



**BAY AGING**  
**URBANNA, VIRGINIA**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDING SEPTEMBER 30, 2010**



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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS  
BAY AGING  
URBANNA, VIRGINIA

We have audited the accompanying consolidated statement of financial position of Bay Aging (a nonprofit organization) as of September 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of Bay Aging. Our responsibility is to express an opinion on these financial statements based on our audit. The summarized comparative information has been derived from the Organization's 2009 financial statements and, in our report dated March 15, 2010, we expressed an unqualified opinion on those financial 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 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 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 consolidated financial position of Bay Aging as of September 30, 2010, 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 10, 2011, on our consideration of Bay Aging's 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 the 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 of Bay Aging as a whole. The accompanying financial information listed as supporting schedules in the table of contents, including the Schedule of Expenditures of Federal Awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements of Bay Aging. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia  
February 10, 2011



**- Financial Statements -**

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**BAY AGING**

**Consolidated Statement of Financial Position  
At September 30, 2010  
(With Comparative Totals for 2009)**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,283,997	\$ 2,131,779
Investments	495,523	431,354
Accounts and grants receivable	1,588,705	2,018,874
Due from related organizations	254,455	353,347
Security deposits	2,175	2,175
Property held for resale	629,569	539,988
Deposit on land	-	40,800
Fixed assets, net of accumulated depreciation	<u>5,561,706</u>	<u>3,468,168</u>
Total assets	<u>\$ 10,816,130</u>	<u>\$ 8,986,485</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 824,879	\$ 1,475,420
Accrued annual leave payable	291,363	273,722
Loans payable	842,006	864,014
Advances from the Virginia Department of Housing and Community Development:		
Weatherization program	145,604	145,604
Deferred revenue	<u>958,870</u>	<u>782,809</u>
Total liabilities	<u>\$ 3,062,722</u>	<u>\$ 3,541,569</u>
<b>NET ASSETS</b>		
Temporarily restricted	\$ 916,160	\$ 889,878
Unrestricted	<u>6,837,248</u>	<u>4,555,038</u>
Total net assets	<u>\$ 7,753,408</u>	<u>\$ 5,444,916</u>
Total liabilities and net assets	<u>\$ 10,816,130</u>	<u>\$ 8,986,485</u>

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

**BAY AGING**

**Consolidated Statement of Activities  
Year Ending September 30, 2010  
(With Comparative Totals for 2009)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2010</u>	<u>2009</u>
<b>Revenues, gains and support:</b>				
Contributions and grants	\$ 43,110	\$ 95,566	\$ 138,676	\$ 82,188
Government grants (Schedule D)	-	10,648,541	10,648,541	7,856,521
Interest and investment income	99,545	-	99,545	64,843
Program service fees	2,121,147	487,893	2,609,040	2,681,927
Other revenues	282,783	-	282,783	377,591
Sales - Bay Custom Homes	-	-	-	649,512
Net assets released from restrictions:				
Satisfaction of program restrictions	11,205,718	(11,205,718)	-	-
<b>Total revenues</b>	<b>\$ 13,752,303</b>	<b>\$ 26,282</b>	<b>\$ 13,778,585</b>	<b>\$ 11,712,582</b>
<b>Expenses:</b>				
Salaries	\$ 5,592,014	\$ -	\$ 5,592,014	\$ 5,214,373
Fringes	774,567	-	774,567	663,712
Workers compensation insurance	114,769	-	114,769	100,765
Staff travel	155,627	-	155,627	127,853
Office supplies, printing, postage	74,034	-	74,034	74,046
Telephone	74,868	-	74,868	70,594
Rent and utilities	258,938	-	258,938	183,813
Insurance	171,331	-	171,331	155,344
Vehicle gasoline, operation and maintenance	621,835	-	621,835	684,424
Materials and storage	1,293,620	-	1,293,620	508,173
Contract labor	143,001	-	143,001	138,386
Professional services	183,731	-	183,731	114,764
Program supplies	90,210	-	90,210	80,603
Meals	644,806	-	644,806	514,037
Other	659,375	-	659,375	524,255
Depreciation	617,367	-	617,367	452,782
Cost of sales - Bay Custom Homes	-	-	-	515,280
<b>Total expenses</b>	<b>\$ 11,470,093</b>	<b>\$ -</b>	<b>\$ 11,470,093</b>	<b>\$ 10,123,204</b>
<b>Change in net assets</b>	<b>\$ 2,282,210</b>	<b>\$ 26,282</b>	<b>\$ 2,308,492</b>	<b>\$ 1,589,378</b>
<b>Net assets, beginning of year</b>	<b>4,555,038</b>	<b>889,878</b>	<b>5,444,916</b>	<b>3,855,538</b>
<b>Net assets, end of year</b>	<b>\$ 6,837,248</b>	<b>\$ 916,160</b>	<b>\$ 7,753,408</b>	<b>\$ 5,444,916</b>

