

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

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7-14

**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, 2019, 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, 2019, 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.

Pike & Morley, LLC

Richmond, Virginia
January 9, 2020

CONSOLIDATED FINANCIAL STATEMENTS

**CIRCLE CENTER ADULT DAY SERVICES
AND SUBSIDIARY**

Consolidated Statement of Financial Position
June 30, 2019

With Comparative Totals as of June 30, 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 444,957	\$ 527,749
Accounts receivable	192,978	137,800
Prepaid expenses	1,350	1,820
Other assets	4,309	3,812
Total current assets	643,594	671,181
PROPERTY AND EQUIPMENT - NET	3,130,823	3,100,678
Total assets	\$ 3,774,417	\$ 3,771,859
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 35,383	\$ 14,843
Accrued expenses	86,990	106,534
Current portion of long-term debt	52,373	43,937
Total current liabilities	174,746	165,314
LONG-TERM DEBT, LESS CURRENT PORTION	738,134	702,625
Total liabilities	912,880	867,939
NET ASSETS		
Without donor restrictions	2,509,852	2,441,812
With donor restrictions	351,685	462,108
Total net assets	2,861,537	2,903,920
Total liabilities and net assets	\$ 3,774,417	\$ 3,771,859

See accompanying notes.

**CIRCLE CENTER ADULT DAY SERVICES
AND SUBSIDIARY**

Consolidated Statement of Activities

For the Year Ended June 30, 2019

With Comparative Totals for the Year Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
			<u>2019</u>	<u>2018</u>
REVENUE AND SUPPORT				
Program service fees	\$ 663,176	\$ -	\$ 663,176	\$ 722,288
Fees and grants from governmental agencies	983,141	-	983,141	1,082,116
Contributions	128,264	420,513	548,777	350,144
Special event income	24,086	-	24,086	285
Interest income	235	-	235	1,744
	<u>1,798,902</u>	<u>420,513</u>	<u>2,219,415</u>	<u>2,156,577</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
	<u>530,936</u>	<u>(530,936)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>2,329,838</u>	<u>(110,423)</u>	<u>2,219,415</u>	<u>2,156,577</u>
EXPENSES				
Program services	1,917,991	-	1,917,991	2,023,668
Mangement and general	219,816	-	219,816	245,977
Fundraising	123,991	-	123,991	107,964
Total expenses	<u>2,261,798</u>	<u>-</u>	<u>2,261,798</u>	<u>2,377,609</u>
CHANGE IN NET ASSETS	68,040	(110,423)	(42,383)	(221,032)
NET ASSETS, BEGINNING OF YEAR	<u>2,441,812</u>	<u>462,108</u>	<u>2,903,920</u>	<u>3,124,952</u>
NET ASSETS, END OF YEAR	<u>\$ 2,509,852</u>	<u>\$ 351,685</u>	<u>\$ 2,861,537</u>	<u>\$ 2,903,920</u>

See accompanying notes.

