

Colorado Rural Health Center

Financial Statements and
Independent Auditors' Reports

December 31, 2019 and 2018



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

**Colorado Rural Health Center
Table of Contents**

	Page
<i>INDEPENDENT AUDITORS' REPORT</i>	1-2
<i>FINANCIAL STATEMENTS:</i>	
Statements of financial position	3
Statements of activities and changes in net assets	4
Statement of functional expenses – year ended December 31, 2019	5
Statement of functional expenses – year ended December 31, 2018	6
Statements of cash flows	7-8
Notes to financial statements	9-16
<i>SINGLE AUDIT</i>	
<i>AUDITORS' SECTION:</i>	
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 <i>Government Auditing Standards</i>	17-18
Independent auditors' report on compliance for the major program and on internal control over compliance required by the Uniform Guidance	19-20
Schedule of audit findings and questioned costs	21-22
<i>AUDITEE'S SECTION:</i>	
Schedule of expenditures of federal awards	23
Notes to schedule of expenditures of federal awards	23
Summary schedule of prior audit findings	24



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Colorado Rural Health Center
Aurora, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Colorado Rural Health Center (a nonprofit organization) (CRHC), which comprise the statements of financial position as of December 31, 2019 and 2018, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 CRHC as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2019 CRHC adopted new accounting guidance, Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2014-19, *Revenue from Contracts with Customers* (Topic 606) and ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). Our opinion is not modified with respect to this matter.

Other Matters

Other 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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 May 6, 2020, 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, 2019. We issued a similar report for the year ended December 31, 2018, dated May 2, 2019, which has not been included with the 2019 financial and compliance report. The purpose of those reports 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 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 the CRHC's internal control over financial reporting and compliance.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
May 6, 2020

**Colorado Rural Health Center
Statements of Financial Position
December 31, 2019 and 2018**

ASSETS	2019	2018
<i>Current assets</i>		
Cash and cash equivalents	\$ 895,476	\$ 861,434
Certificates of deposit	497,826	488,439
Accounts receivable	33,923	44,421
Grants receivable	232,285	71,452
Prepaid expenses	52,985	55,865
Total current assets	1,712,495	1,521,611
<i>Noncurrent assets</i>		
Property and equipment, net	2,984	6,976
Total assets	\$ 1,715,479	\$ 1,528,587
LIABILITIES AND NET ASSETS		
<i>Current liabilities</i>		
Accounts payable	\$ 24,382	\$ 76,323
Accrued compensation and related liabilities	108,063	98,926
Deferred membership and other revenue	87,644	128,418
Total current liabilities	220,089	303,667
<i>Net assets</i>		
Without donor restrictions	1,128,015	1,070,495
With donor restrictions	367,375	154,425
Total net assets	1,495,390	1,224,920
Total liabilities and net assets	\$ 1,715,479	\$ 1,528,587

See accompanying notes to financial statements.

Colorado Rural Health Center
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<i>Revenue, gains, and other support</i>						
Federal government grants	\$ 1,291,542	\$ 22,000	\$ 1,313,542	\$ 1,054,510	\$ 500	\$ 1,055,010
State and foundation grants and contributions	40,750	698,840	739,590	160,000	256,679	416,679
Fiscal agent fees and contracted services	189,926	-	189,926	546,122	-	546,122
Individual contributions	15,323	-	15,323	9,615	-	9,615
Program service fees	148,720	-	148,720	135,396	-	135,396
Conferences and workshops	176,520	-	176,520	145,290	-	145,290
Membership dues	152,344	-	152,344	153,763	-	153,763
Interest income	11,630	-	11,630	9,124	-	9,124
Other	4,997	-	4,997	268	-	268
Net assets released from restrictions	507,890	(507,890)	-	495,193	(495,193)	-
Total revenue, gains, and other support	2,539,642	212,950	2,752,592	2,709,281	(238,014)	2,471,267
<i>Expenses</i>						
Program services	2,115,170	-	2,115,170	1,988,952	-	1,988,952
Management and general	330,723	-	330,723	699,173	-	699,173
Fundraising expenses	36,229	-	36,229	27,245	-	27,245
Total expenses	2,482,122	-	2,482,122	2,715,370	-	2,715,370
<i>Change in net assets</i>	57,520	212,950	270,470	(6,089)	(238,014)	(244,103)
<i>Net assets, beginning of year</i>	1,070,495	154,425	1,224,920	1,076,584	392,439	1,469,023
Net assets, end of year	\$ 1,128,015	\$ 367,375	\$ 1,495,390	\$ 1,070,495	\$ 154,425	\$ 1,224,920

See accompanying notes to financial statements.