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

**BAY AGING**

**Consolidated Statement of Cash Flows**  
**Year Ending September 30, 2010**  
**(With Comparative Totals for 2009)**

	<b>2010</b>	<b>2009</b>
Cash flows provided (used) by operating activities:		
Change in net assets	\$ 2,308,492	\$ 1,589,378
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	617,367	452,782
(Gain) loss on disposal of fixed assets	(15,016)	16,978
Unrealized (gains) losses on investments	(46,266)	(10,236)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts and grants receivable	430,169	(1,237,654)
Due from related organizations	98,892	(87,716)
Prepaid items	-	33,584
Security deposits	-	125
Increase (decrease) in:		
Accounts payable and accrued liabilities	(650,541)	746,190
Accrued annual leave payable	17,641	14,577
Advances	-	(240,567)
Deferred revenue	176,061	(177,740)
Net cash provided (used) by operating activities	\$ 2,936,799	\$ 1,099,701
Cash flows provided (used) by investing activities:		
Purchase of fixed assets and construction in progress	\$ (2,771,837)	\$ (1,898,834)
Purchase of property for resale	(96,250)	-
Proceeds from sale of fixed assets	123,417	-
Sale of investments	64,262	20,691
Purchase of investments	(82,165)	-
Net cash provided (used) by investing activities	\$ (2,762,573)	\$ (1,878,143)
Cash flows provided (used) by financing activities:		
Loan proceeds	\$ 650,000	\$ -
Principal payments on loans	(672,008)	(18,801)
Net cash provided (used) by financing activities	\$ (22,008)	\$ (18,801)
Net change in cash and cash equivalents	\$ 152,218	\$ (797,243)
Cash and cash equivalents, beginning of year	2,131,779	2,929,022
Cash and cash equivalents, end of year	\$ 2,283,997	\$ 2,131,779
Other Supplemental Information:		
Interest paid	\$ 60,665	\$ 51,520

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

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## BAY AGING

### Consolidated Notes to Financial Statements As of September 30, 2010

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

##### Description and Purpose of Organization

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, Mathews, 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 the 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.

##### Principles of Consolidation

The accompanying financial statements include the accounts of the wholly owned for-profit subsidiary, Bay Custom Homes, and the Bay Aging Foundation. Bay Custom Homes was created in 2004 for the purpose of providing funds to perform services for frail homebound elderly persons. 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 organization is defined as a supporting organization as defined in Section 509(c) (3) of the Internal Revenue Code.

Consolidation was made in accordance with Statement of Position 94-3 (SOP-94-3), *Reporting of Related Entities by Not-for-Profit Organizations*. Because Bay Custom Homes is a wholly owned subsidiary of Bay Aging, and Bay Aging Foundation was formed to support the mission of Bay Aging, the criteria for control and economic interest defined by SOP 94-3 is satisfied to permit the presentation of consolidated financial statements.

As used herein, the "Organization" includes Bay Aging and its consolidated entities. All material transactions between Bay Aging, Bay Custom Homes and Bay Aging Foundation have been eliminated in the Organization's consolidated financial statements.

##### Financial Statement Presentation

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* - Net assets not subject to donor-imposed restrictions. At September 30, 2010 the Organization had Unrestricted Assets of \$6,837,248.

*Temporarily Restricted Net Assets* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. At September 30, 2010 the Organization had Temporarily Restricted Net Assets of \$916,160.

*Permanently Restricted Net Assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. At September 30, 2010 the Organization did not have any Permanently Restricted Net Assets.

## BAY AGING

### Consolidated Notes to Financial Statements As of September 30, 2010 (continued)

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#### NOTE 1 - 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 were no amounts reported for donated services for the fiscal year 2010. See additional information in Note 12.

