

TRILLIUM HOUSE, INC.
AUDITED FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Trillium House, Inc.

We have audited the accompanying financial statements of Trillium House, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities 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 accounting 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditor's 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 Trillium House, Inc. as of December 31, 2017, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with 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.

Anderson, Tackman & Company, PLLC

Certified Public Accountants

Marquette, MI

July 10, 2018

Trillium House, Inc.

STATEMENT OF FINANCIAL POSITION

December 31, 2017

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$	476,992
Investments		5,170
Unconditional promises to give		262,694
Total Current Assets		<u>744,856</u>

NON-CURRENT ASSETS:

Unconditional promises to give		181,027
		<u>181,027</u>

Property, plant, and equipment:

Land		225,000
Building design and development		1,227,699
Fixtures, furniture and equipment		1,284
		<u>1,453,983</u>

Less accumulated depreciation		(1,056)
Net Property, Plant, and Equipment		<u>1,452,927</u>

Total Non-Current Assets		<u>1,633,954</u>
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TOTAL ASSETS	\$	<u>2,378,810</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accrued construction in process	\$	229,148
Total Liabilities		<u>229,148</u>

NET ASSETS:

Unrestricted		31,311
Temporarily restricted:		
For capital campaign		2,066,556
For indigent patients		51,795
Total Net Assets		<u>2,149,662</u>

TOTAL LIABILITIES AND NET ASSETS	\$	<u>2,378,810</u>
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The accompanying notes to the financial statements are an integral part of this statement.

Trillium House, Inc.

STATEMENT OF ACTIVITIES

For the year ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:			
SUPPORT:			
Contributions	\$ 27,181	\$ 565,822	\$ 593,003
Net assets released from restrictions	-	-	-
TOTAL UNRESTRICTED SUPPORT	<u>27,181</u>	<u>565,822</u>	<u>593,003</u>
 REVENUE:			
Investment income	3,220	2,615	5,835
TOTAL REVENUE	<u>3,220</u>	<u>2,615</u>	<u>5,835</u>
TOTAL REVENUE AND SUPPORT	<u>30,401</u>	<u>568,437</u>	<u>598,838</u>
 EXPENSES:			
Program services	-	-	-
Administrative and fundraising	-	110,694	110,694
TOTAL EXPENSES	<u>-</u>	<u>110,694</u>	<u>110,694</u>
Change in net assets	30,401	457,743	488,144
Net assets beginning of year	910	1,660,608	1,661,518
NET ASSETS END OF YEAR	<u>\$ 31,311</u>	<u>\$ 2,118,351</u>	<u>\$ 2,149,662</u>

The accompanying notes to the financial statements are an integral part of this statement.

Trillium House, Inc.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from contributions	\$ 540,873
Interest received	2,615
Cash received from miscellaneous	3,220
Cash paid to suppliers and employees	<u>(111,288)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>435,420</u>
CASH FLOWS USED BY INVESTING ACTIVITIES:	
Property, plant and equipment additions less accrued portion	<u>(773,206)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(773,206)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(337,786)
Cash and cash equivalents, beginning of year	<u>814,778</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 476,992</u>

RECONCILIATION OF NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Change in net assets	\$ 488,184
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation expense	404
Change in receivables	(52,844)
Change in payables	<u>(324)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 435,420</u>

The accompanying notes to the financial statements are an integral part of this statement.

TRILLIUM HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES:

Nature of Activities

The accounting policies followed by the Trillium House, Inc. and the methods of applying those policies which materially affect the determination of financial position, changes in net assets, cash flows and results of activities are summarized below.

Trillium House, Inc.'s mission statement is to provide a safe and supporting living environment for those living with a terminal diagnosis.

Financial Statement Presentation

The Trillium House, Inc. conforms to the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605-45-3, "Contributions Received" and ASC 958-210-45-9, "Classification of Net Assets."

