

# **A Grace Place Adult Care Center**

**Financial Statements**

**June 30, 2007**

## Contents

---

Independent Auditor's Report.....	1
Financial Statements	
Statements of Financial Position.....	2 - 3
Statements of Activities.....	4 - 5
Statements of Functional Expenses.....	6 - 7
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9 - 13



**Meadows Urquhart Acree Cook & Walls, LLP**  
Certified Public Accountants

- Kelli P. Meadows
- Douglas A. Urquhart
- David C. Acree
- Shannon W. Cook
- Steven P. Walls

### Independent Auditor's Report

To the Board of Directors  
A Grace Place Adult Care Center

We have audited the accompanying statements of financial position of A Grace Place Adult Care Center (hereafter the "Organization") as of June 30, 2007 and 2006, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of A Grace Place Adult Care Center as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Meadows Urquhart Acree Cook & Walls, LLP*

September 8, 2007

A Grace Place Adult Care Center

Statements of Financial Position  
June 30, 2007 and 2006

	2007	2006
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 259,462	\$ 142,404
Accounts receivable, less allowance for doubtful accounts of \$14,904 for 2007 and \$13,371 for 2006	213,461	163,511
Unconditional promises to give	76,517	71,335
Investments	10,536	-
Prepaid rent	3,095	23,146
Prepaid expenses	49,360	57,328
<b>Total current assets</b>	<u>612,431</u>	<u>457,724</u>
Property and Equipment		
Furniture and office equipment	310,101	285,095
Leasehold improvements	845,262	819,202
Vehicles	268,238	221,019
	<u>1,423,601</u>	<u>1,325,316</u>
Less accumulated depreciation and amortization	<u>(838,923)</u>	<u>(714,675)</u>
	<u>584,678</u>	<u>610,641</u>
	<u>\$ 1,197,109</u>	<u>\$ 1,068,365</u>

See Notes to Financial Statements.

	2007	2006
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable	\$ 52,655	\$ 20,617
Accrued payroll, payroll taxes, withholdings and benefits	33,256	36,977
Accrued vacation	96,475	88,355
Deferred rent	19,582	19,578
<b>Total current liabilities</b>	<u>201,968</u>	<u>165,527</u>
Deferred Rent	51,735	68,654
<b>Total liabilities</b>	<u>253,703</u>	<u>234,181</u>
Net Assets		
Unrestricted		
Board designated	47,615	-
Undesignated	806,094	743,914
<b>Total unrestricted net assets</b>	<u>853,709</u>	<u>743,914</u>
Temporarily restricted	89,697	90,270
	<u>943,406</u>	<u>834,184</u>
	<u>\$ 1,197,109</u>	<u>\$ 1,068,365</u>

A Grace Place Adult Care Center

Statements of Activities

Years ended December 31, 2007 and 2006

	2007		
	Unrestricted	Temporarily Restricted	Total
Program Service Revenue:			
Medicaid reimbursements	\$ 2,107,081	\$ -	\$ 2,107,081
Other state and local government reimbursements	550,436	-	550,436
	2,657,517	-	2,657,517
Other Revenue and Support:			
United Way	68,024	73,517	141,541
Program service fees	182,399	-	182,399
Other contributions	222,673	5,085	227,758
Donated services and goods	200,706	-	200,706
Interest and other income	3,124	-	3,124
	676,926	78,602	755,528
<b>Total public support, revenue gains, and other support</b>	<b>3,334,443</b>	<b>78,602</b>	<b>3,413,045</b>
Net assets released from restrictions	79,175	(79,175)	-
<b>Net public support, revenue, gains, and other support</b>	<b>3,413,618</b>	<b>(573)</b>	<b>3,413,045</b>
Expenses			
Program services:			
Adult Day Care	764,995	-	764,995
Day Support	1,964,650	-	1,964,650
Transportation	81,138	-	81,138
Supporting services:			
Fundraising	186,606	-	186,606
Administrative	306,434	-	306,434
<b>Total expenses</b>	<b>3,303,823</b>	<b>-</b>	<b>3,303,823</b>
<b>Change in net assets</b>	<b>109,795</b>	<b>(573)</b>	<b>109,222</b>
Net assets, beginning of year	743,914	90,270	834,184
Net assets, end of year	\$ 853,709	\$ 89,697	\$ 943,406

See Notes to Financial Statements.

