

TRILLIUM HOUSE, INC.
AUDITED FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Trillium House, Inc.

Opinion

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, 2021, and the related statements of activities, cash flows, and functional expenses 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 Trillium House, inc. as of December 31, 2021, and 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Trillium House, Inc. and to meet our other 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 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.

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 Trillium House, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 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, 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 Trillium House's 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 Trillium House, Inc.'s 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.

Anderson, Tackman & Company, PLLC

Certified Public Accountants
Marquette, MI

October 28, 2022

TRILLIUM HOUSE, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2021

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$	330,859
Contracts receivable		11,333
Prepaid expenses		7,400
Unconditional promises to give		15,145
Insurance proceeds recoverable		221,287
Total Current Assets		<u>586,024</u>

NON-CURRENT ASSETS:

Unconditional promises to give		1,425
		<u>1,425</u>

Property, plant, and equipment:

Land		225,000
Building design and development		1,790,507
Fixtures, furniture, and equipment		26,054
		<u>2,041,561</u>
Less accumulated depreciation		<u>(176,755)</u>
Net property, plant, and equipment		<u>1,864,806</u>

Total Non-Current Assets 1,866,231

TOTAL ASSETS \$ 2,452,255

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$	101,846
Accrued payroll and related liabilities		19,342
Total Current Liabilities		<u>121,188</u>

NET ASSETS:

Net assets without donor restrictions		2,289,144
Net assets with donor restrictions		41,923
Total Net Assets		<u>2,331,067</u>

TOTAL LIABILITIES AND NET ASSETS \$ 2,452,255

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, 2021

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Revenue From Contracts			
Resident revenue	\$ 279,096	\$ -	\$ 279,096
Respite revenue	12,775	-	12,775
Revenue Not From Contracts			
Contributions	230,459	39,055	269,514
Grants	-	7,544	7,544
Interest income	478	-	478
Other	225	-	225
Net assets released from restrictions	83,288	(83,288)	-
TOTAL SUPPORT AND REVENUE	606,321	(36,689)	569,632
EXPENSES:			
Program services	402,272	-	402,272
Management and general	94,209	-	94,209
Fundraising	61,069	-	61,069
TOTAL EXPENSES	557,550	-	557,550
Change in net assets	48,771	(36,689)	12,082
Net assets beginning of year	2,240,373	78,612	2,318,985
NET ASSETS END OF YEAR	\$ 2,289,144	\$ 41,923	\$ 2,331,067

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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from contributions	\$ 331,556
Interest received	478
Cash received from contracts with customers	303,105
Cash received from grants	7,544
Cash paid to suppliers and employees	(405,145)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>237,538</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Insurance proceeds recoverable	(221,287)
Loss on disposal of flood damaged property, plant, and equipment	126,472
Purchase of property, plant, and equipment	(6,197)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(101,012)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	136,526
Cash and cash equivalents, beginning of year	<u>194,333</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 330,859</u>

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, 2021

	Program Services	Management and General	Fundraising	Total
Payroll expenses	\$ 240,036	\$ 43,597	\$ 47,529	\$ 331,162
Employee related expenses	14,581	9,720	-	24,301
Contracted services	5,863	5,863	-	11,726
Legal expenses	5,050	5,050	-	10,100
Bank and credit card charges	231	916	-	1,147
Rent	4,500	1,125	-	5,625
Repairs and maintenance	8,294	2,074	-	10,368
Utilities	22,678	2,636	-	25,314
Licenses and permits	765	191	-	956
Depreciation	38,935	13,523	2,526	54,984
Communications	4,289	1,532	306	6,127
Insurance	12,436	2,332	777	15,545
Equipment and supplies	31,345	5,407	4,533	41,285
Marketing	5,383	128	5,340	10,851
Travel and meetings	403	115	58	576
Patient write-offs	4,293	-	-	4,293
Miscellaneous expense	3,190	-	-	3,190
TOTAL EXPENSES	\$ 402,272	\$ 94,209	\$ 61,069	\$ 557,550

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

TRILLIUM HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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.

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. 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 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.

The Organization adopted FASB ASC 606 for the year ended December 31, 2020.

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.

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. 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

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.

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

Resident Revenue

Resident revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing resident care. These amounts are due from the resident or other responsible party and include consideration of the sliding scale fee structure based on the income and assets of the resident. Generally, the Organization bills the resident or other responsible party bimonthly. Revenue is recognized as the performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Organization measures the performance obligation from admission into the facility to the point when it is no longer required to provide services to that resident.

