

TRAILHEAD INSTITUTE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

TRAILHEAD INSTITUTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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August 10, 2021

Independent Auditors' Report

Board of Directors
Trailhead Institute
Denver, Colorado

We have audited the accompanying statements of **Colorado Foundation for Public Health and the Environment dba Trailhead Institute** (a Colorado nonprofit corporation) which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trailhead Institute as of December 31, 2019, 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.

Emphasis of Matter

The previously issued 2018 financial statements have been restated for a reclassification of donor restricted net assets. The prior period reclassification is described in footnote 15.

Report on Summarized Comparative Information

We have previously audited Trailhead Institute's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 15, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2021 on our consideration of Trailhead Institute'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 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 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 Trailhead Institute's internal control over financial reporting and compliance.

Taylor R. Roth and Company P/C

TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
DENVER, COLORADO

TRAILHEAD INSTITUTE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 1,529,572	\$ 1,413,847
Due from others	-	1,623
Contracts receivable (Note 3)	634,199	1,340,552
Grants receivable (Note 4)	241,150	517,264
Prepaid expenses	9,343	21,219
Property and equipment (Note 5)	<u>103,377</u>	<u>118,924</u>
Total assets	<u>\$ 2,517,641</u>	<u>\$ 3,413,429</u>
 <u>Liabilities and net assets</u>		
Accounts payable	\$ 58,157	\$ 64,018
Payroll liabilities	103,281	17,221
Copier lease obligation (Note 6)	14,581	17,948
Commitments (Note 7)		
Total liabilities	<u>176,019</u>	<u>\$ 99,187</u>
 Net assets		
Without donor restrictions		
Undesignated	1,046,499	1,621,100
With donor restrictions (Note 8)	<u>1,295,123</u>	<u>1,693,142</u>
Total net assets	<u>2,341,622</u>	<u>3,314,242</u>
Total liabilities and net assets	<u>\$ 2,517,641</u>	<u>\$ 3,413,429</u>

The accompanying notes are an integral part of these financial statements

TRAILHEAD INSTITUTE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Government contracts (Note 9)	\$ 2,306,348	\$ 10,000	\$ 2,316,348	8,361,187
Program service fees	975,843	-	975,843	723,210
Foundations	26,975	852,262	879,237	1,619,756
Individuals	109,026	-	109,026	149,015
Corporations	22,241	-	22,241	-
Sublease income	18,157	-	18,157	12,924
Interest income	11,143	-	11,143	1,619
Other	9,113	-	9,113	2,591
In-kind contributions	-	-	-	7,289
Net assets released from restrictions (Note 10)	1,260,281	(1,260,281)	-	-
Total revenue and other support	4,739,127	(398,019)	4,341,108	10,877,591
<u>Expense</u>				
Program services	2,680,688	-	2,680,688	7,742,219
Project services	2,012,168	-	2,012,168	1,473,213
Total program services	4,692,856	-	4,692,856	9,215,432
Supporting services				
Management and general	620,872	-	620,872	665,789
Total expense	5,313,728	-	5,313,728	9,881,221
Change in net assets	(574,601)	(398,019)	(972,620)	996,370
Net assets, beginning of year	1,621,100	1,693,142	3,314,242	2,317,872
Net assets, end of year	\$ 1,046,499	\$ 1,295,123	\$ 2,341,622	\$ 3,314,242

The accompanying notes are an integral part of these financial statements

TRAILHEAD INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019				2018	
	Program	Project	Total Program Services	Supporting Services Management and General	Total	Total
Salaries	\$ 672,819	\$ 508,594	\$ 1,181,413	\$ 275,569	\$1,456,982	\$ 1,302,626
Payroll taxes & benefits	162,288	38,083	200,371	52,977	253,348	318,022
Professional fees	1,278,782	1,027,567	2,306,349	52,248	2,358,597	6,611,076
Grants	168,437	69,052	237,489	18	237,507	18,621
Stipends	54,723	158,254	212,977	-	212,977	45,592
Conferences	95,803	67,118	162,921	4,747	167,668	222,717
Travel	111,822	49,010	160,832	1,742	162,574	535,249
Rent	-	6,609	6,609	82,158	88,767	75,072
Office supplies	30,323	41,647	71,970	3,631	75,601	66,289
Indirects	44,538	2,746	47,284	-	47,284	332,712
Website	10,599	8,132	18,731	16,596	35,327	94,818
Accounting & legal	5,345	-	5,345	27,632	32,977	64,123
IT support	690	385	1,075	26,966	28,041	29,579
Marketing	12,580	8,131	20,711	1,558	22,269	15,002
Equipment	11,105	1,104	12,209	3,613	15,822	29,291
Telephone	1,724	3,790	5,514	10,113	15,627	20,697
Contract services	-	-	-	14,056	14,056	9,504
Insurance	4,317	1,654	5,971	6,750	12,721	9,075
Staff development	150	5,272	5,422	3,084	8,506	17,863
Printing	906	4,352	5,258	1,176	6,434	7,239
Dues	1,123	460	1,583	3,670	5,253	6,391
Program materials	2,195	-	2,195	120	2,315	3,139
Interest	-	-	-	1,837	1,837	1,408
Postage	521	257	778	606	1,384	1,819
Outreach	999	-	999	-	999	-
Bank & credit card fees	145	1,162	1,307	1,023	2,330	2,356
Funds returned	-	-	-	-	-	12,726
Other	8,754	8,789	17,543	14,174	31,717	14,893
	<u>\$2,680,688</u>	<u>\$ 2,012,168</u>	<u>\$ 4,692,856</u>	<u>\$ 606,064</u>	<u>\$5,298,920</u>	<u>\$ 9,867,899</u>
Depreciation	-	-	-	14,808	14,808	13,322
Total	<u><u>\$2,680,688</u></u>	<u><u>\$ 2,012,168</u></u>	<u><u>\$ 4,692,856</u></u>	<u><u>\$ 620,872</u></u>	<u><u>\$5,313,728</u></u>	<u><u>\$ 9,881,221</u></u>

