

**CIRCLE CENTER ADULT DAY SERVICES
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

CIRCLE CENTER ADULT DAY SERVICES

JUNE 30, 2011

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INDEPENDENT AUDITORS' REPORT

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, 2011 and 2010 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, 2011 and 2010 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.

December 30, 2011

CIRCLE CENTER ADULT DAY SERVICES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS:		
Cash (Note 7)	\$ 518,256	\$ 441,886
Accounts receivable	35,974	38,004
Prepaid expenses	1,031	12,565
Total Current Assets	<u>\$ 555,261</u>	<u>\$ 492,455</u>
PROPERTY AND EQUIPMENT: (Note 1)		
Land	\$ 378,524	\$ 378,524
Building	3,557,272	3,549,738
Equipment	79,182	79,182
Furniture and fixtures	108,120	108,120
	<u>\$ 4,123,098</u>	<u>\$ 4,115,564</u>
Less: Accumulated depreciation	357,496	249,375
Total Property and Equipment	<u>\$ 3,765,602</u>	<u>\$ 3,866,189</u>
OTHER ASSETS:		
	<u>\$ -</u>	<u>\$ 3,076</u>
Total Assets	<u><u>\$ 4,320,863</u></u>	<u><u>\$ 4,361,720</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 20,991	\$ -
Accrued compensated absences	19,073	16,894
Current portion of long-term debt (Note 8)	84,739	245,562
Prepaid rental income	9,708	-
Employee withholding	-	1,568
Accrued interest	-	5,310
Total Current Liabilities	<u>\$ 134,511</u>	<u>\$ 269,334</u>
LONG-TERM DEBT (Note 8)	<u>\$ 1,594,331</u>	<u>\$ 1,592,898</u>
Total Liabilities	<u>\$ 1,728,842</u>	<u>\$ 1,862,232</u>
NET ASSETS		
Unrestricted:		
Real estate	\$ 2,210,488	\$ 2,053,548
General unrestricted	314,909	331,400
	<u>\$ 2,525,397</u>	<u>\$ 2,384,948</u>
Temporarily restricted	66,624	114,540
Total Net Assets	<u>\$ 2,592,021</u>	<u>\$ 2,499,488</u>
Total Liabilities and Net Assets	<u><u>\$ 4,320,863</u></u>	<u><u>\$ 4,361,720</u></u>

See Notes To Financial Statements

CIRCLE CENTER ADULT DAY SERVICES

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
Support:		
Program services	\$ 364,211	\$ 385,628
Fees and grants from governmental agencies (Note 2)	407,343	409,425
Contributions (Note 2)	111,664	159,446
Special event income	36,922	30,909
Interest income	805	1,431
	<u>\$ 920,945</u>	<u>\$ 986,839</u>
Net Assets Released from Restrictions: (Note 3)		
United Way funding for the year:		
Community Care	61,055	35,004
Other	336,579	284,919
Total Unrestricted Revenues and Support	<u>\$ 1,318,579</u>	<u>\$ 1,306,762</u>
Expenses:		
Program service	\$ 854,185	\$ 814,447
Management and general	218,226	244,905
Fundraising/Participant development	142,023	105,252
	<u>\$ 1,214,434</u>	<u>\$ 1,164,604</u>
	\$ 104,145	\$ 142,158
Net rental income (Note 6)	<u>37,043</u>	<u>52,558</u>
	\$ 141,188	\$ 194,716
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Designated contributions for next year	\$ 7,115	\$ 6,455
Restricted fund contributions (Note 9)	341,864	380,621
Net assets released from restrictions (Note 3):		
Bathing fund expenditures	-	(156)
Expiration of time restrictions on designated funding	(7,115)	(6,455)
Purchase of meals	-	(5,047)
Staff enrichment expenditures	-	(905)
Capital Campaign expenses	(157,170)	(111,000)
Marketing	(4,439)	(3,060)
Scholarships and tuition subsidy	(228,910)	(193,300)
Increase (Decrease) in Temporarily Restricted Net Assets	<u>\$ (48,655)</u>	<u>\$ 67,153</u>
	\$ 92,533	\$ 261,869
NET ASSETS - BEGINNING OF YEAR	<u>2,499,488</u>	<u>2,237,619</u>
NET ASSETS - END OF YEAR	<u><u>\$ 2,592,021</u></u>	<u><u>\$ 2,499,488</u></u>

