



BAY AGING

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2012 and 2011

And Report of Independent Auditor

BAY AGING

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Report of Independent Auditor

To the Board of Directors of
Bay Aging
Urbanna, Virginia

We have audited the accompanying consolidated statement of financial position of Bay Aging (a nonprofit organization) (the "Organization") as of September 30, 2012, and the related statements of activities, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the financial statements of the Organization as of September 30, 2011, and in our report dated February 23, 2012, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 the significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bay Aging as of September 30, 2012, and the consolidated changes in its net assets and its consolidated cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2013, on our consideration of Bay Aging internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the accompanying supplementary schedules on pages 17 – 21 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Cherry Bevant LLP". The signature is written in a cursive, flowing style.

Virginia Beach, Virginia
February 28, 2013

FINANCIAL STATEMENTS

BAY AGING**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 3,297,002	\$ 3,214,691
Investments	571,330	464,265
Accounts and grants receivable	1,130,860	1,098,056
Due from related organizations	91,687	226,231
Inventory	60,682	-
Security deposits	1,775	1,775
Prepaid Expenses	4,487	-
Property held for resale	319,563	376,667
Fixed assets, net of accumulated depreciation	6,317,326	5,697,688
Total Assets	<u>\$ 11,794,712</u>	<u>\$ 11,079,373</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 684,108	\$ 506,593
Accrued annual leave payable	269,229	263,923
Loans payable	561,438	599,402
Advances from the Virginia Department of Housing and Community Development Weatherization program	129,899	197,404
Deferred revenue	531,736	928,298
Total Liabilities	<u>2,176,410</u>	<u>2,495,620</u>
Net Assets		
Unrestricted	8,791,171	7,672,042
Temporarily restricted	827,131	911,711
Total Net Assets	<u>9,618,302</u>	<u>8,583,753</u>
Total Liabilities and Net Assets	<u>\$ 11,794,712</u>	<u>\$ 11,079,373</u>

The accompanying notes to the consolidated financial statements are an integral part of this statement.

BAY AGING
CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDING SEPTEMBER 30, 2012 AND 2011

	Unrestricted	Temporarily Restricted	Total	
			2012	2011
Revenues, gains and support				
Contributions and grants	\$ 50,078	\$ -	\$ 50,078	\$ 50,883
Government grants	-	8,259,804	8,259,804	7,701,690
Interest and investment income	126,889	-	126,889	23,958
Program service fees	1,945,789	1,072,517	3,018,307	3,091,574
Other revenues	405,027	187,851	592,878	599,474
Net assets released from restrictions				
Satisfaction of program restrictions	9,604,752	(9,604,752)	-	-
Total revenue	12,132,536	(84,580)	12,047,956	11,467,579
Expenses				
Salaries	5,199,850	-	5,199,850	5,454,280
Fringes	706,142	-	706,142	764,856
Worker's compensation insurance	94,788	-	94,788	98,482
Staff travel	122,945	-	122,945	138,626
Office supplies, printing, postage	62,407	-	62,407	62,768
Telephone	128,316	-	128,316	122,212
Rent and utilities	251,183	-	251,183	216,771
Insurance	116,453	-	116,453	123,238
Vehicle gasoline, operation and maintenance	912,384	-	912,384	686,580
Materials and storage	398,895	-	398,895	503,845
Contract labor	1,066,492	-	1,066,492	401,779
Professional services	144,886	-	144,886	224,068
Program supplies	81,481	-	81,481	105,348
Meals	570,405	-	570,405	584,922
Other	397,885	-	397,885	535,688
Depreciation	758,895	-	758,895	613,771
Total expenses	11,013,407	-	11,013,407	10,637,234
Change in net assets	1,119,129	(84,580)	1,034,549	830,345
Net assets, beginning of year	7,672,042	911,711	8,583,753	7,753,408
Net assets, end of year	\$ 8,791,171	\$ 827,131	\$ 9,618,302	\$ 8,583,753

The accompanying notes to the consolidated financial statements are an integral part of this statement.

BAY AGING
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDING SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash flows provided (used) by operating activities:		
Change in net assets	\$ 1,034,549	\$ 830,345
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	758,895	613,771
(Gain) loss on sale of property held for resale	(13,396)	105,973
(Gain) on sale of investments	(10,042)	-
Unrealized (gain) loss on investments	(79,804)	45,982
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts and grants receivable	(32,804)	490,649
Due from related organizations	134,544	28,224
Inventory	(60,682)	-
Prepaid expenses	(4,487)	-
Security deposits	-	400
Increase (decrease) in:		
Accounts payable and accrued liabilities	177,515	(318,286)
Accrued annual leave payable	5,306	(27,440)
Advances	(67,505)	51,800
Deferred revenue	(396,562)	(30,572)
Net cash provided by operating activities	<u>1,445,527</u>	<u>1,790,846</u>
Cash flows provided (used) by investing activities:		
Purchase of fixed assets and construction in progress	(1,378,533)	(1,025,311)
Proceeds from sale of property for resale	70,500	248,000
Proceeds from sale of fixed assets	-	174,489
Sale of investments	98,640	15,233
Purchase of investments	(115,859)	(29,959)
Net cash used in investing activities	<u>(1,325,252)</u>	<u>(617,548)</u>
Cash flows provided (used) by financing activities:		
Principal payments on loans	(37,964)	(242,604)
Net Cash provided (used) by financing activities	<u>(37,964)</u>	<u>(242,604)</u>
Net change in cash and cash equivalents	82,311	930,694
Cash and cash equivalents, beginning of year	<u>3,214,691</u>	<u>2,283,997</u>
Cash and cash equivalents, end of year	<u>\$ 3,297,002</u>	<u>\$ 3,214,691</u>
Other supplemental information:		
Interest paid	<u>\$ 37,410</u>	<u>\$ 53,798</u>

The accompanying notes to the consolidated financial statements are an integral part of this statement.

