

**TRAILHEAD INSTITUTE**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

**TRAILHEAD INSTITUTE**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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# TAYLORROTH

*Certified Public Accountants*

WORKING EXCLUSIVELY WITH NONPROFITS

February 24, 2023

## Independent Auditors' Report

Board of Directors  
Trailhead Institute  
Denver, Colorado

### ***Opinion***

We have audited the accompanying financial statements of **Trailhead Institute** (a Colorado nonprofit organization) which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 Trailhead Institute as of December 31, 2021, 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 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 Trailhead Institute and to meet our 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 Trailhead Institutes' 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Trailhead Institutes' 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 Trailhead Institutes' 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.

#### ***Report on Summarized Comparative Information***

We have previously audited Trailhead Institutes' 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 11, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, 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 February 24, 2023, on our consideration of the Trailhead Institutes' 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 Trailhead Institutes' 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 Trailhead Institutes' internal control over financial reporting and compliance.

*Taylor Roth and Company PLLC*

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

**TRAILHEAD INSTITUTE**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2021**  
**(WITH COMPARATIVE TOTALS FOR 2020)**

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 4,170,114	\$ 4,281,809
Contracts receivable (Note 3)	1,504,212	1,341,748
Grants receivable	840,567	106,639
Prepaid expenses	12,918	10,969
Property and equipment (Note 4)	<u>162,433</u>	<u>95,371</u>
Total assets	<u>\$ 6,690,244</u>	<u>\$ 5,836,536</u>
<u>Liabilities and net assets</u>		
Accounts payable	\$ 582,966	\$ 665,291
Payroll liabilities	150,634	108,573
Copier lease obligation (Note 5)	7,322	11,042
Deferred revenue	48,150	-
Paycheck Protection Program loan	<u>-</u>	<u>253,000</u>
Total liabilities	<u>789,072</u>	<u>\$ 1,037,906</u>
Net assets		
Without donor restrictions	2,129,310	2,676,888
With donor restrictions (Note 6)	<u>3,771,862</u>	<u>2,121,742</u>
Total net assets	<u>5,901,172</u>	<u>4,798,630</u>
Total liabilities and net assets	<u>\$ 6,690,244</u>	<u>\$ 5,836,536</u>

The accompanying notes are an integral part of these financial statements

**TRAILHEAD INSTITUTE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(WITH COMPARATIVE TOTALS FOR 2020)**

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Government contracts	7,734,356	511,222	8,245,578	4,224,666
Foundations	71,629	5,287,877	5,359,506	9,203,752
Program service fees	443,951	-	443,951	1,115,491
Paycheck Protection Program Loan Forgiveness (Note 7)	253,000	-	253,000	-
Individuals	136,922	-	136,922	103,241
Corporations	31,106	101,555	132,661	110,071
Interest income	7,082	-	7,082	12,914
Other	11,069	-	11,069	42,539
Net assets released from restrictions (Note 8)	4,250,534	(4,250,534)	-	-
Total revenue and other support	<u>12,939,649</u>	<u>1,650,120</u>	<u>14,589,769</u>	<u>14,812,674</u>
<u>Expense</u>				
Project services	11,475,036	-	11,475,036	10,551,518
Program services	1,371,864	-	1,371,864	904,413
Total program services	12,846,900	-	12,846,900	11,455,931
Supporting services				
Management and general	640,327	-	640,327	832,939
Total expense	<u>13,487,227</u>	<u>-</u>	<u>13,487,227</u>	<u>12,288,870</u>
Change in net assets	(547,578)	1,650,120	1,102,542	2,523,804
Net assets, beginning of year	<u>2,676,888</u>	<u>2,121,742</u>	<u>4,798,630</u>	<u>2,274,826</u>
Net assets, end of year	<u>\$ 2,129,310</u>	<u>\$ 3,771,862</u>	<u>\$ 5,901,172</u>	<u>\$ 4,798,630</u>

