1000 Alpine Avenue was sold with the County's written consent, and the Center was released from the obligation.

Note 11 - Net Assets with Donor Restrictions

The net assets with donor restrictions represent the net proceeds of donations, which have been restricted by the donors to be used only for the following purposes:

	2020	2019
Supporting bicultural/lingual interns	$ 283,951	$ 264,750
Client services	23,697	99,529
Suicide prevention education	60,476	57,091
Education and training	155,543	51,355
School-based support services	33,994	32,090
Children and young adult	29,406	27,759
EMS/Crisis	11,758	11,099
Staff support	15,457	1,295
Other	45,144	42,615
Facility improvements	69,922	-
Total	$ 729,348	$ 587,583

During 2020 and 2019, net assets of $0 and $81,487, respectively, were released from donor restrictions by incurring expenses, satisfying the restricted purpose of specific mental health service programs. During 2020 and 2019, $50,335 and $250,000, respectively, of net assets was released from donor restrictions related to capital expenditures.

Note 12 - Operating Leases

The Center leases various buildings under operating leases expiring in September 2025. Lease expense for the years ended June 30, 2020 and 2019 was $742,735 and $644,194, respectively. Future minimum lease payments under the noncancelable leases at June 30, 2020 are as follows:

Years Ending June 30	Amount
2021	$ 739,111
2022	463,923
2023	180,000
2024	180,000
2025	198,000
Thereafter	102,000
Total	$ 1,863,034

Note 13 - Functional Expenses

Functional expenses consist of the following classifications and amounts for the year ended June 30, 2020:

	Program Services					Support Services		
	Intensive/ Long Term	Outpatient	Prevention/ Education	Substance Use Treatment	Acute Care	Management and General	Fundraising	Total
Personnel	$ 13,495,810	$ 3,526,813	$ 2,861,140	$ 2,762,797	$ 492,508	$ 4,851,042	$ 135,493	$ 28,125,603
Client related	2,537,480	45,257	38,259	612,409	7,922	103,425	14,789	3,359,541
Occupancy	476,185	184,590	104,212	222,688	12,748	468,500	1,204	1,470,127
Operating	1,661,535	582,857	277,343	87,811	77,238	3,133,064	19,680	5,839,528
Professional fees	-	-	-	-	-	187,538	-	187,538
Risk contract fees	-	-	-	-	-	1,148,489	-	1,148,489
Other	150	-	(12,123)	-	-	51,161	-	39,188
Donated items	295,392	355,353	64,586	56,089	251,143	10,937	-	1,033,500
Total	$ 18,466,552	$ 4,694,870	$ 3,333,417	$ 3,741,794	$ 841,559	$ 9,954,156	$ 171,166	$ 41,203,514

Functional expenses consist of the following classifications and amounts for the year ended June 30, 2019:

	Program Services					Support Services		
	Intensive/ Long Term	Outpatient	Prevention/ Education	Substance Abuse Treatment	Acute Care	Management and General	Fundraising	Total
Personnel	$ 13,151,270	$ 3,540,883	$ 2,705,364	$ 2,534,492	$ 568,379	$ 4,516,191	$ 105,397	$ 27,121,976
Client related	2,596,640	108,714	41,628	646,139	18,422	345,573	1,245	3,758,361
Occupancy	443,859	123,816	92,491	222,372	43,170	493,651	1,169	1,420,528
Operating	1,955,012	518,165	269,105	64,470	113,667	2,909,157	36,181	5,865,757
Professional fees	-	-	-	-	-	130,736	-	130,736
Risk contract fees	-	-	-	-	-	451,628	-	451,628
Other	12,790	319	2,964	74,451	5,595	131,985	3,800	231,904
Donated items	239,239	386,857	32,712	105,695	453,442	49,843	-	1,267,788
Total	$ 18,398,810	$ 4,678,754	$ 3,144,264	$ 3,647,619	$ 1,202,675	$ 9,028,764	$ 147,792	$ 40,248,678

Note 14 - Trust Arrangement

The Center is the beneficiary of an irrevocable trust. This liability has been discounted at an interest rate of 6.6 percent with an original liability of $158,716. The discounted liability for these payments was $86,842 at June 30, 2020 and 2019, of which $15,000 is classified as current.

