

**MIDDLEBURY TRANSITIONAL CARE COALITION, INC.
(DOING BUSINESS AS CHARTER HOUSE COALITION)**

FINANCIAL STATEMENTS

DECEMBER 31, 2018

CHARTER HOUSE COALITION

DECEMBER 31, 2018

TABLE OF CONTENTS

Independent Auditor's Report.....	1 - 2
Statement of Financial Position	3
Statement of Activities.....	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7 -12



Tapia & Huckabay, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

11 Main Street, Suite B211 • P.O. Box 38 • Vergennes, VT 05491 • www.tapiahuckabay.com (802) 870-7086

Independent Auditor's Report

To the Board of Directors
Middlebury Transitional Care Coalition, Inc. (doing business as "Charter House Coalition")
Middlebury, Vermont

We have audited the accompanying financial statements of Middlebury Transitional Care Coalition, Inc. (a Vermont nonprofit organization doing business as "Charter House Coalition"), 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 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 U.S. generally accepted accounting principles; 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 misstatements, 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 U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Charter House Coalition as of December 31, 2018 and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Tapia & Auchabay, P.C.

Vergennes, Vermont
October 11, 2019
Vermont Registration #108880

CHARTER HOUSE COALITION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

Cash and cash equivalents (Note 1)	\$ 68,909
Cash - restricted to capital acquisition (Notes 1 & 7)	155,213
Prepaid expenses	14,559
Grants and contributions receivable (Notes 1 & 9)	208,050
Investments (Note 5)	21,222
Property and equipment, net of accumulated depreciation (Notes 3, 4, 7, 9, 11 & 12)	<u>719,576</u>

TOTAL ASSETS \$ 1,187,529

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 27,329
Accrued expenses	14,089
Note payable (Notes 3 & 12)	<u>197,816</u>
Total Liabilities	<u>239,234</u>

Net Assets:

Without donor restrictions	623,956
With donor restrictions (Notes 7 & 11)	<u>324,339</u>
Total Net Assets	<u>948,295</u>

TOTAL LIABILITIES AND NET ASSETS \$ 1,187,529

See accompanying notes to financial statements.

CHARTER HOUSE COALITION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING SUPPORT AND REVENUE:			
Grants and contributions (Note 1)	\$ 227,038	\$ 63,828	\$ 290,866
Donated goods and services (Note 8)	80,950	-	80,950
Rental income and government subsidies	50,766	-	50,766
Interest, investment and other income (Note 5)	1,543	-	1,543
Net assets released from restrictions (Notes 1 & 11)	22,929	(22,929)	-
	<u>383,226</u>	<u>40,899</u>	<u>424,125</u>
OPERATING EXPENSES AND LOSSES:			
Program services	376,594	-	376,594
Supporting services:			
Management and general	16,763	-	16,763
Fundraising	15,742	-	15,742
	<u>409,099</u>	<u>-</u>	<u>409,099</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(25,873)</u>	<u>40,899</u>	<u>15,026</u>
OTHER CHANGES:			
Capital campaign contributions (Note 7)	-	398,882	398,882
Other contributions restricted to capital acquisition	20,000	-	20,000
Donation of real property (Note 4)	214,100	-	214,100
Net assets released from restriction (Notes 7 & 11)	123,824	(123,824)	-
	<u>357,924</u>	<u>275,058</u>	<u>632,982</u>
CHANGE IN NET ASSETS	332,051	315,957	648,008
NET ASSETS, beginning of year	<u>291,905</u>	<u>8,382</u>	<u>300,287</u>
NET ASSETS, end of year	<u>\$ 623,956</u>	<u>\$ 324,339</u>	<u>\$ 948,295</u>

See accompanying notes to financial statements.

CHARTER HOUSE COALITION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services		TOTAL
		Management & General	Fundraising	
Salaries and wages	\$ 129,757	\$ 8,164	\$ 7,273	\$ 145,194
Payroll taxes	15,897	1,000	891	17,788
Contracted services	578	3,911	-	4,489
Food	78,923	-	-	78,923
Insurance	9,522	387	305	10,214
Miscellaneous expenses	2,820	820	461	4,101
Office expenses	2,645	449	5,602	8,696
Program supplies	14,212	-	-	14,212
Property taxes	6,486	-	-	6,486
Rent	19,567	389	195	20,151
Repairs & maintenance	18,312	234	117	18,663
Telephone & internet	2,458	417	402	3,277
Utilities	34,349	358	179	34,886
Interest expense	10,298	-	-	10,298
Depreciation	30,770	634	317	31,721
	<u>\$ 376,594</u>	<u>\$ 16,763</u>	<u>\$ 15,742</u>	<u>\$ 409,099</u>

See accompanying notes to financial statements.

