

***CIRCLE CENTER ADULT DAY SERVICES  
CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2015 AND 2014***

**CIRCLE CENTER ADULT DAY SERVICES**

**JUNE 30, 2015**

**OFFICERS**

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Andrew Philip Sherrod  
Mike Jackman  
Hector Alonso

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Amy C. Bodman, Chief Executive Officer

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Circle Center Adult Day Services  
Richmond, Virginia

We have audited the accompanying consolidated financial statements of Circle Center Adult Day Services (a nonprofit organization) and its subsidiary, which comprise the consolidated statements of financial position as of June 30, 2015 and 2014 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 consolidated 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 consolidated 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, 2015 and 2014 and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Smith & Eggleston, P.C.*

February 18, 2016

**CIRCLE CENTER ADULT DAY SERVICES**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 536,018	\$ 504,951
Accounts receivable	69,790	83,882
Prepaid expenses	2,824	4,662
Note receivable	5,428	4,493
Total Current Assets	<u>\$ 614,060</u>	<u>\$ 597,988</u>
<b>PROPERTY AND EQUIPMENT: (Note 1)</b>		
Land	\$ 281,384	\$ 281,384
Building	3,492,366	3,030,097
Equipment	99,428	83,328
Furniture and fixtures	156,012	113,166
	<u>\$ 4,029,190</u>	<u>\$ 3,507,975</u>
Less: Accumulated depreciation	683,478	580,205
Total Property and Equipment	<u>\$ 3,345,712</u>	<u>\$ 2,927,770</u>
<b>OTHER ASSETS:</b>		
Note receivable	\$ 51,534	\$ 66,073
Total Assets	<u>\$ 4,011,306</u>	<u>\$ 3,591,831</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 156,572	\$ 30,316
Accrued compensated absences	20,818	20,038
Current portion of long-term debt (Note 7)	915,669	88,194
Employee withholding	11,584	1,356
Total Current Liabilities	<u>\$ 1,104,643</u>	<u>\$ 139,904</u>
<b>LONG-TERM DEBT (Note 7)</b>	<u>-</u>	<u>915,095</u>
Total Liabilities	<u>\$ 1,104,643</u>	<u>\$ 1,054,999</u>
<b>NET ASSETS</b>		
Unrestricted	\$ 2,782,458	\$ 2,442,730
Temporarily restricted	124,205	94,102
Total Net Assets	<u>\$ 2,906,663</u>	<u>\$ 2,536,832</u>
	<u>\$ 4,011,306</u>	<u>\$ 3,591,831</u>

See Notes To Consolidated Financial Statements

**CIRCLE CENTER ADULT DAY SERVICES**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
<b>CHANGES IN UNRESTRICTED NET ASSETS:</b>		
Support:		
Program services	\$ 694,134	\$ 452,083
Fees and grants from governmental agencies (Note 2)	478,118	406,577
Contributions (Note 2)	152,472	88,516
Special event income	14,318	5,150
Interest income	4,370	5,238
	<u>\$ 1,343,412</u>	<u>\$ 957,564</u>
Net Assets Released from Restrictions: (Note 3)		
United Way funding for the year:		
Community Care	49,528	51,676
Other	568,522	208,268
Total Unrestricted Revenues and Support	<u>\$ 1,961,462</u>	<u>\$ 1,217,508</u>
Expenses:		
Program service	\$ 1,240,761	\$ 1,008,366
Management and general	251,739	172,165
Fundraising	99,192	79,412
	<u>\$ 1,591,692</u>	<u>\$ 1,259,943</u>
	\$ 369,770	\$ (42,435)
Other income (expense):		
Net rental income(loss) (Note 6)	(30,042)	(31,162)
Increase (Decrease) in Unrestricted Net Assets	<u>\$ 339,728</u>	<u>\$ (73,597)</u>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:</b>		
Restricted fund contributions (Note 8)	\$ 648,153	\$ 276,836
Net assets released from restrictions (Note 3):		
Scholarships and tuition subsidy	(192,495)	(237,073)
Data upgrade support	(380)	(2,871)
Special salary support	(1,458)	(15,000)
Nursing support	-	(5,000)
Training	(7,717)	-
Purchase of fixed assets and other assets	(416,000)	-
Increase (Decrease) in Temporarily Restricted Net Assets	<u>\$ 30,103</u>	<u>\$ 16,892</u>
Increase (Decrease) in Net Assets	\$ 369,831	\$ (56,705)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>2,536,832</u>	<u>2,593,537</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,906,663</u>	<u>\$ 2,536,832</u>

