

Colorado Rural Health Center

Financial Statements and
Independent Auditors' Reports

December 31, 2022 and 2021



DINGUS | ZARECOR & ASSOCIATES ^{PLLC}
Certified Public Accountants

**Colorado Rural Health Center
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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Colorado Rural Health Center
Aurora, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Colorado Rural Health Center (CRHC) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CRHC, as of December 31, 2022 and 2021, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Lease Standards

As discussed in Note 1 to the financial statements, in 2022 CRHC adopted new accounting guidance, Financial Accounting Standards Board Accounting Standards Update No. 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CRHC, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CRHC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CRHC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CRHC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023, on our consideration of CRHC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters for the year ended December 31, 2022. We issued a similar report for the year ended December 31, 2021, dated March 29, 2022, which has not been included with the 2022 financial compliance report. The purpose of those reports is solely 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 effectiveness of CRHC's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CRHC's internal control over financial reporting and compliance.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
March 31, 2023

**Colorado Rural Health Center
Statements of Financial Position
December 31, 2022 and 2021**

ASSETS	2022	2021
<i>Current assets</i>		
Cash and cash equivalents	\$ 2,805,571	\$ 1,886,912
Certificates of deposit	-	15,000
Accounts receivable	60,145	60,774
Grants receivable	204,338	148,445
Fiscal agent fees and contracted services receivable	114,810	61,936
Prepaid expenses	98,922	57,979
Total current assets	3,283,786	2,231,046
<i>Noncurrent assets</i>		
Property and equipment, net	5,938	11,420
Operating lease right-of-use assets	163,440	-
Total noncurrent assets	169,378	11,420
Total assets	\$ 3,453,164	\$ 2,242,466
LIABILITIES AND NET ASSETS		
<i>Current liabilities</i>		
Accounts payable	\$ 49,645	\$ 88,326
Accrued compensation and related liabilities	124,621	70,941
Deferred membership and other revenue	119,607	127,100
Current maturities of operating lease liabilities	170,604	-
Total current liabilities	464,477	286,367
<i>Noncurrent liabilities</i>		
Operating lease liabilities, less current maturities	14,217	-
Total liabilities	478,694	286,367
<i>Net assets</i>		
Without donor restrictions	2,337,794	1,910,295
With donor restrictions	636,676	45,804
Total net assets	2,974,470	1,956,099
Total liabilities and net assets	\$ 3,453,164	\$ 2,242,466

See accompanying notes to financial statements.

Colorado Rural Health Center
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<i>Revenue, gains, and other support</i>						
Federal government grants	\$ 6,672,151	\$ 746,921	\$ 7,419,072	\$ 1,514,284	\$ 12,500	\$ 1,526,784
State and foundation grants and contributions	(2,000)	801,334	799,334	43,526	265,832	309,358
Fiscal agent fees and contracted services	438,798	-	438,798	1,030,048	-	1,030,048
Individual contributions	21,343	-	21,343	16,327	-	16,327
Program service fees	106,797	-	106,797	106,606	-	106,606
Conferences and workshops	130,722	-	130,722	104,292	-	104,292
Membership dues	93,919	-	93,919	131,496	-	131,496
Interest income	2,327	-	2,327	2,185	-	2,185
Other	69,185	-	69,185	7,121	-	7,121
Net assets released from restrictions	957,383	(957,383)	-	391,156	(391,156)	-
Total revenue, gains, and other support	8,490,625	590,872	9,081,497	3,347,041	(112,824)	3,234,217
<i>Expenses</i>						
Program services	7,401,183	-	7,401,183	2,371,545	-	2,371,545
Management and general	642,691	-	642,691	473,122	-	473,122
Fundraising expenses	19,252	-	19,252	23,735	-	23,735
Total expenses	8,063,126	-	8,063,126	2,868,402	-	2,868,402
<i>Operating income (loss)</i>	427,499	590,872	1,018,371	478,639	(112,824)	365,815
<i>Gain on forgiveness of Paycheck Protection Program loan</i>						
	-	-	-	147,980	-	147,980
<i>Change in net assets</i>	427,499	590,872	1,018,371	626,619	(112,824)	513,795
<i>Net assets, beginning of year</i>	1,910,295	45,804	1,956,099	1,283,676	158,628	1,442,304
Net assets, end of year	\$ 2,337,794	\$ 636,676	\$ 2,974,470	\$ 1,910,295	\$ 45,804	\$ 1,956,099

See accompanying notes to financial statements.

