

# **TRAILHEAD INSTITUTE**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2017

TOGETHER WITH INDEPENDENT AUDITORS' REPORTS  
ON THE ABOVE SCHEDULE, ON INTERNAL CONTROLS,  
AND ON COMPLIANCE WITH LAWS AND REGULATIONS

**TRAILHEAD INSTITUTE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**TOGETHER WITH INDEPENDENT AUDITORS' REPORTS ON THE ABOVE SCHEDULE, ON INTERNAL**  
**CONTROLS, AND ON COMPLIANCE WITH LAWS AND REGULATIONS**

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**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  
Trailhead Institute  
Denver, 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 **Trailhead Institute** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, 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 October 16, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Trailhead Institute's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Trailhead Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of Trailhead Institute'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.

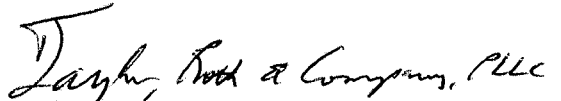
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

  
TAYLOR, ROTH AND COMPANY, PLLC  
Certified Public Accountants

Denver, Colorado  
October 16, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE  
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Board of Directors  
Trailhead Institute  
Denver, Colorado

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

We have audited **Trailhead Institute's** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Trailhead Institute's major federal programs for the year ended December 31, 2017. Trailhead Institute's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

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

In our opinion, Trailhead Institute complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on each major federal program is not modified with respect to this matter.

Trailhead Institutes' response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Trailhead Institute's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

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

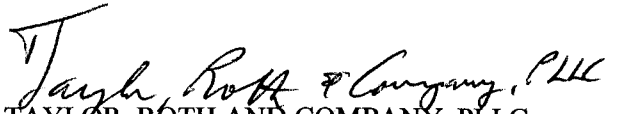
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of Trailhead Institute as of and for the year ended December 31, 2017, and have issued our report thereon dated October 16, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

  
TAYLOR, ROTH AND COMPANY, PLLC  
Certified Public Accountants

Denver, Colorado  
October 16, 2019

**TRAILHEAD INSTITUTE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**A. SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified that are not considered to be material weakness(es)? None reported

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified that are not considered to be material weakness(es)? None reported

Type of auditors' report issued on compliance for major programs Unmodified

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

Major Programs:

CFDA Number  
93.226

Name  
Evidence NOW Southwest

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

Auditee qualified as a low-risk auditee? Yes



**TRAILHEAD INSTITUTE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

There were no findings related to the financial statements audit.

**TRAILHEAD INSTITUTE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Evidence NOW Southwest – CFDA# 93.226

**2017-001**

**Condition:** The Organization did not ask for, or examine, audit reports from their subrecipients.

**Criteria:** Section 200-231 of the Uniform Guidance requires pass-through entities to monitor the activities of subrecipients by verifying that every subrecipient is audited when their federal expenditures are expected to meet the threshold, and to consider the results of those audits.

**Effect:** The Organization didn't know whether its subrecipients met the threshold for obtaining an audit under Uniform Guidance, didn't know whether the pass-through funding was listed properly on their subrecipients' SEFA (Schedule of Expenditures of Federal Awards) and didn't know whether there were any audit findings that should be investigated.

**Cause:** The Organization was unaware of this requirement.

**Recommendation:** Contracts with subrecipients should have this requirement. When screening subrecipients, it would be appropriate to ask whether they expect to meet, or have met, the threshold for obtaining an audit under the Uniform Guidance. As part of the monitoring process, these audit reports should be submitted and reviewed.

**Views of Responsible Officials and Planned Corrective Actions:**

Action: Trailhead Institute has already taken the following actions to correct the deficiencies and produce improvements:

1. Staff will be trained on requirements for documentation of subrecipients based on Section 200-231 of Uniform Guidance (completed on May 1, 2019 and May 15, 2019). Finance Manager completed reading a course on Uniform Administrative Regulations for Federal Grants.
2. Tested tracking subrecipients through a contracting database including access to their audit reports, when necessary (started in May 2019 and ongoing)
3. Gather audit reports for all subrecipients prior to the next audit (plan for completion by November 2019)

Trailhead Institute will take the additional following actions to correct the deficiencies and produce improvements:

4. Continue training and capacity building for staff in federal subrecipient requirements and create policies and procedures around the process. Add subrecipient monitoring requirements to orientations for new staff and reassigned staff who are working on federal grants.
5. Continue to refine database tracking of subrecipients including adding tracking of new processes including ask subrecipients, upon contracting, if they have or will meet the threshold for obtaining an audit under Uniform Guidance.

