



October 9, 2009

Board of Directors
Circle Center Adult Day Services
Richmond, Virginia

Gentlemen:

In planning and performing our audit of the financial statements for the year ended June 30, 2009 we considered the Organization's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. We review items below that came to our attention during the conduct of our audit which we feel merit your consideration.

The accuracy and reliability of the Organization's financial statements continued to improve during this past fiscal year. Reconciliations have been performed, approved adjustments have been made, old outstanding items related to cash and accounts receivable have been researched and adjusted, where needed, and account classification consistency has been improved. In what was a complicated accounting year as a result of the capital campaign, opening of the West Marshall Street property, and moving of operations, most of our adjustments were related to depreciation and classification/capitalization of fixed assets.

In order to enable monthly reporting of results that include an allocation of expenses between operations and rental or other nonoperating activities, we recommend allocating, where possible, expenses related to combined activities (rental vs operational). The goal is to have monthly financial information that provides management with as accurate as possible information about the costs of its adult day care activities. As a result, the costs shown for rental activities will be more accurate.

Circle Center LLC is a separate legal entity from Circle Center Adult Day Services even though, for income tax purposes, it is treated as a "disregarded entity" and combined with its parent. Currently, all of the organizations' combined cash is owned by Circle Center Adult Day Services. We recommend determining the amount of cash owned by Circle Center LLC and placing that in a cash account held in the name of the LLC.

We will be available to discuss this letter, our audit report, and other accounting matters with you should you desire. Thank you for the opportunity to work with your Organization and we look forward to working with you in the future.

Very truly yours,

Smith & Eggleston, P.C.

**CIRCLE CENTER ADULT DAY SERVICES
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008**

CIRCLE CENTER ADULT DAY SERVICES

JUNE 30, 2009

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Dawn vonBechmann
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Board of Directors
Circle Center Adult Day Services
Richmond, Virginia

We have audited the accompanying consolidated statements of financial position of Circle Center Adult Day Services as of June 30, 2009 and 2008 and the related consolidated statements of activities, cash flows and functional expenses for the years then ended. These consolidated financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Circle Center Adult Day Services as of June 30, 2009 and 2008 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Smith & Eggleston, P.C.

October 9, 2009

CIRCLE CENTER ADULT DAY SERVICES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS:		
Cash (Note 8)	\$ 434,343	\$ 277,095
Accounts receivable	39,375	53,315
Prepaid expenses	-	6,926
Total Current Assets	<u>\$ 473,718</u>	<u>\$ 337,336</u>
PROPERTY AND EQUIPMENT: (Note 1)		
Land	\$ 378,524	\$ 97,140
Building	3,549,738	529,684
Leasehold improvements	-	487,021
Equipment	116,633	43,343
Furniture and fixtures	124,950	23,460
	<u>\$ 4,169,845</u>	<u>\$ 1,180,648</u>
Less: Accumulated depreciation	176,160	336,288
Total Property and Equipment	<u>\$ 3,993,685</u>	<u>\$ 844,360</u>
OTHER ASSETS:		
West Marshall Street property	\$ -	\$ 1,963,504
Other	1,540	2,310
	<u>\$ 1,540</u>	<u>\$ 1,965,814</u>
 Total Assets	 <u><u>\$ 4,468,943</u></u>	 <u><u>\$ 3,147,510</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ -	\$ 1,291
Accrued compensated absences	19,399	19,286
Deferred revenue	9,708	9,708
Current portion of long-term debt (Note 8)	286,785	11,198
Employee withholding	1,734	1,453
	<u>\$ 317,626</u>	<u>\$ 42,936</u>
 LONG-TERM DEBT (Note 8)	 <u>\$ 1,913,698</u>	 <u>\$ 1,018,411</u>
 Total Liabilities	 <u>\$ 2,231,324</u>	 <u>\$ 1,061,347</u>
NET ASSETS		
Unrestricted	\$ 2,190,232	\$ 684,806
Temporarily restricted:		
Designated contributions for next year	6,455	6,584
Scholarship	37,612	5,518
Gammons Foundation	2,000	2,000
Capital campaign	-	1,374,160
Staff enrichment	525	1,234
Other	775	878
Memory Lane	-	-
Meals	-	10,639
Bathing	20	344
Total Net Assets	<u>\$ 2,237,619</u>	<u>\$ 2,086,163</u>
 Total Liabilities and Net Assets	 <u><u>\$ 4,468,943</u></u>	 <u><u>\$ 3,147,510</u></u>

