

***CIRCLE CENTER ADULT DAY SERVICES
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012***

CIRCLE CENTER ADULT DAY SERVICES

JUNE 30, 2013

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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 (a nonprofit organization) and its subsidiary, which comprise the consolidated statement of financial position as of June 30, 2013 and 2012 and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Circle Center Adult Day Services and its subsidiary as of June 30, 2013 and 2012 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.

January 8, 2014

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CIRCLE CENTER ADULT DAY SERVICES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 555,976	\$ 611,855
Accounts receivable	36,299	30,441
Prepaid expenses	4,498	3,726
Note receivable	3,639	2,839
Total Current Assets	<u>\$ 600,412</u>	<u>\$ 648,861</u>
PROPERTY AND EQUIPMENT: (Note 1)		
Land	\$ 281,384	\$ 281,384
Building	3,030,097	3,030,097
Equipment	80,699	80,699
Furniture and fixtures	111,960	116,190
	<u>\$ 3,504,140</u>	<u>\$ 3,508,370</u>
Less: Accumulated depreciation	478,421	370,056
Total Property and Equipment	<u>\$ 3,025,719</u>	<u>\$ 3,138,314</u>
OTHER ASSETS:		
Note receivable	<u>\$ 79,672</u>	<u>\$ 92,408</u>
Total Assets	<u><u>\$ 3,705,803</u></u>	<u><u>\$ 3,879,583</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 7,351	\$ 2,841
Accrued compensated absences	17,482	20,525
Current portion of long-term debt (Note 7)	84,742	80,918
Prepaid rental income	-	9,708
Employee withholding	-	37
Total Current Liabilities	<u>\$ 109,575</u>	<u>\$ 114,029</u>
LONG-TERM DEBT (Note 7)	<u>\$ 1,002,691</u>	<u>\$ 1,100,366</u>
Total Liabilities	<u>\$ 1,112,266</u>	<u>\$ 1,214,395</u>
NET ASSETS		
Unrestricted:		
Building fund	\$ 2,210,488	\$ 2,210,488
General unrestricted	305,839	330,490
	<u>\$ 2,516,327</u>	<u>\$ 2,540,978</u>
Temporarily restricted	77,210	124,210
Total Net Assets	<u>\$ 2,593,537</u>	<u>\$ 2,665,188</u>
Total Liabilities and Net Assets	<u><u>\$ 3,705,803</u></u>	<u><u>\$ 3,879,583</u></u>

See Notes To Consolidated Financial Statements

CIRCLE CENTER ADULT DAY SERVICES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CHANGES IN UNRESTRICTED NET ASSETS:		
Support:		
Program services	\$ 338,582	\$ 383,240
Fees and grants from governmental agencies (Note 2)	376,983	379,235
Contributions (Note 2)	95,240	107,648
Special event income	20,415	35,049
Interest income	6,162	3,416
	\$ 837,382	\$ 908,588
Net Assets Released from Restrictions: (Note 3)		
United Way funding for the year:		
Community Care	63,570	84,313
Other	275,298	187,974
Total Unrestricted Revenues and Support	\$ 1,176,250	\$ 1,180,875
Expenses:		
Program service	\$ 972,936	\$ 932,926
Management and general	168,264	159,536
Fundraising/Participant development	72,496	99,422
	\$ 1,213,696	\$ 1,191,884
	\$ (37,446)	\$ (11,009)
Other income (expense):		
Loss on sale of building	\$ -	\$ (25,438)
Net rental income (Note 6)	12,795	52,028
	\$ 12,795	\$ 26,590
	\$ (24,651)	\$ 15,581
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Designated contributions for next year	\$ -	\$ 7,854
Restricted fund contributions (Note 8)	291,868	322,019
Net assets released from restrictions (Note 3):		
Scholarships and tuition subsidy	(299,920)	(251,266)
Social work and nursing support	(15,000)	-
Nursing support	(10,000)	-
Wellness support	(5,000)	-
Wellness and nursing support	(5,000)	-
Expiration of time restrictions on designated funding	-	(7,854)
Purchase of fixed assets and other assets	(3,948)	(12,811)
Staff enrichment expenditures	-	(356)
Increase (Decrease) in Temporarily Restricted Net Assets	\$ (47,000)	\$ 57,586
	\$ (71,651)	\$ 73,167
NET ASSETS - BEGINNING OF YEAR	2,665,188	2,592,021
NET ASSETS - END OF YEAR	\$ 2,593,537	\$ 2,665,188