##### Revenue Recognition

The Organization utilizes grant accounting for governmental grants received 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. Other revenues are recognized when earned.

##### Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

##### Cash and Cash Equivalents

For purposes of cash flows, cash and cash equivalents consist of all cash, certificates of deposits and highly liquid investments with maturities of three months or less.

##### Investments

Investments are reported at fair value. Unrealized gains and losses are reported in the change in net assets.

##### Real Estate Development and Construction Activities:

The business activities of Bay Custom Homes primarily involve real estate development and construction activities. Project costs, such as pre-acquisition, acquisition, and construction costs are capitalized. Interest costs related to construction or development are capitalized. Sales are reported using the completed contract method.

## BAY AGING

### Consolidated Notes to Financial Statements As of September 30, 2010 (continued)

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

##### Allowance for Uncollectible Accounts

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

##### Fixed Assets

The Organization follows the practice of capitalizing all expenditures for fixed assets in excess of \$500; donated fixed assets are capitalized at their fair market value at the date of donation. Depreciation is provided over the estimated useful lives of the assets, which generally approximates 5 to 10 years for vehicles, furniture and equipment, and 30 years for buildings using the straight-line method. The Organization's policy is to record a full year's depreciation in the year of acquisition and none in the year of disposition.

##### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### Accrued Leave

Accumulated unpaid vacation pay is accrued when earned. The amount of such pay was \$291,363 and \$273,722 for 2010 and 2009, respectively.

##### Income Taxes

Bay Aging and Bay Aging Foundation are exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and comparable state law.

##### Prior Year Totals

The prior year totals are presented for comparative purposes only.

#### NOTE 2 - CASH AND CASH INVESTMENTS:

At September 30, 2010 the Organization had deposits with banks of \$1,256,530 that was in excess of federal depository insurance (FDIC). The Organization maintains its cash funds in high quality financial institutions.

Also at year-end the Organization had money market funds in mutual funds which invest in federal securities. These accounts are included in cash and cash equivalents. The carrying value and balances of these accounts were \$128,055 (2010) and \$393,427 (2009). These accounts are not insured.

## BAY AGING

### Consolidated Notes to Financial Statements As of September 30, 2010 (continued)

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#### NOTE 2 - CASH AND CASH INVESTMENTS: (continued)

Investments consist of publicly held equity securities and mutual funds units and are held by the Bay Aging Foundation. Market value amounts are based on quoted prices on the New York or other national stock exchanges. The following is a summary of investments:

	September 30, 2010			September 30, 2009		
	<u>Market Value</u>	<u>Cost Basis</u>	<u>Unrealized Gains (Losses)</u>	<u>Market Value</u>	<u>Cost Basis</u>	<u>Unrealized Gains (Losses)</u>
Publicly held stocks	\$ 189,357	\$ 162,593	\$ 26,764	\$ 168,795	\$ 157,182	\$ 11,613
Mutual fund units	<u>306,166</u>	<u>327,953</u>	<u>(21,787)</u>	<u>262,559</u>	<u>315,461</u>	<u>(52,902)</u>
Total	<u>\$ 495,523</u>	<u>\$ 490,546</u>	<u>\$ 4,977</u>	<u>\$ 431,354</u>	<u>\$ 472,643</u>	<u>\$ (41,289)</u>

The following schedule summarizes the investment return for each year:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 52,906	\$ 78,538
Net realized gains (losses)	373	(23,930)
Net unrealized gains (losses)	<u>\$ 46,266</u>	<u>\$ 10,235</u>
Net investment income	<u>\$ 99,545</u>	<u>\$ 64,843</u>

All investment income, including net unrealized gains and losses, relate to unrestricted net assets and are reported as change in unrestricted net assets.

#### NOTE 3 - FAIR VALUE MEASUREMENTS:

Fair value for investments is determined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The three-level fair value hierarchy prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.



## BAY AGING

### Consolidated Notes to Financial Statements As of September 30, 2010 (continued)

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#### **NOTE 3 - FAIR VALUE MEASUREMENTS: (continued)**

- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

At September 30, 2010, the Organization's financial assets measured at fair value on a recurring basis consisted of investments in the amount of \$495,523, which was also the carrying value. The fair 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 carrying 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.

