

***CIRCLE CENTER ADULT DAY SERVICES
AND SUBSIDIARY***

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

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**PILC &
MOSELEY, LLC**
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Circle Center Adult Day Services
Richmond, Virginia

We have audited the accompanying consolidated financial statements of the Circle Center Adult Day Services (a nonprofit organization) and its subsidiary, which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year 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 consolidated 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 audit. We conducted our audit 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 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 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 reasonable 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 The Circle Center Adult Day Services and its subsidiary as of June 30, 2017, and the changes in their net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financials

The consolidated financial statements as of June 30, 2016, were audited by other auditors whose report dated June 28, 2017, expressed an unmodified opinion on those statements.

Pike & Mosely, LLC

Richmond, Virginia
December 12, 2017

CONSOLIDATED FINANCIAL STATEMENTS

**CIRCLE CENTER ADULT DAY SERVICES
AND SUBSIDIARY**

Consolidated Statement of Financial Position

June 30, 2017

With Comparative Totals as of June 30, 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	\$ 673,692	\$ 594,849
Accounts receivable	139,490	93,656
Prepaid expenses	3,494	4,142
Other assets	3,762	3,868
Total current assets	820,438	696,515
PROPERTY AND EQUIPMENT - NET	3,196,069	3,279,928
OTHER ASSETS		
Note receivable	26,987	42,453
Total assets	\$ 4,043,494	\$ 4,018,896
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 23,659	\$ 24,372
Accrued expenses	105,342	90,970
Employee withholding	909	377
Current portion of long-term debt	42,070	40,282
Total current liabilities	171,980	156,001
LONG-TERM DEBT, LESS CURRENT PORTION	746,562	788,633
Total liabilities	918,542	944,634
NET ASSETS		
Unrestricted	2,667,488	2,725,262
Temporarily restricted	457,464	349,000
Total net assets	3,124,952	3,074,262
Total liabilities and net assets	\$ 4,043,494	\$ 4,018,896

See accompanying notes.

**CIRCLE CENTER ADULT DAY SERVICES
AND SUBSIDIARY**

Consolidated Statement of Activities

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2017</u>	<u>2016</u>
REVENUE AND SUPPORT				
Program service fees	\$ 768,565	\$ -	\$ 768,565	\$ 745,517
Fees and grants from governmental agencies	980,604	-	980,604	663,316
Contributions	134,854	386,390	521,244	706,302
Special event income	20,392	-	20,392	13,736
Interest income	<u>2,829</u>	<u>-</u>	<u>2,829</u>	<u>3,259</u>
	1,907,244	386,390	2,293,634	2,132,130
NET ASSETS RELEASED FROM RESTRICTIONS				
	<u>277,926</u>	<u>(277,926)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>2,185,170</u>	<u>108,464</u>	<u>2,293,634</u>	<u>2,132,130</u>
EXPENSES				
Program services	1,953,099	-	1,953,099	1,630,231
Mangement and general	174,935	-	174,935	270,108
Fundraising	<u>114,910</u>	<u>-</u>	<u>114,910</u>	<u>64,192</u>
Total expenses	<u>2,242,944</u>	<u>-</u>	<u>2,242,944</u>	<u>1,964,531</u>
CHANGE IN NET ASSETS	(57,774)	108,464	50,690	167,599
NET ASSETS, BEGINNING OF YEAR	<u>2,725,262</u>	<u>349,000</u>	<u>3,074,262</u>	<u>2,906,663</u>
NET ASSETS, END OF YEAR	<u>\$ 2,667,488</u>	<u>\$ 457,464</u>	<u>\$ 3,124,952</u>	<u>\$ 3,074,262</u>

See accompanying notes.