See Notes To Consolidated Financial Statements

CIRCLE CENTER ADULT DAY SERVICES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (71,651)	\$ 73,167
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	\$ 112,595	\$ 114,111
Loss on sale of building	-	25,438
(Increase) decrease in operating assets:		
Accounts receivable	(5,858)	5,533
Prepaid expenses	(772)	(2,695)
Note receivable	11,936	4,753
Increase (decrease) in operating liabilities:		
Accounts payable	4,510	(18,150)
Accrued compensated absences	(3,043)	1,452
Prepaid rental income	(9,708)	-
Employee withholding	(37)	37
	<u>\$ 109,623</u>	<u>\$ 130,479</u>
 Total Adjustments	 \$ 109,623	 \$ 130,479
 Net Cash Provided by Operating Activities	 <u>\$ 37,972</u>	 <u>\$ 203,646</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	\$ -	\$ (17,184)
 Net Cash (Used in) Investing Activities	 <u>\$ -</u>	 <u>\$ (17,184)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Mortgage loans curtailments	\$ (93,851)	\$ (92,863)
 Net Cash (Used in) Financing Activities	 <u>\$ (93,851)</u>	 <u>\$ (92,863)</u>
 Net Increase (Decrease) in Cash	 \$ (55,879)	 \$ 93,599
 CASH - BEGINNING OF YEAR	 <u>611,855</u>	 <u>518,256</u>
 CASH - END OF YEAR	 <u>\$ 555,976</u>	 <u>\$ 611,855</u>
 SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 46,183	\$61,306
 SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:		
Sale of 2111 Spencer Road:		
Sales price	\$ -	\$ 56,500
Settlement charges	\$ -	\$ (60,077)
Loan payoffs	\$ -	\$ (404,923)
Purchase money note receivable	\$ -	\$ 100,000

See Notes To Consolidated Financial Statements

CIRCLE CENTER ADULT DAY SERVICES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2013 AND 2012

	Program Service	Management and General	Fundraising	Total	
				2013	2012
Salaries and wages - net of reimbursements	\$ 587,026	\$ 93,951	\$ 53,489	\$ 734,466	\$ 723,325
Payroll taxes	43,741	7,516	4,279	55,536	54,327
Employee benefits	28,526	8,850	9,825	47,201	48,711
Retirement plan	20,969	4,150	4,410	29,529	27,498
Total Personnel Costs	\$ 680,262	\$ 114,467	\$ 72,003	\$ 866,732	\$ 853,861
Mortgage interest	\$ 24,134	\$ 1,909	\$ -	\$ 26,043	\$ 30,667
Electricity	17,835	1,411	-	19,246	21,248
Custodial and waste services	16,830	1,331	-	18,161	18,043
Taxes	15,101	1,194	-	16,295	20,401
Water and sewer	3,317	262	-	3,579	3,108
Gas	2,360	187	-	2,547	1,758
Rent	1,419	112	-	1,531	1,461
Total Occupancy Costs	\$ 80,996	\$ 6,406	\$ -	\$ 87,402	\$ 96,686
Meals and snacks	\$ 56,213	\$ -	\$ -	\$ 56,213	\$ 45,013
Insurance	18,870	2,097	-	20,967	18,803
Professional fees	5,242	15,724	-	20,966	9,542
Marketing	14,203	1,578	-	15,781	16,251
Equipment rental/repair	13,536	1,504	-	15,040	16,552
Software	11,657	-	-	11,657	-
Telephone	10,321	211	-	10,532	9,339
Office supplies	3,848	3,847	-	7,695	6,464
Janitorial supplies	7,072	372	-	7,444	9,956
Conferences and meetings	3,148	-	-	3,148	3,602
Local transportation - program participants	2,250	-	-	2,250	2,700
Postage	535	1,604	-	2,139	1,920
Program supplies	2,128	-	-	2,128	3,023
Bad debts	1,741	-	-	1,741	-
Bank merchant charges	1,187	297	143	1,627	1,794
Staff enrichment	1,339	-	-	1,339	1,232
Nursing supplies	986	-	-	986	941
Staff travel	-	790	-	790	833
Printing	367	367	-	734	1,987
Special event - anniversary & gathering	-	-	350	350	498
Membership dues	143	36	-	179	370
Total Expenses Before Depreciation	\$ 916,044	\$ 149,300	\$ 72,496	\$ 1,137,840	\$ 1,101,367
Depreciation	56,892	18,964	-	75,856	90,517
Total Expenses	\$ 972,936	\$ 168,264	\$ 72,496	\$ 1,213,696	\$ 1,191,884

See Notes To Consolidated Financial Statements

CIRCLE CENTER ADULT DAY SERVICES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

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.