**Colorado Rural Health Center
Statement of Functional Expenses
Year Ended December 31, 2022**

	Total Program Services Expenses	Management and General	Fundraising	Total Supporting Services Expenses	Total Expenses
Salaries and wages	\$ 1,254,207	\$ 457,205	\$ 3,167	\$ 460,372	\$ 1,714,579
Employee benefits	169,997	63,772	2,567	66,339	236,336
Professional fees	365,117	35,999	2,655	38,654	403,771
Conferences and workshops	90,052	73	4,077	4,150	94,202
Minor equipment	24,570	1,579	197	1,776	26,346
Travel	41,512	4,210	-	4,210	45,722
Rent	139,201	50,618	6,327	56,945	196,146
Other expenses	132,141	16,603	239	16,842	148,983
Depreciation	4,275	1,184	23	1,207	5,482
Insurance	-	11,448	-	11,448	11,448
Grants to other organizations	5,180,111	-	-	-	5,180,111
Total expenses	\$ 7,401,183	\$ 642,691	\$ 19,252	\$ 661,943	\$ 8,063,126

See accompanying notes to financial statements.

**Colorado Rural Health Center
Statement of Functional Expenses
Year Ended December 31, 2021**

	Total Program Services Expenses	Management and General	Fundraising	Total Supporting Services Expenses	Total Expenses
Salaries and wages	\$ 1,059,815	\$ 283,387	\$ 10,201	\$ 293,588	\$ 1,353,403
Employee benefits	160,817	55,261	3,559	58,820	219,637
Professional fees	359,261	36,678	2,746	39,424	398,685
Conferences and workshops	65,403	684	-	684	66,087
Minor equipment	16,309	10,947	426	11,373	27,682
Travel	9,447	3,349	-	3,349	12,796
Rent	107,022	56,327	5,633	61,960	168,982
Other expenses	142,087	16,534	1,163	17,697	159,784
Depreciation	812	175	7	182	994
Insurance	-	9,780	-	9,780	9,780
Grants to other organizations	450,572	-	-	-	450,572
Total expenses	\$ 2,371,545	\$ 473,122	\$ 23,735	\$ 496,857	\$ 2,868,402

See accompanying notes to financial statements.

Colorado Rural Health Center
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Cash received from government grants	\$ 7,363,179	\$ 1,463,487
Cash received from state and foundation grants and contributions	820,677	325,685
Cash received from fiscal agent fees and contracted services	385,924	979,950
Cash received from program service fees	107,426	81,143
Cash received from conferences and workshops	130,722	104,292
Cash received from membership dues	86,426	131,201
Cash received from other revenue	71,512	9,306
Cash paid to or on behalf of employees	(1,897,235)	(1,595,442)
Cash paid for grants to other organizations	(5,180,111)	(450,572)
Cash paid for supplies and other expenses	(984,861)	(771,969)
Net cash provided from operating activities	903,659	277,081
<i>Cash flows from investing activities</i>		
Cash received upon maturity of certificates of deposit	15,000	480,651
Cash paid for the purchase of property and equipment	-	(11,419)
Net cash from investing activities	15,000	469,232
<i>Cash flows from financing activities</i>		
Cash received from Paycheck Protection Program loan	-	147,980
Net increase in cash and cash equivalents	918,659	894,293
Cash and cash equivalents, beginning of year	1,886,912	992,619
Cash and cash equivalents, end of year	\$ 2,805,571	\$ 1,886,912

See accompanying notes to financial statements.

