

**MIDDLEBURY TRANSITIONAL CARE COALITION, INC.**  
**(Doing Business as Charter House Coalition)**

**Financial Statements**

**Years Ended December 31, 2020**

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# TELLING & HILLMAN, P.C.

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## Independent Auditor's Report

To the Board of Directors of  
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 nonprofit organization doing business as "Charter House Coalition"), which comprise the statement of financial position as of December 31, 2020, 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 Charter House Coalition as of December 31, 2020, 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.

Telling & Hillman, P.C.  
License # 092.0131564  
Middlebury, Vermont  
August 23, 2021

**CHARTER HOUSE COALITION**  
**Statements of Financial Position**  
**December 31, 2020**

**Assets**

Current assets

|  |                |
|--|----------------|
| Cash and cash equivalents - unrestricted | \$ 394,880     |
| Cash and cash equivalents - restricted   | 66,932         |
| Contributions receivable                 | 21,600         |
| Grants receivable                        | 20,148         |
| Investments                              | 191,538        |
| Prepaid expenses                         | 2,080          |
| Total current assets                     | <u>697,178</u> |

Non-current assets

|   |                |
|---|----------------|
| Property and equipment, net of accumulated depreciation of \$25,839 | <u>578,030</u> |
| Total non-current assets  | <u>578,030</u> |

**Total assets**

**\$ 1,275,208**

**Liabilities**

Current liabilities

|                           |               |
|---------------------------|---------------|
| Accounts payable          | \$ 27,457     |
| Accrued Expenses          | 18,173        |
| Deferred revenue          | 5,763         |
| Total current liabilities | <u>51,393</u> |

**Net assets**

|                            |                  |
|----------------------------|------------------|
| With donor restrictions    | 66,932           |
| Without donor restrictions | <u>1,156,883</u> |
|                            | <u>1,223,815</u> |

**Total liabilities and net assets**

**\$ 1,275,208**

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

**CHARTER HOUSE COALITION**  
**Statement of Activities**  
**Year Ended December 31, 2020**

|                                       | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>               |
|---------------------------------------|---------------------------------------|------------------------------------|----------------------------|
| <b>Revenues</b>                       |                                       |                                    |                            |
| Contributions                         | \$ 291,474                            | \$ -                               | \$ 291,474                 |
| State and federal grants              | -                                     | 133,411                            | 133,411                    |
| Covid relief grants                   | -                                     | 296,637                            | 296,637                    |
| Foundation grants                     | -                                     | 12,000                             | 12,000                     |
| Other grants                          | -                                     | 76,177                             | 76,177                     |
| Capital campaign                      | -                                     | 61,364                             | 61,364                     |
| United Way                            | -                                     | 30,441                             | 30,441                     |
| Rent                                  | 10,400                                | -                                  | 10,400                     |
| Investment return                     | 3,631                                 | -                                  | 3,631                      |
| Unrealized gain on investment         | 20,083                                | -                                  | 20,083                     |
| Capital gain                          | 28,058                                | -                                  | 28,058                     |
| Net asset released from restriction   | 582,127                               | (582,127)                          | -                          |
| <b>Total revenues</b>                 | <u>935,773</u>                        | <u>27,903</u>                      | <u>963,676</u>             |
| <b>Expenses</b>                       |                                       |                                    |                            |
| Program services                      | 718,862                               | -                                  | 718,862                    |
| Support services:                     |                                       |                                    |                            |
| Management and general                | 19,968                                | -                                  | 19,968                     |
| Fundraising                           | 2,670                                 | -                                  | 2,670                      |
| <b>Total expenses</b>                 | <u>741,500</u>                        | <u>-</u>                           | <u>741,500</u>             |
| <b>Changes in net assets</b>          | 194,273                               | 27,903                             | 222,176                    |
| <b>Net assets - beginning of year</b> | <u>962,610</u>                        | <u>39,029</u>                      | <u>1,001,639</u>           |
| <b>Net assets - end of year</b>       | \$ <u><u>1,156,883</u></u>            | \$ <u><u>66,932</u></u>            | \$ <u><u>1,223,815</u></u> |

