

Colorado Rural Health Center

Financial Statements and
Independent Auditors' Reports

December 31, 2021 and 2020



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

**Colorado Rural Health Center
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DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Colorado Rural Health Center
Aurora, Colorado

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, 2021 and 2020, 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, 2021 and 2020, 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.

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 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, 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 March 29, 2022, on our consideration of the 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, 2021. We issued a similar report for the year ended December 31, 2020, dated April 2, 2021, which has not been included with the 2021 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 the 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 29, 2022

**Colorado Rural Health Center
Statements of Financial Position
December 31, 2021 and 2020**

ASSETS	2021	2020
<i>Current assets</i>		
Cash and cash equivalents	\$ 1,886,912	\$ 992,619
Certificates of deposit	15,000	495,651
Accounts receivable	60,774	35,311
Grants receivable	148,445	85,148
Fiscal agent fees and contracted services receivable	61,936	11,838
Prepaid expenses	57,979	55,865
Total current assets	2,231,046	1,676,432
<i>Noncurrent assets</i>		
Property and equipment, net	11,420	995
Total assets	\$ 2,242,466	\$ 1,677,427
LIABILITIES AND NET ASSETS		
<i>Current liabilities</i>		
Accounts payable	\$ 88,326	\$ 14,385
Accrued compensation and related liabilities	70,941	93,343
Deferred membership and other revenue	127,100	127,395
Total current liabilities	286,367	235,123
<i>Net assets</i>		
Without donor restrictions	1,910,295	1,283,676
With donor restrictions	45,804	158,628
Total net assets	1,956,099	1,442,304
Total liabilities and net assets	\$ 2,242,466	\$ 1,677,427

See accompanying notes to financial statements.

Colorado Rural Health Center
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<i>Revenue, gains, and other support</i>						
Federal government grants	\$ 1,514,284	\$ 12,500	\$ 1,526,784	\$ 4,274,419	\$ 405,513	\$ 4,679,932
State and foundation grants and contributions	43,526	265,832	309,358	(762)	267,095	266,333
Fiscal agent fees and contracted services	1,030,048	-	1,030,048	194,077	-	194,077
Individual contributions	16,327	-	16,327	14,156	-	14,156
Program service fees	106,606	-	106,606	85,143	-	85,143
Conferences and workshops	104,292	-	104,292	51,945	-	51,945
Membership dues	131,496	-	131,496	110,003	-	110,003
Interest income	2,185	-	2,185	7,043	-	7,043
Other	7,121	-	7,121	1,403	-	1,403
Net assets released from restrictions	391,156	(391,156)	-	881,355	(881,355)	-
Total revenue, gains, and other support	3,347,041	(112,824)	3,234,217	5,618,782	(208,747)	5,410,035
<i>Expenses</i>						
Program services	2,371,545	-	2,371,545	5,102,421	-	5,102,421
Management and general	473,122	-	473,122	484,947	-	484,947
Fundraising expenses	23,735	-	23,735	22,753	-	22,753
Total expenses	2,868,402	-	2,868,402	5,610,121	-	5,610,121
<i>Operating income (loss)</i>	478,639	(112,824)	365,815	8,661	(208,747)	(200,086)
<i>Gain on forgiveness of Paycheck Protection Program loan</i>						
	147,980	-	147,980	147,000	-	147,000
<i>Change in net assets</i>	626,619	(112,824)	513,795	155,661	(208,747)	(53,086)
<i>Net assets, beginning of year</i>	1,283,676	158,628	1,442,304	1,128,015	367,375	1,495,390
Net assets, end of year	\$ 1,910,295	\$ 45,804	\$ 1,956,099	\$ 1,283,676	\$ 158,628	\$ 1,442,304

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
Statement of Functional Expenses
Year Ended December 31, 2020**

