

**TRILLIUM HOUSE, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2018**

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**PARTNERS**

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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, 2018, 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 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, 2018, 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.

*Anderson, Tackman & Company, PLLC*

Certified Public Accountants  
Marquette, MI

September 27, 2019

Trillium House, Inc.

STATEMENT OF FINANCIAL POSITION

December 31, 2018

**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents	\$	62,447
Accounts receivable		11,354
Prepaid expenses		3,624
Unconditional promises to give		92,019
Total Current Assets		<u>169,444</u>

**NON-CURRENT ASSETS:**

Unconditional promises to give		105,796
		<u>105,796</u>

Property, plant, and equipment:

Land		225,000
Building design and development		1,921,683
Fixtures, furniture and equipment		30,290
		<u>2,176,973</u>

Less accumulated depreciation (27,671)

Net Property, Plant, and Equipment 2,149,302

Total Non-Current Assets 2,255,098

**TOTAL ASSETS** \$ 2,424,542

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES:**

Accounts payable	\$	6,554
Accrued payroll and related liabilities		14,945
Total Current Liabilities		<u>21,499</u>

**NON-CURRENT LIABILITIES:**

Note payable		131,866
Total Non-Current Liabilities		<u>131,866</u>
Total Liabilities		<u>153,365</u>

**NET ASSETS:**

Net assets without donor restrictions		2,073,362
Net assets with donor restrictions		197,815
Total Net Assets		<u>2,271,177</u>

**TOTAL LIABILITIES AND NET ASSETS** \$ 2,424,542

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, 2018

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE:</b>			
<b>SUPPORT:</b>			
Contributions	\$ 116,023	\$ 209,035	\$ 325,058
Grants	-	56,096	56,096
Patient revenue	56,533	-	56,533
Interest income	767	-	767
Net assets released from restrictions	<u>2,185,667</u>	<u>(2,185,667)</u>	<u>-</u>
<b>TOTAL REVENUE AND SUPPORT</b>	<u>2,358,990</u>	<u>(1,920,536)</u>	<u>438,454</u>
<b>EXPENSES:</b>			
Program services	180,921	-	180,921
Management and general	90,633	-	90,633
Fundraising	45,385	-	45,385
<b>TOTAL EXPENSES</b>	<u>316,939</u>	<u>-</u>	<u>316,939</u>
Change in net assets	2,042,051	(1,920,536)	121,515
Net assets beginning of year	31,311	2,118,351	2,149,662
<b>NET ASSETS END OF YEAR</b>	<u><u>\$ 2,073,362</u></u>	<u><u>\$ 197,815</u></u>	<u><u>\$ 2,271,177</u></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, 2018

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from contributions	\$	529,814
Interest received		767
Cash received from patient revenue		45,179
Cash received from grants		56,096
Cash paid to suppliers and employees		(252,450)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		<u>379,406</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Property, plant and equipment additions		(925,817)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>		<u>(925,817)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Proceeds from note payable		131,866
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>		<u>131,866</u>

**NET CHANGE IN CASH AND CASH EQUIVALENTS** (414,545)

Cash and cash equivalents, beginning of year 476,992

**CASH AND CASH EQUIVALENTS, END OF YEAR** \$ 62,447

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

**Trillium House, Inc.**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the year ended December 31, 2018

	Program	Management and General	Fundraising	Total
Payroll expenses	90,773	41,016	33,227	\$ 165,016
Employee related expenses	5,738	5,738	-	11,476
Contracted services	-	6,755	-	6,755
Legal expenses	-	20,000	-	20,000
Bank and credit card charges	-	1,559	-	1,559
Loan interest expense	2,260	565	-	2,825
Rent	1,656	414	-	2,070
Repairs and maintenance	2,607	651	-	3,258
Furniture	4,684	1,171	-	5,855
Utilities	10,639	1,244	-	11,883
Depreciation	18,853	6,542	1,219	26,614
Communications	2,709	967	193	3,869
Insurance	5,807	1,089	363	7,259
Supplies	18,679	2,413	2,308	23,400
Marketing	16,165	365	7,871	24,401
Travel and meetings	80	120	199	399
Miscellaneous expense	270	25	5	300
<b>TOTAL EXPENSES</b>	<b>\$ 180,920</b>	<b>\$ 90,634</b>	<b>\$ 45,385</b>	<b>\$ 316,939</b>

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

**TRILLIUM HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018**

**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.

Trillium House, Inc. placed the property, plant, and equipment in service and began operations on July 13, 2018.