BAY AGING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2012 AND 2011

Note 1—Organization and nature of operations

The Organization is a non-profit organization (and a Virginia non-stock corporation) which acts as an agent for the counties of Essex, Gloucester, King and Queen, King William, Lancaster, Matthews, Middlesex, Northumberland, Richmond, and Westmoreland in the establishment of and operation of aging, housing and weatherization programs, public transportation, and senior apartments with supportive services, and also provides transportation services to New Kent and Charles City Counties. Significant sources of revenues are government grants and Medicaid fees resulting from services provided. The Organization was previously known as Chesapeake Bay Agency on Aging, Inc. On April 1, 2002, the Organization changed its name to Bay Aging. Effective July 1, 2009, the Organization was designated as a Community Action Agency by the Commonwealth of Virginia.

Note 2—Summary of significant accounting policies

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of Bay Aging its wholly owned for-profit subsidiary, Bay Custom Homes and the Bay Aging Foundation (the "Foundation"). Bay Custom Homes was created in 2004 for the purpose of providing funds to perform services for frail homebound elderly persons. Bay Custom Homes was closed and liquidated as of September 30, 2011. Bay Aging Foundation was established in 2004 to provide resources to provide better service to senior citizens and their families by attracting diverse funding sources and making charitable grants and gifts as appropriate. The Foundation is defined as a supporting organization under the Internal Revenue Code. Both entities were formed to support Bay Aging and met the criteria for control and economic interest as defined by generally accepted accounting principles to permit the presentation of consolidated financial statements. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation - The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). 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, based on the existence or absence of donor-imposed restrictions. The consolidated financial statements report amounts separately by class of assets as follows:

Unrestricted net assets - Net assets that are those currently available at the discretion of the Board of Directors for use in the Organization's operations and those resources invested in property or equipment.

Temporarily restricted net assets - Net assets that are stipulated by donors for specific operating purposes or for the acquisition of property or equipment. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization, the income from which is expendable in accordance with the conditions of each specific donation.

BAY AGING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2012 AND 2011

Note 2—Summary of significant accounting policies (continued)

Donated Services - Donated supplies and services are reflected in the financial statements at the estimated fair value of supplies and services received. The contribution of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. There are no amounts reported for donated services in 2012. See additional information in Note 13.

Revenue Recognition - The Organization utilizes grant accounting for governmental grants for specific programs. This accounting recognizes grant revenue to the extent of grant expenditures paid. Grant revenues received but not expended are reported as deferred revenue. All other revenues are recognized when earned.

Contributions - Gifts of cash and other assets received are reported as unrestricted revenue and net assets, unless subject to restrictions. When a donor stipulated restriction ends, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts of land, buildings, equipment and other long-lived assets are also reported as unrestricted revenue and net assets, unless subject to restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Cash and Cash Equivalents - For purposes of the consolidated statements of cash flows, all highly liquid debt instruments purchased with an original maturity of three months or less are considered to be cash equivalents.

Inventories – Inventories consist primarily of weatherization materials used to improve low-income houses and are stated at the lower of cost or market.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted prices in active markets (all Level 1 measurements) in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Property Held for Resale - Bay Aging holds certain land for resale. The land is held for the potential of sale to future HUD 202 Housing projects.

Allowance for Uncollectable Accounts - The Organization has made no allowance for estimated uncollectable accounts. Management believes that any write-offs would not be material. Receivables are written off when collectability is deemed unlikely and collection efforts have been exhausted. Receivables are considered past due after they are more than 30 days in arrears.

BAY AGING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2012 AND 2011

Note 2—Summary of significant accounting policies (continued)

Fixed Assets - Property and equipment are stated at cost (or fair market value at the date of donation for donated assets) and depreciated using the straight-line method over estimated useful lives which range as follows:

	Life
Buildings	30 years
Equipment, furniture and vehicles	5 - 10 years

The Organization capitalizes all expenditures for fixed assets in excess of \$500. The Organization recognizes a full year of depreciation in the year of acquisition and none in the year of disposition.

Estimates - The preparation of consolidated financial statements in conformity 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 the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Accrued Leave - Accumulated unpaid vacation is accrued when earned. The amount of such pay was \$269,229 and \$263,923 for 2012 and 2011, respectively.

Income Taxes - The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Management has evaluated the effect of the guidance provided by U.S. Generally Accepted Accounting Principles on Accounting for Uncertainty in Income Taxes that became effective this year. Management believes that the Organization continues to satisfy the requirements of a tax-exempt organization at September 30, 2012. Management has evaluated all other tax positions that could have a significant effect on the financial statements and determined the Organization had no significant uncertain income tax positions at September 30, 2012.

Prior Year Totals - The prior year totals are presented for comparative purposes only.

