

**CIRCLE CENTER ADULT DAY SERVICES  
CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2010 AND 2009**

**CIRCLE CENTER ADULT DAY SERVICES**

**JUNE 30, 2010**

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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, 2010 and 2009 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, 2010 and 2009 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.*

September 29, 2010

**CIRCLE CENTER ADULT DAY SERVICES**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash (Note 7)	\$ 441,886	\$ 434,343
Accounts receivable	38,004	39,375
Prepaid expenses	12,565	-
Total Current Assets	\$ 492,455	\$ 473,718
 <b>PROPERTY AND EQUIPMENT: (Note 1)</b>		
Land	\$ 378,524	\$ 378,524
Building	3,549,738	3,549,738
Leasehold improvements	-	-
Equipment	79,182	116,633
Furniture and fixtures	108,120	124,950
	\$ 4,115,564	\$ 4,169,845
Less: Accumulated depreciation	249,375	176,160
Total Property and Equipment	\$ 3,866,189	\$ 3,993,685
 <b>OTHER ASSETS:</b>		
Other	\$ 3,076	\$ 1,540
	\$ 3,076	\$ 1,540
Total Assets	\$ 4,361,720	\$ 4,468,943
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accrued compensated absences	\$ 16,894	\$ 19,399
Deferred revenue	-	9,708
Current portion of long-term debt (Note 8)	245,562	286,785
Employee withholding	1,568	1,734
Accrued interest	5,310	-
Total Current Liabilities	\$ 269,334	\$ 317,626
<b>LONG-TERM DEBT (Note 8)</b>	\$ 1,592,898	\$ 1,913,698
Total Liabilities	\$ 1,862,232	\$ 2,231,324
<b>NET ASSETS</b>		
Unrestricted	\$ 2,384,948	\$ 2,190,232
Temporarily restricted:		
Designated contributions for next year	7,115	6,455
Scholarship	101,891	37,612
Gammons Foundation	-	2,000
Marketing	4,439	-
Staff enrichment	176	525
Other	570	775
Bathing	349	20
Total Net Assets	\$ 2,499,488	\$ 2,237,619
Total Liabilities and Net Assets	\$ 4,361,720	\$ 4,468,943

See Notes To Financial Statements

**CIRCLE CENTER ADULT DAY SERVICES**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
CHANGES IN UNRESTRICTED NET ASSETS:		
Support:		
Program services	\$ 385,628	\$ 283,897
Fees and grants from governmental agencies (Note 2)	409,425	404,231
Contributions (Note 2)	159,446	122,865
Special event income	30,909	28,409
Interest income	1,431	1,294
	\$ 986,839	\$ 840,696
Net Assets Released from Restrictions: (Note 3)		
United Way funding for the year:		
Community Care	35,004	80,500
Other	284,919	115,822
Total Unrestricted Revenues and Support	\$ 1,306,762	\$ 1,037,018
Expenses:		
Program service	\$ 814,447	\$ 892,260
Management and general	244,905	173,161
Fundraising/Participant development	105,252	69,857
	\$ 1,164,604	\$ 1,135,278
	\$ 142,158	\$ (98,260)
Loss on abandonment of leasehold improvements	-	(251,384)
Net rental income (Note 6)	52,558	24,455
Increase (Decrease) in Unrestricted Net Assets	\$ 194,716	\$ (325,189)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Designated contributions for next year	\$ 6,455	\$ 6,584
Restricted fund contributions (Note 9)	380,621	666,383
Net assets released from restrictions:		
Bathing fund expenditures	(156)	(324)
Expiration of time restrictions on designated funding	(6,455)	(6,584)
Purchase of meals	(5,047)	(10,639)
Staff enrichment expenditures	(905)	(767)
Capital Campaign expenses	(111,000)	(68,890)
Parkinson fund costs	-	(61)
Marketing	(3,060)	-
Scholarships paid	(193,300)	(109,057)
Increase (Decrease) in Temporarily Restricted Net Assets	\$ 67,153	\$ 476,645
Increase in Net Assets	\$ 261,869	\$ 151,456
NET ASSETS - BEGINNING OF YEAR	2,237,619	2,086,163
NET ASSETS - END OF YEAR	\$ 2,499,488	\$ 2,237,619