See Notes To Consolidated Financial Statements

**CIRCLE CENTER ADULT DAY SERVICES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ 369,831	\$ (56,705)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	\$ 103,273	\$ 103,737
(Increase) decrease in operating assets:		
Accounts receivable	14,092	(47,583)
Prepaid expenses	1,838	(164)
Note receivable	13,604	12,745
Increase in operating liabilities:		
Accounts payable	126,256	22,965
Accrued compensated absences	780	2,556
Prepaid rental income		-
Employee withholding	10,228	1,356
	<u>\$ 270,071</u>	<u>\$ 95,612</u>
Total Adjustments		
Net Cash Provided by Operating Activities	<u>\$ 639,902</u>	<u>\$ 38,907</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	\$ (521,215)	\$ (5,788)
Net Cash (Used in) Investing Activities	<u>\$ (521,215)</u>	<u>\$ (5,788)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Mortgage loans curtailments	\$ (87,620)	\$ (84,144)
Net Cash (Used in) Financing Activities	<u>\$ (87,620)</u>	<u>\$ (84,144)</u>
Net Increase (Decrease) in Cash	\$ 31,067	\$ (51,025)
CASH - BEGINNING OF YEAR	<u>504,951</u>	<u>555,976</u>
CASH - END OF YEAR	<u>\$ 536,018</u>	<u>\$ 504,951</u>
<b>SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for interest	<u>\$ 39,076</u>	<u>\$42,553</u>

See Notes To Consolidated Financial Statements

**CIRCLE CENTER ADULT DAY SERVICES**

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**

**YEARS ENDED JUNE 30, 2015 AND 2014**

	Program Service	Management and General	Fundraising	Total	
				2015	2014
Salaries and wages - net of reimbursements	\$ 717,032	\$ 175,560	\$ 56,235	\$ 948,827	\$ 760,426
Payroll taxes	53,865	14,045	4,499	72,409	58,326
Employee benefits	52,366	2,339	1,305	56,010	36,935
Retirement plan	34,543	3,232	2,010	39,785	26,925
<b>Total Personnel Costs</b>	<b>\$ 857,806</b>	<b>\$ 195,176</b>	<b>\$ 64,049</b>	<b>\$ 1,117,031</b>	<b>\$ 882,612</b>
Mortgage interest	\$ 20,380	\$ 1,612	\$ -	\$ 21,992	\$ 23,949
Electricity	27,438	2,170	-	29,608	18,800
Custodial and waste services	18,487	1,462	-	19,949	17,585
Taxes	18,073	1,429	-	19,502	19,655
Water and sewer	4,415	349	-	4,764	5,959
Gas	4,156	329	-	4,485	380
Rent	751	59	-	810	1,515
<b>Total Occupancy Costs</b>	<b>\$ 93,700</b>	<b>\$ 7,410</b>	<b>\$ -</b>	<b>\$ 101,110</b>	<b>\$ 87,843</b>
Meals and snacks	\$ 78,533	\$ -	\$ -	\$ 78,533	\$ 68,593
Insurance	19,470	2,163	-	21,633	21,300
Professional fees	2,431	7,293	35,000	44,724	14,871
Marketing	13,173	1,464	-	14,637	13,669
Equipment rental/repair	30,253	3,361	-	33,614	21,164
Software	11,134	514	-	11,648	9,898
Telephone	12,448	254	-	12,702	11,142
Office supplies	5,157	5,157	-	10,314	4,363
Janitorial supplies	10,791	568	-	11,359	8,682
Conferences and meetings	3,999	-	-	3,999	1,805
Participant transportation	6,780	-	-	6,780	3,656
Postage	553	1,657	-	2,210	1,826
Program supplies	3,168	-	-	3,168	2,018
Bad debts	2,890	-	-	2,890	11
Bank merchant charges	670	168	143	981	2,188
Staff appreciation	10,478	-	-	10,478	928
Nursing supplies	2,657	-	-	2,657	1,110
Staff travel	-	88	-	88	650
Printing	2,440	2,440	-	4,880	4,683
Leadership event	-	-	-	-	287
Membership dues	612	153	-	765	690
<b>Total Expenses Before Depreciation</b>	<b>\$ 1,169,143</b>	<b>\$ 227,866</b>	<b>\$ 99,192</b>	<b>\$ 1,496,201</b>	<b>\$ 1,163,989</b>
Depreciation	71,618	23,873	-	95,491	95,954
<b>Total Expenses</b>	<b>\$ 1,240,761</b>	<b>\$ 251,739</b>	<b>\$ 99,192</b>	<b>\$ 1,591,692</b>	<b>\$ 1,259,943</b>