2006		
Unrestricted	Temporarily Restricted	Total
\$ 1,882,283	\$ -	\$ 1,882,283
571,755	-	571,755
2,454,038	-	2,454,038
61,880	71,335	133,215
179,847	-	179,847
317,593	7,954	325,547
122,468	-	122,468
1,476	-	1,476
683,264	79,289	762,553
3,137,302	79,289	3,216,591
138,803	(138,803)	-
3,276,105	(59,514)	3,216,591
740,140	-	740,140
1,887,589	-	1,887,589
82,109	-	82,109
151,595	-	151,595
277,613	-	277,613
3,139,046	-	3,139,046
137,059	(59,514)	77,545
606,855	149,784	756,639
\$ 743,914	\$ 90,270	\$ 834,184

A Grace Place Adult Care Center

Statement of Functional Expenses  
Year ended June 30, 2007

	Program Services			Supporting Services			Total
	Day Care	Day Support	Transportation	Fundraising	Administrative		
Salaries	\$ 374,184	\$ 1,117,382	\$ 21,613	\$ 100,075	\$ 104,344	\$	1,717,598
Occupancy	97,683	118,168	-	13,130	35,488		264,469
Travel	8,160	166,801	20,279	215	128		195,583
Supplies	68,892	111,483	361	3,031	7,096		190,863
Employee health and retirement benefits	21,714	113,786	2,793	3,090	15,617		157,000
Donated services	70,383	64,108	-	2,150	14,000		150,641
Payroll taxes	27,638	82,076	1,625	7,205	8,424		126,968
Depreciation and amortization	10,081	72,126	26,569	1,456	14,015		124,247
Professional fees	37,709	31,322	1,374	9,420	41,353		121,178
Insurance	33,227	60,898	5,645	4,584	6,398		110,752
Conferences, conventions, and meetings	3,127	5,034	55	27,324	7,431		42,971
Equipment maintenance	2,657	4,926	188	2,691	18,811		29,273
Telephone	206	8,332	46	-	14,860		23,444
Other	3,591	3,452	590	524	12,699		20,856
Printing	190	426	-	9,015	2,387		12,018
Bad debts	4,500	1,500	-	-	-		6,000
Postage and shipping	78	78	-	2,696	2,800		5,652
Contributed goods	975	2,752	-	-	150		3,877
Interest	-	-	-	-	433		433
	\$ 764,995	\$ 1,964,650	\$ 81,138	\$ 186,606	\$ 306,434	\$	3,303,823

See Notes to Financial Statements.

A Grace Place Adult Care Center

Statement of Functional Expenses  
Year ended June 30, 2006

	Program Services			Supporting Services			Total
	Day Care	Day Support	Transportation	Fundraising	Administrative		
Salaries	\$ 363,969	\$ 1,126,488	\$ 21,232	\$ 101,605	\$ 89,060	\$	\$ 1,702,354
Occupancy	106,330	97,190	-	10,799	32,300		246,619
Travel	10,600	165,689	19,787	94	1,885		198,055
Supplies	59,098	84,591	221	2,853	20,100		166,863
Employee health and retirement benefits	28,584	113,391	4,727	3,667	11,454		161,823
Payroll taxes	27,169	84,205	1,379	6,616	8,175		127,544
Depreciation and amortization	10,938	63,701	27,550	1,338	15,392		118,919
Insurance	33,950	64,496	5,484	1,776	6,267		111,973
Professional fees	28,618	38,397	1,418	3,431	38,637		110,501
Donated services	51,740	4,660	-	2,140	10,000		68,540
Equipment maintenance	5,133	9,119	128	1,362	8,624		24,366
Telephone	971	7,751	130	-	13,276		22,128
Contributed goods	7,610	7,610	-	-	3,805		19,025
Bad debts	3,111	15,389	-	-	-		18,500
Other	2,142	4,442	53	1,146	8,482		16,265
Printing	88	-	-	9,285	3,574		12,947
Postage and shipping	-	-	-	3,407	3,549		6,956
Conferences, conventions, and meetings	89	470	-	2,076	2,495		5,130
Interest	-	-	-	-	538		538
<b>\$</b>	<b>740,140</b>	<b>\$ 1,887,589</b>	<b>\$ 82,109</b>	<b>\$ 151,595</b>	<b>\$ 277,613</b>	<b>\$</b>	<b>\$ 3,139,046</b>

See Notes to Financial Statements.

