

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

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

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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, 2020, 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, 2020, 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.

Pete J. Moulton, LLC

Richmond, Virginia
February 6, 2021

CONSOLIDATED FINANCIAL STATEMENTS

**CIRCLE CENTER ADULT DAY SERVICES
AND SUBSIDIARY**

Consolidated Statement of Financial Position

June 30, 2020

With Comparative Totals as of June 30, 2019

| | 2020 | 2019 |
|---|---------------------|---------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 459,701 | \$ 444,957 |
| Accounts receivable | 253,823 | 192,978 |
| Prepaid expenses | - | 1,350 |
| Other assets | 746 | 4,309 |
| Total current assets | 714,270 | 643,594 |
| PROPERTY AND EQUIPMENT - NET | 3,064,340 | 3,130,823 |
| Total assets | \$ 3,778,610 | \$ 3,774,417 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 1,201 | \$ 35,383 |
| Accrued expenses | 27,082 | 86,990 |
| Current portion of long-term debt | 47,919 | 52,373 |
| Total current liabilities | 76,202 | 174,746 |
| LONG-TERM DEBT, LESS CURRENT PORTION | 927,000 | 738,134 |
| Total liabilities | 1,003,202 | 912,880 |
| NET ASSETS | | |
| Without donor restrictions | 2,655,723 | 2,509,852 |
| With donor restrictions | 119,685 | 351,685 |
| Total net assets | 2,775,408 | 2,861,537 |
| Total liabilities and net assets | \$ 3,778,610 | \$ 3,774,417 |

See accompanying notes.

**CIRCLE CENTER ADULT DAY SERVICES
AND SUBSIDIARY**

Consolidated Statement of Activities

For the Year Ended June 30, 2020

With Comparative Totals for the Year Ended June 30, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total | |
|--|---------------------------------------|------------------------------------|--------------|--------------|
| | | | 2020 | 2019 |
| REVENUE AND SUPPORT | | | | |
| Program service fees | \$ 480,734 | \$ - | \$ 480,734 | \$ 663,176 |
| Fees and grants from governmental agencies | 762,552 | - | 762,552 | 983,141 |
| Contributions | 263,842 | 125,074 | 388,916 | 548,777 |
| Special event income | - | - | - | 24,086 |
| Interest income | 1,164 | - | 1,164 | 235 |
| | 1,508,292 | 125,074 | 1,633,366 | 2,219,415 |
| NET ASSETS RELEASED FROM RESTRICTIONS | | | | |
| | 412,737 | (412,737) | - | - |
| Total revenue and support | 1,921,029 | (287,663) | 1,633,366 | 2,219,415 |
| EXPENSES | | | | |
| Program services | 1,376,257 | - | 1,376,257 | 1,917,991 |
| Mangement and general | 224,329 | - | 224,329 | 219,816 |
| Fundraising | 118,909 | - | 118,909 | 123,991 |
| Total expenses | 1,719,495 | - | 1,719,495 | 2,261,798 |
| CHANGE IN NET ASSETS | 201,534 | (287,663) | (86,129) | (42,383) |
| NET ASSETS, BEGINNING OF YEAR | 2,454,189 | 407,348 | 2,861,537 | 2,903,920 |
| NET ASSETS, END OF YEAR | \$ 2,655,723 | \$ 119,685 | \$ 2,775,408 | \$ 2,861,537 |

See accompanying notes.