Note 3—Cash and cash investments

The following is the composition of the combined amounts appearing in the financial statements for 2012 and 2011:

	2012	2011
Cash	\$ 1,849,984	\$ 1,153,300
Certificate of Deposit	1,042,173	1,727,170
Money Market Funds	404,845	334,220
	<u>\$ 3,297,002</u>	<u>\$ 3,214,691</u>

BAY AGING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2012 AND 2011

Note 3—Cash and cash investments (continued)

Long-term investments, carried at fair value based on quoted prices in active markets (all Level 1 measurements), at September 30, 2012 and 2011 consist of the following:

	September 30, 2012			September 30, 2011		
	Value	Cost Basis	Gains	Value	Cost Basis	Gains
Publicly Held Stocks	\$ 264,561	\$ 191,119	\$ 73,442	\$ 191,906	\$ 167,566	\$ 24,340
Mutual Fund Units	306,769	320,582	(13,812)	272,359	316,873	(44,514)
	<u>\$ 571,330</u>	<u>\$ 511,700</u>	<u>\$ 59,630</u>	<u>\$ 464,265</u>	<u>\$ 484,439</u>	<u>\$ (20,174)</u>

Note 4—Fair Value Measurements

Accounting standards establish a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The levels of the hierarchy are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities traded in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3 - Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

At September 30, 2012 and 2011, the Organization's consolidated financial assets measured a fair value on a recurring basis consisted of investments in the amount of \$571,330 and \$464,265 respectively, which is also the carry value. The value of investments was established based on Level 1 inputs.

For cash and cash equivalents, receivables, property and equipment, accounts payable and accrued expenses, loans and notes payable, and other liabilities, the carry amounts reported in the statement of financial position approximate fair values because of the short maturities of those items and interest rates on the loans and notes payable.

BAY AGING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2012 AND 2011

Note 5—Accounts and grants receivable

Accounts and grants receivable consist of the following:

	<u>2012</u>	<u>2011</u>
Virginia Department of Medical Assistance Services	\$ 92,647	\$ 264,137
Virginia Department of Rail and Public Transportation	478,541	306,307
Virginia Department of Housing and Community Development	163,241	256,439
Virginia Department for Aging and Rehabilitative Services	17,610	159,019
Virginia Department of Social Services	24,443	8,560
Others	354,378	103,594
Total	<u>\$ 1,130,860</u>	<u>\$ 1,098,056</u>

Other than the amounts segregated above, there are no other individually significant sources of accounts and grants receivable.

Note 6—Due from related organizations

The Organization has receivables from various related not-for-profit organizations, the balance of which was \$91,687 and \$226,231 at September 30, 2012 and 2011, respectively. Also see Note 19 for additional disclosures applicable to related organizations.

Note 7—Real estate activities and property held for resale

The Organization has purchased land in the Town of West Point, Gloucester County, and Middlesex County for future development. It is anticipated that a significant portion of the properties will be utilized for low cost elderly rental housing. During 2012, Bay Aging sold 3.50 acres of land in the amount of \$70,500 to Bay Aging Apartments Middlesex Inc. The total cost of these properties as of September 30, 2012 is \$319,563.

Note 8—Fixed assets

Major classes of fixed assets consist of the following at September 30, 2012:

	<u>2012</u>	<u>2011</u>
Land	\$ 471,550	\$ 471,550
Buidings	3,553,172	3,553,172
Furniture and equipment	1,205,115	738,351
Vehicles	3,714,552	3,141,675
Construction in progress	350,973	33,005
Total	<u>\$ 9,295,362</u>	<u>\$ 7,937,753</u>
Accumulated depreciation	<u>(2,978,036)</u>	<u>(2,240,065)</u>
Net Fixed Assets	<u>\$ 6,317,326</u>	<u>\$ 5,697,688</u>

Depreciation expense was \$758,895 for 2012 and \$613,771 for 2011.

BAY AGING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2012 AND 2011

Note 9—Loan Payable

On November 24, 2009 Bay Aging entered into a loan with BB&T for \$650,000 bearing interest at 7.25% payable in monthly installments of \$5,972 and maturing on September 24, 2024. This loan is secured by a deed of trust on real estate located in Gloucester County, Virginia. On March 4, 2012 Bay aging refinanced their loan with BB&T for \$583,047 bearing interest at 3.99% payable in monthly installments of \$5,910 and maturing on April 24, 2022. The balance on this loan was \$561,438 at September 30, 2012 and \$599,402 at September 30, 2011.

Interest expense totaled \$37,410 for 2012 and \$53,798 for 2011, all of which was expensed.

Summary of debt activity:

	Bay Aging		Bay Custom Homes		Total	
	2012	2011	2012	2011	2012	2011
Loans payable, beginning of year	\$ 599,402	\$ 629,496	\$ -	\$ 212,510	\$ 599,402	\$ 842,006
Loan Proceeds		-			-	-
Principal payments on Loans	(37,964)	(30,094)	-	(212,510)	(37,964)	(242,604)
Loans payable, end of year	<u>\$ 561,438</u>	<u>\$ 599,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 561,438</u>	<u>\$ 599,402</u>

Future requirements to amortize long-term debt are as follows:

	Bay Aging	
	Principal	Interest
2012	\$ 49,415	\$ 21,504
2013	51,423	19,496
2014	53,513	17,406
2015	55,687	15,232
2016	57,950	12,969
Thereafter	293,450	27,806
	<u>\$ 561,438</u>	<u>\$ 114,413</u>

Note 10—Deferred revenue

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenue is comprised of unexpended grant and other funds which amounted to \$531,736 and \$928,298 at September 30, 2012 and 2011, respectively.