#### **NOTE 4 - ACCOUNTS AND GRANTS RECEIVABLE:**

Accounts and grants receivable consist of the following:

	<u>2010</u>	<u>2009</u>
Virginia Department of Medical Assistance Services	\$ 275,319	\$ 169,249
Virginia Department of Rail and Public Transportation	464,271	527,863
Virginia Department of Housing and Community Development	424,674	810,106
Virginia Department of Aging	121,043	161,647
Virginia Department of Social Services	76,863	86,677
Others	226,535	263,332
Total	<u>\$ 1,588,705</u>	<u>\$ 2,018,874</u>

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

#### **NOTE 5 - DUE FROM RELATED ORGANIZATIONS:**

The Organization has receivables from various related not-for-profit organizations, the balance of which was \$254,455 and \$353,347 at September 30, 2010 and 2009, respectively. Also see Note 18 for additional disclosures applicable to related organizations.

#### **NOTE 6 - 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 with the remaining portion to be developed by Bay Custom Homes, Inc. The total cost of these properties is \$376,667. Bay Custom Homes has constructed a home for resale, the total cost, including land, is \$252,902. This property secures a loan with a bank that is more fully discussed in Note 8. The total property held for resale is \$629,569.

## BAY AGING

### Consolidated Notes to Financial Statements As of September 30, 2010 (continued)

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#### NOTE 7 - FIXED ASSETS:

Fixed assets consist of the following:

	<u>2010</u>	<u>2009</u>
Land	\$ 471,550	\$ 241,550
Buildings	3,345,302	986,470
Furniture and equipment	745,724	546,404
Vehicles	3,212,301	3,046,319
Construction in progress	28,026	713,737
Total	\$ 7,802,903	\$ 5,534,480
Accumulated depreciation	<u>(2,241,197)</u>	<u>(2,066,312)</u>
Net fixed assets	<u>\$ 5,561,706</u>	<u>\$ 3,468,168</u>

Depreciation expense was \$617,367 for 2010 and \$452,782 for 2009.

#### NOTE 8 - LOANS PAYABLE:

At September 30, 2009 Bay Aging had an unsecured loan payable to Colonial Virginia Bank in the amount of \$648,104. This loan was used to purchase property, had a variable interest rate which was 5% at September 30, 2009 and a maturity date of April 21, 2010. On November 24, 2009 this loan was repaid with permanent financing from BB&T Bank in the amount of \$650,000. This permanent financing loan bears interest at 7.25%, is payable in monthly installment of \$5,972, matures on September 24, 2024, and is secured by a deed of trust on real estate located in Gloucester County, Virginia. The balance of this loan was \$629,496 at September 30, 2010.

Bay Custom Homes has a loan with EVB Bank with an original amount of \$220,000. This loan was used to finance the construction of a home on property held for resale, bears interest of 7.50%, is payable in monthly installments of \$1,642, matures in October 2032, is secured by a deed of trust on real estate in King & Queen County, Virginia. The balance of this loan was \$212,510 at September 30, 2010 and \$215,910 at September 30, 2009.

Interest expense totaled \$60,665 for 2010 and \$33,204 for 2009, all of which was expensed.

## BAY AGING

### Consolidated Notes to Financial Statements As of September 30, 2010 (continued)

#### NOTE 8 - LOANS PAYABLE: (continued)

Summary of debt activity:

	Bay Aging		Bay Custom Homes		Total	
	2010	2009	2010	2009	2010	2009
Loans payable, beginning of year	\$ 648,104	\$ 648,104	\$ 215,910	\$ 309,711	\$ 864,014	\$ 957,815
Loan proceeds	650,000	-	-	-	650,000	-
Principal payments on loans	(668,608)	-	(3,400)	(93,801)	(672,008)	(93,801)
Loans payable, end of year	<u>\$ 629,496</u>	<u>\$ 648,104</u>	<u>\$ 212,510</u>	<u>\$ 215,910</u>	<u>\$ 842,006</u>	<u>\$ 864,014</u>

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

	Bay Aging		Bay Custom Homes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 26,902	\$ 44,756	\$ 4,435	\$ 15,264	\$ 31,337	\$ 60,020
2012	28,919	42,739	4,768	14,931	33,687	57,670
2013	31,087	40,572	5,125	14,574	36,212	55,146
2014	33,417	38,242	5,509	14,190	38,926	52,432
2015	35,922	35,737	5,922	13,777	41,844	49,514
Thereafter	473,249	172,768	186,751	130,154	660,000	302,922
Total	<u>\$ 629,496</u>	<u>\$ 374,814</u>	<u>\$ 212,510</u>	<u>\$ 202,890</u>	<u>\$ 842,006</u>	<u>\$ 577,704</u>

Loan balances are estimated to represent the fair value of the loans as of September 30, 2010.