Colorado Rural Health Center
Statements of Cash Flows (Continued)
Years Ended December 31, 2022 and 2021

	2022	2021
<i>Reconciliation of Change in Net Assets to Net Cash From Operating Activities</i>		
Change in net assets	\$ 1,018,371	\$ 513,795
<i>Adjustments to reconcile change in net assets to net cash from operating activities</i>		
Depreciation	5,482	994
Gain on forgiveness of Paycheck Protection Program loan	-	(147,980)
(Increase) decrease in assets:		
Accounts receivable	629	(25,463)
Grants receivable	(55,893)	(63,297)
Fiscal agent fees and contracted services receivable	(52,874)	(50,098)
Prepaid expenses	(19,562)	(2,114)
Increase (decrease) in liabilities:		
Accounts payable	(38,681)	73,941
Accrued compensation and related liabilities	53,680	(22,402)
Deferred membership and other revenue	(7,493)	(295)
Net cash from operating activities	\$ 903,659	\$ 277,081

Noncash financing and investing activities:

During the year ended December 31, 2022, CRHC recognized operating lease liabilities of \$177,657 and related operating right-of-use assets for the respective amounts upon adoption of Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases* (Topic 842).

See accompanying notes to financial statements.

**Colorado Rural Health Center
Notes to Financial Statements
Years Ended December 31, 2022 and 2021**

1. Organization and Summary of Significant Accounting Policies:

a. Organization

Colorado Rural Health Center (CRHC) is Colorado's nonprofit State Office of Rural Health and Rural Health Association. CRHC works with federal, state, and local partners to offer services and resources to rural healthcare providers, facilities, and communities. Since 1991, CRHC has worked to enhance healthcare services in the state by providing information, education, linkages, tools, and energy toward addressing rural health issues. CRHC's vision is to improve healthcare services available in rural communities to ensure all rural Coloradans have access to comprehensive, affordable, high quality healthcare.

CRHC's primary program services are as follows:

- Assisting Colorado's critical access hospitals (CAHs), rural health clinics (RHCs), and other rural clinics and healthcare providers to strengthen the administration of rural healthcare organizations. Assistance is provided through services including, but not limited to: Quality Improvements, Healthy Clinic Assessments, technical assistance, education, grant application review, and/or grant funding and benefits.
- Administer the Rural Sustainability Program, a program funded by the Office of eHealth Innovation, Department of Health Care Policy and Financing and in partnership with the Colorado Community Managed Care Network. The goals are to establish a sustainable model for rural connectivity, including connecting providers to Colorado's Health Information Exchanges, supporting rural providers to adopt health information, data sharing and analytics/tools to support care coordination, and quality measurement. Of the 84 eligible rural facilities, 65 were connected to CRHC's Data Vault, 32 have data in the system, 22 completed a workflow activity, 51 completed an environmental scan, and all 84 connected to the health information exchange.
- Administer and distribute Health Resources and Services Administration grant funds to eligible rural hospitals through the Small Rural Hospital Improvement Program from the CARES Act, which was enacted in 2020.
- Gather data to publish Health Indicators Overview Reports, the state-wide and regional snapshots of rural health.
- Improving healthcare services available in rural communities, which is accomplished through policy and advocacy work at both the state and federal levels.
- Identify and relieve the healthcare workforce and retention challenges and barriers in rural and underserved areas of Colorado by contracting with clinics and hospitals to assist in the recruitment and retention of primary care providers.
- Assisting healthcare facilities with assessing, adopting, and implementing health information technology (HIT) solutions by offering remote monitoring, installation of new systems, vacation relief, remediation of the Health Insurance Portability and Accountability Act of 1996 (HIPAA) related issues, meaningful use services, HIPAA compliance, education, phishing campaigns, electronic health record selection, and report writing.

Colorado Rural Health Center
Notes to Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

1. Organization and Summary of Significant Accounting Policies (continued):

a. Organization (continued)

Every year, CRHC hosts two major events in Colorado aimed at educating its members on trends and essential knowledge in rural healthcare. These events serve as an essential educational, training, and networking venue for CAHs, RHCs, and other rural clinics and healthcare providers. These events are for all rural and urban stakeholders interested in learning about rural healthcare issues, best practices, and solutions.

b. Summary of Significant Accounting Policies:

Basis of presentation – Financial statement presentation follows the recommendations of the FASB. CRHC is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

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 and cash equivalents – Cash and cash equivalents include investments in highly liquid investments with an original maturity of three months or less. Cash and cash equivalents are held in checking and money market accounts.