A Grace Place Adult Care Center

Statements of Cash Flows

Years ended June 30, 2007 and 2006

	2007	2006
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 109,222	\$ 77,545
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	124,247	118,919
Deferred rent	(16,915)	14,870
Unrealized gain on investment	(509)	-
Donation restricted for long-term investment	-	30,000
Bad debts, net	1,533	(1,143)
Decrease (increase) in assets:		
Accounts receivable	(51,483)	74,348
Unconditional promises to give	(5,182)	8,749
Prepaid rent	20,051	911
Prepaid expenses	7,968	(31,535)
Increase in liabilities:		
Accounts payable	32,038	4,193
Accrued expenses	4,399	20,955
<b>Net cash provided by operating activities</b>	<b>225,369</b>	<b>317,812</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of investment	(10,027)	-
Purchases of property and equipment	(98,284)	(256,209)
<b>Net cash used in investing activities</b>	<b>(108,311)</b>	<b>(256,209)</b>
<b>Cash Flows from Financing Activities</b>		
Principal payments under capital lease obligations	-	(1,656)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(1,656)</b>
<b>Net increase in cash and cash equivalents</b>	<b>117,058</b>	<b>59,947</b>
Cash and cash equivalents, beginning of year	142,404	82,457
Cash and cash equivalents, end of year	<u>\$ 259,462</u>	<u>\$ 142,404</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Interest paid	<u>\$ 433</u>	<u>\$ 538</u>
Disposal of fully depreciated property and equipment	<u>\$ -</u>	<u>\$ 73,671</u>
Donation of vehicle	<u>\$ 37,775</u>	<u>\$ 34,903</u>

See Notes to Financial Statements.

## A Grace Place Adult Care Center

### Notes to Financial Statements

---

#### Note 1—Nature of Activities and Significant Accounting Policies

Nature of activities: A Grace Place Adult Care Center (the Organization) is a non-stock, non-profit corporation, formed in Virginia on October 9, 1969, to provide various programs of support, education, training, rehabilitation and recreation for adults with disabilities and age-related conditions. The Organization has two divisions, Adult Day Care and Day Support (referred to as "Connections"). The Organization amended its bylaws in November 2004 to formally change its name to A Grace Place Adult Care Center (formerly Adult Care Services).

A summary of the Organization's significant accounting policies follows:

Basis of accounting: The financial statements of the Organization are prepared under the accrual method of accounting. Under this accounting method, income is recorded as earned and expenses are recorded as incurred.

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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 assets.

*Unrestricted net assets* are net assets that are neither permanently restricted nor temporarily restricted by donor-imposed restrictions.

*Temporarily restricted net assets* result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to these stipulations. Net assets may be restricted for various purposes, such as use in future periods or for specified purposes.

*Permanently restricted net assets* result from contributions that must be maintained by the Organization in perpetuity. The Organization has no permanently restricted assets.

Financial credit risk: The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant financial risk on cash.

Functional allocation of expenses: The costs of providing various programs and activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the applicable programs.

Cash equivalents: The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts receivable: Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and receivables are written-off when deemed uncollectible. Recoveries of receivables previously written-off are recorded when collected.

## A Grace Place Adult Care Center

### Notes to Financial Statements

---

#### Note 1—Nature of Activities and Significant Accounting Policies (Continued)

Unconditional promises to give: Promises to give are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. At June 30, 2007 and 2006, all promises to give are considered collectible within one year.

Investments: The Association follows SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. This Statement requires that investments in equity securities with readily determined fair values and all investments in debt securities be measured at fair value in the statements of financial position. The investments held at June 30, 2007 include mutual funds with a cost of \$10,027 and a fair market value of \$10,535. The unrealized gain on the investments of \$509 for the year ended June 30, 2007 is reflected in the statements of activities.

Property and equipment: Property and equipment are capitalized according to original cost or at fair value, if donated. Depreciation is computed using the straight-line method over estimated useful lives of the depreciable assets as follows.

	<u>Years</u>
Furniture and office equipment	3 - 8
Leasehold improvements	10 - 15
Vehicles	5

Capitalized leased equipment and leasehold improvements are amortized over the shorter of their estimated useful lives or the term of the lease. Amortization of leased property and equipment is included in depreciation and amortization. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the statement of activities for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Valuation of long-lived assets: The Organization accounts for the valuation of long-lived assets under Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of carrying amount or fair value, less cost to sell.

Deferred rent: The Organization records rent related to its operating leases in accordance with SFAS No. 13, as amended, that requires rent expense to be recorded on a straight-line basis over the life of the lease. Rent expense in excess of rental payments is recognized as deferred rent.