**CIRCLE CENTER ADULT DAY SERVICES
AND SUBSIDIARY**

Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2019

With Comparative Totals for the Year Ended June 30, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>TOTAL</u>	
				2019	2018
Salaries and wages	\$ 1,283,166	\$ 90,921	\$ 84,410	\$ 1,458,497	\$ 1,490,801
Payroll taxes	93,143	6,620	5,807	105,570	110,012
Employee benefits	120,487	6,118	7,691	134,296	134,344
Retirement plan	2,006	-	-	2,006	52,733
Total salaries and related expenses	<u>1,498,802</u>	<u>103,659</u>	<u>97,908</u>	<u>1,700,369</u>	<u>1,787,890</u>
Mortgage interest	-	34,508	-	34,508	33,473
Electricity	27,212	2,241	2,561	32,014	34,986
Taxes	-	27,163	-	27,163	27,571
Custodial and waste services	22,035	1,761	2,012	25,808	31,015
Utilities	9,651	795	908	11,354	11,787
Meals and snacks	121,409	-	-	121,409	135,472
Equipment rental/repair	45,465	3,840	612	49,917	49,174
Insurance	6,427	23,661	605	30,693	28,388
Janitorial supplies	11,387	938	1,072	13,397	12,841
Professional fees	12,809	6,002	858	19,669	22,741
Office supplies	2,233	245	202	2,680	5,363
Marketing	14,351	990	6,064	21,405	7,170
Software	14,907	-	-	14,907	20,124
Telephone	11,523	4,102	628	16,253	13,768
Participant transportation	-	-	-	-	1,335
Program supplies	3,007	-	-	3,007	8,686
Bank merchant charges	4,251	571	676	5,498	9,135
Staff appreciation	1,063	176	-	1,239	3,180
Special events	-	-	-	-	1,978
Printing	1,321	33	161	1,515	1,829
Nursing supplies	9,957	-	-	9,957	12,955
Postage	945	11	532	1,488	1,028
Conferences and meetings	4,411	482	393	5,286	6,337
Membership dues	1,329	939	-	2,268	1,450
Depreciation and amortization	<u>93,496</u>	<u>7,699</u>	<u>8,799</u>	<u>109,994</u>	<u>107,933</u>
	<u>\$ 1,917,991</u>	<u>\$ 219,816</u>	<u>\$ 123,991</u>	<u>\$ 2,261,798</u>	<u>\$ 2,377,609</u>

See accompanying notes.

**CIRCLE CENTER ADULT DAY SERVICES
AND SUBSIDIARY**

Consolidated Statement of Cash Flows

For the Year Ended June 30, 2019

With Comparative Amounts for the Year Ended June 30, 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (42,383)	\$ (221,032)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	109,994	107,932
Change in operating assets and liabilities:		
Accounts receivable	(55,178)	1,690
Prepaid expenses	470	1,674
Other assets	(746)	(299)
Accounts payable	20,540	(8,816)
Accrued expenses	(19,544)	1,192
Employee withholding	-	(909)
	13,153	(118,568)
CASH FLOWS FROM INVESTING ACTIVITIES		
Principle collections on note receivable	-	26,987
Purchase of property and equipment	(139,890)	(12,292)
	(139,890)	14,695
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	90,000	-
Principal payments on long-term debt	(46,055)	(42,070)
	43,945	(42,070)
Net decrease in cash and cash equivalents	(82,792)	(145,943)
CASH AND CASH EQUIVALENTS		
Beginning of year	527,749	673,692
End of year	\$ 444,957	\$ 527,749

See accompanying notes.

**CIRCLE CENTER ADULT DAY SERVICES
AND SUBSIDIARY**

Notes to Consolidated Financial Statements

June 30, 2019

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

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Information regarding the Organization's financial position and activities are reported according to the following net asset classifications:

(Continued)

**CIRCLE CENTER ADULT DAY SERVICES
AND SUBSIDIARY**

Notes to Consolidated Financial Statements

June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor 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, 2019 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 \$1,500. 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.

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
AND SUBSIDIARY**

Notes to Consolidated Financial Statements

June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

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.

(Continued)

**CIRCLE CENTER ADULT DAY SERVICES
AND SUBSIDIARY**

Notes to Consolidated Financial Statements

June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Concluded)

Subsequent Events

Management has evaluated subsequent events through January 9, 2020, the date the financial statements were available to be issued.

NOTE 2. NEW ACCOUNTING PRONOUNCEMENT

On August 8, 2016, the FASB issued ASU 2016-14, Not-For-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-For-Profit Entities. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the financial statements:

- Temporarily restricted net assets have been included in net assets with donor restrictions.
- Unrestricted net assets have been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and the availability of resources (Note 9).

