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# **Rural Health Redesign Center Organization**

## **Independent Auditor's Report and Financial Statements**

June 30, 2023

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# Rural Health Redesign Center Organization

June 30, 2023

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## Independent Auditor's Report

Board of Directors  
Rural Health Redesign Center Organization  
Harrisburg, Pennsylvania

### **Opinion**

We have audited the financial statements of Rural Health Redesign Center Organization (Organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization, as of June 30, 2023 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Organization, and to meet our other ethical responsibilities, in accordance with the 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 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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

## ***Auditor's 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 auditor's 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 the Organization'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 the Organization'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 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 GAAS. In our opinion, the schedule of expenditures of federal awards 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 January 5, 2024, on our consideration of the Organization'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. The purpose of that report 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 Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

**FORVIS,LLP**

Fort Wayne, Indiana  
January 5, 2024

**Rural Health Redesign Center Organization**  
**Statement of Financial Position**  
**June 30, 2023**

	<b>2023</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash	\$ 2,078,858
Accounts receivable	418,683
Prepaid expenses	43,943
Total current assets	2,541,484
<b>Property, Plant, and Equipment</b>	24,480
Total assets	\$ 2,565,964
<b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 218,465
Accrued expenses	254,721
Total current liabilities	473,186
Total liabilities	473,186
<b>Net Assets</b>	
Without donor restrictions	280,975
With donor restrictions	1,811,803
Total net assets	2,092,778
Total liabilities and net assets	\$ 2,565,964

**Rural Health Redesign Center Organization**  
**Statement of Activities**  
**Year Ended June 30, 2023**

	<u><b>2023</b></u>
<b>Revenues, Gains, and Other Support Without Donor Restrictions</b>	
Government grants	\$ 2,360,726
Individual contributions	1,762
Interest income	954
Other revenue	6,985
Net assets released from restriction	<u>2,269,151</u>
Total revenues, gains, and other support without donor restrictions	<u>4,639,578</u>
 <b>Expenses</b>	
Salaries and wages	757,411
Payroll taxes and employee benefits	206,908
Consulting services and professional fees	1,145,301
Administrative and other expenses	943,222
Depreciation expense	4,165
Total operating expenses	<u>3,057,007</u>
 <b>Operating Income</b>	 1,582,571
 <b>Contributions to RHRCA</b>	 <u>(1,321,893)</u>
Increase in net assets without donor restrictions	<u>(1,321,893)</u>
 <b>Net Assets With Donor Restrictions</b>	
Net assets released from restrictions	<u>(2,269,151)</u>
Decrease in net assets with donor restrictions	<u>(2,269,151)</u>
 <b>Change in Net Assets</b>	 (2,008,473)
 <b>Net Assets, Beginning of Year</b>	 <u>4,101,251</u>
 <b>Net Assets, End of Year</b>	 <u>\$ 2,092,778</u>

**Rural Health Redesign Center Organization**  
**Statement of Cash Flows**  
**Year Ended June 30, 2023**

	<b>2023</b>
<b>Operating Activities</b>	
Change in net assets	\$ (2,008,473)
Changes in	
Accounts receivable	(410,683)
Other current assets	(43,943)
Accounts payable and accruals	198,265
Accrued expenses	232,244
Net cash used in operating activities	(2,032,590)
 <b>Investing Activities</b>	
Purchases of property and equipment	(24,480)
Net cash used in investing activities	(24,480)
 <b>Decrease in Cash</b>	(2,057,070)
 <b>Cash, Beginning of Year</b>	4,135,928
 <b>Cash, End of Year</b>	\$ 2,078,858



# Rural Health Redesign Center Organization

## Notes to Financial Statements

June 30, 2023

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

#### ***Nature of Operations***

The Rural Health Redesign Center Organization (Organization) was established in 2020 to serve as a supporting organization to the Rural Health Redesign Center Authority (RHRCA). The Organization is a nonprofit 501(c)(3) corporation structured to support fundraising efforts for the long-term sustainability of the RHRCA and the Pennsylvania Rural Health Model (PARHM). The Organization has a dual focus to:

1. Continue support of the PARHM to achieve the financial and health related goals of the program of this Center for the Medicare & Medicaid Innovation (CMMI) Demonstration Project
2. Build solutions for rural hospitals and communities across the country to drive financial sustainability while improving the health of the populations in these communities. This focus area is building on the experience and lessons learned in Pennsylvania as well as elsewhere in the country to bring scalable, cost-effective solutions to rural communities

#### ***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, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

#### ***Cash and Cash Equivalents***

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. As of June 30, 2023, there were no cash equivalents. At times, these amounts may exceed federally insured limits. As of June 30, 2023, the Organization's cash accounts exceeded federally insured limits by \$1,828,857.

#### ***Accounts Receivable***

Accounts receivable reflect the outstanding amount of consideration to which the Organization expects to be entitled in exchange for providing consulting services. These amounts are due from governmental programs and other organizations. Accounts receivable are due in full when billed.

# Rural Health Redesign Center Organization

## Notes to Financial Statements

June 30, 2023

The Organization performs individual credit risk assessments that evaluate the individual circumstances, abilities, and intentions of each entity prior to providing the consulting services. If subsequent to providing the services the Organization becomes aware of specific events, facts, or circumstances indicating the entity no longer has the ability or intent to pay the amount of consideration to which the Organization expected to be entitled for providing the consulting services, then the related receivable balances are written off. There was no bad debt expense recognized for the year ended June 30, 2023.

All accounts receivable are due to the Organization from the Health Resources and Services Administration and amounted to approximately \$419,000 as of June 30, 2023.

### ***Property, Plant, and Equipment***

Property, plant and equipment assets are recorded at cost at the date of acquisition or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Equipment has an estimated useful life of 3 – 5 years.

### ***Net Assets***

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor or certain grantor restrictions.

*Net Assets With Donor Restrictions* – Net assets whose use by the Organization has been limited by donors to a specific time period or purpose or have been restricted by donors to be maintained by the Organization in perpetuity.

### ***Consulting Revenue***

Consulting revenue includes fees from governmental programs and other organizations for building solutions for rural hospitals and communities across the county. Fees are recognized as revenue as the Organization satisfies performance obligations under its contracts with payors. Consulting revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing consulting services rendered. The Organization determines the transaction price based on standard charges for services provided, reduced by any applicable price concessions. There was no consulting revenue for the year ended June 30, 2023.

### ***Income Taxes***

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on

# Rural Health Redesign Center Organization

## Notes to Financial Statements

June 30, 2023

any unrelated business taxable income. The Organization files tax returns in the U.S. federal jurisdiction.

### Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-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 as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

# Rural Health Redesign Center Organization

## Notes to Financial Statements

June 30, 2023

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue with donor restrictions and then released from restrictions.

### **Government Grants**

Support funded by grants is recognized as the Organization meets the conditions prescribed by the grant agreement, 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.

### **Note 2: Liquidity and Availability**

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of June 30, 2023, comprise the following:

	<u>2023</u>
Financial assets	
Cash and cash equivalents	\$ 2,078,858
Accounts receivable	<u>418,683</u>
Total financial assets	2,497,541
Less donor-imposed restricted funds	<u>1,811,803</u>
Total financial assets available to meet general expenditures within one year	<u>\$ 685,738</u>

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The Organization received a significant contribution restricted by donors and considers this funding vital to its ongoing operations to be available to meet cash needs for contributions to the RHRCA.

### **Note 3: Property, Plant, and Equipment**

Property, plant, and equipment consist of equipment with a cost basis of \$28,645 and accumulated depreciation of \$4,165 at June 30.