The accompanying notes are an integral part of these financial statements

TRAILHEAD INSTITUTE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019	2018
<u>Cash flows from operating activities</u>		
Change in net assets	\$ (972,620)	\$ 996,370
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	14,808	13,322
Disposal of fixed assets	739	-
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in contracts receivable	706,353	(236,601)
(Increase)decrease in grants receivable	276,114	(107,003)
(Increase)decrease in prepaid assets	11,876	1,821
(Decrease)increase in accounts payable	(5,861)	(305,483)
(Decrease)increase in payroll liabilities	86,060	(38,725)
(Decrease)increase in due to others	1,623	(1,244)
Net cash provided(used) by operating activities	119,092	322,457
<u>Cash flows from investing activities</u>		
(Purchases) of fixed assets	-	(41,195)
<u>Cash flows from financing activities</u>		
(Repayment) on capital lease obligation	(3,367)	(1,354)
Net increase in cash and cash equivalents	115,725	279,908
Cash and cash equivalents, beginning of year	1,413,847	1,133,939
Cash and cash equivalents, end of year	\$ 1,529,572	\$ 1,413,847
Supplemental disclosure of information		
Cash paid during the period for interest	\$ 1,837	\$ 1,408
Noncash investing and financing transactions		
Property purchased under a capital lease	\$ -	\$ 19,302

The accompanying notes are an integral part of these financial statements

TRAILHEAD INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 - NATURE OF ACTIVITIES

The Colorado Foundation for Public Health and the Environment dba Trailhead Institute (Organization) was incorporated in 1993 in Colorado as 501(c)(3) non-profit organization. The mission of the Organization is to mobilize community and public resources in the interest of health and wellbeing of the residents of Colorado and the Rocky Mountain region; to protect and improve Colorado's environment; to prevent disease, disability, premature death; and to assist in the development and implementation of policies and services that maintain and improve the personal health and environment of all citizens, including those with special needs. The Organization is primarily funded by government contracts, program service fees, and foundation awards.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

2. Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles which require the Organization to report its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Continued)

3. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

4. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. When necessary, management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts.

5. Capitalization and Depreciation

The Organization follows the practice of capitalizing all expenditures for furniture and equipment in excess of \$5,000. The fair value of donated assets is similarly capitalized. Depreciation of furniture and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

6. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

8. Functional Reporting of Expenses

For the year ended December 31, 2019, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The significant expenses allocated are salaries and payroll taxes, which are allocated based on time and effort. Projects are assigned directly or allocated to the program or functional area benefited.

9. Summarized Prior-Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Concluded)

10. Subsequent Events

Management has evaluated subsequent events through August 10, 2021, the date the financial statements were available to be issued.

11. New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses net asset classification, information about liquidity and available resources, information provided about the functional allocation of expenses, and consistency in reporting investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE 3 - CONTRACTS RECEIVABLE

The \$634,199 in contracts receivable includes reimbursements from government agencies for products and services delivered on government contracts to be received in 2020.

NOTE 4 - GRANTS RECEIVABLE - CONCENTRATION

At December 31, 2019, grants receivable consists of \$241,150. 62% of the balance at year-end, represents one multi-year award to be received in 2020.

Management does not believe a present value discount or allowance for uncollectable would be significant to these financial statements.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of:

<u>Description</u>	<u>Amount</u>
Grant management software CIP	\$ 61,000
Website	30,000
Other equipment	26,842
Copier obligation	<u>19,302</u>
Total	137,144
Less: accumulated depreciation	<u>(33,767)</u>
Net property and equipment	<u>\$ 103,377</u>

Depreciation expense for the year was \$14,808.