In accordance with ASC 958-605-45-3, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Under ASC 958-210-45-9, Trillium House, Inc. is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

Unconditional promises to give due in the ensuing year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. Promises to give are from the Capital Campaign, which began in 2014, or from general contributions. Promises to give were reduced to net realizable value based on management's evaluation of potential uncollectible promises receivable at year end.

Contributions of donated cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that required specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued):

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases those net assets classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated services requiring specific expertise are recorded at their fair market value.

Property, Plant and Equipment

Property and equipment is stated at cost for assets purchased and fair market value of assets donated to the organization. All direct expenses relating to the building have been capitalized. There were no indirect expenses related to the building to capitalize for 2017. Depreciation is computed on a straight-line method over the useful lives of the assets generally as follows:

Furniture and equipment	3-10 years
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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.

Income Taxes

Trillium House, Inc. is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. Trillium House, Inc. did not conduct any unrelated business activities, and therefore has made no provision for federal income taxes in the accompanying financial statements. The organization's federal Exempt Organization Information Returns (Form 990) for 2015, 2016 and 2017 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through July 10, 2018, which is the date the financial statements were available to be issued.

Advertising

Advertising costs are expensed as incurred.

NOTE B – CASH:

Cash Equivalents

The following is a reconciliation of cash for both unrestricted and temporarily restricted assets for Trillium House, Inc. from the statement of financial position:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Cash and cash equivalents	\$31,311	\$445,681	\$476,992

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a bank failure, Trillium House, Inc.'s deposits may not be returned to it. The carrying amounts of the deposits with financial institutions were \$476,992 of which \$476,992 was insured by the Federal Deposit Insurance Corporation.

NOTE C – RESTRICTIONS ON NET ASSETS:

A portion of the restrictions on net assets at the end of 2017 relate to funds raised through the Capital Campaign, a drive to raise funds to build a facility for Trillium House, Inc.

An additional amount was restricted that relates to a pledge to be used for indigent patients.

Temporarily restricted assets are available for the following purposes:

Build a facility	\$ 2,066,556
Reserved for indigent patients	51,795
Total Temporarily restricted net assets	<u>\$ 2,118,351</u>

NOTE D – PROMISES TO GIVE:

Unconditional restricted promises to give at December 31, 2017 are as follows:

Receivables in less than one year	\$278,642
Less: Allowance for doubtful accounts	(15,948)
<i>Net Receivable in less than One Year</i>	<u>262,694</u>
Receivables in one to five years	198,176
Receivables in more than five years	-
Less discount to present value	(17,149)
<i>Net Receivable in One to Ten Years</i>	<u>181,027</u>
NET UNCONDITIONAL PROMISES TO GIVE	<u>\$443,721</u>

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 3.15%.

Trillium House, Inc. has made an allowance for uncollectible accounts based on subsequent collections and past collection history. The net remaining amounts are expected to be collectible.

NOTE E – CONCENTRATION OF CREDIT RISK:

The Trillium House, Inc. service area is the Upper Peninsula of Michigan. Major revenue sources include contributions and grants. Realization of such revenues is influenced by regional economic conditions.

NOTE F – LEASES:

During 2017, the Organization leased office space from Northern Michigan University. The lease was extended through April 30, 2018. The lease expense for 2017 was \$1,553.

SUPPLEMENTARY INFORMATION

Trillium House, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2017

	Program	Management and General	Fundraising	Total
Contracted services	\$ -	\$ 9,282	\$ 57,019	\$ 66,301
Accounting fees	-	839	5,156	5,995
Bank and credit card charges	-	159	977	1,136
Rent	-	356	2,185	2,541
Communications	-	209	1,281	1,490
Depreciation	-	57	347	404
Legal expenses	-	10,000	-	10,000
Insurance	-	105	645	750
Supplies	-	320	1,965	2,285
Marketing	-	1,135	6,971	8,106
Printing	-	15	90	105
Postage	-	102	628	730
Miscellaneous expense	-	1,519	9,332	10,851
TOTAL EXPENSES	\$ -	\$ 24,098	\$ 86,596	\$ 110,694