See Notes To Financial Statements

CIRCLE CENTER ADULT DAY SERVICES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CHANGES IN UNRESTRICTED NET ASSETS:		
Support:		
Program services	\$ 283,897	\$ 347,499
Fees and grants from governmental agencies (Note 2)	404,231	373,594
Contributions (Note 2)	122,865	87,821
Special event income	30,909	18,567
Interest income	1,294	16,219
	\$ 843,196	\$ 843,700
Net Assets Released from Restrictions: (Note 3)		
United Way funding for the year:		
Community Care	80,500	84,000
Other	115,822	207,665
Total Unrestricted Revenues and Support	\$ 1,039,518	\$ 1,135,365
Expenses:		
Program service	\$ 892,260	\$ 909,788
Management and general	173,161	145,098
Fundraising/Participant development	72,357	79,493
	\$ 1,137,778	\$ 1,134,379
	\$ (98,260)	\$ 986
Loss on abandonment of leasehold improvements	(251,384)	-
Net rental income (loss) (Note 6)	24,455	(12,337)
	\$ (325,189)	\$ (11,351)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Designated contributions for next year	\$ 6,584	\$ 6,584
Restricted fund contributions (Note 9)	666,383	1,086,254
Net assets released from restrictions:		
Bathing fund expenditures	(324)	(288)
Expiration of time restrictions on designated funding	(6,584)	(5,562)
Purchase of meals	(10,639)	(3,883)
Staff enrichment expenditures	(767)	(2,875)
Bereavement fund expenses	-	(255)
Capital Campaign expenses	(68,890)	(79,493)
Parkinson fund costs	(61)	-
Memory Lane improvements and supplies	-	(333)
Scholarships paid	(109,057)	(198,976)
Increase in Temporarily Restricted Net Assets	\$ 476,645	\$ 801,173
	\$ 151,456	\$ 789,822
NET ASSETS - BEGINNING OF YEAR	2,086,163	1,296,341
NET ASSETS - END OF YEAR	\$ 2,237,619	\$ 2,086,163

See Notes To Financial Statements

CIRCLE CENTER ADULT DAY SERVICES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 151,456	\$ 789,822
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	\$ 76,279	\$ 37,719
Loss on abandonment of leasehold improvements	251,384	-
(Increase) decrease in operating assets:		
Accounts receivable	13,940	2,282
Prepaid expenses	6,926	5,779
Other assets	-	6,386
Increase (decrease) in operating liabilities:		
Accounts payable	(1,291)	(6,214)
Accrued compensated absences	113	7,622
Deferred revenue	-	9,708
Employee withholding	281	102
Total Adjustments	\$ 347,632	\$ 63,384
 Net Cash Provided by Operating Activities	 \$ 499,088	 \$ 853,206
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	\$ (98,307)	\$ (485,013)
 Net Cash (Used in) Investing Activities	 \$ (98,307)	 \$ (485,013)
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Mortgage loans curtailments	\$ (243,533)	\$ (757,357)
 Net Cash (Used in) Financing Activities	 \$ (243,533)	 \$ (757,357)
 Net Increase (Decrease) in Cash	 \$ 157,248	 \$ (389,164)
 CASH - BEGINNING OF YEAR	 277,095	 666,259
 CASH - END OF YEAR	 \$ 434,343	 \$ 277,095
 SUPPLEMENTAL DISCLOSURES:		
Cash paid during the year for interest	\$ 66,868	\$ 43,931
 SUPPLEMENTAL SCHEDULE OF NONCASH TRANSACTIONS:		
Renovation costs paid by mortgage loans	\$ 1,414,407	

See Notes To Financial Statements

CIRCLE CENTER ADULT DAY SERVICES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2009 AND 2008