**Colorado Rural Health Center
Statement of Functional Expenses
Year Ended December 31, 2019**

	Total Program Services Expenses	Management and General	Fundraising	Total Supporting Services Expenses	Total Expenses
Salaries and wages	\$ 1,166,987	\$ 171,446	\$ 21,137	\$ 192,583	\$ 1,359,570
Employee benefits	185,403	27,623	3,541	31,164	216,567
Professional fees	293,812	36,308	143	36,451	330,263
Conferences and workshops	99,865	253	9	262	100,127
Minor equipment	13,953	7,622	819	8,441	22,394
Travel	54,556	3,415	224	3,639	58,195
Rent	95,059	57,036	9,506	66,542	161,601
Other expenses	102,302	16,758	807	17,565	119,867
Depreciation	3,480	469	43	512	3,992
Insurance	-	9,793	-	9,793	9,793
Grants to other organizations	99,753	-	-	-	99,753
Total expenses	\$ 2,115,170	\$ 330,723	\$ 36,229	\$ 366,952	\$ 2,482,122

See accompanying notes to financial statements.

**Colorado Rural Health Center
Statement of Functional Expenses
Year Ended December 31, 2018**

	Total Program Services Expenses	Management and General	Fundraising	Total Supporting Services Expenses	Total Expenses
Salaries and wages	\$ 1,020,070	\$ 458,055	\$ 18,234	\$ 476,289	\$ 1,496,359
Employee benefits	183,199	81,768	3,255	85,023	268,222
Professional fees	294,566	50,653	3,109	53,762	348,328
Conferences and workshops	103,503	-	-	-	103,503
Minor equipment	16,551	624	24	648	17,199
Travel	64,272	5,786	138	5,924	70,196
Rent	105,323	47,251	1,881	49,132	154,455
Other expenses	101,828	36,889	268	37,157	138,985
Depreciation	25,903	8,622	336	8,958	34,861
Insurance	-	9,525	-	9,525	9,525
Grants to other organizations	73,737	-	-	-	73,737
Total expenses	\$ 1,988,952	\$ 699,173	\$ 27,245	\$ 726,418	\$ 2,715,370

See accompanying notes to financial statements.

Colorado Rural Health Center
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Cash received from government grants	\$ 1,152,709	\$ 1,199,353
Cash received from state and foundation grants and contributions	754,913	426,294
Cash received from fiscal agent fees and contracted services	189,926	546,122
Cash received from program service fees	101,886	129,371
Cash received from conferences and workshops	176,520	145,290
Cash received from membership dues	158,404	159,477
Cash received from other revenue	27,125	26,357
Cash paid to or on behalf of employees	(1,567,000)	(1,778,066)
Cash paid for supplies and other expenses	(951,054)	(910,546)
Net cash provided by (used in) operating activities	43,429	(56,348)
<i>Cash flows from investing activities</i>		
Cash paid for purchase of certificate of deposit	(9,387)	(25,302)
Net increase (decrease) in cash and cash equivalents	34,042	(81,650)
Cash and cash equivalents, beginning of year	861,434	943,084
Cash and cash equivalents, end of year	\$ 895,476	\$ 861,434

See accompanying notes to financial statements.

Colorado Rural Health Center
Statements of Cash Flows (Continued)
Years Ended December 31, 2019 and 2018

	2019	2018
<i>Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities</i>		
Change in net assets	\$ 270,470	\$ (244,103)
<i>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities</i>		
Depreciation	3,992	34,861
(Increase) decrease in assets:		
Accounts receivable	10,498	16,965
Grants receivable	(160,833)	144,343
Prepaid expenses	2,880	(1,876)
Increase (decrease) in liabilities:		
Accounts payable	(51,941)	7,258
Accrued compensation and related liabilities	9,137	(13,485)
Deferred membership and other revenue	(40,774)	(311)
Net cash provided by (used in) operating activities	\$ 43,429	\$ (56,348)

See accompanying notes to financial statements.