BAY AGING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2012 AND 2011

Note 11—Lease Commitments

The Organization leases office space and other facilities pursuant to lease agreements which expired during 2012. Total rental expenses for the fiscal year totaled \$155,703 and \$168,541 for 2012 and 2011, respectively.

Note 12—Retirement plans

All employees of the Organization are covered by a defined contribution benefit plan under section 403(b) of the Internal Revenue Code. All employees who make a contribution to the plan will receive a safe harbor matching contribution in the amount of 100% of the first 3% contributed, plus 50% of the next 4% of compensation contributed. Employees have full and immediate vesting of plan assets. The amount of the Organization's contribution for the years ending September 30, 2012 and 2011 was \$79,267 and \$82,404, respectively. The employee's contributions to the plan for the years ending September 30, 2012 and 2011 were \$158,722 and \$188,045, respectively.

In fiscal year 2010 the Organization established a deferred compensation plan under the provisions of the Internal Revenue Code Section 457(b) for the former president. The first payment was accrued in 2010. The second and final payment was accrued in 2011, and paid out \$38,191 to the former president in 2012. There will be no further payments.

Note 13—Donated materials and services

The Organization records the value of in-kind contributions as matching funds for the RSVP and Title V grant programs. The amount of in-kind contributions for services and other items provided, totaled approximately \$17,840 and \$29,089 for fiscal year 2012 and 2011, respectively. The Organization also received the benefit of a significant amount of volunteer time which has not been valued or reported in these financial statements. There were donated materials in fiscal 2012 and 2011; however, the values of these items were of a minimal amount. These in-kind amounts are not reported in the financial statements.

Note 14—Fees for services

The Organization receives third party reimbursements from Medicaid for services provided in its personal care, respite, case management, adult day services and transportation programs. Revenue from third party payer agreements is subject to audit and retroactive adjustment. Retroactive adjustments are reported in operations in the year of settlement. The difference in the adjustments and a contractual accrual adjustment is immaterial.

BAY AGING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2012 AND 2011

Note 15—Advances payable

The Organization has advances from the Virginia Department of Housing and Community Development (VDHCD) for the Weatherization program, Indoor Plumbing Rehabilitation (IPR) programs and Home Investment Partnership (HOME). These funds were expended under the direction of VDHCD. See Note 18 for additional details of the IPR and HOME programs.

Note 16—Commitments and contingencies

The Organization participates in federal grant programs which are audited in accordance with Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, issued by the U.S. Government pursuant to the Single Audit Act. Management is of the opinion that any disallowance of program expenditures as a result of any audits by grantor agencies would not be significant.

The Board of Directors purchased land for a proposed Middle Peninsula Transit Facility. The project is in the planning stage of development and the total costs of the project are not known.

Note 17—Restricted assets

Net assets were released from grantor and other restrictions by incurring expenditures satisfying the restricted purposes of the grants and other revenues, as follows:

	<u>2012</u>	<u>2011</u>
Aging Programs	\$ 2,468,486	\$ 2,618,592
Action (RSVP)	47,438	88,000
Virginia Department of Housing and Community Development programs	1,858,664	2,151,645
Transportation Programs	4,225,126	3,267,595
Community Services Block Grant	222,827	232,273
Other	782,211	489,230
	<u>\$ 9,604,752</u>	<u>\$ 8,847,335</u>

Temporarily restricted net assets consist of the following:

	<u>2012</u>	<u>2011</u>
Bay Transit Funds	\$ 659,354	\$ 752,660
Agency Fund Raising	47,465	45,244
Med-Carry	6,513	9,665
Local Grant Funds	88,565	90,306
Local Gifts and grants.	14,339	13,836
Weatherization Inventory	10,895	-
	<u>\$ 827,131</u>	<u>\$ 911,711</u>

BAY AGING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2012 AND 2011

Note 18—Significant sources of revenues

The Organization receives a significant portion of its revenues from government grants and Medicaid charges for services. A summary of the more significant revenues from major sources are as follows:

	<u>2012</u>	<u>2011</u>
Virginia Department for Aging and Rehabilitative Services	\$ 2,468,486	\$ 2,618,592
Virginia Department of Housing and Community Development	933,772	1,247,363
Virginia Department of Medical Assurance Services (Medicaid purchase of service revenues)	1,433,274	1,743,053
Virginia Department of Rail and Public Transportation/ Virginia Department of Transportation	3,327,089	2,556,634
All others	<u>2,812,818</u>	<u>3,301,937</u>
Total Revenues	<u>\$ 10,975,439</u>	<u>\$ 11,467,579</u>

The Organization has a contract with Virginia Department of Housing and Community Development (VHCD) to administer the Indoor Plumbing Rehabilitation, and Home Investment Partnership Programs. The VHCD advances the funds to the Organization which then disburses the funds for various approved projects. These funds are not reported as Organization Revenues and expenditures, but are considered financial assistance for compliance reporting purposes. The amount of funds expended under these programs totaled \$196,521 in 2012 and \$871,598 in 2011. Interest of \$204 (2012) and \$227 (2011) was earned on program fund balances and has been allocated to program activities.

BAY AGING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2012 AND 2011

Note 19—Related organizations

The Organization is related to other not for profit organizations through common membership of the Board of Directors on their organizations.