	Program Service	Management and General	Fundraising/ Participant Development	Total	
				2009	2008
Salaries and wages - net of reimbursements	\$ 560,675	\$ 90,162	23,833	\$ 674,670	\$ 669,705
Payroll taxes	42,670	7,213	1,823	51,706	54,375
Employee benefits	44,636	11,159	982	56,777	55,011
Retirement plan	15,766	3,266	758	19,790	36,258
Total Personnel Costs	\$ 663,747	\$ 111,800	\$ 27,396	\$ 802,943	\$ 815,349
Development consulting	-	-	30,125	30,125	56,694
Rent	19,697	13,131	-	32,828	55,124
Meals and snacks	47,874	-	-	47,874	54,116
Other occupancy expense	21,824	-	1,377	23,201	18,624
Mortgage interest	11,747	7,832	-	19,579	-
Real estate taxes	5,018	3,346	-	8,364	-
Telephone	14,214	290	-	14,504	12,811
Insurance	14,014	1,557	-	15,571	11,381
Professional fees	3,618	10,852	2,000	16,470	14,074
Gas	10,774	1,197	-	11,971	7,807
Janitorial supplies	9,041	476	-	9,517	10,183
Conferences	1,116	-	-	1,116	4,704
Electricity	11,597	1,288	-	12,885	7,856
Office supplies	1,407	3,646	573	5,626	4,802
Printing	3,859	3,858	1,216	8,933	9,997
Program supplies	2,912	-	-	2,912	4,348
Special event - dedication & gathering	-	-	8,339	8,339	-
Equipment rental/repair	2,645	294	-	2,939	2,085
Local transportation - program participants	4,860	-	-	4,860	6,574
Postage	340	1,018	1,188	2,546	3,319
Staff enrichment	927	-	-	927	4,223
Staff travel	-	239	-	239	1,557
Water and sewer	1,242	138	-	1,380	-
Nursing supplies	288	-	-	288	1,311
Membership dues	184	46	-	230	939
Marketing	4,078	453	-	4,531	3,245
Bank merchant charges	538	134	143	815	1,703
Total Expenses Before Depreciation	\$ 857,561	\$ 161,595	\$ 72,357	\$ 1,091,513	\$ 1,112,826
Depreciation	34,699	11,566	-	46,265	21,553
Total Expenses	\$ 892,260	\$ 173,161	\$ 72,357	\$ 1,137,778	\$ 1,134,379

See Notes To Financial Statements

CIRCLE CENTER ADULT DAY SERVICES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

The Organization is a non-stock Virginia corporation that is licensed as a day care center for adults by the Virginia Department of Social Services. It provides services for older adults living in the Richmond, Virginia metropolitan area. Such services are designed to meet the following goals: (1) prevent inappropriate or premature institutionalization, (2) provide on-going health support services; (3) provide appropriate relief for family caregivers, and (4) improve the quality of life of frail and impaired older adults. The Organization is supported primarily through fees and grants from governmental agencies, private payment for program services, donor grants and contributions and the United Way.

Principals of Consolidation

The consolidated financial statements include the accounts of the Organization and its wholly-owned subsidiary, Circle Center, LLC, which was formed as a single member limited liability company in order to purchase, own, renovate and operate the Organization's new operating facility. All material intercompany accounts and transactions have been eliminated in consolidation.

Financial Statement Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization 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. In addition, the Organization is required to present a statement of cash flows. The Organization does not use fund accounting.

Contributions

The Organization also adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. *Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.*

Depreciation

It is the Organization's policy to capitalize property and equipment over \$500. Property and equipment is stated at cost. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets, ranging from five to forty years.

Statement of Cash Flows

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CIRCLE CENTER ADULT DAY SERVICES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Income Taxes

The Organization qualifies as a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. Accordingly, any excess receipts over disbursements are not subject to federal or state income taxes.

Gifts-In-Kind

Donated materials and equipment are reflected as contributions at their estimated values at date of receipt. No amounts have been included in these financial statements for contributed services, inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services and in its fund-raising campaigns.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

NOTE 2: PUBLIC SUPPORT:

Contributions

Unrestricted contributions are received for use in the general day-to-day operations of the Organization. A summary of contributions received during the year follows:

Source	2009	2008
Special appeal	\$ 45,886	\$ 37,412
Memorial and furnishings	2,460	975
Other	74,519	49,434
	\$ 122,865	\$ 87,821

Fees and Grants from Governmental Agencies

Fees and grants from governmental agencies include funds received as third party reimbursements for serving specific qualified participants. A summary of fees and grants received during the year follows:

Source	2009	2008
Medicaid	\$ 385,526	\$ 344,553
Senior Connections	18,705	29,041
	\$ 404,231	\$ 373,594

CIRCLE CENTER ADULT DAY SERVICES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 3: NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors during the years ended June 30, 2009 and 2008. Funds received and released from United Way totaled \$80,500 and \$84,000 for the years ended June 30, 2009 and 2008, respectively. Restricted funds received and released were as follows:

Fund	2009	2008
Capital Campaign	\$ 68,890	\$ 79,493
Scholarships	109,057	198,976
Designated funds	6,584	5,562
Staff enrichment	767	2,875
Meals fund	10,639	3,883
Memory Lane fund	-	333
Bathing fund	324	288
Bereavement fund	-	255
Parkinson fund	61	-
	<u>\$ 196,322</u>	<u>\$ 291,665</u>

NOTE 4: FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 5: RETIREMENT PLAN:

The Organization has a qualified defined contribution retirement plan which is available after three months of service to all employees. Contributions to the plan equaled 5.5% of a participant's annual compensation for the year ended June 30, 2008 (\$36,258). During the year ended June 30, 2009, monthly contributions totaled 5% of participants' compensation for seven months (\$19,790), after which no further contributions were made. The plan may be amended or terminated by the board of directors at any time.

NOTE 6: NET RENTAL INCOME (LOSS):

Net rental income (loss) consists of the following:

	2009	2008
Rental income - Spencer Road	\$ 8,600	\$ 14,803
Rental income - West Marshall Street	116,497	19,901
	<u>\$ 125,097</u>	<u>\$ 34,704</u>
Mortgage interest	\$ 47,289	\$ 18,496
Utilities	4,062	5,479
Janitorial	-	71
Repairs	5,618	405
Insurance	1,698	1,657
Depreciation	30,014	15,196
Professional fees	-	456
Real estate taxes	11,961	5,281
	<u>\$ 100,642</u>	<u>\$ 47,041</u>
Net rental income (loss)	<u>\$ 24,455</u>	<u>\$ (12,337)</u>

CIRCLE CENTER ADULT DAY SERVICES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 7: CONCENTRATION OF CREDIT:

The Organization maintains its cash balances in various financial institutions. At June 30, 2009 and 2008, the Organization had cash balances of \$106,000 and \$80,000 in excess of FDIC insured limits, respectively.

NOTE 8: LONG-TERM DEBT:

Long-term debt consists of the following:

Five-year balloon mortgage loan with final payment due August 1, 2009. Interest accrues at 5.99% and monthly payments of principal and interest total \$2,416. The loan is secured by a building and land and the guarantee of Circle Center Adult Day Services.	\$	286,785		\$	297,983
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Term loan for the purchase of the West Marshall Street property. Interest accrues at the LIBOR rate plus 2.25% (2.6643 at June 30, 2009). The loan provided for annual \$300,000 payments, but its curtailment has been accelerated such that further curtailments are not required until the loan matures December 15, 2010. The loan is secured by the West Marshall Street property and a security agreement with the organization.		320,800			553,135
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Term loan for the renovation of West Marshall Street property. Interest accrues at the LIBOR rate plus 2.25%, with a minimum and maximum rate of 4% and 7%, respectively. Interest only payments are due through June 5, 2011. Commencing July 5, 2011, there will be 59 scheduled monthly payments of \$10,800, including principal and interest, with a final balloon payment due on June 5, 2016. The loan is secured by the real property and a security agreement with the organization.		1,592,898			178,491
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	\$	2,200,483		\$	1,029,609
Less: Current maturities		286,785			11,198
	\$	<u>1,913,698</u>		\$	<u>1,018,411</u>

Scheduled maturities of long-term debt are as follows:

Year Ending June 30,					
2010	\$	286,785			
2011		320,800			
2012		67,107			
2013		69,841			
2014		72,687			
Thereafter		1,383,263			
	\$	<u>2,200,483</u>			

CIRCLE CENTER ADULT DAY SERVICES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 9: RESTRICTED FUNDS:

A summary of restricted funds contributions received during the year follows:

	2009	2008
Capital Campaign	\$ 444,998	\$ 891,414
United Way Community Care	80,500	84,000
Philip Morris Employees' Community Fund	50,000	35,500
Jenkins Foundation	-	20,000
Sheltering Arms Fund	-	20,000
Genworth Foundation	7,500	15,000
Harrison Foundation	10,000	15,000
Scholarship funds	18,827	-
Staff enrichment fund	58	3,116
Gammons Foundation	2,000	2,000
Richmond Academy of Medicine Alliance	2,500	-
Anonymous donor	50,000	-
Bathing fund	-	24
Bereavement fund	-	200
	<u>\$ 666,383</u>	<u>\$ 1,086,254</u>