

# **A Grace Place Adult Care Center**

## **Financial Statements**

**June 30, 2008**

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**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, 2008 and 2007, 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, 2008 and 2007, 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 29, 2008

A Grace Place Adult Care Center

Statements of Financial Position  
June 30, 2008 and 2007

	2008	2007
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 375,079	\$ 259,462
Accounts receivable, less allowance for doubtful accounts of \$20,693 for 2008 and \$14,904 for 2007	210,144	213,461
Unconditional promises to give	76,842	76,517
Investments	8,960	10,536
Prepaid rent	18,461	3,095
Prepaid expenses	32,815	49,360
<b>Total current assets</b>	<b>722,301</b>	<b>612,431</b>
<b>Property and Equipment</b>		
Furniture and office equipment	340,045	310,101
Leasehold improvements	857,100	845,262
Vehicles	268,238	268,238
	1,465,383	1,423,601
Less accumulated depreciation and amortization	(959,980)	(838,923)
	505,403	584,678
<b>Total assets</b>	<b>\$ 1,227,704</b>	<b>\$ 1,197,109</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 48,054	\$ 52,655
Accrued payroll, payroll taxes, withholdings and benefits	45,997	33,256
Accrued vacation	96,595	96,475
Deferred rent	16,425	19,582
<b>Total current liabilities</b>	<b>207,071</b>	<b>201,968</b>
Deferred Rent	37,977	51,735
<b>Total liabilities</b>	<b>245,048</b>	<b>253,703</b>
<b>Net Assets</b>		
Unrestricted	47,615	47,615
Board designated	847,256	806,094
Undesignated	894,871	853,709
<b>Total unrestricted net assets</b>	<b>894,871</b>	<b>894,871</b>
Temporarily restricted	87,785	89,697
<b>Total net assets</b>	<b>982,656</b>	<b>943,408</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,227,704</b>	<b>\$ 1,197,109</b>

See Notes to Financial Statements.

Statements of Activities  
Years ended June 30, 2008 and 2007

	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Program Service Revenue:</b>						
Medicaid reimbursements	\$ 2,193,086	\$ -	\$ 2,193,086	\$ 2,107,081	\$ -	\$ 2,107,081
Other state and local government reimbursements	552,486	-	552,486	550,436	-	550,436
	2,745,572	-	2,745,572	2,657,517	-	2,657,517
<b>Other Revenue and Support:</b>						
United Way	63,945	76,843	140,788	68,024	73,517	141,541
Program service fees	169,714	-	169,714	182,389	-	182,389
Other contributions	214,781	10,942	225,723	222,673	5,085	227,758
Donated services and goods	68,472	-	68,472	115,911	-	115,911
Interest and other income	5,732	-	5,732	3,124	-	3,124
	522,644	87,785	610,429	592,131	78,602	670,733
<b>Total program service revenue and other revenue and support</b>	<b>3,268,216</b>	<b>87,785</b>	<b>3,356,001</b>	<b>3,249,648</b>	<b>78,602</b>	<b>3,328,250</b>
Net assets released from restrictions	89,697	(89,697)	-	79,175	(79,175)	-
<b>Net program service revenue and other revenue and support</b>	<b>3,357,913</b>	<b>(1,912)</b>	<b>3,356,001</b>	<b>3,328,823</b>	<b>(573)</b>	<b>3,328,250</b>
<b>Expenses</b>						
<b>Program services:</b>						
Adult Day Care	809,220	-	809,220	722,598	-	722,598
Day Support	1,939,473	-	1,939,473	1,922,252	-	1,922,252
Transportation	82,637	-	82,637	81,138	-	81,138
<b>Supporting services:</b>						
Fundraising	141,426	-	141,426	186,606	-	186,606
Administrative	343,995	-	343,995	306,434	-	306,434
	3,316,751	-	3,316,751	3,219,028	-	3,219,028
<b>Total expenses</b>	<b>41,162</b>	<b>(1,912)</b>	<b>39,250</b>	<b>109,795</b>	<b>(573)</b>	<b>109,222</b>
<b>Change in net assets</b>	<b>853,709</b>	<b>89,697</b>	<b>943,406</b>	<b>743,914</b>	<b>90,270</b>	<b>834,184</b>
Net assets, beginning of year	\$ 894,871	\$ 87,785	\$ 982,656	\$ 853,709	\$ 89,697	\$ 943,406
Net assets, end of year						

See Notes to Financial Statements.