Accounts receivable – Accounts receivable are stated at the amount billed to hospitals, less management's estimated allowance for uncollectible accounts. A material allowance for uncollectible accounts is not maintained.

Grants receivable – Receivables arising from revenue from government agencies are stated at net realizable value. Management believes the amounts to be fully collectible.

Fiscal agent fees and contracted services receivable – Receivables arising from revenue from fiscal agent fees and contracted services are stated at net realizable value. Management believes the amounts to be fully collectible.

Prepaid expenses – Prepaid expenses are expenses paid during the fiscal year relating to expenses to be incurred in future periods. Prepaid expenses are amortized over the expected benefit period of the related expense.

**Colorado Rural Health Center
Notes to Financial Statements (Continued)
Years Ended December 31, 2022 and 2021**

1. Organization and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Property and equipment – It is CRHC’s policy to capitalize property and equipment with a basis greater than \$5,000 and an estimated useful life of one or more years; lesser amounts are expensed. CRHC’s capital assets are stated at cost, if purchased. Contributed items are recorded at fair value at the date of contribution. Depreciation has been computed on the straight-line method over the following estimated useful service lives:

Furniture and equipment	2-7 years
Leasehold improvements	2-10 years

Personal time off – Employees earn personal time off (PTO) based on hours worked. This benefit is vested when earned according to policy guidelines. PTO may be carried from year to year as long as it does not exceed certain limits. Accrued benefits are reflected in the financial statements.

Net assets with donor restrictions – Net assets with donor restrictions are those whose use by CRHC has been limited by donors to a specific period of time or purpose.

Contributions – CRHC reports gifts of cash and other assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets with donor restrictions released for operations.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Foundation grants and contributions represent contributions from unrelated foundations.

Deferred revenue – Membership revenue is deferred and recognized over the periods in which the memberships relate.

Government grants – Support funded by government grants is recognized as CRHC performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Colorado Rural Health Center
Notes to Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

1. Organization and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Functional expense allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include employee benefits and rent, which are allocated based on salaries and wages, as well as, depreciation, interest, and other expense, which are allocated based on the ratio of direct expenses by function.

Federal income tax – CRHC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax is necessary. CRHC evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of December 31, 2022 and 2021, CRHC had no uncertain tax positions requiring accrual.

Change in accounting principle – In February 2016, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, *Leases*. The ASU requires leases to recognize a right-of-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 activities and changes in net assets. CRHC adopted FASB Topic 842, *Leases*, with January 1, 2022, as the date of initial adoption. CRHC elected the transition option to apply the new guidance as of that effective date without adjusting comparative periods presented. The adoption had no material impact on the statement of activities and changes in net assets.

Subsequent events – Subsequent events have been reviewed through March 31, 2023, the date on which the financial statements were available to be issued.

Colorado Rural Health Center
Notes to Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

2. Liquidity and Availability of Financial Assets

CRHC's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

	2022	2021
Cash and cash equivalents	\$ 2,805,571	\$ 1,886,912
Certificates of deposit	-	15,000
Accounts receivable	60,145	60,774
Grants receivable	204,338	148,445
Fiscal agent fees and contracted services receivable	114,810	61,936
	3,184,864	2,173,067
Less net assets with donor restrictions	(636,676)	(45,804)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,548,188	\$ 2,127,263

As a part of CRHC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

3. Fair Value Measurements:

CRHC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. CRHC's certificates of deposit are valued using the market approach based primarily on current market interest rates for similar investments (Level 2 input).

