TRAILHEAD INSTITUTE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

TRAILHEAD INSTITUTE

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

CONTENTS

October 2, 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, 2022, 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, 2022, 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.

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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' 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 24, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, 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 October 2, 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, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022	2021
Assets		
Cash and cash equivalents	$ 5,562,575	$ 4,170,114
Contracts receivable, net	1,667,796	1,504,212
Grants receivable	3,044,896	840,567
Prepaid expenses	53,537	12,918
Property and equipment (Note 4)	153,382	162,433
Total assets	$ 10,482,186	$ 6,690,244
Liabilities and net assets		
Accounts payable	$ 518,691	$ 590,288
Payroll liabilities	588,617	150,634
Deferred revenue	49,271	48,150
Total liabilities	1,156,579	789,072
Net assets		
Without donor restrictions	4,131,187	2,129,310
With donor restrictions (Note 5)	5,194,420	3,771,862
Total net assets	9,325,607	5,901,172
Total liabilities and net assets	$ 10,482,186	$ 6,690,244

The accompanying notes are an integral part of these financial statements

TRAILHEAD INSTITUTE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and other support				
Foundations	$ 173,288	$ 8,408,643	$ 8,581,931	$ 5,359,506
Government contracts	7,026,339	84,700	7,111,039	8,245,578
Program service fees	512,056	-	512,056	443,951
Corporations	98,179	144,999	243,178	132,661
Individuals	166,858	-	166,858	136,922
Interest income	18,688	-	18,688	7,082
Paycheck Protection Program Loan Forgiveness	-	-	-	253,000
Other	38,184	-	38,184	11,069
Net assets released from restrictions (Note 6)	7,286,252	(7,286,252)	-	-
Total revenue and other support	15,319,844	1,352,090	16,671,934	14,589,769
Expense				
Project services	10,349,571	-	10,349,571	11,475,036
Program services	1,598,007	-	1,598,007	1,371,726
Total program services	11,947,578	-	11,947,578	12,846,762
Supporting services				
Management and general	1,299,921	-	1,299,921	640,465
Total expense	13,247,499	-	13,247,499	13,487,227
Change in net assets	2,072,345	1,352,090	3,424,435	1,102,542
Net assets, beginning of year, as originally stated	2,129,310	3,771,862	5,901,172	4,798,630
Reclass of net assets (Note 9)	(70,468)	70,468	-	-
Net assets, beginning of year, as restated	2,058,842	3,842,330	5,901,172	4,798,630
Net assets, end of year	$ 4,131,187	$ 5,194,420	$ 9,325,607	$ 5,901,172

The accompanying notes are an integral part of these financial statements

TRAILHEAD INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022					2021
				Supporting Services		
	Project Services	Program Services	Total Program Services	Management and General	Total	Total
Salaries	$ 1,562,717	$ 776,442	$ 2,339,159	$ 691,363	$ 3,030,522	$ 1,702,590
Payroll taxes and benefits	334,442	216,905	551,347	176,184	727,531	476,252
Professional fees	3,749,336	461,237	4,210,573	144,290	4,354,863	4,236,833
Grants and allocations	3,656,162	1,000	3,657,162	-	3,657,162	5,733,930
Stipends	332,351	63,071	395,422	500	395,922	471,412
Travel	80,554	32,834	113,388	13,728	127,116	71,537
Supplies	114,235	3,961	118,196	2,167	120,363	198,119
Conferences	100,027	6,521	106,548	9,462	116,010	54,036
Rent	57,301	-	57,301	35,817	93,118	89,749
Advertising	84,360	7,608	91,968	-	91,968	80,586
Equipment and software	25,092	8,306	33,398	50,502	83,900	98,644
Lobbying	75,734	3,333	79,067	-	79,067	48,417
Website	30,834	2,741	33,575	20,943	54,518	47,294
Accounting and legal	12,237	-	12,237	40,050	52,287	25,517
Telephone	13,564	6,360	19,924	16,610	36,534	28,113
Other	28,616	1,056	29,672	5,902	35,574	9,877
IT support	2,643	-	2,643	29,657	32,300	19,117
Dues and subscriptions	11,776	1,284	13,060	8,298	21,358	9,738
Bank fees	1,478	156	1,634	20,561	22,195	4,770
Bad debts	20,732	-	20,732	-	20,732	(138)
Staff development	9,653	2,022	11,675	7,603	19,278	10,299
Indirect expenses	8,966	1,008	9,974	-	9,974	10,451
Fixed asset Loss (Gain)	-	-	-	9,836	9,836	-
Insurance	5,135	-	5,135	4,343	9,478	4,264
Other	6,802	2,162	8,964	4,144	13,108	31,210
	$ 10,324,747	$ 1,598,007	$ 11,922,754	$ 1,291,960	$ 13,214,714	$13,462,617
Depreciation and amortization	24,824	-	24,824	7,961	32,785	24,610
Total	$ 10,349,571	$ 1,598,007	$ 11,947,578	$ 1,299,921	$ 13,247,499	$13,487,227