**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*", as amended by ASU 2016-14. In accordance with these provisions, Trillium House, Inc. is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

The Trillium House, Inc. has adopted ASU 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities* for the year ended December 31, 2018 and changes have been applied retrospectively as required by the Accounting Standard Update. Changes include: donations of property and equipment recorded as net assets without donor restriction when placed into service, statement of cash flows no longer requires reconciliation to change in net assets, required disclosure of expenses classified by function and nature, required disclosure of transparency and utility of liquidity, net assets reported in two categories, as net assets with donor restrictions and net assets without donor restrictions.

Descriptions of the asset classes are as follows:

**Net Assets Without Donor Restrictions**

Represent funds for which the use of has not been restricted as to use by donors. Certain of these assets may be designated by the governing board of Trillium House, Inc. and its supporting organizations to be used for a specific purpose.

**Net Assets with Donor Restrictions**

Represent funds whose use is limited by donor-imposed stipulations that expire either by passage of time or fulfillment of the stipulations, or that do not expire. The funds are reported as revenues with donor restrictions upon receipt and are transferred to net assets without donor restrictions net assets when the time or purpose restrictions have been met, if applicable.

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

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 non-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.

**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 support with restrictions that increase those net assets classes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 2018. Depreciation is computed on a straight-line method over the useful lives of the assets generally as follows:

Building design and development	15-39 years
Fixtures, furniture and equipment	3-10 years

**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.

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

**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 2016, 2017 and 2018 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 September 27, 2019, which is the date the financial statements were available to be issued.

**Advertising**

Advertising costs are expensed as incurred.

**Functional Allocation of Expenses**

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 amongst program, administrative, and fundraising. Where information is available to directly allocate costs amongst the categories it is used. All other expenses are allocated by management's estimates.

**NOTE B – CASH:**

**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 \$62,447 of which \$62,447 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 2018 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.

Net assets with donor restrictions are available for the following purposes:

Build a facility	\$ 129,813
Operations	68,002
Total net assets with donor restrictions	<u>\$ 197,815</u>

**NOTE D – PROMISES TO GIVE:**

Unconditional restricted promises to give at December 31, 2018 are as follows:

Receivables in less than one year	\$99,457
Less: Allowance for doubtful accounts	<u>(7,438)</u>
<i>Net Receivable in less than One Year</i>	<u>92,019</u>
Receivables in one to five years	113,049
Receivables in more than five years	-
Less discount to present value	<u>(7,253)</u>
<i>Net Receivable in One to Ten Years</i>	<u>105,796</u>
NET UNCONDITIONAL PROMISES TO GIVE	<u>\$197,815</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 2.69%.

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 2018, Trillium House, Inc. leased office space through April 30, 2018 for \$2,070.

**NOTE G – NOTE PAYABLE:**

The Trillium House, Inc. has a construction note payable to a financial institution, bearing a fixed interest rate of 3.75% at December 31, 2018. The note is payable in monthly installments of interest only with a balloon maturity in September 2022. The note is secured by a real estate mortgage on the property.

Interest paid totaled \$2,825 for the year ending December 31, 2018.

Principal maturities of the note payable are as follows:

<u>Year Ending</u>	
2019	\$-
2020	-
2021	-
2022	<u>131,866</u>
Total	<u>\$131,866</u>

## NOTE H – LINE OF CREDIT

Trillium House, Inc. currently has a line of credit which it may borrow up to \$400,000 at the Wall Street Journal Prime rate minus 0.25 percent interest. The balance due on the line of credit at December 31, 2018 was \$0.

## NOTE I – AVAILABILITY OF FINANCIAL ASSETS:

The Trillium House, Inc.'s financial assets available within one year of December 31, 2018 for general expenditure are as follows:

<u>Asset</u>	<u>Amount</u>
Current assets	\$165,820
Current liabilities	(21,499)
Net assets with donor restrictions	(197,815)
2019 Line of credit	400,000
Estimated 2019 patient revenue	182,300
Estimated 2019 donations	164,670
Estimated 2019 grants	25,000
Total	<u>\$718,476</u>

Patient revenue is an estimate of patient census based on historical and projected factors. Donations are estimated using donation history. Grant revenue is based substantially on grant agreements in effect at the end of 2018. The above amounts can be used to meet general expenditures for the year ended December 31, 2019.