

***CIRCLE CENTER ADULT DAY SERVICES
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013***

CIRCLE CENTER ADULT DAY SERVICES

JUNE 30, 2014

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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 statements of financial position as of June 30, 2014 and 2013 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 from 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, 2014 and 2013 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

October 30, 2014

Smith & Eggleston, P.C.

CIRCLE CENTER ADULT DAY SERVICES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 504,951	\$ 555,976
Accounts receivable	83,882	36,299
Prepaid expenses	4,662	4,498
Note receivable	4,493	3,639
Total Current Assets	<u>\$ 597,988</u>	<u>\$ 600,412</u>
PROPERTY AND EQUIPMENT: (Note 1)		
Land	\$ 281,384	\$ 281,384
Building	3,030,097	3,030,097
Equipment	83,328	80,699
Furniture and fixtures	113,166	111,960
	<u>\$ 3,507,975</u>	<u>\$ 3,504,140</u>
Less: Accumulated depreciation	580,205	478,421
Total Property and Equipment	<u>\$ 2,927,770</u>	<u>\$ 3,025,719</u>
OTHER ASSETS:		
Note receivable	\$ 66,073	\$ 79,672
Total Assets	<u>\$ 3,591,831</u>	<u>\$ 3,705,803</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 30,316	\$ 7,351
Accrued compensated absences	20,038	17,482
Current portion of long-term debt (Note 7)	88,194	84,742
Employee withholding	1,356	-
Total Current Liabilities	<u>\$ 139,904</u>	<u>\$ 109,575</u>
LONG-TERM DEBT (Note 7)	<u>915,095</u>	<u>1,002,691</u>
Total Liabilities	<u>\$ 1,054,999</u>	<u>\$ 1,112,266</u>
NET ASSETS		
Unrestricted	\$ 2,442,730	\$ 2,516,327
Temporarily restricted	94,102	77,210
Total Net Assets	<u>\$ 2,536,832</u>	<u>\$ 2,593,537</u>
	<u>\$ 3,591,831</u>	<u>\$ 3,705,803</u>

See Notes To Consolidated Financial Statements

CIRCLE CENTER ADULT DAY SERVICES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CHANGES IN UNRESTRICTED NET ASSETS:		
Support:		
Program services	\$ 452,083	\$ 338,582
Fees and grants from governmental agencies (Note 2)	406,577	376,983
Contributions (Note 2)	88,516	95,240
Special event income	5,150	20,415
Interest income	5,238	6,162
	\$ 957,564	\$ 837,382
Net Assets Released from Restrictions: (Note 3)		
United Way funding for the year:		
Community Care	51,676	63,570
Other	208,268	275,298
Total Unrestricted Revenues and Support	\$ 1,217,508	\$ 1,176,250
Expenses:		
Program service	\$ 1,008,366	\$ 972,936
Management and general	172,165	168,264
Fundraising	79,412	72,496
	\$ 1,259,943	\$ 1,213,696
	\$ (42,435)	\$ (37,446)
Other income (expense):		
Net rental income(loss) (Note 6)	(31,162)	12,795
	\$ (73,597)	\$ (24,651)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Restricted fund contributions (Note 8)	\$ 276,836	\$ 291,868
Net assets released from restrictions (Note 3):		
Scholarships and tuition subsidy	(237,073)	(299,920)
Data upgrade support	(2,871)	-
Social work and nursing support	-	(15,000)
Special salary support	(15,000)	-
Nursing support	(5,000)	(10,000)
Wellness support	-	(5,000)
Wellness and nursing support	-	(5,000)
Purchase of fixed assets and other assets	-	(3,948)
Increase (Decrease) in Temporarily Restricted Net Assets	\$ 16,892	\$ (47,000)
	\$ (56,705)	\$ (71,651)
NET ASSETS - BEGINNING OF YEAR	2,593,537	2,665,188
NET ASSETS - END OF YEAR	\$ 2,536,832	\$ 2,593,537

See Notes To Consolidated Financial Statements

CIRCLE CENTER ADULT DAY SERVICES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (56,705)	\$ (71,651)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	\$ 103,737	\$ 112,595
(Increase) decrease in operating assets:		
Accounts receivable	(47,583)	(5,858)
Prepaid expenses	(164)	(772)
Note receivable	12,745	11,936
Increase (decrease) in operating liabilities:		
Accounts payable	22,965	4,510
Accrued compensated absences	2,556	(3,043)
Prepaid rental income		(9,708)
Employee withholding	1,356	(37)
	<u>\$ 95,612</u>	<u>\$ 109,623</u>
Total Adjustments		
Net Cash Provided by Operating Activities	<u>\$ 38,907</u>	<u>\$ 37,972</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	\$ (5,788)	\$ -
Net Cash (Used in) Investing Activities	<u>\$ (5,788)</u>	<u>\$ -</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Mortgage loans curtailments	\$ (84,144)	\$ (93,851)
Net Cash (Used in) Financing Activities	<u>\$ (84,144)</u>	<u>\$ (93,851)</u>
Net Increase (Decrease) in Cash	\$ (51,025)	\$ (55,879)
CASH - BEGINNING OF YEAR	<u>555,976</u>	<u>611,855</u>
CASH - END OF YEAR	<u>\$ 504,951</u>	<u>\$ 555,976</u>
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 42,553</u>	<u>\$46,183</u>

See Notes To Consolidated Financial Statements

CIRCLE CENTER ADULT DAY SERVICES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2014 AND 2013