**Colorado Rural Health Center
Notes to Financial Statements
Years Ended December 31, 2019 and 2018**

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: Healthy Clinic Assessments, technical assistance, education, grant application review, and/or grant funding and benefits.
- 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.

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 Financial Accounting Standards Board (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.

**Colorado Rural Health Center
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018**

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

b. Summary of Significant Accounting Policies (continued):

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 and/or grantors. Management believes the balance is collectible, therefore, no allowance for uncollectible accounts is maintained.

Grants receivable – Receivables arising from revenue from government agencies 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.

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	3-7 years
Leasehold improvements	8 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.

Colorado Rural Health Center
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

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

b. Summary of Significant Accounting Policies (continued):

Contributions (continued) – 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.

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, 2019 and 2018, CRHC had no uncertain tax positions requiring accrual.

Reclassifications – Certain reclassifications of the 2018 amounts have been made in the financial statements in order to conform to the 2019 presentation. These reclassifications had no effect on the previously reported change in net assets.

Colorado Rural Health Center
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

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

b. Summary of Significant Accounting Policies (continued):

Change in accounting principle – The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-19, *Revenue from Contracts with Customers* (Topic 606). 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 requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows from customer contracts, including significant judgements and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract.

FASB also issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The ASU provides guidance on determining whether a transaction is a contribution or exchange transaction and for distinguishing between conditional and unconditional contributions.

The ASUs have been retrospectively applied to prior periods presented as if they had always been used. No changes were necessary for prior periods presented.

Upcoming accounting standard pronouncements – In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which will supersede the current lease requirements in Accounting Standards Codification (ASC) 840. The ASU requires lessees 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 statements of activities and changes in net assets. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statements of financial position. The reporting of lease-related expenses in the statements of activities and changes in net assets and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for CRHC's year ending December 31, 2021, and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is expected to have a significant effect on the financial statements as a result of the leases for rented office space being reported as a liability on the statement of financial position. The effect of applying the new lease guidance on the financial statements will be to increase long-term assets and to increase short-term and long-term lease liabilities. The effects on the results of operations are not expected to be significant as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

Subsequent events – Subsequent events have been reviewed through May 6, 2020, 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, 2019 and 2018

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:

	2019	2018
Cash and cash equivalents	\$ 895,476	\$ 861,434
Certificates of deposit	497,826	488,439
Accounts receivable	33,923	44,421
Grants receivable	232,285	71,452
	1,659,510	1,465,746
Less net assets with donor restrictions	(367,375)	(154,425)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,292,135	\$ 1,311,321

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:

	2019	2018
Furniture and equipment	\$ 219,843	\$ 219,843
Leasehold improvements	60,617	60,617
	280,460	280,460
Less accumulated depreciation	277,476	273,484
Property and equipment, net	\$ 2,984	\$ 6,976

Colorado Rural Health Center
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

5. Net Assets with Donor Restrictions:

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

	2019	2018
Outreach	\$ 12,661	\$ 923
iCARE Improving Communications and Readmissions	50,734	88,502
2020 Census outreach	187,893	-
Behavioral health advocacy	105,670	-
For periods after December 31	10,417	65,000
	\$ 367,375	\$ 154,425

6. Conditional Grants and Contracts:

At December 31, 2019 and 2018, CRHC had remaining available award balances on federal and private conditional grants and contracts for sponsored projects of approximately \$1,114,000 and \$1,030,000, 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. Operating Lease:

During 2017, CRHC renewed their operating lease for its office space and is obligated under an operating lease agreement which expires on January 24, 2024. Future minimum lease payments are as follows:

Years Ending December 31,	Amount
2020	\$ 158,751
2021	162,818
2022	166,875
2023	170,604
2024	14,217
Future minimum lease payments	\$ 673,265

Colorado Rural Health Center
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

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 \$34,000 and \$36,000 for the years ended December 31, 2019 and 2018, respectively.