The other organizations which have been incorporated to hold and operate housing for low income elderly persons, are not included in these consolidated financial statements, and the operations of these organizations are funded primarily from tenant rentals and funding from the U.S. Department of Housing and Urban Development through rental assistance payments paid to the organizations on behalf of eligible tenants. A summary of these organizations; assets, liabilities, net assets, revenues, expenses and changes in net assets for their respective fiscal years are reported below:

Fiscal Year	Bay Aging	Bay Aging	Bay Aging	Bay Aging	Bay Aging	Bay Aging	Bay Aging	Bay Aging	Bay Aging
	Colonial Beach	West Point	Gloucester	Montross	Kilmarnock (Tartan I & II)	Middlesex	Westmoreland (P'Town 1)	JCC	Westmoreland (P'Town 2)
	9/30/12	9/30/12	9/30/12	9/30/12	3/31/12	3/31/12	3/31/12	3/31/12	3/31/12
Assets	\$ 1,202,895	\$ 1,052,021	\$ 2,834,040	\$ 1,238,610	\$ 3,837,398	\$ 1,786,937	\$ 1,726,062	\$ 5,588,830	\$ 1,667,708
Liabilities	(22,794)	(13,419)	(41,783)	(19,466)	(43,659)	(14,300)	(36,401)	(68,532)	(330,810)
Net Assets	\$ 1,180,101	\$ 1,038,602	\$ 2,792,257	\$ 1,219,144	\$ 3,793,739	\$ 1,772,637	\$ 1,689,661	\$ 5,520,298	\$ 1,336,898
Operating revenues	\$ 179,229	\$ 133,960	\$ 270,332	\$ 126,139	\$ 198,564	\$ 101,607	\$ 119,801	\$ 274,051	\$ 39,506
Operating expenses	(216,591)	(168,564)	(349,998)	(161,020)	(268,556)	(151,014)	(153,656)	(381,407)	(66,911)
Other revenues/ (expenses)	2,940	154	85	236	19,556	624	87	5,631	109
Change in net Assets	\$ (34,422)	\$ (34,450)	\$ (79,581)	\$ (34,645)	\$ (50,436)	\$ (48,783)	\$ (33,768)	\$ (101,725)	\$ (27,296)

Included in the above related organization expenses are various operating costs and expenses reimbursed to Bay Aging for various management and other services provided. The amount of related fees and reimbursements received by Bay Aging totaled \$313,710 for 2012 and \$337,974 for 2011.

\$91,687 and \$226,231 was due from related organizations at September 30, 2012 and 2011, respectively.

Note 20—Subsequent events

In preparing these consolidated financial statements, management of the organization has evaluated events and transactions for potential recognition through February 28, 2013, the date of the financial statements were available to be issued. There are no known subsequent events that should be recognized or disclosed.

BAY AGING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2012 AND 2011

Note 21—Expense allocation

The following summarizes the Organization's expenses by functional allocation for the year ended September 30, 2012:

	Program	Management & General	Fund Raising	Total
Salaries	\$ 4,327,509	\$ 872,341	\$ -	\$ 5,199,850
Fringes	570,901	135,241	-	706,142
Worker's compensation insurance	89,945	4,843	-	94,788
Staff travel	99,808	23,137	-	122,945
Office Supplies, printing, postage	35,484	26,923	-	62,407
Telephone	92,276	36,040	-	128,316
Rent and utilities	161,763	89,419	-	251,183
Insurance	58,806	57,646	-	116,453
Vehicle gasoline, operation and maintenance	893,203	19,181	-	912,384
Materials and storage	398,895	-	-	398,895
Contract labor	1,052,998	13,494	-	1,066,492
Professional services	139,188	5,698	-	144,886
Program supplies	81,481	-	-	81,481
Meals	570,337	68	-	570,405
Other (1)	367,680	27,537	2,669	397,885
Depreciation	631,581	127,314	-	758,895
Total expenses	<u>\$ 9,571,853</u>	<u>\$ 1,438,885</u>	<u>\$ 2,669</u>	<u>\$ 11,013,407</u>
(1) Other				
Interest expense	\$ 37,410	\$ -	\$ -	\$ 37,410
All other expenses	330,270	27,537	2,669	360,475
	<u>\$ 367,680</u>	<u>\$ 27,537</u>	<u>\$ 2,669</u>	<u>\$ 397,885</u>