The Organization determines the transaction price based on standard charges for goods and services provided. Standard charges for each resident are determined on a set sliding scale fee based on income and assets of the resident. Consistent with the Organization's mission, care is provided to residents regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to residents not meeting the income and asset guidelines of the fee schedule. The implicit price concessions included in estimating the transaction price represents the difference between amounts billed to residents and the amounts the Organization expects to collect based on its collection history with those residents.

The Organization has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Financial status of the resident or person responsible for the resident
- Length of the resident's service or episode of care
- Whether the resident is able to manage or has assistance managing their affairs

For the year ended December 31, 2021, the Organization recognized revenue of \$279,096 from goods and services that transfer to the customer over time.

Respite Revenue

Respite revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing respite care. These amounts are due from respite patients or the party responsible for their care and are based on a flat, per day fee for respite care. Generally, the Organization bills the respite patient or other responsible party upon arrival for the duration of the stay. Revenue is recognized as the performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Organization measures the performance obligation from admission into the facility to the point when it is no longer required to provide services to that respite patient.

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

The Organization determines the transaction price based on standard charges for goods and services provided. A standard, per day, fee is charged to respite patients and no price concessions are offered, implicit or otherwise.

The Organization has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Financial status of the respite patient and/or person responsible for the respite patient
- Length of the respite patient's service or episode of care

For the year ended December 31, 2021 the Organization recognized revenue of \$12,775 from goods and services that transfer to the customer over time.

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 services, management and general, 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.

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 2019, 2020 and 2021 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

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.

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 October 28, 2022, which is the date the financial statements were available to be issued.

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 \$330,859 of which \$250,000 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 2021 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 care of indigent patients and operations.

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

Build a facility	\$ 31,118
Operations	10,805
Total net assets with donor restrictions	<u>\$ 41,923</u>

NOTE D – PROMISES TO GIVE:

Unconditional restricted promises to give at December 31, 2021 are as follows:

Receivables in less than one year	\$15,755
Less: Allowance for doubtful accounts	(610)
<i>Net Receivable in less than One Year</i>	<u>15,145</u>
Receivables in one to five years	1,750
Receivables in more than five years	-
Less discount to present value	(325)
<i>Net Receivable in One to Ten Years</i>	<u>1,425</u>
NET UNCONDITIONAL PROMISES TO GIVE	<u>\$16,570</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 1.92%.

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 – 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, 2021 was \$0.

NOTE G – AVAILABILITY OF FINANCIAL ASSETS:

The Trillium House, Inc.'s financial assets available within one year of December 31, 2021 for general expenditure are as follows:

Asset	Amount
Current assets	\$586,024
Current liabilities	(121,188)
Net assets with donor restrictions	(41,923)
2022 Line of credit	400,000
Estimated 2022 revenue from contracts	280,000
Estimated 2022 donations	245,000
Total	<u>\$1,347,913</u>

Revenue from contracts is an estimate of resident and respite census based on historical and projected factors. Donations are estimated using donation history and projected factors. The above amounts can be used to meet general expenditures for the year ended December 31, 2022.

NOTE H – COVID-19:

The COVID-19 pandemic has been ongoing through 2021 and resulting measures taken by various governments to contain the virus have affected economic activity. The Organization has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for residents, employees, vendors, and others. The Organization faced COVID-19 related disruptions related to restricted facility access and the costs of mitigating actions, such as the purchase of personal protective equipment. While the situation is expected to continue to improve, there may be ongoing challenges as the Organization recovers from the pandemic. The Organization will continue to follow the various government policies and advice while continuing operations in the best and safest way possible.

NOTE I – FLOOD EVENT

On November 24, 2021, a flood caused by the fire-sprinkler system occurred at Trillium House's building. This flood caused damage to a portion of the building and temporarily suspended operations at the building through July 28, 2022. Trillium House maintains insurance policies with replacement coverage for all damages to the building and business interruption coverage for lost revenues and payroll expenses for the period November 24, 2021 through July 28, 2022.

Related to the insurance claim for building damages, as of December 31, 2021 Trillium House, Inc. recorded a loss on disposition of property, plant, and equipment at historical cost, in the amount of \$126,472, and a loss for cleaning and mitigation related to the flood of \$94,815. A total loss of \$221,287 was recorded for 2021. A gain in the amount of \$221,287 was recorded for insurance proceeds expected to be collected related to the two above loss items. To conform with ASC 410-30, the gain and loss related to the insurance claim have been netted together on the Statement of Activities resulting in no gain or loss for 2021. Not included in the gain recorded for 2021 is the excess of replacement cost over historical cost for replaced building components. This is expected to be recorded as income during 2022.

NOTE I – FLOOD EVENT (Continued)

Related to the insurance claim under the business interruption policy, as of December 31, 2021 no amounts have been recorded because the final amounts recoverable under this policy were not yet determined and no proceeds had been received.