9. State Pass-through Contract:

CRHC has a number of contracts 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. These contracts include:

- Colorado Department of Public Health and Environment's Emergency Preparedness and Response Division in which CRHC will act as the distribution agency for funds, supplies and equipment for local hospitals, rural health centers, Regional Emergency and Trauma Advisory Council (RETAC), Medical Reserve Corps (MRC), statewide universities and other health providers.
- Colorado Department of Public Health and Environment 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.
- Colorado Department of Public Health and Environment to provide program administration services on behalf of Health Care Coalitions (HCC), whose funding serves to strengthen and enhance the preparedness of the public health and medical system to respond to and recover from emergency incidents through the development of HCC.

As part of these contracts, CRHC received and distributed approximately \$615,000 and \$385,000 for the years ended December 31, 2019 and 2018, respectively. The amounts received and distributed are not included in the statements of activities and changes in net assets. Fiscal agent fees received for administering the contract were approximately \$137,000 and \$398,000 for the years ended December 31, 2019 and 2018, respectively.

10. Concentration of Risks:

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.

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.

Colorado Rural Health Center
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

11. COVID-19 Pandemic:

The COVID-19 pandemic has created economic uncertainties which may negatively impact CRHC's financial position. Beginning in March 2020, CHRC began experiencing significant declines in program service fees as a result of travel restrictions mandated by the State of Colorado's stay-at-home order. Funding from one of CRHC's foundation grants has been paused until travel can resume to the rural health clinics that the grant serves. Additionally, CRHC's Annual Rural Health Forum scheduled for April 15-17, 2020, in Denver, Colorado was cancelled.

As of December 31, 2019, CRHC had unrestricted reserves representing 132 days of operating expenses. Subsequent to year end, CRHC received a Small Business Administration Payroll Protection Program loan through BOKF, NA doing business as Bank of Oklahoma totaling \$147,000. This loan contains a forgiveness provision that can be applied for after June 30, 2020, in which the loan could be forgiven partially or entirely, based on CRHC meeting qualifications.

Additionally, subsequent to year end, the United States Department of Health and Human Services has issued supplemental federal funding for rural hospitals through the Small Rural Hospital Improvement Grant Program. CRHC was appointed the fiscal agent to disburse this supplemental funding to all recipients in Colorado. Fiscal agent fees received for administering the grant will be approximately \$386,000 for the year ending December 31, 2020.

CRHC can utilize its unrestricted reserves to cover operating expenses until revenues recover. The ultimate COVID-19 pandemic effect on CRHC's financial position is unknown at this time.

SINGLE AUDIT

AUDITORS' SECTION



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

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 Colorado Rural Health Center (a nonprofit organization) (CRHC), which comprise the statement of financial position as of December 31, 2019, 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 May 6, 2020.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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
May 6, 2020



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 CRHC's Major Federal Program

We have audited Colorado Rural Health Center's (CRHC) compliance with the types of compliance requirements described 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, 2019. CRHC's major federal program is identified in the summary of auditors' results section of the accompanying schedule of audit findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on CRHC's Major Federal Program

In our opinion, CRHC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control over Compliance

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

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

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

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

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
May 6, 2020

**Colorado Rural Health Center
 Schedule of Audit Findings and Questioned Costs
 Year Ended December 31, 2019**

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>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
-----------------------	---

93.241	State Rural Hospital Flexibility Program
--------	--

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, 2019**

Section II – Financial Statement Findings

No matters were reported for 2019. 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 2019. 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, 2019**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipient	Total Federal Expenditures
U.S. Department of Health and Human Services Direct Programs:				
State Rural Hospital Flexibility Program	93.241		\$ -	\$ 752,814
Small Rural Hospital Improvement Grant Program	93.301		70,803	348,844
Grants to States for Operation of Offices of Rural Health	93.913		-	189,384
Subtotal direct programs			70,803	1,291,042
Pass-through program from:				
National Rural Health Association				
Rural Health Research Centers	93.155	5 U16RH03702-15-00	-	10,500
Total U.S. Department of Health and Human Services				1,301,542
Total expenditures of federal awards				\$ 1,301,542

See accompanying independent auditors' report, and 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, 2019. 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, 2019**

The single audit for the year ended December 31, 2018, reported no audit findings, nor were there any unresolved findings from periods ended December 31, 2017, or prior. Therefore, there are no matters to report in this section for the year ended December 31, 2019.