SUPPORTING SCHEDULES

BAY AGING

VIRGINIA DEPARTMENT FOR AGING AND REHABILITATIVE SERVICES

SCHEDULE A – STATUS OF FUNDS

YEAR ENDING SEPTEMBER 30, 2012

Fund	Unencumbered Funds on Hand at Beginning of Period	Total Funds Received During Period	Funds In Transit At 9/30/2012	Total Funds During Period	Accrued Cost to Contract Period	Unencumbered Funds on Hand at End of Period
Older Americans Act						
Title III-B	\$ 39,583	\$ 387,208	\$ -	\$ 426,791	\$ 398,048	\$ 28,743
Title III-C(1)	(26,132)	262,399	-	236,267	223,731	12,536
Title III-C(2)	27,006	273,110	-	300,116	272,930	27,186
Title III-D	295	23,853	-	24,148	24,198	(50)
Title III-E	(25,017)	160,063	-	135,046	130,344	4,702
Title VII-Ombudsman	(2,248)	32,434	-	30,186	27,442	2,744
Title VII-Elder Abuse	455	4,744	-	5,199	5,199	-
Other Federal						
Title V-(PY 12/31/11 Award)	-	152,228	-	152,228	152,228	-
Title V-(PY 06/30/12 Award)	-	27,234	-	27,234	43,349	(16,115)
NSIP	13,973	148,339	-	162,312	148,339	13,973
VICAP-(PY 03/31/11 Award)	3,311	56,675	-	59,986	31,133	28,853
VICAP-(PY 03/31/12 Award)	28,853	20,059	-	48,912	12,763	36,149
Aging & Disability Resource Center Options Counseling	(4,943)	24,943	-	20,000	20,000	-
DMAS Ombudsman FY 11	-	13,398	-	13,398	13,398	-
CLP2	26,934	-	-	26,934	26,934	-
MIPPA - AOA PRIORITY 1	-	37,430	-	37,430	37,430	-
MIPPA - AOA PRIORITY 2	-	14,445	-	14,445	14,445	-
MIPPA - AOA PRIORITY 3	-	16,135	-	16,135	16,135	-
Money Follows the Person	-	12,000	-	12,000	12,000	-
General Funds						
Title III Match-(PY 06/30/12)	-	29,629	-	29,629	29,629	-
Community Based-(PY 06/30/12)	-	157,127	-	157,127	157,127	-
Spec. Transportation-(PY 06/30/12)	-	55,037	-	55,037	55,037	-
Home Delivered Meals-(PY 06/30/12)	-	191,907	-	191,907	191,964	(57)
Ombudsman-(PY 06/30/12)	-	22,663	-	22,663	22,663	-
Care Coordination-(PY 06/30/12)	-	123,562	-	123,562	123,562	-
Respite Care-(PY 06/30/12)	-	72,930	-	72,930	72,930	-
Fan Care (Dominion Power)	176	-	-	176	1,621	(1,445)
Bay Aging Unmet Needs	-	53,165	-	53,165	53,165	-
Bay Aging ADB	-	197,982	-	197,982	197,982	-
	\$ 82,246	\$2,570,699	\$ -	\$2,652,945	\$2,515,726	\$ 137,219