**TRAILHEAD INSTITUTE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

<b><u>Federal Grantor/ Pass-through Agency Program Title</u></b>	<b><u>CFDA Number</u></b>	<b><u>Grant Control Number</u></b>	<b><u>Total Federal Expenditures</u></b>	<b><u>Passed Through to Subrecipients</u></b>
<b><u>Department of Health and Human Services</u></b>				
Received as a sub-recipient from				
University of Colorado	93.226	5R18HS023904-03, FY15.274.005, 1R18HS023904-01		
Southwest Health Extension Partnership to Enhance Research Dissemination (SHEPERD)		cost reimbursement		
Evidence NOW Southwest Year 2			\$ 1,534,424	\$ 913,000
Evidence NOW Southwest Year 3			<u>915,132</u>	<u>738,205</u>
			<u>2,449,556</u>	<u>1,651,205</u>
	93.350	cost reimbursement		
CCTSI – Main2 Year 8			146,608	-
CCTSI – Main2 Year 9			<u>202,723</u>	-
			<u>349,331</u>	
	93.516	cost reimbursement		
HRSA Main Year 3			89,631	21,234
HRSA Main Year 4			<u>2,464</u>	-
			<u>92,095</u>	<u>21,234</u>
Received as a sub-recipient from				
Colorado Health Institute				
Colorado Regional Health Connector/ Colorado State Innovation (SIM)	93.624	deliverable		
Model Year 1			32,549	-
Model Year 2			<u>25,844</u>	-
			<u>58,393</u>	
	93.946			
Received as a sub-recipient from				
Colorado Department of Public Health and Environment				
Hospital Preparedness Program		NU90TP00510-05-00 Reimbursable contract 18FHJA 103265	27,110	-
Centers for Disease Control				
Colorado Perinatal Care Quality Collaborative	NU58DP006356-01-00		<u>6,180</u>	-
			<u>33,290</u>	
Total Department of Health and Human Services			<u>2,982,665</u>	<u>1,672,439</u>

**TRAILHEAD INSTITUTE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

<b><u>Federal Grantor/ Pass-through Agency Program Title</u></b>	<b><u>CFDA Number</u></b>	<b><u>Grant Control Number</u></b>	<b><u>Total Federal Expenditures</u></b>	<b><u>Passed Through to Subrecipients</u></b>
<u>Department of Agriculture</u> Farm to School Program Training	10.575	Cn-F2S-TRN-16-CO	6,758	-
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 2,989,423</u></b>	<b><u>\$ 1,672,439</u></b>

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Trailhead Institute under programs of the federal government for the year ended DECEMBER 31, 2017. The information in the 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 Trailhead Institute, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Trailhead Institute.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. 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.
2. Trailhead Institute has elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

**TRAILHEAD INSTITUTE**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

There were no **prior year** audit findings.



FINDINGS AND QUESTIONED COSTS  
MAJOR FEDERAL AWARD DEPARTMENT OF HEALTH AND HUMAN SERVICES  
Evidence NOW Southwest - CFDA# 93.226  
2017-001

Condition: Trailhead Institute did not ask for, or examine, audit reports from their subrecipients.

Criteria: Section 200-231 of the Uniform Guidance requires pass-through entities to monitor the activities of subrecipients by verifying that every subrecipient is audited when their federal expenditures are expected to meet the threshold, and to consider the results of those audits.

Effect: Trailhead Institute didn't know whether its subrecipients met the threshold for obtaining an audit under Uniform Guidance, didn't know whether the pass through funding was listed properly on their subrecipients' SEFA (Schedule of Expenditures of Federal Awards) and didn't know whether there were any audit findings that should be investigated.

Cause: Trailhead Institute was unaware of this requirement

Recommendation: Contracts with subrecipients should have this requirement. When screening subrecipients, it would be appropriate to ask whether they expect to meet, or have met, the threshold for obtaining an audit under the Uniform Guidance. As part of the monitoring process, these audit reports should be submitted and reviewed.

Action: Trailhead Institute has already taken the following actions to correct the deficiencies and produce improvements:

1. Staff will be trained on requirements for documentation of subrecipients based on Section 200-231 of Uniform Guidance (completed on May 1, 2019 and May 15, 2019). Finance Manager completed reading a course on Uniform Administrative Regulations for Federal Grants.
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Trailhead Institute will take the additional following actions to correct the deficiencies and produce improvements:

4. Continue training and capacity building for staff in federal subrecipient requirements and create policies and procedures around the process. Add subrecipient monitoring requirements to orientations for new staff and reassigned staff who are working on federal grants.



5. Continue to refine database tracking of subrecipients including adding tracking of new processes including ask subrecipients, upon contracting, if they have or will meet the threshold for obtaining an audit under Uniform Guidance

Sarah Lampe and Patricia Dwyer are responsible for ensuring this plan is acted upon.