4. Property and Equipment:

A summary of property and equipment consisted of the following:

	2022	2021
Furniture and equipment	\$ 146,421	\$ 146,421
Leasehold improvements	72,037	72,037
	218,458	218,458
Less accumulated depreciation	212,520	207,038
Property and equipment, net	\$ 5,938	\$ 11,420

Colorado Rural Health Center
Notes to Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

5. Net Assets with Donor Restrictions:

Net assets with donor restrictions are available for the following future purposes:

	2022	2021
National Rural Health Association outreach	\$ 21,203	\$ 10,000
Healthy Clinic Assessment and Sustainability Initiative	540,000	-
CRHC Employee Wellness	20,000	-
Grant administration	-	2,000
Operating grants after December 31	55,473	33,804
	\$ 636,676	\$ 45,804

6. Conditional Grants and Contracts:

At December 31, 2022 and 2021, CRHC had remaining available award balances on federal and private conditional grants and contracts for sponsored projects of approximately \$4,048,000 and \$9,219,000, respectively. These award balances are not recognized as assets and will be recognized as revenue as the projects progress and conditions are met, generally as expenses are incurred.

7. Leases:

The determination of whether an arrangement is a lease is made at the lease's inception. Under FASB Topic 842, *Leases*, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

CRHC leases its office space. A right-of-use (ROU) asset represents CRHC's right to use the underlying asset for the lease term, and a lease liability represents CRHC's obligation to make lease payments. The operating lease ROU asset and liability is recognized at the lease commencement date based on the present value of lease payments over the lease term. CRHC uses the rate implicit in the lease when it is readily determinable. Since CRHC's lease does not provide an implicit rate, to determine the present value of lease payments, management uses CRHC's incremental borrowing rate based on the information available at lease commencement. Operating lease ROU assets also include any lease payments made and exclude any lease incentives.

CRHC's ROU asset is amortized/depreciated over the term of the lease. CRHC's lease agreement does not contain any material residual value guarantees or material restrictive covenants. CRHC rents or subleases half of its office space to a third party.

Colorado Rural Health Center
Notes to Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

7. Leases (continued):

The following summarizes the line items in the statements of activities and changes in net assets which include the components of lease expense for the year ended December 31:

	2022
Operating leases, included in rent expense	\$ 150,868
Sublease income, included in other income, net	(69,185)
Net lease cost	\$ 81,683

Schedule of minimum future lease payments under lease obligations is as follows:

Years Ending December 31,	Amount
2023	\$ 170,604
2024	14,217
Future minimum lease payments	\$ 184,821

The lease has a remaining term of 13 months and the average discount rate is immaterial.

The following summarizes the line items in the statements of financial position which include amounts for CRHC's operating lease as of December 31:

	2022
Operating Lease:	
Operating lease right-of-use asset	\$ 163,440
Current maturities of operating lease liabilities	\$ 170,604
Operating lease liabilities, less current maturities	14,217
Total operating lease liability	\$ 184,821

Colorado Rural Health Center
Notes to Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

8. Defined Contribution Plan:

CRHC has a 401(k) plan covering substantially all employees. The Board of Directors annually determines the amount, if any, of CRHC's contributions to the plan during the budgeting process. CRHC matches employees' contributions up to 3 percent of the employees' annual salary. Matching contributions totaled approximately \$42,000 and \$37,000 for the years ended December 31, 2022 and 2021, respectively.

9. State Pass-through Contract:

CRHC has a contract with the Colorado Department of Public Health and Environment for which CRHC acts as the distribution agency for funds, supplies, and equipment in order to meet the goals on each contract. The purpose of the contract is to provide program administration services on behalf of the Colorado Resource for Emergency and Trauma Education (CREATE) to meet the goals of CREATE in providing education and training for emergency medical and trauma services.

As part of this contract, CRHC received and distributed approximately \$122,000 and \$82,000 for the years ended December 31, 2022 and 2021, respectively. The amounts received and distributed are not included in the statements of activities and changes in net assets.

10. Concentration of Risks:

A significant portion of the CRHC's funding is derived from grants funded through various federal, state, and private organizations. These programs are funded primarily through Department of Health and Human Services federal contracts. CRHC is dependent on continued funding.

11. Contingencies:

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although CRHC expects such amounts, if any, to be immaterial.