BAY AGING

VIRGINIA DEPARTMENT FOR AGING AND REHABILITATIVE SERVICES SCHEDULE B – COSTS BY PROGRAM ACTIVITY

YEAR ENDING SEPTEMBER 30, 2012

	Costs to Federal					Costs to Federal		Voluntary Contributions	Costs to Other		Fees
	Title III B Funds	Title III C1 Funds	Title III C2 Funds	Title III D Funds	Title III E Funds	Title VII Ombudsman funds	Costs to Federal Titled VII Elder Abuse Funds		Non-Federal Funds		
TITLE III (EXCEPT III-E), OLDER AMERICAN ACT FUNDS											
Adult Day Care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Checking	-	-	-	-	-	-	-	-	-	-	-
Chore	-	-	-	-	-	-	-	-	-	-	-
Home Health	-	-	-	-	-	-	-	-	-	-	-
Homemaker Services	22,599	-	-	-	-	-	-	717	-	-	-
Personal Care Services	151,510	-	-	-	-	-	-	252	5,007	1,591	
Res. Repair and Renovation	-	-	-	-	-	-	-	-	-	-	-
Care Coordination	-	-	-	-	-	-	-	-	-	-	-
Information and Assistance	127,072	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	282	-	-	-
Congregate Meals	-	193,032	-	-	-	-	-	11,938	3,987	-	
Home Delivered Meals	-	-	247,494	-	-	-	-	5,967	22,455	-	
Home Delivered Fee for Service	-	-	-	-	-	-	-	-	471	26,549	
Disease Prevention	-	-	-	12,793	-	-	-	-	-	-	
Medication Management	-	-	-	11,405	-	-	-	-	2	-	
Emergency Services	-	-	-	-	-	-	-	386	-	-	
Employment	24,778	-	-	-	-	-	-	-	-	-	
Health Screening / Education	-	-	-	-	-	-	-	-	-	-	
I.D. Discount	-	-	-	-	-	-	-	-	-	-	
LTC Coordinating Activity	40,405	-	-	-	-	-	-	-	-	-	
Money Management	-	-	-	-	-	-	-	-	-	-	
Public Information & Education	9,678	-	-	-	-	-	-	-	-	-	
Socialization/Recreation	-	-	-	-	-	-	-	-	-	-	
Volunteer Programs	-	-	-	-	-	-	-	-	-	-	
Legal Assistance	7,741	-	-	-	-	-	-	-	-	-	
Elder Abuse Prevention	-	-	-	-	-	-	5,199	189	-	-	
LTC Ombudsman Program	-	-	-	-	-	27,442	-	-	-	-	
Prep. and Admin.	-	30,699	25,436	-	-	-	-	-	20,718	-	
Assisted Transportation	-	-	-	-	-	-	-	-	-	-	
CLP 1	-	-	-	-	-	-	-	-	-	-	
CLP 2	14,265	-	-	-	-	-	-	-	-	-	
TITLE III-E, OLDER AMERICAN ACT FUNDS											
Individual Counseling	-	-	-	-	7,092	-	-	-	-	-	-
Support Groups	-	-	-	-	5,456	-	-	-	-	-	-
Caregiver Training	-	-	-	-	-	-	-	-	-	-	-
Public Information/Education	-	-	-	-	7,149	-	-	-	-	-	-
Adult Day Care	-	-	-	-	87,876	-	-	216	255,167	90,437	
Homemaker	-	-	-	-	-	-	-	-	-	-	
Personal Care	-	-	-	-	-	-	-	-	-	-	
Institutional Respite	-	-	-	-	-	-	-	-	-	-	
Direct Respite Services Payments	-	-	-	-	-	-	-	-	-	-	
Other Respite Services	-	-	-	-	-	-	-	-	-	-	
Chore	-	-	-	-	-	-	-	-	-	-	
Congregate Meals	-	-	-	-	-	-	-	-	-	-	
Home Delivered Meals	-	-	-	-	-	-	-	-	-	-	
Direct Supplemental Service Payments	-	-	-	-	-	-	-	-	-	-	
Other Supplemental Services	-	-	-	-	-	-	-	-	-	-	
Information & Referral Assistance	-	-	-	-	-	-	-	-	-	-	
Care Coordination	-	-	-	-	-	-	-	-	-	-	
Transportation	-	-	-	-	-	-	-	-	-	-	
Assisted Transportation	-	-	-	-	-	-	-	-	-	-	
Prep. and Admin.	-	-	-	-	-	-	-	-	-	-	
CLP 1	-	-	-	-	-	-	-	-	-	-	
CLP 2	-	-	-	-	22,771	-	-	-	-	-	
GRANDPARENTS & OLDER INDIVIDUALS WHO ARE RELATIVE CAREGIVERS OF CHILDREN											
Individual Counseling	-	-	-	-	-	-	-	-	-	-	-
Support Groups	-	-	-	-	-	-	-	-	-	-	-
Caregiver Training	-	-	-	-	-	-	-	-	-	-	-
Public Information/Education	-	-	-	-	-	-	-	-	-	-	-
Adult Day Care	-	-	-	-	-	-	-	-	-	-	-
Homemaker	-	-	-	-	-	-	-	-	-	-	-
Personal Care	-	-	-	-	-	-	-	-	-	-	
Institutional Respite	-	-	-	-	-	-	-	-	-	-	
Direct Respite Services Payments	-	-	-	-	-	-	-	-	-	-	
Other Respite Services	-	-	-	-	-	-	-	-	-	-	
Chore	-	-	-	-	-	-	-	-	-	-	
Congregate Meals	-	-	-	-	-	-	-	-	-	-	
Home Delivered Meals	-	-	-	-	-	-	-	-	-	-	
Direct Supplemental Service Payments	-	-	-	-	-	-	-	-	-	-	
Other Supplemental Services	-	-	-	-	-	-	-	-	-	-	
Information & Referral Assistance	-	-	-	-	-	-	-	-	-	-	
Care Coordination	-	-	-	-	-	-	-	-	-	-	
Transportation	-	-	-	-	-	-	-	-	-	-	
Assisted Transportation	-	-	-	-	-	-	-	-	-	-	
Total	\$ 398,048	\$ 223,731	\$ 272,930	\$ 24,198	\$ 130,344	\$ 27,442	\$ 5,199	\$ 19,947	\$ 307,807	\$ 118,577	

BAY AGING**VIRGINIA DEPARTMENT FOR AGING AND REHABILITATIVE SERVICES
SCHEDULE C – INVENTORIES STATUS OF VIRGINIA DEPARTMENT OF AGING***YEAR ENDING SEPTEMBER 30, 2012*

<u>Fund Source and Type of Inventory</u>	<u>Value on Hand October 1, 2011</u>	<u>Net Changes During Year</u>	<u>Value on Hand September 30, 2012</u>
Older Americans Act			
Title III-B	\$ -	\$ -	\$ -
Title III-C(1)	-	-	-
Title III-C(2)	-	-	-
Title III-E	-	-	-
Title III-D	-	-	-
Total Older	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Title V	-	-	-
Title VII Ombudsman	-	-	-
Title VII Elder Abuse	-	-	-
CDSMP - STIMULUS	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BAY AGING**SCHEDULE D – SCHEDULE OF GOVERNMENT GRANTS***YEAR ENDING SEPTEMBER 30, 2012*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Aging programs	\$ -	\$ 2,468,486	\$ 2,468,486
Virginia Department of Housing and Community Development			
Weatherization, DOE	-	517,977	517,977
Emergency Home Repair	-	31,456	31,456
Indoor Plumbing program	-	130,345	130,345
LIHEAP	-	428,925	428,925
Transportation			
Virginia Department of Rail and Public Transportation	-	3,327,089	3,327,089
Community Services Block grant	-	222,827	222,827
ACTION-RSVP	-	47,438	47,438
Department of Homeland Security	-	1,750	1,750
Other grants	-	148,823	148,823
Local governments			
Local matches	-	934,688	934,688
Total Government Grants	<u>\$ -</u>	<u>\$ 8,259,804</u>	<u>\$ 8,259,804</u>

COMPLIANCE

**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

To the Board of Directors
Bay Aging
Urbanna, Virginia

We have audited the consolidated financial statements of Bay Aging (a nonprofit organization) as of and for the year ended September 30, 2012, and have issued our report thereon dated February 28, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Bay Aging's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bay Aging's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bay Aging's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Directors of Bay Aging, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Cheryl Bekant LLP". The signature is written in a cursive, flowing style.

