

**SOUTH RICHMOND ADULT DAY CARE
CENTER, INC.
Richmond, Virginia**

**FINANCIAL STATEMENTS
June 30, 2017 and 2016**

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT.....	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	2
Statement of Activities.....	3
Statements of Cash Flows.....	5
Statements of Functional Expenses.....	6
Summary of Significant Accounting Policies.....	7
Notes to Financial Statements.....	9

Independent Auditor's Report

The Board of Directors
South Richmond Adult Day Care Center, Inc.
Richmond, Virginia

I have audited the accompanying financial statements of South Richmond Adult Day Care Center, Inc. (a Virginia non-profit, "the Center"), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, cash flows and functional expenses for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Richmond Adult Day Care Center, Inc., as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Richmond, Virginia
December 7, 2017

SOUTH RICHMOND ADULT DAY CARE CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

ASSETS	2017	2016
Cash and cash equivalents	\$ 110,000	\$ 85,467
Accounts receivable	11,761	61,371
Total current assets	121,761	146,838
Property and equipment, net	28,729	36,990
TOTAL ASSETS	\$150,490	\$183,828
LIABILITIES		
Accounts payable	\$ 8,697	\$ 5,848
Pension liability payable	5,787	7,192
Payroll and related	3,909	4,000
Total current liabilities	18,393	17,040
NET ASSETS		
Unrestricted	132,097	116,788
Temporarily restricted	-	50,000
Total net assets	132,097	166,788
TOTAL LIABILITIES AND NET ASSETS	\$ 150,490	\$ 183,828

These financial statements should be read only in connection
with the accompanying summary of significant accounting
policies and notes to financial statements.

SOUTH RICHMOND ADULT DAY CARE CENTER, INC.
STATEMENT OF ACTIVITIES
Year Ended June 20, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions <i>(USDA, govt)</i>	\$ 61,838	-	\$ 61,838
Foundation grants	90,117	-	90,117
Medicaid fees	70,353	-	70,353
Participant fees	36,670	-	36,670
Other	505	-	505
Released from restrictions	50,000	(50,000)	-
	<u>309,483</u>	<u>(50,000)</u>	<u>259,483</u>
Total support and revenue			
EXPENSES			
Program services	238,782	-	238,782
Management and general	48,997	-	48,997
Fundraising	6,395	-	6,395
	<u>294,174</u>	<u>-</u>	<u>294,174</u>
Total expenses			
CHANGE IN NET ASSETS	15,309	(50,000)	(34,691)
NET ASSETS, BEGINNING OF YEAR	<u>116,788</u>	<u>50,000</u>	<u>166,788</u>
NET ASSETS, END OF YEAR	<u>\$ 132,097</u>	<u>-</u>	<u>\$ 132,097</u>

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with the accompanying summary of significant accounting
policies and notes to financial statements.

SOUTH RICHMOND ADULT DAY CARE CENTER, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 63,203	-	\$ 63,203
Foundation grants	134,250	50,000	184,250
Medicaid fees	68,843	-	68,843
Participant fees	29,978	-	29,978
Other	54	-	54
Released from restrictions	32,125	(32,125)	-
	<u>328,453</u>	<u>17,875</u>	<u>346,328</u>
EXPENSES			
Program services	218,545	-	218,545
Management and general	48,557	-	48,557
Fundraising	10,808	-	10,808
	<u>277,910</u>	<u>-</u>	<u>277,910</u>
CHANGE IN NET ASSETS	50,543	17,875	68,418
NET ASSETS, BEGINNING OF YEAR	<u>66,245</u>	<u>32,125</u>	<u>98,370</u>
NET ASSETS, END OF YEAR	<u>\$ 116,788</u>	<u>50,000</u>	<u>\$ 166,788</u>

These financial statements should be read only in connection
with the accompanying summary of significant accounting
policies and notes to financial statements.

SOUTH RICHMOND ADULT DAY CARE CENTER, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (34,691)	\$ 68,418
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	8,611	9,278
Effects of changes in operating assets and liabilities:		
Accounts receivable	49,610	(49,706)
Accounts payable and pension	1,444	(334)
Accrued expenses	(91)	(833)
Net cash provided by (used in) operating activities	<u>24,883</u>	<u>26,823</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(350)</u>	<u>(189)</u>
Net cash used in investing activities	<u>(350)</u>	<u>(189)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	24,533	26,634
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	85,467	58,833
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 110,000</u></u>	<u><u>\$ 85,467</u></u>

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

SOUTH RICHMOND ADULT DAY CARE CENTER, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2017 and 2016