See Notes To Financial Statements

**CIRCLE CENTER ADULT DAY SERVICES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 261,869	\$ 151,456
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	\$ 128,399	\$ 76,279
Loss on abandonment of leasehold improvements	5,310	251,384
(Increase) decrease in operating assets:		
Accounts receivable	1,371	13,940
Prepaid expenses	(12,565)	6,926
Other assets	(1,536)	-
Increase (decrease) in operating liabilities:		
Accounts payable	-	(1,291)
Accrued compensated absences	(2,505)	113
Deferred revenue	(9,708)	-
Employee withholding	(166)	281
Accrued interest	5,310	
Total Adjustments	\$ 108,600	\$ 347,632
 Net Cash Provided by (Used in) Operating Activities	 \$ 370,469	 \$ 499,088
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	\$ (903)	\$ (98,307)
 Net Cash (Used in) Investing Activities	 \$ (903)	 \$ (98,307)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Mortgage loans curtailments	\$ (362,023)	\$ (243,533)
 Net Cash (Used in) Financing Activities	 \$ (362,023)	 \$ (243,533)
 Net Increase (Decrease) in Cash	 \$ 7,543	 \$ 157,248
CASH - BEGINNING OF YEAR	434,343	277,095
CASH - END OF YEAR	\$ 441,886	\$ 434,343
SUPPLEMENTAL SCHEDULE OF NONCASH TRANSACTIONS:		
Renovation costs paid by mortgage loans	\$ -	\$ 1,414,407
Cash paid during the year for interest	\$ 76,266	\$ 43,931

See Notes To Financial Statements

**CIRCLE CENTER ADULT DAY SERVICES**

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**

**YEARS ENDED JUNE 30, 2010 AND 2009**

	Program Service	Management and General	Fundraising/ Participant Development	Total	
				2010	2009
Salaries and wages - net of reimbursements	\$ 465,157	\$ 134,156	\$ 88,038	\$ 687,351	\$ 674,670
Payroll taxes	33,268	10,732	7,043	51,043	51,706
Employee benefits	42,945	16,299	6,838	66,082	56,777
Retirement plan	15,708	5,366	2,493	23,567	19,790
<b>Total Personnel Costs</b>	<b>\$ 557,078</b>	<b>\$ 166,553</b>	<b>\$ 104,412</b>	<b>\$ 828,043</b>	<b>\$ 802,943</b>
Mortgage interest	\$ 40,315	\$ 26,876	\$ -	\$ 67,191	\$ 19,579
Taxes	11,719	7,812	-	19,531	8,364
Other occupancy expense	17,316	-	-	17,316	23,201
Electricity	5,378	598	-	5,976	12,885
Gas	4,478	497	-	4,975	11,971
Rent	1,072	714	-	1,786	32,828
Water and sewer	1,186	132	-	1,318	1,380
<b>Total Occupancy Costs</b>	<b>\$ 81,464</b>	<b>\$ 36,629</b>	<b>\$ -</b>	<b>\$ 118,093</b>	<b>\$ 110,208</b>
Meals and snacks	\$ 42,094	\$ -	\$ -	\$ 42,094	\$ 47,874
Insurance	19,785	2,198	-	21,983	15,571
Telephone	10,667	218	-	10,885	14,504
Professional fees	2,176	6,526	-	8,702	16,470
Equipment rental/repair	7,778	864	-	8,642	2,939
Janitorial supplies	7,908	416	-	8,324	9,517
Printing	3,764	3,763	-	7,527	8,933
Office supplies	1,188	3,565	-	4,753	5,626
Marketing	3,856	428	-	4,284	4,531
Staff enrichment	3,327	-	-	3,327	927
Local transportation - program participants	3,240	-	-	3,240	4,860
Postage	635	1,906	-	2,541	2,546
Conferences and meetings	2,196	-	-	2,196	1,116
Program supplies	1,484	-	-	1,484	2,912
Bank merchant charges	803	201	143	1,147	815
Nursing supplies	824	-	-	824	288
Special event - dedication & gathering	-	-	697	697	5,839
Bad debts	393	-	-	393	-
Staff travel	-	376	-	376	239
Development consulting	-	-	-	-	30,125
Membership dues	-	-	-	-	230
<b>Total Expenses Before Depreciation</b>	<b>\$ 750,660</b>	<b>\$ 223,643</b>	<b>\$ 105,252</b>	<b>\$ 1,079,555</b>	<b>\$ 1,089,013</b>
Depreciation	63,787	21,262	-	85,049	46,265
<b>Total Expenses</b>	<b>\$ 814,447</b>	<b>\$ 244,905</b>	<b>\$ 105,252</b>	<b>\$ 1,164,604</b>	<b>\$ 1,135,278</b>

See Notes To Financial Statements

**CIRCLE CENTER ADULT DAY SERVICES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2010 AND 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 operating facility, after the expiration of its lease. 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, temporarily restricted, and permanently restricted. Net asset classes are summarized as follows:

Unrestricted net assets are not subject to donor-imposed restrictions and may be designated for specific purposes by action of the Board of Trustees.

Temporarily restricted net assets include contributions restricted by donor designation. When a restriction expires, temporarily restricted net assets are released and reclassified to unrestricted net assets. If the restriction is satisfied in the same period as the contribution is received, the contribution is reported as unrestricted.

Permanently restricted net assets include contributions subject to donor-imposed stipulations that they be maintained permanently by the Organization. Only the income from permanently restricted net assets may be used to support either general activities (unrestricted) or other activities specified by the donor (temporarily restricted).

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.