Virginia Beach, Virginia
February 28, 2013

**Report of Independent Auditor on Compliance With Requirements That Could Have a Direct
and Material Effect on Each Major Program and Internal Control Over Compliance in
Accordance With Circular A-133**

To the Board of Directors
Bay Aging
Urbanna, Virginia

Compliance

We have audited Bay Aging's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Bay Aging's major federal programs for the year ended September 30, 2012. Bay Aging's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Bay Aging's management. Our responsibility is to express an opinion on Bay Aging's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ABC Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Bay Aging's compliance with those requirements.

In our opinion, Bay Aging complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

Management of Bay Aging is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Bay Aging's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bay Aging's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors of Bay Aging, others within the entity, the Board of Trustees, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Cheryl Bekant LLP". The signature is written in a cursive, flowing style.

Virginia Beach, Virginia
February 28, 2013

BAY AGING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDING SEPTEMBER 30, 2012

<u>Federal Grantor/Pass Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>Department of Agriculture</u>			
Pass Through Payments			
Virginia Department of Agriculture			
Child and Adult Care Food Program	10.579	N/A	<u>\$ 29,328</u>
Virginia Department of Aging and Rehabilitative Services			
Child and Adult Care Food Program	10.558	N/A	<u>148,339</u>
<u>Department of Housing and Urban Development</u>			
Pass Through Payments			
Virginia Department of Housing and Community Development			
HOME Investment Partnerships program	14.239	N/A	<u>46,318</u>
<u>Corporation for National and Community Service</u>			
Direct Payments			
Retired Senior Volunteer Program	94.002	N/A	<u>47,438</u>
<u>Department of Health and Human Services</u>			
Pass Through Payments:			
Virginia Department of Aging and Rehabilitative Services			
Aging Cluster			
Special Programs for the Aging - Title III, Part B - Grants for			
Supportive Services and Senior Centers	93.044	44119, 44110	398,049
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	44129, 44120, 44139, 44130	496,661
Special Programs for the Aging - Title III, Part D - Disease and Health Promotion Services			
	93.043	45009, 45000	24,198
Special Programs for the Aging - Title IV & Title II (CLP)			
	93.048	51009, 62006, 62007	28,324
National Family Caregiver Support, Title III, Part E			
	93.052	46009, 46000	130,345
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation			
Ombudsman	93.041	44209, 44200	27,442
Elder Abuse	93.041	44409, 44400	5,199
Centers for Medicare and Medical Services (CMS) Research, Demonstrations and Evaluations - VICAP, Medicare Choice Plus			
	93.779	60008, 60009, 60000	39,316
Virginia Department of Housing and Community Development			
Low-Income Home Energy Assistance	93.568	09ALI-15	428,925
Virginia Department of Social Services			
Temporary Assistance For Need Families	93.558	N/A	42,902
Community Services Block Grant	93.569	N/A	<u>215,758</u>
Total Department of Health and Human Services			<u>1,837,119</u>
<u>Department of Labor</u>			
Pass Through Payments			
Virginia Department of Aging and Rehabilitative Services			
Senior Community Service Employment Program	17.235	47300,47308, 47309	<u>179,402</u>
<u>Department of Energy</u>			
Pass Through Payments			
Virginia Department of Housing and Community Development			
Weatherization Assistance for Low-Income Persons - ARRA	81.042	69999	<u>517,977</u>
Total Department of Energy			<u>517,977</u>
<u>Department of Transportation</u>			
Pass Through Payments			
Virginia Department of Transportation			
Formula Grants for Other Than Urbanized Areas	20.509	41008, 41608, 41609 42004, 42005,42007, 42008, 42009, 43008 72507	1,923,398
ARRA - Formula Grants for Other than Urbanized Areas	20.509	44010	<u>399,257</u>
Total Department of Transportation			<u>2,322,655</u>
Total expenditures of federal awards			<u>\$ 5,128,576</u>

BAY AGING

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDING SEPTEMBER 30, 2012

Note A—Basis of presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Bay Aging under programs of the federal government for the year ended September 30, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Bay Aging, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Bay Aging.

Note B—Summary of significant accounting policies

- (1) Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identification numbers are presented where available. N/A indicates that such identification numbers are not available.

Note C—Other information

\$196,521 of the reported HOME program expenditure amount is not reported in revenues of the statement of activities.

BAY AGING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDING SEPTEMBER 30, 2012

A. Summary of Auditors' Results

1. The type of report issued on the basic financial statements: UNQUALIFIED OPINION
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: NONE REPORTED
3. Material weaknesses in internal control disclosed by the audit of financial statements: NO
4. Noncompliance, which is material to the financial statements: NO
5. Significant deficiencies in internal control over major programs: NO
6. Material weaknesses in internal control over major programs: NO
7. The type of report issued on compliance for major programs: UNQUALIFIED OPINION
8. Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: NO
9. The programs tested as major programs were:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
17.235	Senior Community Service Employment Program
20.509	Transportation Formula Grants.
81.042	Weatherization
93.568	Low-Income Home Energy Assistance

10. Dollar threshold used to distinguish between type A and type B programs: \$300,000
11. Bay Aging was determined to be a low risk auditee.

B. Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*: NONE NOTED

C. Findings and Questioned Costs Relating to Federal Awards: NONE NOTED

BAY AGING

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

YEAR ENDING SEPTEMBER 30, 2012

Resolution of Prior Year's Findings

There were no findings reported in the prior year.