See Notes To Financial Statements

CIRCLE CENTER ADULT DAY SERVICES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 92,533	\$ 261,869
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	\$ 108,122	\$ 128,399
Loss on abandonment of leasehold improvements	-	5,310
(Increase) decrease in operating assets:		
Accounts receivable	2,030	1,371
Prepaid expenses	11,534	(12,565)
Other assets	3,076	(1,536)
Increase (decrease) in operating liabilities:		
Accounts payable	20,991	-
Accrued compensated absences	2,179	(2,505)
Prepaid rental income	9,708	-
Deferred revenue	-	(9,708)
Employee withholding	(1,568)	(166)
Accrued interest	(5,310)	-
Total Adjustments	<u>\$ 150,762</u>	<u>\$ 108,600</u>
Net Cash Provided by Operating Activities	<u>\$ 243,295</u>	<u>\$ 370,469</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	\$ (7,535)	\$ (903)
Net Cash (Used in) Investing Activities	<u>\$ (7,535)</u>	<u>\$ (903)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Mortgage loans curtailments	\$ (159,390)	\$ (362,023)
Net Cash (Used in) Financing Activities	<u>\$ (159,390)</u>	<u>\$ (362,023)</u>
Net Increase in Cash	\$ 76,370	\$ 7,543
CASH - BEGINNING OF YEAR	441,886	434,343
CASH - END OF YEAR	<u>\$ 518,256</u>	<u>\$ 441,886</u>
SUPPLEMENTAL SCHEDULE OF NONCASH TRANSACTIONS:		
Cash paid during the year for interest	\$ 84,087	\$76,266

See Notes To Financial Statements

CIRCLE CENTER ADULT DAY SERVICES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2011 AND 2010

	Program Service	Management and General	Fundraising/ Participant Development	Total	
				2011	2010
Salaries and wages - net of reimbursements	\$ 502,582	\$ 83,211	\$ 113,078	\$ 698,871	\$ 687,351
Payroll taxes	36,097	6,657	9,046	51,800	51,043
Employee benefits	40,321	10,144	9,574	60,039	66,082
Retirement plan	24,457	4,028	4,372	32,857	23,567
Total Personnel Costs	\$ 603,457	\$ 104,040	\$ 136,070	\$ 843,567	\$ 828,043
Mortgage interest	\$ 37,169	\$ 24,780	\$ -	\$ 61,949	\$ 67,191
Taxes	12,564	8,376	-	20,940	19,531
Other occupancy expense	19,497	-	-	19,497	17,316
Electricity	16,546	1,838	-	18,384	5,976
Gas	5,574	619	-	6,193	4,975
Water and sewer	2,600	289	-	2,889	1,318
Rent	767	511	-	1,278	1,786
Total Occupancy Costs	\$ 94,717	\$ 36,413	\$ -	\$ 131,130	\$ 118,093
Strategic planning & development consulting	-	42,970	-	42,970	-
Meals and snacks	\$ 42,153	\$ -	\$ -	\$ 42,153	\$ 42,094
Insurance	19,069	2,119	-	21,188	21,983
Marketing	8,507	945	-	9,452	4,284
Professional fees	2,362	7,086	-	9,448	8,702
Janitorial supplies	8,837	465	-	9,302	8,324
Telephone	8,495	173	-	8,668	10,885
Equipment rental/repair	6,753	750	-	7,503	8,642
Printing	3,284	3,284	-	6,568	7,527
Special event - anniversary & gathering	-	-	5,810	5,810	697
Office supplies	2,198	2,198	-	4,396	4,753
Local transportation - program participants	3,240	-	-	3,240	3,240
Postage	678	2,032	-	2,710	2,541
Program supplies	2,316	-	-	2,316	1,484
Conferences and meetings	1,856	-	-	1,856	2,196
Bank merchant charges	1,009	252	143	1,404	1,147
Staff enrichment	954	-	-	954	3,327
Staff travel	-	932	-	932	376
Nursing supplies	538	-	-	538	824
Membership dues	245	61	-	306	-
Bad debts	-	-	-	-	393
Total Expenses Before Depreciation	\$ 810,668	\$ 203,720	\$ 142,023	\$ 1,156,411	\$ 1,079,555
Depreciation	43,517	14,506	-	58,023	85,049
Total Expenses	\$ 854,185	\$ 218,226	\$ 142,023	\$ 1,214,434	\$ 1,164,604

See Notes To Financial Statements

CIRCLE CENTER ADULT DAY SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

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 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