**CIRCLE CENTER ADULT DAY SERVICES
AND SUBSIDIARY**

Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2020

With Comparative Totals for the Year Ended June 30, 2019

| | Program Services | Management and General | Fund Raising | TOTAL | |
|-------------------------------------|---------------------|---------------------------|-------------------|---------------------|---------------------|
| | | | | 2020 | 2019 |
| Salaries and wages | \$ 903,675 | \$ 90,716 | \$ 84,978 | \$ 1,079,369 | \$ 1,458,497 |
| Payroll taxes | 70,390 | 6,397 | 7,589 | 84,376 | 105,570 |
| Employee benefits | 87,620 | 7,970 | 4,935 | 100,525 | 134,296 |
| Retirement plan | 1,281 | 2,297 | - | 3,578 | 2,006 |
| Total salaries and related expenses | 1,062,966 | 107,380 | 97,502 | 1,267,848 | 1,700,369 |
| Mortgage interest | - | 22,536 | - | 22,536 | 34,508 |
| Electricity | 22,031 | 3,482 | 2,074 | 27,587 | 32,014 |
| Taxes | - | 27,262 | - | 27,262 | 27,163 |
| Custodial and waste services | 16,168 | 1,317 | 1,505 | 18,990 | 25,808 |
| Utilities | 8,181 | 1,088 | 770 | 10,039 | 11,354 |
| Meals and snacks | 79,471 | - | - | 79,471 | 121,409 |
| Equipment rental/repair | 19,791 | 589 | 660 | 21,040 | 49,917 |
| Insurance | 4,661 | 28,989 | 439 | 34,089 | 30,693 |
| Janitorial supplies | 11,633 | - | - | 11,633 | 13,397 |
| Professional fees | 2,209 | 10,835 | 58 | 13,102 | 19,669 |
| Office supplies | 1,650 | 264 | - | 1,914 | 2,680 |
| Marketing | 11,579 | - | 5,027 | 16,606 | 21,405 |
| Software | 14,841 | 46 | - | 14,887 | 14,907 |
| Telephone | 4,087 | 2,548 | 370 | 7,005 | 16,253 |
| Program supplies | 4,477 | 2,494 | - | 6,971 | 3,007 |
| Bank merchant charges | 3,879 | 7,684 | 847 | 12,410 | 5,498 |
| Staff appreciation | - | - | - | - | 1,239 |
| Printing | 1,841 | - | - | 1,841 | 1,515 |
| Nursing supplies | 5,698 | - | - | 5,698 | 9,957 |
| Postage | 919 | - | - | 919 | 1,488 |
| Conferences and meetings | 427 | - | 374 | 801 | 5,286 |
| Membership dues | 678 | - | 351 | 1,029 | 2,268 |
| Bad debt expense | 4,171 | - | - | 4,171 | - |
| Depreciation and amortization | 94,899 | 7,815 | 8,932 | 111,646 | 109,994 |
| | <u>\$ 1,376,257</u> | <u>\$ 224,329</u> | <u>\$ 118,909</u> | <u>\$ 1,719,495</u> | <u>\$ 2,261,798</u> |

See accompanying notes.

**CIRCLE CENTER ADULT DAY SERVICES
AND SUBSIDIARY**

Consolidated Statement of Cash Flows

For the Year Ended June 30, 2020

With Comparative Amounts for the Year Ended June 30, 2019

| | 2020 | 2019 |
|--|-------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (86,129) | \$ (42,383) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 111,646 | 109,994 |
| Change in operating assets and liabilities: | | |
| Accounts receivable | (60,845) | (55,178) |
| Prepaid expenses | 1,350 | 470 |
| Other assets | 3,315 | (746) |
| Accounts payable | (34,182) | 20,540 |
| Accrued expenses | (59,908) | (19,544) |
| Net cash provided by (used in) operating activities | (124,753) | 13,153 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (44,915) | (139,890) |
| Net cash used in investing activities | (44,915) | (139,890) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from the issuance of long-term debt | 306,500 | 90,000 |
| Principal payments on long-term debt | (122,088) | (46,055) |
| Net cash provided by financing activities | 184,412 | 43,945 |
| Net increase (decrease) in cash and cash equivalents | 14,744 | (82,792) |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | 444,957 | 527,749 |
| End of year | \$ 459,701 | \$ 444,957 |

See accompanying notes.

**CIRCLE CENTER ADULT DAY SERVICES
AND SUBSIDIARY**

Notes to Consolidated Financial Statements
June 30, 2020

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, 2020

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, 2020 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, 2020

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, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Comparative Totals

The financial statements include certain prior year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

NOTE 2. RECENT 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. The recent 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).