NOTE 6 - COPIER LEASE OBLIGATION

The Organization has entered into a financing transaction for a copier. The future minimum lease payments are:

<u>Year</u>	<u>Amount</u>
2020	\$ 4,188
2021	4,188
2022	4,188
2023	<u>3,489</u>
Total payments	16,053
Less interest	<u>(1,472)</u>
Net present value	<u>\$ 14,581</u>

NOTE 7 - COMMITMENTS

The Organization leases office space. The future minimum lease payments are:

<u>Year</u>	<u>Amount</u>
2020	\$ 71,344
2021	72,688
2022	<u>42,859</u>
Total payments	<u>\$ 186,891</u>

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets are to be used for the following purposes:

<u>Description</u>	<u>Amount</u>
Projects:	
SNAP	\$ 411,837
Wise initiative	297,350
Navigator	213,085
Culture of health	137,087
Diversity and inclusion	67,500
Administrative equity program	61,892
Mental health capacity building	31,818
Youth sexual health	23,931
Empowered healthcare	16,500
Black business initiative	10,700
Education community	9,000
La Cocina	9,000
CHARGE for positive youth development	4,748
New leaders' program	<u>675</u>
Total Projects	<u>\$ 1,295,123</u>

NOTE 9 - GOVERNMENT CONTRACTS

The \$2,306,348 in unrestricted revenue from contracts includes reimbursements from government agencies for products and services already delivered in the fulfillment of various government contracts. The drop in Government Contract revenue from 2018 to 2019 resulted from the sun-setting of two large government contracts at the end of 2018.

NOTE 10 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses satisfying the restricted program purposes:

<u>Description</u>	<u>Amount</u>
Projects:	
Primary care movers and changers	\$ 335,979
Wise initiative	276,353
Navigator	232,251
Administrative equity program	118,614
CHARGE for Positive Youth Development	82,344
Innovator's society	80,465
Youth sexual health	40,644
Capacity building and coaching	25,000
Culture of health	16,450
CREA results	10,126
Diversity and inclusion	7,500
Developing pathways	7,200
SNAP	5,899
Black business initiative	4,300
Strengthening neighborhood	4,000
Mental health capacity building	3,181
New leaders' program	2,325
Melanin media project	2,000
SPIN	2,000
Empowered healthcare	1,650
Education community	1,000
La Cocina	<u>1,000</u>
Total	<u>\$ 1,260,281</u>

NOTE 11 - FUNDING AGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. In that event, the Organization may be required to refund amounts to the grantor.

NOTE 12 - PENSION PLAN

The Organization has adopted a 401(k)-retirement plan covering all eligible employees. The Organization matches contributions up to 3% of participants' compensation. Total pension expense during the year was \$32,708.

NOTE 13 - RELATED PARTY TRANSACTION

During the year, the Organization hired a board member as a contract employee to help them search for a new employee to take over the Executive Director role. Management and the board believe that this arrangement has been conducted in accordance with the Organization's conflict of interest policy and is in the best interest of the Organization. During 2019, this board member was paid \$4,425.

NOTE 14 - AVAILABILITY AND LIQUIDITY

The following represents financial assets available for general operating expenditures within one year at December 31, 2019:

<u>Financial assets at year-end:</u>	<u>Amount</u>
Cash and cash equivalents	\$1,529,572
Contracts receivable	\$634,199
Grants receivable	<u>\$241,150</u>
Total financial assets available to meet cash needs for General expenditures within one year	<u>\$ 2,404,921</u>

The Organization's goal is generally to maintain financial assets to meet six months or more of administrative costs. The Organization considers donor restricted net assets available to be general expenditures in the next twelve months.

NOTE 15 - PRIOR PERIOD RECLASSIFICATION

During the audit was determined that \$18,164 of donor restricted net assets was improperly recorded. The prior period reclassification resulted in the following restated balances to the net asset accounts on December 31, 2018. There was no effect on the change in net assets.

	Original	Change	Restated
Net assets without donor restrictions	\$1,639,264	(\$18,164)	\$1,621,100
Net assets with donor restrictions	\$1,674,978	\$18,164	\$1,693,142

NOTE 16 - SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter to negatively impact its operations. However, the related financial impact and duration cannot be reasonably estimated at this time.

The Organization submitted a loan application under the Paycheck Protection Program (PPP) to cover payroll and benefit costs. On April 14, 2020, the Organization received loan proceeds of \$253,000. The PPP provides for loan forgiveness if the Organization can meet certain employee retention and salary requirements. The Organization has used the funds in accordance with the note, provided necessary support and the note was forgiven on May 12, 2021.