**CIRCLE CENTER ADULT DAY SERVICES
AND SUBSIDIARY**

Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

	Program Services	Management and General	Fund Raising	TOTAL	
				2017	2016
Salaries and wages	\$ 1,167,485	\$ 132,534	\$ 89,734	\$ 1,389,753	\$ 1,158,450
Payroll taxes	96,295	5,186	2,158	103,639	88,433
Employee benefits	99,184	5,354	2,199	106,737	77,760
Retirement plan	36,586	2,390	1,848	40,824	43,847
Total salaries and related expenses	1,399,550	145,464	95,939	1,640,953	1,368,490
Mortgage interest	30,496	1,639	656	32,791	38,841
Electricity	30,946	1,664	666	33,276	33,147
Taxes	25,005	1,344	538	26,887	25,484
Custodial and waste services	27,436	1,667	595	29,698	14,545
Utilities	9,279	705	199	10,183	9,360
Meals and snacks	132,998	-	-	132,998	114,029
Equipment rental/repair	33,453	1,799	719	35,971	58,123
Bad debts	627	-	-	627	31,398
Insurance	30,694	1,650	660	33,004	25,407
Janitorial supplies	17,366	-	-	17,366	17,370
Professional fees	26,101	9,164	266	35,531	15,520
Office supplies	12,628	706	279	13,613	15,243
Marketing	12,236	487	266	12,989	13,921
Software	14,139	1,061	296	15,496	12,312
Telephone	16,986	1,013	365	18,364	10,063
Participant transportation	4,823	-	-	4,823	9,406
Program supplies	6,323	-	-	6,323	8,087
Bank merchant charges	-	-	-	-	7,647
Staff appreciation	-	-	-	-	5,999
Special events	-	-	11,155	11,155	-
Printing	3,411	183	73	3,667	5,179
Nursing supplies	9,654	-	-	9,654	3,768
Postage	2,283	123	49	2,455	2,714
Conferences and meetings	5,493	1,001	83	6,577	1,497
Membership dues	-	-	-	-	645
Staff travel	35	-	-	35	144
Depreciation and amortization	101,137	5,265	2,106	108,508	116,192
	<u>\$ 1,953,099</u>	<u>\$ 174,935</u>	<u>\$ 114,910</u>	<u>\$ 2,242,944</u>	<u>\$ 1,964,531</u>

See accompanying notes.

**CIRCLE CENTER ADULT DAY SERVICES
AND SUBSIDIARY**

Consolidated Statement of Cash Flows
For the Year Ended June 30, 2017

With Comparative Amounts for the Year Ended June 30, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 50,690	\$ 167,599
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	108,259	115,936
Bad debts	627	31,398
Change in operating assets and liabilities		
Accounts receivable	(46,461)	(55,264)
Prepaid expenses	648	(1,318)
Other assets	106	1,164
Accounts payable	(713)	(132,200)
Accrued expenses	14,372	70,152
Employee withholding	532	(11,207)
Net cash provided by operating activities	128,060	186,260
CASH FLOWS FROM INVESTING ACTIVITIES		
Principle collections on note receivable	15,466	14,509
Purchase of property and equipment	(24,400)	(55,184)
Net cash provided (used) by investing activities	(8,934)	(40,675)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(40,283)	(86,754)
Net cash used in financing activities	(40,283)	(86,754)
Net increase in cash and cash equivalents	78,843	58,831
CASH AND CASH EQUIVALENTS		
Beginning of year	594,849	536,018
End of year	\$ 673,692	\$ 594,849

See accompanying notes.

**CIRCLE CENTER ADULT DAY SERVICES
AND SUBSIDIARY**

Notes to Consolidated Financial Statements

June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Circle Center Adult Day Services 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,
4. Improve the quality of life of frail and impaired older adults.

Circle Center Adult Day Services is supported primarily through fees and grants from governmental agencies, private payment for program services, donor grants and contributions, and the United Way.

Circle Center, LLC was formed as a single member limited liability company in order to purchase, own, renovate, and operate Circle Center Adult Day Service's operating facility.

Principals of Consolidation

The consolidated financial statements include the accounts of Circle Center Adult Day Services and its wholly-owned subsidiary, Circle Center, LLC (collectively referred to as "the Organization"). All significant intercompany accounts and transactions have been eliminated.

Method of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Presentation

Financial statement presentation follows the recommendations of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Presentation of Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958, 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.

(Continued)

**CIRCLE CENTER ADULT DAY SERVICES
AND SUBSIDIARY**

Notes to Consolidated Financial Statements

June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Contributed Services

A number of unpaid volunteers donated significant contributions of their time for the year ended June 30, 2017 to the Organization's program and support services. These contributions in-kind are not reflected in the financial statements since these services do not meet the criteria for recognition.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$1,000. 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.

Accounts and Grants Receivable

Accounts receivable are stated at the amount management expects to collect on balances outstanding at year-end. Receivables are generally not collateralized. The Organization maintains an allowance for doubtful accounts based upon historical trends and factors surrounding the credit risk of specific participants. The Organization does not accrue interest or fees on overdue receivables. Grant receivables are based on grant contracts received prior to year-end where the organization has met all restrictions to obtain the funds.