	Total Program Services Expenses	Management and General	Fundraising	Total Supporting Services Expenses	Total Expenses
Salaries and wages	\$ 1,128,978	\$ 304,673	\$ 11,926	\$ 316,599	\$ 1,445,577
Employee benefits	182,736	50,983	1,990	52,973	235,709
Professional fees	239,486	34,755	2,612	37,367	276,853
Conferences and workshops	29,691	-	-	-	29,691
Minor equipment	8,189	6,805	418	7,223	15,412
Travel	10,402	1,359	124	1,483	11,885
Rent	98,265	60,051	5,459	65,510	163,775
Grant outreach	133,188	-	-	-	133,188
Other expenses	98,509	15,221	210	15,431	113,940
Depreciation	1,615	360	14	374	1,989
Insurance	-	10,740	-	10,740	10,740
Grants to other organizations	3,171,362	-	-	-	3,171,362
Total expenses	\$ 5,102,421	\$ 484,947	\$ 22,753	\$ 507,700	\$ 5,610,121

See accompanying notes to financial statements.

Colorado Rural Health Center
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Cash received from government grants	\$ 1,463,487	\$ 4,827,069
Cash received from state and foundation grants and contributions	325,685	280,489
Cash received from fiscal agent fees and contracted services	979,950	182,239
Cash received from program service fees	81,143	109,696
Cash received from conferences and workshops	104,292	51,945
Cash received from membership dues	131,201	123,813
Cash received from other revenue	9,306	8,446
Cash paid to or on behalf of employees	(1,595,442)	(1,696,006)
Cash paid for grants to other organizations	(450,572)	(3,171,362)
Cash paid for supplies and other expenses	(771,969)	(768,361)
Net cash provided by (used in) operating activities	277,081	(52,032)
<i>Cash flows from investing activities</i>		
Cash received upon maturity of certificates of deposit	480,651	2,175
Cash paid for the purchase of property and equipment	(11,419)	-
Net cash provided by investing activities	469,232	2,175
<i>Cash flows from financing activities</i>		
Cash received from Paycheck Protection Program loan	147,980	147,000
Net increase in cash and cash equivalents	894,293	97,143
Cash and cash equivalents, beginning of year	992,619	895,476
Cash and cash equivalents, end of year	\$ 1,886,912	\$ 992,619

See accompanying notes to financial statements.

Colorado Rural Health Center
Statements of Cash Flows (Continued)
Years Ended December 31, 2021 and 2020

	2021	2020
<i>Reconciliation of Change in Net Assets to Net Cash</i>		
<i>Provided by (Used in) Operating Activities</i>		
Change in net assets	\$ 513,795	\$ (53,086)
<i>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities</i>		
Depreciation	994	1,989
Gain on forgiveness of Paycheck Protection Program loan	(147,980)	(147,000)
(Increase) decrease in assets:		
Accounts receivable	(25,463)	(1,388)
Grants receivable	(63,297)	147,137
Fiscal agent fees and contracted services receivable	(50,098)	(11,838)
Prepaid expenses	(2,114)	(2,880)
Increase (decrease) in liabilities:		
Accounts payable	73,941	(9,997)
Accrued compensation and related liabilities	(22,402)	(14,720)
Deferred membership and other revenue	(295)	39,751
Net cash provided by (used in) operating activities	\$ 277,081	\$ (52,032)

See accompanying notes to financial statements.

**Colorado Rural Health Center
Notes to Financial Statements
Years Ended December 31, 2021 and 2020**

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, 63 were connected to CRHC's Data Vault, 27 have data in the system, 22 completed a workflow activity, 51 completed an environmental scan and 23 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, 2021 and 2020

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. As a result of the COVID-19 pandemic, these two events were held simultaneously and virtually in 2020. In 2021, the Forum was held virtually in April and the Annual Conference was held in person in October.

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.

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. Management believes the balance is fully 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.

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, 2021 and 2020**

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, 2021 and 2020

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, 2021 and 2020, CRHC had no uncertain tax positions requiring accrual.