The accompanying notes are an integral part of these financial statements

**TRAILHEAD INSTITUTE**  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)

	2021					2020
	Program Services			Supporting Services		Total
	Projects	Program	Total Program Services	Management and General	Total	
Salaries	\$ 1,034,965	\$ 430,405	\$ 1,465,370	\$ 237,220	\$ 1,702,590	\$ 1,712,819
Payroll taxes & benefit	246,400	127,959	374,359	101,893	476,252	318,201
Grants & allocations	5,718,485	-	5,718,485	15,445	5,733,930	6,392,807
Professional fees	3,659,364	508,928	4,168,292	68,541	4,236,833	2,855,585
Stipends	265,453	205,759	471,212	200	471,412	162,889
Supplies	193,246	1,341	194,587	3,532	198,119	191,172
Equipment and software	8,666	61,742	70,408	28,236	98,644	91,925
Rent	26,059	-	26,059	63,690	89,749	91,508
Advertising	79,511	575	80,086	500	80,586	8,230
Travel	61,162	10,167	71,329	208	71,537	38,955
Conferences	49,246	1,520	50,766	3,270	54,036	59,311
Lobbying	48,417	-	48,417	-	48,417	50,000
Website	21,629	2,914	24,543	22,751	47,294	40,016
Telephone	7,110	3,960	11,070	17,043	28,113	12,255
Accounting & legal	587	-	587	24,930	25,517	52,682
Funds returned	12,863	6,856	19,719	-	19,719	12,500
IT support	1,717	-	1,717	17,400	19,117	28,684
Indirect expenses	10,451	-	10,451	-	10,451	5,284
Staff development	1,798	8,097	9,895	404	10,299	12,636
Dues & subscriptions	142	1,283	1,425	8,313	9,738	5,055
Bank fees	1,748	-	1,748	3,022	4,770	17,723
Postage	1,236	27	1,263	3,405	4,668	1,999
Insurance	-	-	-	4,264	4,264	10,259
Printing	2,503	66	2,569	-	2,569	1,970
Meals & Entertainment	1,762	-	1,762	372	2,134	866
Program materials	1,499	265	1,764	-	1,764	2,735
Interest expense	-	-	-	356	356	437
Fines	-	-	-	-	-	28,227
All other	9,214	-	9,214	525	9,739	66,515
	<u>11,465,233</u>	<u>1,371,864</u>	<u>12,837,097</u>	<u>625,520</u>	<u>13,462,617</u>	<u>12,273,245</u>
Depreciation	9,803	-	9,803	14,807	24,610	15,625
Total	<u>\$ 11,475,036</u>	<u>\$ 1,371,864</u>	<u>\$12,846,900</u>	<u>\$ 640,327</u>	<u>\$13,487,227</u>	<u>\$12,288,870</u>

The accompanying notes are an integral part of these financial statements

**TRAILHEAD INSTITUTE**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(WITH COMPARATIVE TOTALS FOR 2020)**

	2021	2020
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 1,102,542	\$ 2,523,804
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	24,610	15,625
Loss on disposal of fixed assets	-	61,000
Paycheck Protection Program loan forgiveness	(253,000)	-
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in contracts receivable	(162,464)	(707,549)
(Increase)decrease in grants receivable	(733,928)	134,511
(Increase)decrease in prepaid assets	(1,949)	(1,626)
(Decrease)increase in accounts payable	(82,325)	540,338
(Decrease)increase in payroll liabilities	42,061	5,292
(Decrease)increase in deferred revenue	48,150	-
Net cash provided(used) by operating activities	(16,303)	2,571,395
<u>Cash flows from investing activities</u>		
(Purchases) of fixed assets	(91,672)	(68,619)
<u>Cash flows from financing activities</u>		
(Repayment) on capital lease obligation	(3,720)	(3,539)
Borrowing on refundable advance - Paycheck Protection Program	-	253,000
Net cash provided(used) by financing activities	(3,720)	249,461
Net increase in cash and cash equivalents	(111,695)	2,752,237
Cash and cash equivalents, beginning of year	4,281,809	1,529,572
Cash and cash equivalents, end of year	\$ 4,170,114	\$ 4,281,809
Supplemental disclosure of information		
Cash paid during the period for interest	\$ 356	\$ 437

The accompanying notes are an integral part of these financial statements



**TRAILHEAD INSTITUTE**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

NOTE 1 - NATURE OF ACTIVITIES

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, 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. Grants Receivable

Grants 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. Government Contracts

A significant portion of the Organization's revenue is derived from cost-reimbursable state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

9. Functional Reporting of Expenses

For the year ended December 31, 2021, 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. Project expenses are assigned directly or allocated to the program or functional area benefited.

10. 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, 2020, from which the summarized information was derived.

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

11. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

12. Subsequent Events

Management has evaluated subsequent events through February 24, 2023, the date the financial statements were available to be issued.