The asset originally given for the trust consisted of residential real estate valued at $300,000 and was included in assets limited as to use. On June 30, 2013, the real estate was sold. The gain from the sale of the asset in the amount of $362,588, as well as the original $300,000, is now included in assets limited as to use, as the use is limited to housing the Center's clients.

Note 15 - Employee Benefits

Defined Contribution Retirement Plan

Regular status employees of the Center are eligible to participate in a defined contribution retirement plan (the "Plan"). Under the Plan, the Center can make a matching contribution of up to 5 percent of the employee's gross salary for regular status employees. All contributions made by the employee are immediately vested to the employee. Matching contributions made by the Center are vested based on years of service. A participant becomes fully vested after four years of service. The Center made retirement contributions totaling $461,933 and $424,890 for the years ended June 30, 2020 and 2019, respectively.

Note 15 - Employee Benefits (Continued)

Deferred Compensation Plan

The Center has a nonqualified deferred compensation plan (the "457 Plan"). Under the 457 Plan, the assets are subject to the general claims of creditors; therefore, the 457 Plan's assets and a related liability are recorded in the financial statements. These amounts are approximately $0 and $180,196 as of June 30, 2020 and 2019, respectively, and were included in short-term investments and other accrued liabilities in the balance sheet. The assets were composed of equity mutual funds, as disclosed in Note 6. Effective December 31, 2018, the 457 Plan was terminated. Pursuant to the terms of the 457 Plan, all participants became 100 percent vested in their account balances on the termination date. During 2020, the remaining assets were fully distributed to the Plan's participants.

Note 16 - 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:

Revenue Concentration

Approximately 43 percent and 40 percent of the Center's unrestricted revenue for the years ended June 30, 2020 and 2019, respectively, was the result of the subcapitation managed-care contract with CCHA and FBHP, respectively, to provide mental health managed-care services for Medicaid recipients. Under the subcapitation agreement, the Center 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.

During the fiscal year ended in 2018, FBHP was not awarded the new subcapitation managed-care contract with the State of Colorado Department of Health Care Policy and Financing (the "State") that started on July 1, 2018. The State combined the functions of regional care collaborative organizations and behavioral health organizations in the next contract cycle of Colorado's Accountable Collaborative Care program. Based on changes to the Colorado Medicaid program, FBHP was not in a position to submit a proposal for the next contract cycle. The Center, through its joint venture with Jefferson Center for Mental Health, FBHP, has contracted with the Region 6's RAE, Colorado Community Health Alliance Plus. The terms of the contract maintain the Center's historic level of service delivery in Boulder and Broomfield counties.

Note 17 - Contingencies

Professional Liability Coverage and Claims

The Center 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, 2020 and 2019, and the Center is not aware of any unasserted claims or unreported incidents that are expected to exceed malpractice insurance coverage limits.

Litigation

The Center is subject to other claims and lawsuits that arose primarily in the ordinary course of its activities. 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 financial position, change in net assets, and cash flows of the Center. Events could occur that would change this estimate materially in the near term.

Supplemental Information

Schedule of Revenue

Year Ended June 30, 2020

	Mental Health Services
Revenue	
Client service revenue:	
Medicaid capitation	$ 18,060,479
Medicaid fee for service	2,387,870
Medicare part B	329,868
Client fees	541,941
Private/third party	1,163,546
Total client service revenue	22,483,704
Federal government - Federal contracts:	
Housing programs	39,742
Department of Health and Human Services	2,855,212
Department of Justice	150,836
USAC	263,254
Department of Public Affairs	160,403
Total federal government	3,469,447
State of Colorado:	
Joint Vocational Services	72,800
Division of Corrections	126,906
Division of Housing & Human Services	518,534
Department of Behavioral Health General Fund	6,112,929
Total State of Colorado	6,831,169
Local government:	
Broomfield County, Colorado	353,734
Boulder County, Colorado	6,291,412
Cities	676,715
Schools	117,425
Total local government	7,439,286
Public support:	
Donated building space	135,201
Donated services	898,009
Contributions	241,020
Other grants	81,914
Total public support	1,356,144
Other - Miscellaneous	540,916
Total revenue	**$ 42,120,666**