See Notes To Consolidated Financial Statements

**CIRCLE CENTER ADULT DAY SERVICES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

**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, 2015 AND 2014

**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 2012, 2013, and 2014 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>2015</u>	<u>2014</u>
Annual appeal	\$ 47,375	\$ 53,465
Memorial and furnishings	1,627	783
Other	103,470	34,268
	<u>\$ 152,472</u>	<u>\$ 88,516</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>2015</u>	<u>2014</u>
Medicaid	\$ 411,789	\$ 347,178
USDA	45,612	37,625
Senior Connections	20,717	21,774
	<u>\$ 478,118</u>	<u>\$ 406,577</u>

**CIRCLE CENTER ADULT DAY SERVICES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2015 AND 2014**

**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, 2015 and 2014. Such funds received and released from United Way totaled \$49,528 and \$51,676 for the years ended June 30, 2015 and 2014, respectively. Such funds received and released were as follows:

Fund	2015	2014
Scholarships and tuition subsidy	\$ 192,495	\$ 237,073
Salary and training	9,175	15,000
Nursing, wellness and social work support	-	5,000
Data upgrade support	-	2,871
Purchase of fixed assets and other assets	416,380	-
	<u>\$ 618,050</u>	<u>\$ 259,944</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 5% contribution was made to eligible participants for 2015 and 2014 and the retirement plan expense totaled \$39,785 and \$26,925 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:

	2015	2014
Rental income - West Marshall Street	\$ 1,300	\$ 1,267
Depreciation	7,783	7,783
Mortgage interest	17,084	18,604
Utilities	698	392
Taxes and insurance	5,777	5,650
	<u>\$ 31,342</u>	<u>\$ 32,429</u>
Net rental income (loss)	<u>\$ (30,042)</u>	<u>\$ (31,162)</u>

**CIRCLE CENTER ADULT DAY SERVICES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2015 AND 2014**

**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.

	<u>2015</u>	<u>2014</u>
	\$ 915,669	\$ 1,003,289
Less: Current maturities	915,669	88,194
	<u>\$ -</u>	<u>\$ 915,095</u>

Construction/Term Loan for the renovation and furnishing or equipping the West Marshall Street property in order to expand its operations into its heretofore unoccupied (by Circle Center) portion of its building. The loan totals \$470,990 and interest accrues at the Bank's prime rate plus 0.75 percent and is due monthly. The loan is secured by the real property and furniture, fixtures and improvements owned by the Organization. The principal and any unpaid and accrued interest on this loan is due on March 5, 2017. There have been no disbursements under this loan as of June 30, 2015.

Scheduled maturity of long-term debt is as follows:

<u>Year Ending June 30,</u>	
2016	<u>\$ 915,669</u>
	<u>\$ 915,669</u>

**NOTE 8: RESTRICTED FUNDS:**

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

	<u>2015</u>	<u>2014</u>
United Way Community Care	\$ 63,570	\$ 63,570
Anonymous donor	50,000	50,000
Jenkins Foundation	30,000	50,000
Altria Companies Employee Community Fund	-	40,000
Designated contributions	27,985	30,266
Genworth Foundation	-	15,000
The Harrison Foundation	10,000	10,000
Pauley Family Foundation	-	10,000
Dominion Foundation	-	5,000
Sheltering Arms Fund	20,000	-
Gammons Charitable Foundation, Inc.	-	3,000
Richmond Memorial Foundation	20,000	-
Capital Campaign	416,000	-
Lory Phillippo Scholarship	5,598	-
UPS Foundation	5,000	-
	<u>\$ 648,153</u>	<u>\$ 276,836</u>

**CIRCLE CENTER ADULT DAY SERVICES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

**NOTE 9: SUBSEQUENT EVENTS:**

Management has evaluated subsequent events through February 18, 2016, the date on which the financial statements were available to be issued.