A Grace Place Adult Care Center

Statement of Functional Expenses  
Year ended June 30, 2008

	Program Services			Supporting Services			Total
	Adult Day Care	Day Support	Transportation	Fundraising	Administrative		
Salaries	\$ 427,446	\$ 1,101,322	\$ 26,479	\$ 54,787	\$ 138,727	\$	1,748,761
Occupancy	102,268	117,431	-	13,048	42,148		274,895
Supplies	78,824	124,494	327	3,093	6,683		213,421
Employee health and retirement benefits	33,728	133,786	4,145	3,493	24,336		199,488
Travel	11,597	162,700	23,272	319	357		198,245
Payroll taxes	31,826	80,828	1,908	4,008	10,013		128,583
Depreciation and amortization	12,588	73,617	18,535	688	15,629		121,057
Professional fees	33,607	34,754	1,467	4,254	36,987		111,069
Insurance	33,648	55,281	5,848	2,736	8,110		105,623
Donated services	21,914	23,624	-	3,120	13,850		62,508
Conferences, conventions, and meetings	4,897	6,454	70	40,179	8,923		60,523
Equipment maintenance	6,064	7,742	461	1,823	8,821		24,911
Telephone	817	5,884	125	-	14,653		21,479
Other	4,735	3,911	-	906	9,824		19,376
Printing	269	664	-	5,932	1,927		8,792
Bad debts	4,500	1,500	-	-	-		6,000
Contributed goods	483	5,481	-	-	-		5,964
Postage and shipping	9	-	-	3,040	2,915		5,964
Interest	-	-	-	-	92		92
	\$ 809,220	\$ 1,939,473	\$ 82,637	\$ 141,426	\$ 343,995	\$	3,316,751

See Notes to Financial Statements.

A Grace Place Adult Care Center

Statement of Functional Expenses  
Year ended June 30, 2007

	Program Services			Supporting Services			Total
	Adult 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
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
Donated services	27,986	21,710	-	2,150	14,000		65,846
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
	\$ 722,598	\$ 1,922,252	\$ 81,138	\$ 186,606	\$ 306,434	\$	3,219,028

See Notes to Financial Statements.

A Grace Place Adult Care Center

Statements of Cash Flows

Years ended June 30, 2008 and 2007

	2008	2007
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 39,250	\$ 109,222
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	121,057	124,247
Deferred rent	(16,915)	(16,915)
Unrealized loss (gain) on investments	1,576	(509)
Bad debts, net	5,789	1,533
Decrease (increase) in assets:		
Accounts receivable	(2,472)	(51,483)
Unconditional promises to give	(325)	(5,182)
Prepaid rent	(15,366)	20,051
Prepaid expenses	16,545	7,968
Increase (decrease) in liabilities:		
Accounts payable	(4,601)	32,038
Accrued expenses	12,861	4,399
<b>Net cash provided by operating activities</b>	<u>157,399</u>	<u>225,369</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	-	(10,027)
Purchases of property and equipment	(41,782)	(98,284)
<b>Net cash used in investing activities</b>	<u>(41,782)</u>	<u>(108,311)</u>
<b>Net increase in cash and cash equivalents</b>	115,617	117,058
Cash and cash equivalents, beginning of year	<u>259,462</u>	<u>142,404</u>
Cash and cash equivalents, end of year	<u>\$ 375,079</u>	<u>\$ 259,462</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Interest paid	<u>\$ 92</u>	<u>\$ 433</u>
Donations of property and equipment	<u>\$ -</u>	<u>\$ 46,189</u>

See Notes to Financial Statements.

## A Grace Place Adult Care Center

### Notes to Financial Statements

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#### 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").

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 net 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 net 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, and 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. Substantially all of the Organization's accounts receivable are due from Medicaid.

## A Grace Place Adult Care Center

### Notes to Financial Statements

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#### 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, 2008 and 2007, all promises to give are considered collectible within one year.

Investments: The Organization 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, 2008 and 2007 were as follows:

	2008	2007
I-Shares TR S&P 500 Index Fund (70 shares)		
Cost	\$ 10,027	\$ 10,027
Fair value	8,960	10,536
Unrealized gain (loss)	\$ (1,067)	\$ 509

The unrealized gain (loss) on the aforementioned investments of (\$1,576) and \$509 for the years ended June 30, 2008 and 2007, respectively, are reflected in the accompanying statements of activities in "interest and other income".