Donated labor and materials: The Organization received \$150,640 and \$68,540 in donated labor from volunteers and \$3,877 and \$19,025 in donated supplies for the years ended June 30, 2007 and 2006, respectively. The Organization uses market hourly rates to determine the value of donated labor and values donated supplies at fair market value. During 2007 and 2006, respectively, the Organization also received approximately 370 and 432 hours of service from volunteers, which do not meet the requirements for recognition in the accompanying financial statements.

## A Grace Place Adult Care Center

### Notes to Financial Statements

---

#### Note 1—Nature of Activities and Significant Accounting Policies (Continued)

Revenue and support: The Organization received substantially all of its public support from the Richmond metropolitan community and is substantially dependent on continued government reimbursement programs. All revenue is recognized when earned.

Program service revenue is recorded at the Organization's established rates with contractual adjustments deducted, if any, to arrive at program service revenue. The Organization has agreements with third-party payers which provide for reimbursement to the Organization at amounts different from its established rates. The primary program is Medicaid, which accounted for approximately 66% and 64% of program service revenue for the years ended June 30, 2007 and 2006, respectively.

Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

Income taxes: The Organization is generally exempt from federal and state income taxes under Section 501 (c)(3) of the Internal Revenue Code as evidenced in its IRS determination letter dated January 18, 2001.

Use of estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates and assumptions.

Reclassifications: Certain amounts in the 2006 financial statements have been reclassified to conform to presentations adopted in 2007.

#### Note 2— Line of Credit

The Organization has a \$100,000 line of credit with an interest rate of Prime (8.25% at June 30, 2007). There was \$100,000 available on this line of credit at June 30, 2007 and 2006.

#### Note 3—Temporarily Restricted Net Assets

As of June 30, 2007 and 2006, net assets were temporarily restricted for the following purposes:

	2007	2006
Time restriction to be used for operations during the years ending June 30, 2008 and 2007, respectively	\$ 76,517	\$ 71,335
Time and donor imposed restrictions to be used for art programs	11,095	16,981
Other temporarily restricted net assets	2,085	1,954
	<u>\$ 89,697</u>	<u>\$ 90,270</u>

## A Grace Place Adult Care Center

### Notes to Financial Statements

---

#### Note 4—Net Assets Released From Restrictions

As of June 30, 2007 and 2006, net assets released from restrictions were as follows:

	2007	2006
Expiration of time restrictions	\$ 71,335	\$ 91,616
Satisfaction of art program restrictions	5,886	17,075
Satisfaction of heating, ventilation and air conditioning upgrades restriction	-	30,112
Satisfaction of other restrictions	1,954	-
	<u>\$ 79,175</u>	<u>\$ 138,803</u>

#### Note 5—Retirement Plans

The Organization provides a tax deferred annuity arrangement (the Plan) under Internal Revenue Code Section 403(b), which covers all eligible, regular full-time, and eligible part-time employees. Participants may elect to contribute a portion of their salary to the Plan. Additionally, after the first year of employment, the Organization may elect to contribute the lesser of 2% of each participant's base wages or 50% of the employees' voluntary contribution to the Plan. The sum of the Organization's contributions and eligible employee contributions may not exceed the lesser of 25% of each employee's compensation or \$30,000 annually. The Organization had no contributions for 2007 and 2006.

The Organization also participates in an affiliated agency noncontributory multi-employer pension plan, sponsored and administered by United Way of Greater Richmond. Participants in the pension plan become eligible upon reaching age 21 and completion of one year of service and become fully vested after three years of service. The actuarial present value of vested and non-vested accumulated plan benefits and net assets available for benefits are not determined for the affiliated agencies participating in this multi-employer plan. For the years ended June 30, 2007 and 2006, the plan was overfunded; therefore, there was no pension expense recorded. The Organization is currently in the process of amending the plan such that future benefits only accrue for current employees with more than 10 years of employment or employees that have reached the age 55. As of June 30, 2007, six employees met these criteria. The Organization has been informed by the plan administrator that the amended plan will require contributions of approximately \$30,000 in 2008.

## A Grace Place Adult Care Center

### Notes to Financial Statements

---

#### Note 6—Operating Leases

The Organization leases space under operating lease agreements that expire in July 2012. The leases are subject to rent increases annually. The Organization also leases two copiers under operating lease agreements that expire in September 2009 and July 2011.

Future minimum annual rent payments for all operating leases are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2008	\$ 224,145
2009	228,836
2010	231,123
2011	232,818
2012	235,584

Total rent expense for 2007 and 2006 was \$195,845 and \$201,215, respectively, and is included in the accompanying statements of functional expenses in "Occupancy".