	2017			2016				
	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising	Total
Salaries and payroll taxes	\$ 154,286	\$ 32,512	\$ 5,579	\$ 192,377	\$ 144,214	\$ 34,855	\$ 5,348	\$ 184,417
Meals	25,199	-	-	25,199	20,119	-	-	20,119
Building maintenance	3,426	-	-	3,426	2,164	-	-	2,164
Rent	9,600	2,400	-	12,000	12,000	-	-	12,000
Professional fees	7,400	7,400	-	14,800	5,208	5,207	-	10,415
Casual labor	-	-	-	-	1,362	1,363	-	2,725
Utilities	10,549	-	-	10,549	10,538	-	-	10,538
Depreciation	8,611	-	-	8,611	9,278	-	-	9,278
Pension	15,143	3,191	548	18,882	8,606	3,442	5,163	17,211
Insurance	-	2,957	-	2,957	-	3,095	-	3,095
Other	4,568	537	268	5,373	5,056	595	297	5,948
TOTAL	\$ 238,782	\$ 48,997	\$ 6,395	\$ 294,174	\$ 218,545	\$ 48,557	\$ 10,808	\$ 277,910

These financial statements should be read only in connection
with the accompanying summary of significant accounting
policies and notes to financial statements.

SOUTH RICHMOND ADULT DAY CARE CENTER, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2017 and 2016

South Richmond Adult Day Care Center, Inc. (the Center), a Virginia non-profit, community-based program serving the South Richmond, Richmond City, and surrounding counties, provides a supervised, therapeutic, safe, and enriched environment for persons with disabilities and dependent clients aged 60 and older with complex, chronic, and debilitating medical conditions, or who are at risk for social isolation, loneliness, and depression.

The Center is a response to the community for individuals in need of adult day health care. The Center's programs permit individuals to remain in their homes, to reside in group homes, in the homes of friends, or in other community settings. For more than 30 years, the Center has had its broad based support squarely in the community it serves, receiving contributions from individuals, churches, foundations, corporations, United Way Services, and project based grants.

BASIS OF PRESENTATION

The Center reports its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The Center's assets are separated into unrestricted net assets and temporarily restricted net assets. The Center currently has no permanently restricted net assets.

Unrestricted net assets represent resources whose use is not limited or restricted by donors. They generally arise as a result of unrestricted contributions or restricted contributions whose restrictions have expired.

Temporarily restricted net assets represent resources whose use is limited by donors for the purpose in which they may be expended. Temporarily restricted net assets are reclassified to unrestricted as their purpose restriction is met.

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

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, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

CONTRIBUTIONS

The Center receives contributions from community organizations and private citizens. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Amounts received which are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Center reports the support as unrestricted.

This information is an integral part of the accompanying financial statements.

SOUTH RICHMOND ADULT DAY CARE CENTER, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2017 and 2016

CASH AND CASH EQUIVALENTS

The Center considers all highly liquid investments, including time deposits intended to be held until maturity, to be cash equivalents.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost; furniture and equipment are depreciated on the straight-line method over estimated useful lives ranging from five to twenty years. Leasehold improvements are depreciated over the expected life of the lease of ten years.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

TAX EXEMPT STATUS

The Center is a not-for-profit organization that is exempt from federal income tax under Internal Revenue Code Section 501 (c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation.

ACCOUNTS RECEIVABLE

Accounts receivable represent amounts due from the Medicaid program which are earned during the fiscal year, but billed and collected after the end of the fiscal year, an amount from Richmond Memorial Foundation, an amount from USDA, amounts from Medicaid and a receivable from a City. No allowance is necessary as all amounts were collected after year-end. The Center does not require collateral or other security for its accounts receivable balances.

RECLASSIFICATIONS

Certain expense accounts for 2016 have been reclassified to conform to the 2017 presentation.

SOUTH RICHMOND ADULT DAY CARE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2017 and 2016

NOTE 1- PROPERTY AND EQUIPMENT

Property and equipment, at cost, consists primarily of furniture and equipment and leasehold improvements. Balances for major classes of assets at June 30, 2017 and 2016 are as follows:

	2017	2016
Furniture and equipment	\$ 32,468	\$ 32,118
Leasehold improvements	72,179	72,179
	<u>104,647</u>	<u>104,297</u>
Accumulated depreciation	(75,918)	(67,307)
Net Property and equipment	<u>\$ 28,729</u>	<u>\$ 36,990</u>

The Center incurred depreciation expense of \$8,611 and \$9,278 for the fiscal years ended June 30, 2017 and 2016, respectively.

NOTE 3 – RELATED PARTIES

The Center receives the use of the building rent-free from the First Baptist Church of South Richmond. The fair market value of the rent is estimated to be \$1,000 per month and this amount is included in contribution and a related amount in expenses. A member of the church is also on the Board of Directors. The Center pays utilities and minor repairs for the use of the building.