# Rural Health Redesign Center Organization

## Notes to Financial Statements

June 30, 2023

### Note 4: Net Assets With Donor Restrictions

Net assets with donor restrictions are available for Community Health Reinvestment Projects (CHR) in the community serviced by Highmark Inc., consistent with Section 3 of the Grant Agreement dated December 21, 2020. These CHR projects are aimed at prevention and treatment of disease or injury supporting the PRHM through a combination of transformation plans and new payment model and fund the long-term viability of the RHRCA to support Pennsylvania Rural Hospitals. In June 2021, the definition of the purpose of these funds was expanded to include servicing of the RHRCA long-term debt as necessary. The Organization released \$2,269,151 of net assets with donor restrictions to support the RHRCA during the year ended June 30, 2023.

### Note 5: Related Party Transactions

The Organization and RHRCA are related parties. Transactions with RHRCA are conducted on terms equivalent to those prevailing in an arm's-length transaction. The Organization serves as a supporting organization to the RHRCA structured to support fundraising efforts for the long-term sustainability of the RHRCA and the Pennsylvania Rural Health Model. The Organization recognized \$1,321,893 of contributions to the RHRCA during the year ended June 30, 2023.

### Note 6: Significant Estimates and Concentrations

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

#### *General Litigation*

In the normal course of business, the Organization is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

### Note 7: Subsequent Events

Subsequent events have been evaluated through January 5, 2024, which is the date the financial statements were available to be issued.

## **Supplementary Information**

**Rural Health Redesign Center Organization**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

Federal Grantor/Pass-Through Entity Program or Cluster Title	Federal Assistance Listing Number	Total Federal Expenditures
<b>Department of Health and Human Services</b>		
Rural Health Care Services Outreach	93.912	\$ 868,782
Rural Emergency Hospital Technical Assistance	93.241	<u>1,468,313</u>
Total Expenditures of Federal Awards		<u>\$ 2,337,095</u>

**Notes to Schedule**

- Note 1: Basis of Presentation:** The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Rural Health Redesign Center Organization (RHRCO) under programs of the federal government for the year ended June 30, 2023. 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 RHRCO, it is not intended to and does not present the financial position, changes in net assets or cash flows of RHRCO.
- Note 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.
- Note 3: Indirect Cost Rate:** RHRCO has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.
- Note 4: Federal Loan Programs:** RHRCO does not have any federal loan programs.
- Note 5: Subrecipients:** There were no subrecipients during the year.



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## **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***

### **Independent Auditor's Report**

Board of Directors  
Rural Health Redesign Center Organization  
Harrisburg, Pennsylvania

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 (*Government Auditing Standards*), the financial statements of the Rural Health Redesign Center Organization (Organization), which comprise the Organization's statement of financial position as of June 30, 2023, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 5, 2024.

#### ***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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



### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Organization'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 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 the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**FORVIS,LLP**

Fort Wayne, Indiana  
January 5, 2024



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## **Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance**

### **Independent Auditor's Report**

Board of Directors  
Rural Health Redesign Center Organization  
Harrisburg, Pennsylvania

#### **Report on Compliance for Each Major Federal Program**

##### ***Opinion on Each Major Federal Program***

We have audited the Rural Health Redesign Center Organization's (Organization) 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 each of the Organization's major federal programs for the year ended June 30, 2023. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

##### ***Basis for Opinion on Each 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 "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Organization 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 each major federal program. Our audit does not provide a legal determination of Organization'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 the Organization's federal programs.

## ***Auditor's 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 the Organization'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 Organization's compliance with the requirements of each 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 Organization'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 Organization'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 Organization'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.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-001. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. The Organization is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Organization's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

## Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-001, to be a significant deficiency.

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.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Organization’s response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. The Organization is responsible for preparing a corrective action plan to address each audit finding included in our auditor’s report. The Organization’s corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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.