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.

## A Grace Place Adult Care Center

### Notes to Financial Statements

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

Deferred rent: The Organization records rent related to its operating leases in accordance with SFAS No. 13, *Accounting for Leases*, 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 \$62,507 and \$65,845 in donated labor from volunteers and \$5,965 and \$3,877 in donated supplies for the years ended June 30, 2008 and 2007, respectively. The Organization uses market hourly rates to determine the value of donated labor and values donated supplies at fair market value. During 2008 and 2007, respectively, the Organization also received approximately 540 and 370 hours of service from volunteers, which do not meet the requirements for recognition in the accompanying financial statements.

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 65% and 62% of total program service revenue and other revenue and support for the years ended June 30, 2008 and 2007, 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 2007 financial statements have been reclassified to conform to presentations adopted in 2008.

#### Note 2— Lines of Credit

The Organization has a \$100,000 line of credit with a commercial bank at an interest rate of Prime (5% at June 30, 2008). In addition, the Organization maintains a \$25,000 line of credit for computer purchases with a vendor bearing interest at a variable rate (13.99% at June 30, 2008). There were no outstanding balances on these lines of credit as of June 30, 2008 and 2007.

## A Grace Place Adult Care Center

### Notes to Financial Statements

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#### Note 3—Temporarily Restricted Net Assets

As of June 30, 2008 and 2007, net assets were temporarily restricted for the following purposes:

	2008	2007
Time restriction to be used for operations during the years ending June 30, 2008 and 2007, respectively	\$ 76,843	\$ 76,517
Time and donor imposed restrictions to be used for art programs	4,808	11,095
Donor imposed restriction for capital expansion	5,000	-
Other temporarily restricted net assets	1,134	2,085
	<u>\$ 87,785</u>	<u>\$ 89,697</u>

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

During the years ended June 30, 2008 and 2007, net assets released from restrictions were as follows:

	2008	2007
Expiration of time restrictions	\$ 76,517	\$ 71,335
Satisfaction of art program restrictions	11,095	5,886
Satisfaction of other restrictions	2,085	1,954
	<u>\$ 89,697</u>	<u>\$ 79,175</u>

#### Note 5—Retirement Plans

The Organization provides a tax deferred annuity arrangement (the 403(b) Plan) qualified under Internal Revenue Code Section 403(b), which covers all eligible, regular full-time, and eligible part-time employees. Participants may elect to defer a portion of their salary to the 403(b) Plan in accordance with annual limitations. 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 employee's voluntary contributions 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. During the year ended June 30, 2008, the Organization contributed \$4,990 to the 403(b) Plan in matching contributions (none in 2007).

The Organization also participates in an affiliated agency noncontributory multi-employer pension plan, sponsored and administered by the United Way of Greater Richmond (the Pension Plan). Effective July 1, 2007, participants in the Pension Plan are limited to those employees over 50 years of age. The actuarial present value of vested and non-vested accumulated plan benefits and net assets available for benefits are not determined for the affiliated participating agencies.

Effective January 1, 2008, the Organization received notification that the Pension Plan will be terminated in 2012 and that employer contributions through 2012 shall be required at 5% of eligible employee compensation (approximately 6 employees). For the year ended June 30, 2008, the Organization contributed \$12,735 to the Pension Plan. For the year ended June 30, 2007, the Pension Plan was overfunded; therefore, there was no pension expense recorded. See Note 7.

## A Grace Place Adult Care Center

### Notes to Financial Statements

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#### 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>
2009	\$ 228,836
2010	231,123
2011	232,818
2012	235,584
2013	59,147

Total rent expense for 2008 and 2007 was \$200,218 and \$195,845, respectively, and is included in the accompanying statements of functional expenses in "Occupancy". Total equipment rent expense was \$9,456 for each of the years ended June 30, 2008 and 2007 and is included in the accompanying statements of functional expenses in "Equipment maintenance".

#### Note 7—Subsequent Event

In September 2008, the Pension Plan (see Note 5) was terminated by the United Way of Greater Richmond effective December 31, 2008. Accordingly, as of January 1, 2009, all of the Organization's participants in the Pension Plan are eligible to receive employer matching contributions in the Organization's 403(b) Plan.