The accompanying notes are an integral part of these financial statements

TRAILHEAD INSTITUTE

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	$ 3,424,435	$ 1,102,542
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	32,785	24,610
Loss on disposal of fixed assets	6,940	-
Paycheck Protection Program loan forgiveness	-	(253,000)
Changes in operating assets and liabilities		
(Increase)decrease in contracts receivable	(163,584)	(162,464)
(Increase)decrease in grants receivable	(2,204,329)	(733,928)
(Increase)decrease in prepaid assets	(40,619)	(1,949)
(Decrease)increase in accounts payable	(67,686)	(82,325)
(Decrease)increase in payroll liabilities	437,983	42,061
(Decrease)increase in deferred revenue	1,121	48,150
Net cash provided(used) by operating activities	1,427,046	(16,303)
Cash flows from investing activities		
(Purchases) of fixed assets	(30,674)	(91,672)
Cash flows from financing activities		
(Repayment) on capital lease obligation	(3,911)	(3,720)
Net increase in cash and cash equivalents	1,392,461	(111,695)
Cash and cash equivalents, beginning of year	4,170,114	4,281,809
Cash and cash equivalents, end of year	$ 5,562,575	$ 4,170,114
Supplemental disclosure of information		
Cash paid during the period for interest	$ 79	$ 356

The accompanying notes are an integral part of these financial statements

TRAILHEAD INSTITUTE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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.

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. Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give—that is, those with a measurable performance or other barrier and a right of return—are not recognized until the conditions on which they depend have been met. The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution revenue for the excess received when the event takes place.

A portion of the Organization's revenue is derived from cost-reimbursable federal and 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. The Organization received cost-reimbursable grants of $3,585,646 that have not been recognized at December 31, 2022, because qualifying expenditures have not yet been incurred. In addition, the Organization has received a grant with conditions whereby the donor will give an additional $200,000 if the Organization meets certain stipulated requirements in the grant agreement.

5. Contracts Receivable

Contracts receivable represent amounts that have been billed under contracts but not collected as of the date of the financial statements. Contracts receivable are stated at the amount management expects to be collected from the outstanding balance. As of December 31, 2022, management has determined, based on historical experience and subsequent collections, that all amounts are fully collectible, and no allowance for doubtful accounts is necessary.

6. Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. As of December 31, 2022, management has determined, based on historical experience and subsequent collections, that all amounts are fully collectible, and no allowance for doubtful accounts is necessary.

7. 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.

8. 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.

9. 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.

10. Leases

The Organization accounts for leases in accordance with Accounting Standards Update (ASU) No. 2016-02, Leases (ASC 842), as amended. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities in the statement of financial position. Finance leases are included in property and equipment and finance lease liabilities on the statement of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Organization uses its incremental borrowing rate based on the information available at lease commencement. Operating lease ROU assets also include any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option.

The Organization may have lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices.

The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

11. Functional Reporting of Expenses

For the year ended December 31, 2022, 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.

12. 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, 2021, from which the summarized information was derived.

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

13. Recently Adopted Accounting Standard

Effective January 1, 2022, the Organization adopted Accounting Standards *Update (ASU) No. 2016-02, Leases (ASC 842)*, as amended, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to restate the comparative period (2021). It also elected not to reassess at adoption:

- expired or existing contracts to determine whether they are or contain a lease,
- the lease classification of any existing leases, or
- initial direct costs for existing leases.

As a result of implementing *ASU No. 2016-02* on January 1, 2022, the Organization recognized no right-of-use asset and no lease liability in its statement of financial position. There was no effect on net assets as of January 1, 2022.

14. Change in Accounting Principle

The Organization changed its method of accounting for lease transactions due to the adoption of the new accounting standard for leases *(ASU No. 2016-02).* The change has been applied as of January 1, 2022.