YEARS ENDED JUNE 30, 2011 AND 2010

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

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>2011</u>	<u>2010</u>
Special appeal	\$ 68,719	\$ 39,131
Memorial and furnishings	3,069	1,690
Other	39,876	118,625
	<u>\$ 111,664</u>	<u>\$ 159,446</u>

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>	<u>2011</u>	<u>2010</u>
Medicaid	\$ 380,570	\$ 382,806
Senior Connections	26,773	26,619
	<u>\$ 407,343</u>	<u>\$ 409,425</u>

CIRCLE CENTER ADULT DAY SERVICES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

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, 2011 and 2010. Such funds received and released from United Way totaled \$61,055 and \$35,004 for the years ended June 30, 2011 and 2010, respectively. Such funds received and released were as follows:

Fund	2011	2010
Scholarships and tuition subsidy	\$ 228,910	\$ 193,300
Capital Campaign	157,170	111,000
Designated funds	7,115	6,455
Marketing	4,439	3,060
Meals fund	-	5,047
Staff enrichment	-	905
Bathing fund	-	156
	<u>\$ 397,634</u>	<u>\$ 319,923</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 for the benefit of its employees. 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 for 2011 and 2010 and the retirement plan expense totaled \$32,857 and \$23,567 for those years, respectively. The plan may be amended or terminated by the board of directors at any time.

NOTE 6: NET RENTAL INCOME:

	2011	2010
Net rental income consists of the following:		
Rental income - Spencer Road	\$ 7,554	\$ 8,876
Rental income - West Marshall Street	116,497	116,497
	<u>\$ 124,051</u>	<u>\$ 125,373</u>
Depreciation	\$ 50,098	\$ 30,997
Mortgage interest	16,828	14,385
Utilities	4,073	11,511
Real estate taxes	10,937	10,937
Repairs	4,434	2,621
Other occupancy	205	1,364
Insurance	433	1,000
	<u>\$ 87,008</u>	<u>\$ 72,815</u>
Net rental income	<u>\$ 37,043</u>	<u>\$ 52,558</u>

CIRCLE CENTER ADULT DAY SERVICES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 7: CONCENTRATION OF CREDIT:

The Organization maintains its cash balances in various financial institutions. At June 30, 2011 the Organization had cash balances of \$43,678 in excess of FDIC insured limits.

NOTE 8: LONG-TERM DEBT:

Long-term debt consists of the following:

	<u>2011</u>	<u>2010</u>
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.	\$ -	\$ 245,562
Twenty-three month balloon mortgage loan with final payment due August 5, 2012. 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 \$1,435. The loan is secured by a deed of trust and the guarantee of Circle Center Adult Day Services.	239,842	-
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 were 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.	<u>1,439,228</u>	<u>1,592,898</u>
	\$ 1,679,070	\$ 1,838,460
Less: Current maturities	84,739	245,562
	<u>\$ 1,594,331</u>	<u>\$ 1,592,898</u>

Scheduled maturities of long-term debt are as follows:

<u>Year Ending June 30,</u>	
2012	\$ 84,739
2013	309,144
2014	79,643
2015	82,889
2016	<u>1,122,655</u>
	<u>\$ 1,679,070</u>

CIRCLE CENTER ADULT DAY SERVICES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 9: RESTRICTED FUNDS:

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

	2011	2010
Capital Campaign	\$ 157,170	\$ 111,000
United Way Community Care	63,570	63,570
Altria Companies Employee Community Fund	50,000	-
Jenkins Foundation	30,000	25,000
Sheltering Arms Fund	20,000	25,000
Harrison Foundation	10,000	10,000
Genworth Foundation	7,500	7,500
Other fund	1,500	112
Gammons Foundation	1,000	2,000
Bon Air Rotary Club	1,000	-
Staff enrichment fund	124	557
Community Foundation Safety Net	-	55,000
Parsons Foundation	-	10,000
Genworth Financial, Inc.	-	7,500
Bank of America Foundation	-	5,000
Grier Scholarship	-	3,897
Christ Church Episcopal	-	2,500
Western Henrico Rotary Club	-	1,500
Bathing fund	-	485
Anonymous donor	-	50,000
	<u>\$ 341,864</u>	<u>\$ 380,621</u>

NOTE 10: SUBSEQUENT EVENTS:

Management has evaluated subsequent events through December 30, 2011, the date on which the financial statements were available to be issued.