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.

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2020, consisted of the following:

| | | |
|-------------------------------|----|------------------|
| Land | \$ | 281,384 |
| Building and improvements | | 3,722,826 |
| Equipment | | 138,723 |
| Furniture and fixtures | | 157,032 |
| Total property and equipment | | <u>4,299,965</u> |
| Less accumulated depreciation | | <u>1,235,625</u> |
| Net property and equipment | \$ | <u>3,064,340</u> |

**CIRCLE CENTER ADULT DAY SERVICES
AND SUBSIDIARY**

Notes to Consolidated Financial Statements
June 30, 2020

NOTE 4. LONG-TERM DEBT

Long-term debt at June 30, 2020, 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. | \$ | 668,419 |
|--|----|---------|

| | | |
|--|----|----------|
| Note payable to bank under the Payroll Protection Program, original principal of \$306,500, 1.0% interest rate, unsecured, monthly payments of \$17,252 principal and interest beginning August, 2021 and maturing January, 2023 | | 306,500 |
| | | 974,919 |
| Less current portion | | (47,919) |
| | \$ | 927,000 |

Scheduled maturities of long-term debt are as follows:

| | | |
|----------------------|----|---------|
| Year ending June 30, | | |
| 2021 | | 47,919 |
| 2022 | | 234,162 |
| 2023 | | 692,838 |
| Total Long-Term Debt | \$ | 974,919 |

NOTE 5. RESTRICTED NET ASSETS

Net assets with donor restrictions at June 30, 2020, consisted of the following:

| | | |
|--|----|---------|
| Expansion and capacity building efforts | \$ | 84,472 |
| Sound system | | 5,000 |
| Adult day care services | | 12,556 |
| Maintenance | | 17,657 |
| | | 49,685 |
| Total net assets with donor restrictions | \$ | 119,685 |

**CIRCLE CENTER ADULT DAY SERVICES
AND SUBSIDIARY**

Notes to Consolidated Financial Statements

June 30, 2020

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, 2020, follows:

| <u>Source</u> | |
|---------------------|------------|
| Annual appeal | \$ 72,577 |
| Other | 191,265 |
| | <hr/> |
| Total Contributions | \$ 263,842 |

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, 2020 follows:

| <u>Source</u> | |
|--------------------|------------|
| Medicaid | \$ 681,560 |
| USDA | 54,217 |
| Senior Connections | 26,775 |
| | <hr/> |
| Total | \$ 762,552 |

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, 2020. Such funds received and released were as follows:

| | |
|----------------------------------|------------|
| Scholarships and tuition subsidy | \$ 346,919 |
| Capital improvement purchases | 34,206 |
| Upgrades and maintenance | 31,612 |
| | <hr/> |
| Total | \$ 412,737 |

**CIRCLE CENTER ADULT DAY SERVICES
AND SUBSIDIARY**

Notes to Consolidated Financial Statements
June 30, 2020

NOTE 8. RETIREMENT PLAN

The Organization has a qualified contribution retirement plan for the benefit of its employees. Employees are eligible to participate in the plan after six months of employment. Plan participants with 501 hours of service are eligible for employer contributions. No contribution was made to eligible participants for the year ended June 30, 2020 and the retirement plan expense totaled \$3,578. 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 | \$ | 459,701 |
| Accounts receivable | | <u>257,995</u> |
| | | 717,696 |
| Less amounts not available for use within one year: | | |
| Net assets with donor restrictions | | <u>119,685</u> |
| Total financial assets available | \$ | <u>598,001</u> |

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

In June, 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.

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

June 30, 2020

NOTE 12. SUBSEQUENT EVENTS

On June 23, 2020, the Organization was approved for an Economic Injury Disaster Loan (EIDL) in the amount of \$150,000. The EIDL program is designed to provide economic relief to organizations that are currently experiencing a temporary loss of revenue due to COVID-19. The loan was funded on July 9, 2020.

Management has evaluated subsequent events through February 6, 2021, the date the financial statements were available to be issued.