CIRCLE CENTER ADULT DAY SERVICES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2010 AND 2009

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

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.

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

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

**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:

<u>Source</u>	<u>2010</u>	<u>2009</u>
Special appeal	\$ 39,131	\$ 45,886
Memorial and furnishings	1,690	2,460
Other	118,625	74,519
	<u>\$ 159,446</u>	<u>\$ 122,865</u>

**CIRCLE CENTER ADULT DAY SERVICES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2010 AND 2009**

**NOTE 2: PUBLIC SUPPORT: (continued)**

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:

<u>Source</u>	2010	2009
Medicaid	\$ 382,806	\$ 385,526
Senior Connections	26,619	18,705
	<u>\$ 409,425</u>	<u>\$ 404,231</u>

**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, 2010 and 2009.

Such funds received and released from United Way totaled \$35,004 and \$80,500 for the years ended June 30, 2010 and 2009, respectively. Such funds received and released were as follows:

<u>Fund</u>	2010	2009
Scholarships	\$ 193,300	\$ 109,057
Capital Campaign	111,000	68,890
Designated funds	6,455	6,584
Meals fund	5,047	10,639
Marketing	3,060	-
Staff enrichment	905	767
Bathing fund	156	324
Parkinson fund	-	61
	<u>\$ 319,923</u>	<u>\$ 196,322</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 was available immediately after employment to employees who work 20 or more hours per week during the year ended June 30, 2009.

During the year ended June 30, 2009, monthly contributions totaled 5.5% of participants' compensation for seven months (\$19,790), after which no further contributions were made. During the year ended June 30, 2010, employees were eligible to receive a contribution after the later of 3 months or 501 hours of service.

A 4% contribution was made to eligible participants, and the retirement plan expense totaled \$23,567. The plan may be amended or terminated by the board of directors at any time.

**CIRCLE CENTER ADULT DAY SERVICES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2010 AND 2009**

**NOTE 6: NET RENTAL INCOME (LOSS):**

Net rental income consists of the following:

Rental income - Spencer Road  
Rental income - West Marshall Street

2010	2009
\$ 8,876	\$ 8,600
116,497	116,497
\$ 125,373	\$ 125,097

Depreciation  
Mortgage interest  
Utilities  
Real estate taxes  
Repairs  
Other occupancy  
Insurance

\$ 30,997	\$ 30,014
14,385	47,289
11,511	4,062
10,937	11,961
2,621	5,618
1,364	-
1,000	1,698
\$ 72,815	\$ 100,642

Net rental income

\$ 52,558	\$ 24,455
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**NOTE 7: CONCENTRATION OF CREDIT:**

The Organization maintains its cash balances in various financial institutions. At June 30, 2010 the Organization had cash balances of \$139,000 in excess of FDIC insured limits.

**NOTE 8: LONG-TERM DEBT:**

Long-term debt consists of the following:

One-year balloon mortgage loan with final payment due August 5, 2010. Interest accrues at the Bank's Prime Rate plus 0.5% with a minimum rate of 4.5% and monthly payments of principal and interest total \$1,300. The loan is secured by a deed of trust and the guarantee of Circle Center Adult Day Services.

2010	2009
\$ 245,562	\$ -

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

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

**CIRCLE CENTER ADULT DAY SERVICES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2010 AND 2009**

**NOTE 8: LONG-TERM DEBT: (continued)**

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.

Less: Current maturities

	1,592,898	1,592,898
	<u>\$ 1,838,460</u>	<u>\$ 2,200,483</u>
	245,562	286,785
	<u>\$ 1,592,898</u>	<u>\$ 1,913,698</u>

Scheduled maturities of long-term debt are as follows:

<u>Year Ending June 30,</u>	
2011	\$ 245,562
2012	67,105
2013	69,839
2014	72,685
2015	75,646
Thereafter	1,307,623
	<u>\$ 1,838,460</u>

**NOTE 9: RESTRICTED FUNDS:**

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

	<u>2010</u>	<u>2009</u>
Capital Campaign	\$ 111,000	\$ 444,998
United Way Community Care	63,570	80,500
Community Foundation Safety Net	55,000	-
Anonymous donor	50,000	50,000
Jenkins Foundation	25,000	-
Sheltering Arms Fund	25,000	-
Harrison Foundation	10,000	10,000
Parsons Foundation	10,000	-
Genworth Foundation	7,500	7,500
Genworth Financial, Inc.	7,500	-
Bank of America Foundation	5,000	-
Grier Scholarship	3,897	-
Christ Church Episcopal	2,500	-
Gammons Foundation	2,000	2,000
Western Henrico Rotary Club	1,500	-
Bathing fund	485	-
Other fund	112	-
Philip Morris Employees' Community Fund	-	50,000
Richmond Academy of Medicine Alliance	-	2,500
Scholarship funds	-	18,827
Staff enrichment fund	557	58
	<u>\$ 380,621</u>	<u>\$ 666,383</u>