CHARTER HOUSE COALITION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$	648,008
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation		31,721
Realized and unrealized losses on investments		570
Contributions restricted for capital acquisition		(418,882)
Donation of real property		(214,100)
Change in operating assets and liabilities:		
Increase in prepaid expenses		(12,599)
Increase in operating grants and contributions receivable		(38,605)
Increase in operating accounts payable		4,052
Increase in accrued expenses		3,063

NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES 3,228

CASH FLOWS FROM INVESTING ACTIVITIES:

Increase in cash - restricted to capital acquisition		(155,213)
Purchase of property and equipment		(148,818)
Sales of investments		120
Purchase of investments		(21,912)

NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES (325,823)

CASH FLOWS FROM FINANCING ACTIVITIES:

Contributions received restricted for capital acquisition		294,387
Principal payments on note payable		(13,377)

NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES 281,010

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (41,585)

CASH AND CASH EQUIVALENTS:

Beginning of year		<u>110,494</u>
End of year	\$	<u><u>68,909</u></u>

Supplemental cash flow information:

Interest paid	\$	10,298
Donation of real property		214,100

See accompanying notes to financial statements.

CHARTER HOUSE COALITION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History of the Organization and Nature of Activities:

Incorporated in 2005, Charter House Coalition (“CHC”, “the Coalition” or “the Organization”) is a non-profit, volunteer-based organization dedicated to providing basic food and housing in and around Middlebury, Vermont. CHC is “a growing community of volunteers in Addison County who provide meals for those who are food insecure, housing for individuals and families who need shelter, and a sense of community and opportunity for personal growth for all who enter our open door.” During 2018, the Coalition – assisted by over 1,200 volunteers - served nearly 38,000 meals (with much of the food donated from individuals and organizations in the community) and provided shelter for hundreds of individuals and families especially in winter but throughout the year. CHC’s support comes primarily from grants and contributions from individuals, organizations and governments as well as subsidized rental income from low-income housing near the shelter.

Financial Statement Presentation and Basis of Accounting:

The Coalition reports information regarding its financial position and activities according to two classes of net assets: those with donor restrictions and those without. Contributions received are recorded as “with donor restrictions” or “without donor restrictions”, depending upon the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.” Contributions with donor restrictions whose restrictions are met in the same period are shown as increases in net assets without donor restrictions. The transfer of assets with donor-imposed conditions is accounted for as a refundable advance, instead of as a contribution, until the conditions have been substantially met.

CHC’s financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Use of estimates:

The preparation of financial statements in conformity with U.S. 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.

Cash and cash equivalents:

The Coalition treats all cash accounts, checking, savings, money market, and other cash funds purchased with an original maturity of three months or less (except for money funds in its investment portfolio and cash restricted to capital acquisition) as cash and cash equivalents for purposes of the Statement of Cash Flows.

CHARTER HOUSE COALITION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Promises to Give:

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Those expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts, if material, are computed using estimated market interest rates applicable to the years in which the promises are received. Amortization of the discounts is reflected in contribution revenue. Conditional promises to give are not recorded until the conditions are met.

NOTE 2 – INCOME TAXES

CHC is exempt from federal income tax (on activities related to its tax-exempt purpose) as an organization described in Section 501(c)(3) of the Internal Revenue Code, and is classified as a publicly supported organization under Section 509(a)(1). Contributions to the Coalition qualify for the charitable contribution deduction under Internal Revenue Code Section 170(b)(1)(A).

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2018:

Land, buildings and improvements	\$	892,011
Furniture, fixtures and equipment		<u>35,610</u>
Subtotal		927,621
Less - accumulated depreciation		<u>(208,045)</u>
Net property and equipment	\$	<u><u>719,576</u></u>

Additions to equipment are recorded at cost when purchased and at estimated fair value when donated. Depreciation, amounting to \$31,721 in 2018, is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Building and improvements	10 - 30 years
Furniture, fixtures and equipment	3 - 7 years

NOTE 4 – DONATION OF REAL PROPERTY WITH REVERSIONARY INTEREST

CHC owns two buildings in Middlebury, Vermont – 1) a five-unit, low-income apartment house purchased in 2008 and 2) a building used as CHC’s shelter and for much of its meal program which was provided rent-free by a local church through June 2018 (see Note 8) and then donated to CHC by the church on July 1, 2018. Under the donation’s terms, the property reverts to the church if CHC ceases to exist or ends operations at the property or the property is no longer used “for the purpose of providing housing and food assistance for those in need in the Addison County area.”