Principles 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. All material intercompany accounts and transactions have been eliminated in consolidation.

Restricted and Unrestricted Support and Revenue

Contributions received are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from 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, 2013 AND 2012

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

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended 2010, 2011, and 2012 are subject to examination by the IRS, generally for three years after they were filed.

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>2013</u>	<u>2012</u>
Special appeal	\$ 56,103	\$ 63,920
Memorial and furnishings	625	5,073
Other	38,512	38,655
	<u>\$ 95,240</u>	<u>\$ 107,648</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>2013</u>	<u>2012</u>
Medicaid	\$ 323,425	\$ 358,826
USDA	33,152	\$ -
Senior Connections	20,406	20,409
	<u>\$ 376,983</u>	<u>\$ 379,235</u>

CIRCLE CENTER ADULT DAY SERVICES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

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, 2013 and 2012.

Such funds received and released from United Way totaled \$63,570 and \$84,313 for the years ended June 30, 2013 and 2012, respectively. Such funds received and released were as follows:

<u>Fund</u>	<u>2013</u>	<u>2012</u>
Scholarships and tuition subsidy	\$ 299,920	\$ 251,266
Nursing, wellness and social work support	35,000	-
Purchase of fixed assets and other assets	3,948	12,811
Designated funds	-	7,854
Staff enrichment	-	356
	<u>\$ 338,868</u>	<u>\$ 272,287</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 2013 and 2012 and the retirement plan expense totaled \$29,529 and \$27,498 for those years, respectively. The plan may be amended or terminated by the board of directors at any time.

NOTE 6: NET RENTAL INCOME:

Net rental income consists of the following:

	<u>2013</u>	<u>2012</u>
Rental income - West Marshall Street	\$ 77,665	\$ 116,497
Depreciation	\$ 33,838	\$ 23,313
Mortgage interest	20,191	30,640
Utilities	1,250	2,038
Real estate taxes	9,591	8,478
	<u>\$ 64,870</u>	<u>\$ 64,469</u>
Net rental income	<u>\$ 12,795</u>	<u>\$ 52,028</u>

CIRCLE CENTER ADULT DAY SERVICES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 7: LONG-TERM DEBT:

Long-term debt consists of the following:

	<u>2013</u>	<u>2012</u>
Term loan for the renovation of the 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, at which time scheduled monthly payments began in the amount of \$10,558, 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.	1,087,433	1,181,284
Less: Current maturities	84,742	80,918
	<u>\$ 1,002,691</u>	<u>\$ 1,100,366</u>

Scheduled maturity of long-term debt is as follows:

<u>Year Ending June 30,</u>	
2014	\$ 84,742
2015	88,194
2016	914,497
	<u>\$ 1,087,433</u>

NOTE 8: RESTRICTED FUNDS:

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

	<u>2013</u>	<u>2012</u>
United Way Community Care	\$ 63,570	\$ 63,569
Anonymous donor	50,000	100,000
Altria Companies Employee Community Fund	50,000	50,000
Designated contributions	31,298	-
Jenkins Foundation	25,000	25,000
Sheltering Arms Fund	25,000	25,000
Genworth Foundation	15,000	15,000
Bon Secours	10,000	-
Harrison Foundation	10,000	10,000
Dominion Foundation	5,000	5,000
UPS Foundation	5,000	10,000
Gammons Foundation	2,000	2,000
Capital Campaign	-	14,000
Other fund	-	1,950
Bon Air Rotary Club	-	500
	<u>\$ 291,868</u>	<u>\$ 322,019</u>

NOTE 9: SUBSEQUENT EVENTS:

Management has evaluated subsequent events through January 8, 2014, the date on which the financial statements were available to be issued.