**FORVIS,LLP**

Fort Wayne, Indiana  
January 5, 2024

# Rural Health Redesign Center Organization

## Schedule of Findings and Questioned Costs

### Year Ended June 30, 2023

#### Section I – Summary of Auditor’s Results

##### *Financial Statements*

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:  
 Unmodified       Qualified       Adverse       Disclaimer
  
2. Internal control over financial reporting:
  - Significant deficiency(ies) identified?       Yes       None reported
  - Material weakness(es) identified?       Yes       No
3. Noncompliance material to the financial statements noted?       Yes       No

##### *Federal Awards*

4. Internal control over major federal awards programs:
  - Significant deficiency(ies) identified?       Yes       None reported
  - Material weakness(es) identified?       Yes       No
5. Type of auditor’s report issued on compliance for major federal program(s):  
 Unmodified       Qualified       Adverse       Disclaimer
  
6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)?       Yes       No
  
7. Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
93.912	Rural Health Care Services Outreach
93.241	Rural Emergency Hospital Technical Assistance

8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
  
9. Auditee qualified as a low-risk auditee?       Yes       No

**Rural Health Redesign Center Organization**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2023**

**Section II – Financial Statement Findings**

Reference Number	Finding
	No matters are reportable.

**Section III – Federal Award Findings and Questioned Costs**

Reference Number	Finding
2023-01	<p><b>Federal Agency:</b> U.S. Department of Health and Human Services</p> <p><b>Federal Program Title:</b> Rural Health Care Services Outreach and Rural Emergency Hospital Technical Assistance</p> <p><b>Assistance Listing Number:</b> 93.912 and 93.241</p> <p><b>Federal Award Program Year:</b> July 1, 2022 – June 30, 2023</p> <p><b>Pass-Through Agency:</b> None</p> <p><b>Pass-Through Number:</b> None</p> <p><b>Type of Finding:</b></p> <ul style="list-style-type: none"> <li>• Significant deficiency in internal control over compliance</li> <li>• Other matter finding</li> </ul> <p><b>Criteria or Specific Requirement – Procurement, Suspension and Debarment:</b> Pursuant to 31 CFR § 19.300, non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended and debarred or whose principals are suspended or debarred. The non-Federal entity must verify that the contracted entity is not suspended or debarred or otherwise excluded.</p> <p>In addition, pursuant to 2 CFR 200.303, which states in part, the non-Federal entity must establish and maintain an effective internal control over the Federal awards that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission.</p> <p><b>Condition:</b> The Organization could not provide support that it had reviewed the “List of Parties Excluded from Federal Procurement and Nonprocurement Programs” during their procurement procedures on a consistent basis. The Organization had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties that would likely be effective in preventing, detecting, and correcting, noncompliance.</p>

**Rural Health Redesign Center Organization**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2023**

Reference Number	Finding
	<p><b>Questioned Costs:</b> None</p> <p><b>Context:</b> It was noted that the files selected for testing did not have documented evidence supporting that the Organization had determined that the contracted parties were not suspended or debarred. From a population of two files, one was selected for testing. Our sample was not intended to be statistically valid.</p> <p><b>Effect:</b> The Organization was unable to support vendors were not suspended or debarred.</p> <p><b>Cause:</b> Failure to maintain sufficient procurement records.</p> <p><b>Identification as a Repeat Finding:</b> No</p> <p><b>Recommendation:</b> We recommend that the Organization maintain adequate documentation to ensure compliance with the suspension and debarment requirement. This documentation could include a print out from the Excluded Parties List System maintained by the General Services Administration, collection of a certification from the contracted party, or adding a clause or condition to the covered transaction with the contracted party.</p> <p><b>Views of Responsible Officials and Planned Corrective Action:</b> The Organization is aware of the compliance requirement and has implemented additional procedures, including certain of those identified in the recommendation above, to be able to support suspension and debarment processes are in place.</p> <p><i>Persons responsible for implementing:</i> Gerry Egan, Finance Manager</p> <p style="padding-left: 40px;"><i>Anticipated completion date:</i> Completed.</p>

**Rural Health Redesign Center Organization**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2023**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
	No matters are reportable.	