NOTE 4 – PROGRAM SUPPORT AND REVENUE

The Center received approximately 61% and 74% of its total support and revenue from foundation grants and contributions in 2017 and 2016, respectively. The principal grantors and donors for 2017 and 2016 are Sheltering Arms Fund, Jenkins Foundation, Richmond Memorial Foundation, the City of Richmond, United Way, Community Foundation and Senior Connections. The Center relies on the continued receipt of grants and contributions in order to provide on-going and continued programs.

This information is an integral part of the accompanying financial statements.

SOUTH RICHMOND ADULT DAY CARE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2017 and 2016

NOTE 5- TEMPORARILY RESTRICTED ASSETS

In fiscal year 2016, the Center received a two-year grant from Richmond Memorial Health Foundation for \$100,000 to cover the period July 1, 2015 to June 30, 2017. The full amount of the grant was booked with the remaining \$50,000 to be collected in fiscal 2017 shown in accounts receivable and temporarily restricted net assets. The following table shows the amount that makes up the temporarily restricted net assets:

	<u>2017</u>	<u>2016</u>
Richmond Memorial Health Foundation	\$ -	\$ 50,000

NOTE 6- RETIREMENT PLAN

The Center participates in a defined benefit contribution plan that is administered by the United Way. The Center is required to contribute approximately \$1,450 per month to a master plan held by United Way for three participants in a frozen plan. The total actuarial accrued liability for the Center as of plan year July 1, 2017 was approximately \$205,500 which is maintained on United Way's books. The Plan assets, also maintained on United Way's books, are held as a single trust for the entire plan and not allocated specifically for each agency. **NEED INFORMATION FROM BENEFIT PLAN ON THIS**

NOTE 7 – EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition and disclosure through December 7, 2017, which is the date the financial statements were available to be issued.

SRADC Revenue Lead 6/30/2017			
<u>Name</u>	<u>2017</u>	<u>2016</u>	<u>comments</u>
Contributions <i>APs</i>	61,838.00 <i>(B)</i>	63,203.00	see below
Foundation grants	90,117.00 <i>(A)</i>	184,250.00	see below
Medicaid fees	70,353.00	68,843.00	booked additional medicaid- see b-2
Participant fees	36,670.00	29,978.00	participants up from py
interest	3.00	-	
other	502.00	54.00	
TOTALS	259,483.00 ✓	346,328.00	
<u>grants:</u>			
richmond memorial		100,000.00	
wells fargo		8,000.00	
sister of mercy			
community foundation		15,000.00	
Sheltering arms	10,000.00		
gwathmey			
jenkins	40,000.00	25,000.00	
bierne carter			
pauley foundation			
City of Richmond	7,425.00	9,900.00	
other		5,200.00	
Senior Connections	32,692.00	21,150.00	
dominion			
	<i>(A)</i> 90,117.00	184,250.00	
<u>contributions</u>			
united way	30,000.00	30,000.00	
united way quarterly	9,115.00	8,115.00	
in kind	12,000.00	12,000.00	in kind
public and govt organizations	10,723.00	13,088.00	
churches			
	61,838.00 <i>(B)</i>	63,203.00	
P&L	259,483.00	346,328.00	
difference	-	-	

South Richmond Adult Day Care Center

1500 Hull Street Richmond, VA 23224

Ph: (804) 231-9306 Fax: 231-5177

December 7, 2017

D. Allen Perkins CPA PLC
610 Canoe Run Place
Manakin Sabot Virginia 23103

This representation letter is provided in connection with your audit of the financial statements of South Richmond Adult Day Care Center, Inc. (the Center), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of December 7, 2017, the following representations made to you during your audit.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 23, 2017, including our responsibility for the preparation and fair presentation of the financial statements.
- The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP in footnote 3. We believe the fair value of the Church in-kind donation is approximately 12,000 per year.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- There are no uncorrected misstatements.
- Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- There are no guarantees, whether written or oral, under which the organization is contingently liable.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the organization and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud or suspected fraud affecting the organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
- We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements- There are none to disclose.
- We have disclosed to you the identity of the organization's related parties and all the related party relationships and transactions of which we are aware.
- The organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives. All required grant reporting has been made and we are not aware of any non-compliance with any grants. There are no issues related to Medicaid billings that we are aware of.
- The Center is an exempt organization under Section 501c3 of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- Receivables are fully collectible and were collected by the Center subsequently after year end.

Signature: _____

Title: _____

Valerie A. Watson
Executive Director

Signature: _____

Title: _____