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

**CHARTER HOUSE COALITION**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2020**

|                                  | <b>Program<br/>Services</b> | <b>Management<br/>and General</b> | <b>Fundraising</b> | <b>Total</b>      |
|----------------------------------|-----------------------------|-----------------------------------|--------------------|-------------------|
| Salaries and wages               | \$ 308,563                  | \$ 7,367                          | \$ -               | \$ 315,930        |
| Payroll taxes                    | 43,650                      | 1,040                             | -                  | 44,690            |
| Grant costs                      | 185,931                     | -                                 | -                  | 185,931           |
| Contracted services              | -                           | 6,565                             | -                  | 6,565             |
| Food                             | 44,622                      | -                                 | -                  | 44,622            |
| Insurance                        | 6,304                       | -                                 | -                  | 6,304             |
| Miscellaneous expense            | 12,150                      | -                                 | -                  | 12,150            |
| Office expenses                  | -                           | 4,996                             | 2,670              | 7,666             |
| Program supplies                 | 21,157                      | -                                 | -                  | 21,157            |
| Property taxes                   | 3,966                       | -                                 | -                  | 3,966             |
| Rent                             | 9,704                       | -                                 | -                  | 9,704             |
| Repairs & maintenance            | 40,465                      | -                                 | -                  | 40,465            |
| Telephone & internet             | 3,746                       | -                                 | -                  | 3,746             |
| Utilities                        | 20,411                      | -                                 | -                  | 20,411            |
| Interest                         | 3,688                       | -                                 | -                  | 3,688             |
| Depreciation                     | 14,505                      | -                                 | -                  | 14,505            |
| <b>Total functional expenses</b> | <b>\$ 718,862</b>           | <b>\$ 19,968</b>                  | <b>\$ 2,670</b>    | <b>\$ 741,500</b> |

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

**CHARTER HOUSE COALITION**  
**Statements of Cash Flows**  
**Year Ended December 31, 2020**

|   |                          |
|---|--------------------------|
| <b>Cash flows from operating activities:</b>  |                          |
| Change in net assets  | \$ 202,093               |
| Adjustments to reconcile changes in net assets<br>to net cash from operating activities |                          |
| Depreciation and amortization   | 14,505                   |
| Unrealized gain on investments  | (20,083)                 |
| (Increase) decrease in:   |                          |
| Contributions receivable  | 3,966                    |
| Grants receivable   | 34,488                   |
| Prepaid expenses  | 3,796                    |
| Increase (decrease) in:   |                          |
| Accounts payable  | (8,126)                  |
| Accrued expenses  | (4,591)                  |
| Deferred revenue  | (1,611)                  |
| <b>Net cash provided by operating activities</b>  | <u>224,437</u>           |
| <b>Cash flows from investing activities:</b>  |                          |
| Purchase of building improvements and equipment   | (40,224)                 |
| Proceeds from sale of property  | 380,000                  |
| Purchase of investments   | (350,000)                |
| <b>Net cash (used for) investing activities</b>   | <u>(10,224)</u>          |
| <b>Cash flows from financing activities:</b>  |                          |
| Payment of long term debt   | (182,221)                |
| <b>Cash flows provided by (used for) financing activities</b>                           | <u>(182,221)</u>         |
| Net increase in cash and cash equivalents   | 31,992                   |
| <b>Cash and cash equivalents - beginning of year</b>                                    | <u>240,909</u>           |
| <b>Cash and cash equivalents - end of year</b>  | <u><u>\$ 272,901</u></u> |
| Supplemental data:  |                          |
| Interest paid   | \$ 3,688                 |

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



## CHARTER HOUSE COALITION

### Notes to the Financial Statements

#### **Note 1. Nature of Activities and Significant Accounting Policies**

##### **a) Nature of Activities**

Middlebury Transitional Care Coalition, Inc. (doing business as "Charter House Coalition") (the Coalition) was organized in 2005 as a non-profit corporation to provide basic food and housing in and around Middlebury, Vermont. The Coalition 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. The Coalition's support comes primarily from grants and contributions from individuals, organizations, and governments as well as subsidized rental income from low-income housing.

##### **b) Basis of Accounting**

The financial statements of the Coalition have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Coalition to report information regarding 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 Coalition. These net assets may be used at the discretion of the Coalition's management and board of directors.

**Net assets with donor restrictions:** Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Coalition, or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated 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.

##### **c) Measurement of operations**

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Coalition's ongoing services and interest and dividends earned on investments.

##### **d) Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Coalition considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

##### **e) Investments**

Investments in marketable securities with readily determinable fair values and all investment in debt securities are reported at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.



**CHARTER HOUSE COALITION**  
**Notes to the Financial Statements**

***Note 1. Nature of Activities and Significant Accounting Policies (continued)***

***f) Property and Equipment***

Property and equipment are recorded at cost. The Coalition's policy is to capitalize expenditures over \$1,000 for major improvements and to expense maintenance and repairs that do not extend the useful lives of the related assets. Depreciation is computed using the straight-line method over the estimated useful life of each class of depreciable asset. Estimate lives generally fall into the following ranges: 3 to 7 years for furniture and equipment, 10-30 years for buildings and improvements

***g) Revenue Recognition***

The Coalition 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.

A portion of the Coalition'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 Coalition has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. The Coalition received cost-reimbursable grants that have not been recognized at December 31, 2020, because qualifying expenditures have not yet been incurred, with an advance payment of \$5,763, recognized in the statement of financial position as a deferred revenue.

***h) Contributed Services***

No amounts have been reflected in the financial statements for donated services. The Coalition generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization but these services do not meet the criteria for recognition as contributed services.

***i) Income Taxes***

The Coalition is recognized by the Internal Revenue Service as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from Federal income taxes.

The Coalition's tax returns are subject to review and examination by federal and state authorities. The tax returns for the years 2018, 2019, and 2020 are open to examination by federal and state authorities.