NOTE 3 - CONTRACTS RECEIVABLE

Contracts receivable consists primarily of reimbursements from government agencies due in 2022. The Organization has established a \$14,000 allowance for uncollectible reimbursements.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of:

<u>Description</u>	<u>Amount</u>
Furniture	\$ 123,187
Computers	63,946
Website	30,000
Capitalized copier lease	<u>19,302</u>
Total	236,435
Less: accumulated depreciation and amortization	<u>(74,002)</u>
Net property and equipment	<u>\$ 162,433</u>

Depreciation and amortization expense for the year was \$24,610.

NOTE 5 - 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>
2022	\$ 4,188
2023	<u>3,490</u>
Total payments	7,678
Less interest	<u>(356)</u>
Net present value	<u>\$ 7,322</u>

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

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

<u>Description</u>	<u>Amount</u>
Projects:	
Colorado Blueprint to End Hunger	\$ 798,779
Apprentice of Peace Youth Organization	557,404
Frontline Farming	489,778
Youth Sexual Health	464,896
Colorado Equitable Economic Mobility Initiative	455,191
Light Collective	420,340
Jeffco Food Policy Council	216,000
Project Protect	110,494
Safe and Abundant Nutrition Assistance	102,046
Sharing our blessings	71,793
Prosperando	45,900
Financial reporting upgrades project	11,658
From the Heart	9,450
Wise Initiative	6,393
Colorado Cancer Coalition	6,267
Denver ambulatory street health response	3,203
Integration navigation outreach wealth building	2,250
Walk2Connect	12
Navigator	<u>8</u>
Total Projects	<u>\$ 3,771,862</u>

NOTE 7 - PAYROLL PROTECTION PROGRAM LOAN FORGIVENESS

On April 14, 2020, the Organization borrowed \$253,000 under the Payroll Protection Program (PPP). The Organization has used the funds in accordance with the note, provided necessary support and the note was forgiven on May 12, 2021. The full loan amount is recorded as a contribution in the 2021 fiscal year.

NOTE 8 - 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:	
Colorado Blueprint to End Hunger	\$ 2,110,004
Frontline Farming	308,252
Youth sexual health	242,138
SNAP	160,022
Project Protect	156,686
Apprentice of peace youth organization	151,308
Light Collective	144,455
Financial reporting upgrades project	136,342
From the Heart	132,170
Colorado Equitable Economic Mobility Initiative	129,809
Culture of health	122,157
Positive youth development	100,000
Black business initiative	88,508
Sharing our blessings	86,929
Safe and abundant nutrition assistance	67,154
Jeffco Food Policy Council	24,000
Colorado cancer coalition	23,733
Empowered healthcare	16,500
Navigator	11,950
La Cocina	9,000
Colorado Farm and Food Systems response Team's COVID-19	
Producer Rapid Response	8,896
Denver ambulatory street health response	6,185
Prosperando	5,100
CHARGE for positive youth development	4,748
Walk2Connect	3,488
New leaders' program	675
Integration Navigation Outreach Wealth Building	250
Wise initiative	<u>75</u>
Total Projects	<u>\$ 4,250,534</u>

NOTE 9 - CONDITIONAL GRANTS

The Organization received a three-year award with future payments contingent upon approval of progress reports. Amount to be received are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 313,925
2023	<u>364,325</u>
Total	<u>\$ 678,250</u>

NOTE 10 - 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 11 - CONCENTRATION OF FUNDING SOURCE

During fiscal year 2021, the Organization received approximately 27% of its funding from the Colorado Office of Economic Security.

NOTE 12 - PENSION PLAN

The Organization has adopted a 401(k)-retirement plan covering all eligible employees. The Organization matches contributions \$.50 on the dollar up to 6% of participants' compensation. Total pension expense during the year was \$44,802.

NOTE 13 - AVAILABILITY AND LIQUIDITY

The following represents financial assets available for general operating expenditures within one year at December 31, 2021:

<u>Financial assets at year-end:</u>	<u>Amount</u>
Cash and cash equivalents	\$ 4,170,114
Contracts receivable	1,504,212
Grants receivable	<u>840,567</u>
Total financial assets	<u>6,505,544</u>
Less: amounts not available for general expenditures within one year:	
Net assets with donor restrictions	<u>(2,798,526)</u>
Total financial assets available to meet cash needs for General expenditures within one year	<u>\$ 3,707,018</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 to be available for general expenditures in the next twelve months.