15. 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.

16. Subsequent Events

Management has evaluated subsequent events through October 2, 2023, the date the financial statements were available to be issued.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents financial assets available for general operating expenditures within one year at December 31, 2022:

Description	2022
Financial assets at year end:	
Cash and cash equivalents	$ 5,562,575
Contracts receivable, net	1,667,796
Grants receivable	3,044,896
	10,275,267
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(5,194,421)
	(5,194,421)
Financial assets available to meet general expenditures over the next 12 months	$ 5,080,846

NOTE 3 - AVAILABILITY AND LIQUIDITY (concluded)

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.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of:

Description	Amount
Furniture and equipment	$ 153,861
Computers	40,000
Website	30,000
Capitalized copier lease	19,302
Total	243,163
Less: accumulated depreciation	(89,781)
Net property and equipment	$ 153,382

Depreciation and amortization expense for the year was $32,785.

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

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

Description	Amount
Projects:	
Colorado Blueprint to End Hunger	$ 685,318
Apprentice of Peace Youth Organization	586,693
Colorado Equitable Economic Mobility Initiative	554,044
Safe and Abundant Nutrition Assistance	470,790
Light Collective	398,840
Jefferson County Food Policy Council	395,826
Workforce Programs and Initiatives	376,671
Youth Sexual Health	333,225
Food Security Network	329,501
Red Star International	250,001
LinkAGES	234,224
Bondadosa	180,000
ARISE Beyond Barriers	103,700
Positive Youth Development	69,657
Sharing our blessings	63,860
Prosperando	44,965
Denver ambulatory street health response	37,358
Morgan County Interagency Oversight Group	34,182
Staff Wellness	20,000
Financial reporting upgrades project	10,735
Wise Initiative	4,393
Colorado Cancer Coalition	3,433
Integration navigation outreach wealth building	2,250
Public Health for Public Safety	1,746
Arts and Wellness	1,710
Affinity Consulting	1,286
Walk2Connect	12
Total Projects	$ 5,194,420

NOTE 6 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

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

Description	Amount
Projects:	
Colorado Blueprint to End Hunger	$ 3,303,249
Frontline Farming	630,696
Light Collective	521,500
Bondadosa	491,400
Colorado Equitable Economic Mobility Initiative	378,409
Apprentice of Peace Youth Organization	364,711
Youth Sexual Health	346,670
LinkAGES	229,160
Safe and Abundant Nutrition Assistance	221,656
Red Star International	139,999
Project Protect	129,294
Workforce Programs and Initiatives	123,329
Morgan County InteragencyOversight Group	107,917
Sharing Our Blessings	85,633
Food Security Network	70,499
Jefferson County Food Policy Council	70,174
Positive Youth Development	30,343
From the Heart Enterprises	9,450
Affinity Consulting	8,714
Denver Ambulatory Street Health Response	7,095
ARISE Beyond Barriers	6,865
Colorado Cancer Coalition	2,834
Public Health for Public Safety	2,499
Wise inititive	2,000
Prosperando	935
Financial Reporting upgrades project	923
Arts and Wellness	290
Navigator	8
Total	$ 7,286,252

NOTE 7 - 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 $66,217.

NOTE 8 - CONCENTRATIONS OF RISK

The Organization's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents. The Company's cash and cash equivalents are in demand deposit accounts placed with federally insured financial institutions and selected brokerage accounts. Such deposit accounts at times may exceed the federally insured limited. The Organization has not experienced any losses on such accounts.

During fiscal year 2021, the Organization received approximately 29% of its funding from one foundation. For the year ended December 31, 2022, one government agency represented 28% of the Organization's contracts receivable and one foundation represented 76% of the Organization's grants receivable at year end. The Organization is dependent on this funding to continue with its current level of service. Management expects these grants to continue into the foreseeable future.

NOTE 9 - RECLASSIFICATION OF NET ASSETS

Certain classification errors resulting in an understatement of previously reported temporarily restricted net assets were discovered during the current year. During the year ended December 31, 2021, the Organization recorded unrestricted revenue of $70,468 which should have been recorded as temporarily restricted. The prior period reclassification increased *temporarily restricted revenue and decreased unrestricted revenue by* $70,468 *and increased temporarily restricted net assets and decreased unrestricted net assets by* $70,468.