Upcoming accounting standard pronouncements – In February 2016, the FASB issued Accounting Standards Update (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, 2022, 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 March 29, 2022, 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, 2021 and 2020

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:

	2021	2020
Cash and cash equivalents	\$ 1,886,912	\$ 992,619
Certificates of deposit	15,000	495,651
Accounts receivable	60,774	35,311
Grants receivable	148,445	85,148
Fiscal agent fees and contracted services receivable	61,936	11,838
	2,173,067	1,620,567
Less net assets with donor restrictions	(45,804)	(158,628)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,127,263	\$ 1,461,939

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:

	2021	2020
Furniture and equipment	\$ 146,421	\$ 219,843
Leasehold improvements	72,037	60,617
	218,458	280,460
Less accumulated depreciation	(207,038)	(279,465)
Property and equipment, net	\$ 11,420	\$ 995

Colorado Rural Health Center
Notes to Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

5. Net Assets with Donor Restrictions:

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

	2021	2020
National Rural Health Association outreach	\$ 10,000	\$ 14,500
Family Planning advocacy	-	79,746
Small Rural Hospital Improvement - COVID-19 funding	-	50,576
Grant administration	2,000	-
For periods after December 31	33,804	13,806
	\$ 45,804	\$ 158,628

6. Conditional Grants and Contracts:

At December 31, 2021 and 2020, CRHC had remaining available award balances on federal and private conditional grants and contracts for sponsored projects of approximately \$9,219,000 and \$1,161,000, 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:

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

Years Ending December 31,	Amount
2022	\$ 166,875
2023	170,604
2024	14,217
Future minimum lease payments	\$ 351,696

Effective November 24, 2021, CRHC entered into a sublease agreement for half of its office space. Under this sublease agreement, CRHC will be paid a base rent of \$5,765 per month through January 31, 2024, for a total of \$149,890.

Colorado Rural Health Center
Notes to Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

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 \$37,000 and \$38,000 for the years ended December 31, 2021 and 2020, 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 \$82,000 and \$327,000 for the years ended December 31, 2021 and 2020, respectively. The amounts received and distributed are not included in the statements of activities and changes in net assets.

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.

11. Paycheck Protection Program Loans

In April 2020, CRHC was granted a loan from BOKF, NA doing business as Bank of Oklahoma totaling \$147,000, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. PPP loan forgiveness was granted to CRHC in November 2020.

In January 2021, CRHC was awarded a second 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 \$147,980 and \$147,000 gain on forgiveness of Paycheck Protection Program loan is recorded in the statements of activities and changes in net assets for the years ended December 31, 2021 and 2020, respectively.

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 the Colorado Rural Health Center (CRHC) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, 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 29, 2022.

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 29, 2022



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, 2021. 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, 2021.

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 29, 2022

**Colorado Rural Health Center
 Schedule of Audit Findings and Questioned Costs
 Year Ended December 31, 2021**

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>Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>
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93.241	State Rural Hospital Flexibility Program
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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, 2021**

Section II – Financial Statement Findings

No matters were reported for 2021. 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 2021. 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, 2021**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	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		\$ 166,949	\$ 380,645
Small Rural Hospital Improvement Grant Program - COVID-19	93.301		-	50,576
Program Total	93.301		166,949	431,221
State Rural Hospital Flexibility Program	93.241		-	635,602
Grants to States for Operation of State Offices of Rural Health	93.913		-	222,426
Pass-through program from:				
Colorado Department Of Public Health and Environment				
National Bioterrorism Hospital Preparedness Program	93.889	U3REP190556	214,245	249,245
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426	2021*2746	-	19,487
National Rural Health Association				
Rural Health Research Centers	93.155	2 U16RH03702-17-00	-	9,500
Rural Health Research Centers - COVID-19	93.155	U16RH03702	-	2,500
Program Total	93.155		-	12,000
21st Century Cures Act - Precision Medicine Initiative	93.368	OT2OD028404	-	5,500
Total U.S. Department of Health and Human Services			381,194	1,575,481
Federal Communications Commission				
Direct Programs:				
COVID-19 Telehealth Program	32.006		6,378	6,378
Total Federal Communications Commission			6,378	6,378
Total expenditures of federal awards			\$ 387,572	\$ 1,581,859

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, 2021. 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, 2021**

The single audit for the year ended December 31, 2020, reported no audit findings, nor were there any unresolved findings from periods ended December 31, 2019, or prior. Therefore, there are no matters to report in this section for the year ended December 31, 2021.