(Continued)

**CIRCLE CENTER ADULT DAY SERVICES
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Notes to Consolidated Financial Statements

June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Concluded)

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 Tax Status

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Uncertain Tax Positions

Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the Organization's tax returns remain open for three years for federal income tax examination.

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.

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the consolidated statements of activities and consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Subsequent Events

Management has evaluated subsequent events through December 12, 2017, the date the financial statements were available to be issued.

**CIRCLE CENTER ADULT DAY SERVICES
AND SUBSIDIARY**

Notes to Consolidated Financial Statements

June 30, 2017

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2017, consisted of the following:

Land	\$	281,384
Building and improvements		3,534,375
Equipment		132,085
Furniture and fixtures		155,023
Total property and equipment		<u>4,102,867</u>
Less accumulated depreciation		906,798
Net property and equipment	\$	<u><u>3,196,069</u></u>

NOTE 3. LONG-TERM DEBT

Long-term debt at June 30, 2017, consisted of the following:

Note payable in 83 monthly installments of \$6,295 with interest at 4.29%. Any remaining principal and accrued interest will be due at maturity on May 5, 2023. The note is secured by substantially all assets of the Organization and the guarantee of Circle Center, LLC.

\$ 788,632

Scheduled maturities of long-term debt are as follows:

Year ending June 30,		
2018	\$	42,070
2019		43,937
2020		45,805
2021		47,919
2022		50,045
Thereafter		<u>558,856</u>
Total Long-Term Debt	\$	<u><u>788,632</u></u>

**CIRCLE CENTER ADULT DAY SERVICES
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Notes to Consolidated Financial Statements

June 30, 2017

NOTE 4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2017, consisted of the following:

Expansion and capacity building efforts	\$	166,319
Maintenance		98,050
Scholarships		88,959
Adult day care services		80,542
Computer and website upgrades		18,354
Participant programs		<u>5,240</u>
Total Temporarily Restricted Net Assets	\$	<u>457,464</u>

NOTE 5. PUBLIC SUPPORT

Contributions

Unrestricted contributions are received for use in the general day-to-day operations of the Organization. A summary of contributions received for the year ended June 30, 2017, follows:

<u>Source</u>		
Annual appeal	\$	55,670
Other		<u>79,184</u>
Total Contributions	\$	<u>134,854</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 for the years ended June 30, 2017 follows:

<u>Source</u>		
Medicaid	\$	845,327
USDA		93,661
Senior Connections		<u>41,616</u>
Total	\$	<u>980,604</u>

**CIRCLE CENTER ADULT DAY SERVICES
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Notes to Consolidated Financial Statements

June 30, 2017

NOTE 6. 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 year ended June 30, 2017. Such funds received and released were as follows:

Scholarships and tuition subsidy	\$ 367,518
Purchase of fixed assets and other assets	<u>18,872</u>
Total	<u>\$ 386,390</u>

NOTE 7. RESTRICTED FUNDS

A summary of restricted fund contributions received during the year ended June 30, 2017, follows:

Pauley Family Foundation	\$ 100,000
United Way	80,103
Altria Companies Employee Community Fund	70,000
Jenkins Foundation	40,000
Regirer Foundation	30,000
Genworth Foundation	20,028
Scott Foundation	15,000
Sheltering Arms	10,000
Conduff Foundation	7,500
Titmus Foundation	5,426
UPS Foundation	5,000
Gammons Foundation	2,000
Lori Phillippo Scholarship	<u>1,333</u>
Total	<u>\$ 386,390</u>

**CIRCLE CENTER ADULT DAY SERVICES
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Notes to Consolidated Financial Statements

June 30, 2017

NOTE 8. RETIREMENT PLAN

The Organization has a qualified contribution retirement plan for the benefit of its employees. Employees were eligible to receive a contribution after the later of three months or 501 hours of service. A 5% contribution was made to eligible participants for the year ended June 30, 2017, and the retirement plan expense totaled \$40,824. The plan may be amended or terminated by the Board of Directors at any time.

NOTE 9. CONCENTRATION OF RISK

Financial instruments, which potentially subject the Organization to concentration of credit risk, consist principally of cash, cash equivalents, and unsecured receivables. Cash and cash equivalents are maintained in two financial institutions in Richmond, Virginia. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000, respectively.