The changes have made the following effect on net assets as of June 30, 2018:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 2,441,812	\$ -
Temporarily restricted net assets	462,108	-
Net assets without donor restrictions	-	2,441,812
Net assets with donor restrictions	-	462,108
	<hr/>	
	\$ 2,903,920	\$ 2,903,920

In addition, certain amounts in the prior-year financial statement presentation have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**CIRCLE CENTER ADULT DAY SERVICES
AND SUBSIDIARY**

Notes to Consolidated Financial Statements

June 30, 2019

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2019, consisted of the following:

Land	\$ 281,384
Building and improvements	3,679,826
Equipment	136,808
Furniture and fixtures	157,032
Total property and equipment	<u>4,255,050</u>
Less accumulated depreciation	<u>1,124,227</u>
Net property and equipment	<u>\$ 3,130,823</u>

NOTE 4. LONG-TERM DEBT

Long-term debt at June 30, 2019, 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.

\$ 702,625

Note payable in 120 monthly installments of \$1,049 with interest at 6.99%. Any remaining principal and accrued interest will be due at maturity on February 29, 2029. The note is secured by a deed of trust granted by Circle Center, LLC.

87,882

790,507

Less current portion

(52,373)

\$ 738,134

Scheduled maturities of long-term debt are as follows:

Year ending June 30,	
2020	52,373
2021	54,969
2022	57,611
2023	566,976
2024	8,714
Thereafter	49,864
Total Long-Term Debt	<u>\$ 790,507</u>

**CIRCLE CENTER ADULT DAY SERVICES
AND SUBSIDIARY**

Notes to Consolidated Financial Statements

June 30, 2019

NOTE 5. RESTRICTED NET ASSETS

Net assets with donor restrictions at June 30, 2019, consisted of the following:

Expansion and capacity building efforts	\$	157,546
Scholarships		78,270
Adult day care services		66,600
Maintenance		49,269
		<hr/>
Total net assets with donor restrictions	\$	<u>351,685</u>

NOTE 6. 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, 2019, follows:

<u>Source</u>		
Annual appeal	\$	86,247
Other		42,017
		<hr/>
Total Contributions	\$	<u>128,264</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, 2019 follows:

<u>Source</u>		
Medicaid	\$	868,458
USDA		84,258
Senior Connections		30,425
		<hr/>
Total	\$	<u>983,141</u>

**CIRCLE CENTER ADULT DAY SERVICES
AND SUBSIDIARY**

Notes to Consolidated Financial Statements

June 30, 2019

NOTE 7. NET ASSETS RELEASED FROM DONOR 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, 2019. Such funds received and released were as follows:

Scholarships and tuition subsidy	\$ 361,504
Capital improvement purchases	104,600
Upgrades and maintenance	<u>64,832</u>
Total	<u>\$ 530,936</u>

NOTE 8. RETIREMENT PLAN

The Organization has a qualified contribution retirement plan for the benefit of its employees. Employees are eligible to receive a contribution after the later of three months or 501 hours of service. No contribution was made to eligible participants for the year ended June 30, 2019, and the retirement plan expense totaled \$2,006. The plan may be amended or terminated by the Board of Directors at any time.

NOTE 9. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has \$290,914 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures as follows:

Cash and cash equivalents	\$ 444,957
Accounts receivable	192,978
Prepaid expenses	1,350
Other assets	<u>4,309</u>
	<u>643,594</u>

Less amounts not available for use within one year:

Net assets with donor restrictions	351,685
Other assets not available	<u>994</u>
	<u>352,679</u>
Total financial assets available	<u>\$ 290,915</u>

**CIRCLE CENTER ADULT DAY SERVICES
AND SUBSIDIARY**

Notes to Consolidated Financial Statements

June 30, 2019

NOTE 10. 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.

NOTE 11. CONTINGENT LIABILITIES

On June 30, 2019 the Organization learned it was a named defendant in a civil lawsuit alleging physical injury to a program participant due to purported negligence in the otherwise normal course of daily operations. Counsel for the Organization filed an answer denying liability and the matter is currently in litigation. While the final outcome cannot be determined at this time, management and its counsel are of the opinion that the ultimate liability, if any, from the final resolution of this matter will not have a material effect on the Organization's financial statements.