***j) Estimates***

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make several estimates and assumptions related to the reported amounts of asset and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the period. Significant items subject to such estimates and assumptions include useful lives of depreciable assets and the allocation of functional expenses. Actual results could differ from those estimates.

## CHARTER HOUSE COALITION

### Notes to the Financial Statements

#### **Note 2. Availability and Liquidity**

The Coalition may receive contributions with donor restrictions to be used in accordance with the associated purpose restriction. In addition, the Coalition receives support without donor restrictions and used for general expenditures as they are received.

The Coalition manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance of ensuring the sustainability of the Coalition.

The table below represents financial assets available for general expenditures within one year.

|                          | 2020              |
|--------------------------|-------------------|
| Cash – unrestricted      | \$ 394,880        |
| Contributions receivable | 21,600            |
| Grants receivable        | 20,148            |
| Investments              | 191,538           |
|                          | <u>\$ 628,166</u> |

#### **Note 3. Concentration of Credit Risk – Cash and Cash Equivalents**

The carrying amount of the Coalition's deposit with financial institutions was \$270,733 at December 31, 2020. The difference between the carrying amount and the bank balance represents reconciling items such as deposits in transit and outstanding checks, which have not been transmitted by the bank at December 31, 2020. The bank balances are categorized as follow at December 31:

|                               | 2020              |
|-------------------------------|-------------------|
| Insured by FDIC               | \$ 201,670        |
| Uninsured or uncollateralized | 1,992             |
| Total bank balance            | <u>\$ 201,670</u> |

#### **Note 4. Promises to Give - Grants and Contributions Receivable**

Unconditional promises to give consists of the following as of December 31:

|                                     | 2020             |
|-------------------------------------|------------------|
| Without donor restriction           |                  |
| Cost-reimbursable government grants | \$ 20,148        |
| Other unrestricted promises to give | 21,600           |
|                                     | <u>\$ 41,748</u> |

**CHARTER HOUSE COALITION**  
**Notes to the Financial Statements**

**Note 5. Investment Return**

The following summarizes the net investment returns and their classification in the statement of activities for the year ended December 31:

|                           | <u>2020</u>      |
|---------------------------|------------------|
| Interest and dividends    | \$ 1,661         |
| Realized gains            | 992              |
| Unrealized gains (losses) | <u>20,083</u>    |
|                           | <u>\$ 22,736</u> |

**Note 6. Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1      Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
  
- Level 2      Other observable inputs, either directly or indirectly, including:
  - Quoted prices for similar assets/liabilities in active markets;
  - Quoted prices for identical or similar assets in non-active markets;
  - Inputs other than quoted prices that are observable for the asset/liability; and,
  - Inputs that are derived principally from or corroborated by other observable market data.
  
- Level 3      Unobservable inputs that cannot be corroborated by observable market data.

The fair value measurements and levels within the fair value hierarchy of those measurements for assets reported at fair value on a recurring basis at December 31, 2020, are as follows:

| Description       | Fair Value        | Quoted Market Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|-------------------|-------------------|---|---|---|
| Investments       |                   |   |   |   |
| Equity securities | \$ 3,278          | \$ 3,278  | \$ -  | \$ -                                      |
| Bonds             | 188,260           | 188,260   | -   | -   |
| Total Investments | <u>\$ 191,538</u> | <u>\$ 191,538</u>   | <u>\$ -</u>                                   | <u>\$ -</u>                               |

**CHARTER HOUSE COALITION**  
**Notes to the Financial Statements**

**Note 7. Property and Equipment**

Property and equipment consisted of the following at December 31:

|                           | <u>2020</u>       |
|---------------------------|-------------------|
| Building and improvements | \$ 603,869        |
| Accumulated depreciation  | <u>(25,839)</u>   |
|                           | \$ <u>578,030</u> |

Depreciation expense for the years ended December 31, 2020, was \$14,505.

**Note 7. Real Property with Reversionary Interest**

Charter House Coalition owns a building in Middlebury Vermont a building used as the Coalition's shelter and for much of its meal program which was donated by a local church on July 1, 2018. Under the donation terms, the property reverts to the Church if the Coalition 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.

**Note 8. Capital Campaign**

In 2018, the Coalition 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 and various accessibility and energy efficiency improvements. At December 31, 2020, the Coalition had raised \$457,832.

**Note 9. Donor Restrictions on Net Assets**

Net assets with donor restrictions consists of the following at December 31:

|   | <u>2020</u>      |
|---|------------------|
| Capital acquisition                         | <u>66,932</u>    |
| Total net assets without donor restrictions | \$ <u>66,932</u> |

**Note 10. Risk Management**

The Coalition is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Organization maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Organization.

**Note 11. Subsequent Events**

In preparing these financial statements, the Coalition has evaluated events and transactions for potential recognition and disclosure through August 23, 2021, the date the financial statements were issued. The results of this evaluation indicated that there was a subsequent transaction that is required to be recognized in these financial statements.