CHARTER HOUSE COALITION
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2018

NOTE 5 – INVESTMENTS

The cost, fair value (determined by “Level 1” inputs by reference to quoted market prices), and unrealized appreciation / (depreciation) of the Coalition’s investments, by investment class, as of December 31, 2018 are summarized as follows:

	Cost	Fair Value	Unrealized (Depreciation) Appreciation
Money funds	\$ 236	\$ 236	\$ -
Equities	21,529	20,986	(543)
	\$ 21,765	\$ 21,222	\$ (543)

Net investment income is summarized as follows for the year ended December 31, 2018:

Interest and dividends	\$ 139
Realized & unrealized gains (losses)	(570)
Investment fees	(23)
	\$ (454)

NOTE 6 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs have been summarized on a functional basis in the Statement of Activities. CHC allocates its payroll, tax and benefit costs based on estimated time worked by staff on the various program, general and administrative and fundraising activities. Other costs (such as office supplies and telephone and internet) are attributable to and benefit one or more program or supporting services and are allocated based on the direct payroll allocation percentages discussed above. Certain occupancy costs (including building repairs and maintenance) and depreciation are allocated based on estimated square footage percentages.

NOTE 7 – CAPITAL CAMPAIGN

In 2018, CHC embarked on a multi-year campaign to raise over \$500,000 to fund needed improvements to its shelter and meal site building including an expansion of and renovations to the kitchen (completed in the fall of 2018) and various accessibility and energy efficiency improvements including a new heating system. By December 31, 2018, the Coalition had raised nearly \$400,000 (including approximately \$122,000 in pledges outstanding as of year-end) and made building improvements totaling approximately \$125,000.

NOTE 8 – DONATED FACILITIES, GOODS AND SERVICES

The estimated value of donated facilities and goods included as contributions in the financial statements and the corresponding expenses benefited for 2018 are as follows:

Food	\$ 62,200
Donated facilities (Note 4)	18,750
	\$ 80,950

CHARTER HOUSE COALITION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8 – DONATED FACILITIES, GOODS AND SERVICES (continued)

Donated services are recognized as contributions in accordance with U.S. generally accepted accounting principles if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. No amounts have been reflected in the financial statements for donated services since the Coalition generally pays for services requiring specific expertise. However, over a thousand volunteers provide tens of thousands of hours per year of volunteer services and perform a variety of tasks that assist the Organization with program, fundraising and administrative activities.

NOTE 9 – PROMISES TO GIVE (GRANTS AND CONTRIBUTIONS RECEIVABLE)

Unconditional promises to give consisted of the following as of December 31, 2018:

Without donor restrictions:	
Cost-reimbursable government grants	\$ 26,463
Other unrestricted promises to give	19,835
	46,298
With donor restrictions:	
For future time periods	40,207
For capital acquisition	121,545
	161,752
Total unconditional promises to give	\$ 208,050
Receivable in less than one year	\$ 139,400
Receivable in one to five years	68,650
	208,050
Less allowance for uncollectible promises	-
Less discounts to net present value	-
Net unconditional promises to give	\$ 208,050

Conditional promises to give at December 31, 2018 include approximately \$36,000 in funds remaining on reimbursement-type government grants. Conditional promises to give are not recorded until the conditions are met.

NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

CHC's working capital and cash flows have seasonal variations mainly attributable to the timing of certain of its program and fundraising activities. The Coalition manages liquidity by holding surplus funds in its cash accounts and withdrawing them as needed.

CHARTER HOUSE COALITON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

The following reflects CHC’s financial assets as of December 31, 2018, reduced by amounts not available for general use within one year because of donor-imposed restrictions or internal designations. Amounts available include donor-restricted amounts that are available for general expenditure in the following year (i.e. time restricted donations, if any).

Cash and cash equivalents	\$ 68,909
Operating grants and contributions receivable	46,298
Subtract: net assets with donor restrictions for specific purposes	<u>(7,374)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 107,833</u>

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2018:

For future time periods	\$ 40,207
For assistance to individuals in need	7,374
For capital acquisition	<u>276,758</u>
Total net assets with donor restrictions	<u>\$ 324,339</u>

NOTE 12 – NOTE PAYABLE

CHC’s long term debt consisted of the following as of December 31, 2018:

\$201,161 promissory note with commercial bank dated October 2018 (refinancing a previous mortgage dated September 2008); payments of principal and interest (at 5.59%) of \$2,200 due monthly through October 2028; secured by a first mortgage on real property. \$ 197,816

Future maturities on the note payable are as follows:

2019	\$	15,536
2020		16,440
2021		17,397
2022		18,410
2023		19,482
2024 & beyond		<u>110,551</u>
	\$	<u>197,816</u>

Interest expense under this and a previous loan was \$10,298 in 2018.

CHARTER HOUSE COALITION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 13 –SUBSEQUENT EVENTS AND REPORT ISSUANCE DATE

Management has evaluated events subsequent to December 31, 2018 through October 11, 2019 (the date these financial statements were available to be issued) for potential recognition or disclosure as required under U.S. generally accepted accounting principles