12. Paycheck Protection Program Loans:

In January 2021, CRHC was awarded a Paycheck Protection Program (PPP) loan from BOKF, NA doing business as Bank of Oklahoma totaling \$147,980. PPP loan forgiveness was granted to CRHC in September 2021.

A \$-0- and \$147,980 gain on forgiveness of PPP loan is recorded in the statements of activities and changes in net assets for the years ended December 31, 2022 and 2021, respectively.

SINGLE AUDIT

AUDITORS' SECTION



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Colorado Rural Health Center
Aurora, Colorado

We have audited, in accordance with the 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 financial statements of the Colorado Rural Health Center (CRHC) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CRHC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CRHC's internal control. Accordingly, we do not express an opinion on the effectiveness of CRHC'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 entity'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether CRHC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 CRHC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CRHC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
March 31, 2023



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Colorado Rural Health Center
Aurora, Colorado

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Colorado Rural Health Center's (CRHC) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on CRHC's major federal program for the year ended December 31, 2022. CRHC's major federal program is identified in the summary of auditors' results section of the accompanying schedule of audit findings and questioned costs.

In our opinion, CRHC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of CRHC and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of CRHC's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to CRHC's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on CRHC's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about CRHC's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding CRHC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of CRHC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 CRHC's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
March 31, 2023

**Colorado Rural Health Center
 Schedule of Audit Findings and Questioned Costs
 Year Ended December 31, 2022**

Section I – Summary of Auditors’ Results

Financial Statements:

Type of auditors’ report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

___ yes X no
 ___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards:

Internal control over major federal programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

___ yes X no
 ___ yes X none reported

Type of auditors’ report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

___ yes X no

Identification of major federal program:

<i>Federal Assistance Listing Number</i>	<i>Name of Federal Program or Cluster</i>
93.155	Rural Health Research Centers

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes ___ no

**Colorado Rural Health Center
Schedule of Audit Findings and Questioned Costs (Continued)
Year Ended December 31, 2022**

Section II – Financial Statement Findings

No matters were reported for 2022. Therefore, no corrective action plan is necessary, nor has one been prepared.

Section III – Federal Award Findings and Questioned Costs

No matters were reported for 2022. Therefore, no corrective action plan is necessary, nor has one been prepared.

AUDITEE'S SECTION

**Colorado Rural Health Center
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Passed Through to Subrecipient	Total Federal Expenditures
U.S. Department of Health and Human Services Direct Programs:				
Direct Programs:				
Small Rural Hospital Improvement Grant Program	93.301		\$ 169,378	\$ 533,594
State Rural Hospital Flexibility Program	93.241		-	691,542
Grants to States for Operation of State Offices of Rural Health	93.913		-	234,245
Rural Health Research Centers - COVID-19	93.155		4,796,138	5,515,558
Pass-through program from:				
Colorado Department Of Public Health and Environment				
National Bioterrorism Hospital Preparedness Program	93.889	U3REP190556	184,195	206,618
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426	2021*2746	-	42,109
Activities to support State, Tribal, Local, and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	NH75OT000066	-	166,392
Innovative State and Local Public Health Strategies to prevent and Manage Diabetes and Heat Disease and Stroke	93.435	NU58DP006615	-	1,514
National Rural Health Association				
Rural Health Research Centers	93.155	2 U16RH03702-18-00	-	11,297
21st Century Cures Act - Precision Medicine Initiative	93.368	OT2OD028404	-	5,000
Total expenditures of federal awards			\$ 5,149,711	\$ 7,407,869

See accompanying independent auditors' report and notes to the schedule of expenditures of federal awards.

Notes to the Schedule of Expenditures of Federal Awards

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Colorado Rural Health Center (CRHC) under programs of the federal government for the year ended December 31, 2022. 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 CRHC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of CRHC.

2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. CRHC has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Colorado Rural Health Center
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2022**

The single audit for the year ended December 31, 2021, reported no audit findings, nor were there any unresolved findings from periods ended December 31, 2020, or prior. Therefore, there are no matters to report in this section for the year ended December 31, 2022.