	Program Service	Management and General	Fundraising	Total	
				2014	2013
Salaries and wages - net of reimbursements	\$ 588,728	\$ 106,729	\$ 64,969	\$ 760,426	\$ 734,466
Payroll taxes	44,590	8,538	5,198	58,326	55,536
Employee benefits	33,291	2,339	1,305	36,935	47,201
Retirement plan	21,683	3,232	2,010	26,925	29,529
Total Personnel Costs	\$ 688,292	\$ 120,838	\$ 73,482	\$ 882,612	\$ 866,732
Mortgage interest	\$ 22,194	\$ 1,755	\$ -	\$ 23,949	\$ 26,043
Electricity	17,422	1,378	-	18,800	19,246
Custodial and waste services	16,296	1,289	-	17,585	18,161
Taxes	18,214	1,441	-	19,655	16,295
Water and sewer	5,522	437	-	5,959	3,579
Gas	352	28	-	380	2,547
Rent	1,404	111	-	1,515	1,531
Total Occupancy Costs	\$ 81,404	\$ 6,439	\$ -	\$ 87,843	\$ 87,402
Meals and snacks	\$ 68,593	\$ -	\$ -	\$ 68,593	\$ 56,213
Insurance	19,170	2,130	-	21,300	20,967
Professional fees	2,343	7,028	5,500	14,871	20,966
Marketing	12,302	1,367	-	13,669	15,781
Equipment rental/repair	19,048	2,116	-	21,164	15,040
Software	9,384	514	-	9,898	11,657
Telephone	10,919	223	-	11,142	10,532
Office supplies	2,182	2,181	-	4,363	7,695
Janitorial supplies	8,248	434	-	8,682	7,444
Conferences and meetings	1,805	-	-	1,805	3,148
Participant transportation	3,656	-	-	3,656	2,250
Postage	457	1,369	-	1,826	2,139
Program supplies	2,018	-	-	2,018	2,128
Bad debts	11	-	-	11	1,741
Bank merchant charges	1,636	409	143	2,188	1,627
Staff continuing education	928	-	-	928	1,339
Nursing supplies	1,110	-	-	1,110	986
Staff travel	-	650	-	650	790
Printing	2,342	2,341	-	4,683	734
Leadership event	-	-	287	287	350
Membership dues	552	138	-	690	179
Total Expenses Before Depreciation	\$ 936,400	\$ 148,177	\$ 79,412	\$ 1,163,989	\$ 1,137,840
Depreciation	71,966	23,988	-	95,954	75,856
Total Expenses	\$ 1,008,366	\$ 172,165	\$ 79,412	\$ 1,259,943	\$ 1,213,696

See Notes To Consolidated Financial Statements

CIRCLE CENTER ADULT DAY SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

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, 2014 AND 2013

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 2011, 2012, and 2013 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>	2014	2013
Annual appeal	\$ 53,465	\$ 56,103
Memorial and furnishings	783	625
Other	34,268	38,512
	<u>\$ 88,516</u>	<u>\$ 95,240</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>	2014	2013
Medicaid	\$ 347,178	\$ 323,425
USDA	37,625	33,152
Senior Connections	21,774	20,406
	<u>\$ 406,577</u>	<u>\$ 376,983</u>

CIRCLE CENTER ADULT DAY SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

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, 2014 and 2013. Such funds received and released from United Way totaled \$51,676 and \$63,570 for the years ended June 30, 2014 and 2013, respectively. Such funds received and released were as follows:

<u>Fund</u>	<u>2014</u>	<u>2013</u>
Scholarships and tuition subsidy	\$ 237,073	\$ 299,920
Special salary support	15,000	-
Nursing, wellness and social work support	5,000	35,000
Data upgrade support	2,871	-
Purchase of fixed assets and other assets	-	3,948
	<u>\$ 259,944</u>	<u>\$ 338,868</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 \$26,925 and \$29,529 for those years, respectively. 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:

	<u>2014</u>	<u>2013</u>
Rental income - West Marshall Street	\$ 1,267	\$ 77,665
Depreciation	\$ 7,783	\$ 33,838
Mortgage interest	18,604	20,191
Utilities	392	1,250
Taxes and insurance	5,650	9,591
	<u>\$ 32,429</u>	<u>\$ 64,870</u>
Net rental income (loss)	<u>\$ (31,162)</u>	<u>\$ 12,795</u>

CIRCLE CENTER ADULT DAY SERVICES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 7: LONG-TERM DEBT:

Long-term debt consists of the following:

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.

Less: Current maturities

	<u>2014</u>	<u>2013</u>
	\$ 1,003,289	\$ 1,087,433
	88,194	84,742
	<u>\$ 915,095</u>	<u>\$ 1,002,691</u>

Scheduled maturity of long-term debt is as follows:

<u>Year Ending June 30,</u>	
2015	\$ 88,194
2016	915,095
	<u>\$ 1,003,289</u>

NOTE 8: RESTRICTED FUNDS:

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

	<u>2014</u>	<u>2013</u>
United Way Community Care	\$ 63,570	\$ 63,570
Anonymous donor	50,000	50,000
Jenkins Foundation	50,000	25,000
Altria Companies Employee Community Fund	40,000	50,000
Designated contributions	30,266	31,298
Genworth Foundation	15,000	15,000
The Harrison Foundation	10,000	10,000
Pauley Family Foundation	10,000	-
Dominion Foundation	5,000	5,000
Gammons Charitable Foundation, Inc.	3,000	2,000
Sheltering Arms Fund	-	25,000
Bon Secours	-	10,000
UPS Foundation	-	5,000
	<u>\$ 276,836</u>	<u>\$ 291,868</u>

NOTE 9: SUBSEQUENT EVENTS:

Management has evaluated subsequent events through October 30, 2014, the date on which the financial statements were available to be issued.