#### NOTE 9 - 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 \$958,870 and \$782,809 at September 30, 2010 and 2009, respectively.

## BAY AGING

### Consolidated Notes to Financial Statements As of September 30, 2010 (continued)

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#### **NOTE 10 - LEASE COMMITMENTS:**

The Organization leases office space and other facilities pursuant to lease agreements which expire at various dates. Total rental expenses for fiscal year totaled \$190,846 and \$141,967 for 2010 and 2009, respectively.

Future minimum lease payments required under non-cancellable lease agreements are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2011	\$ 73,489
2012	4,717
Total	\$ <u>78,206</u>

#### **NOTE 11 - 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, 2010 and 2009 was \$84,416 and \$80,673, respectively. The employees' contributions to the plan for the years ending September 30, 2010 and 2009 were \$176,097 and \$169,269 respectively.

In fiscal year 2010 the Organization established a deferred compensation plan under the provisions of Internal Revenue Code Section 457(f). The plan allows the president of the Organization to defer income through limited contributions to the plan and the plan must have a "substantial risk of forfeiture" to qualify for deferral. The Organization authorized \$50,000 in contributions to the plan in fiscal year 2010. When the president retires (he must work for Bay Aging until age 72 or forfeit such deferred funds), he will be entitled to receive the fair market value of the plan assets, whether the amounts are greater or less than the sum of contributions made. All plan assets remain the property of the Organization until distributed to the president.

#### **NOTE 12 - 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 \$38,188 and \$34,911 for fiscal 2010 and 2009, 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 2010 and 2009; however, the values of these items were of a minimal value. These in-kind amounts are not reported in the financial statements.

Consolidated Notes to Financial Statements  
As of September 30, 2010 (continued)

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**NOTE 13 - 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.

**NOTE 14 - ADVANCES PAYABLE:**

The Organization has advances from the Virginia Department of Housing and Community Development for the Weatherization program, Indoor Plumbing Rehab. (IPR) programs, and Home Investment Partnership. These funds were advanced to cover future program expenditures. See Note 17 for additional details of the IPR and HOME programs.

**NOTE 15 - 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. These programs are subject to audit by the grantor agencies in addition to requirements of the Single Audit Act. Management is of the opinion that any disallowance of program expenditures as a result of any audits by the grantor agencies would not be significant.

The Organization has committed to paying a \$50,000 retirement benefit to the president of the organization for five years (through the 2013 fiscal year), the first of which was made in September, 2009. This payment must be reviewed and approved annually by the Board of Directors. Other than the amount approved for fiscal year 2010 no amounts have been recorded as liabilities for these amounts as of September 30, 2010 since the payments are required to be approved by the Board of Directors on an annual basis.

The retirement benefit for fiscal year 2010 has been accrued and will be placed in a trustee account as allowed pursuant to provisions of Internal Revenue Code Section 457(f). See additional details regarding this plan in Note 11.

The Board of Directors has also approved the payment of an additional retirement benefit to the president's 457 (b) deferred compensation plan in the maximum amount allowed by law, which was \$16,500 in 2010. The president must be employed by the Organization on the date of the payment.

The Board of Directors purchased land for a proposed Middle Peninsula Transit Facility. The estimated costs of the project are not known.

## BAY AGING

### Consolidated Notes to Financial Statements As of September 30, 2010 (continued)

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#### NOTE 16 - 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>2010</u>	<u>2009</u>
Aging Programs	\$ 2,758,868	\$ 2,670,222
Action (RSVP)	90,364	87,732
Virginia Department of Housing and Community Development programs	2,138,536	1,609,587
Transportation programs	5,281,547	3,519,760
Community Services Block Grant	628,663	148,929
Other	307,740	569,393
Total	<u>\$ 11,205,718</u>	<u>\$ 8,605,623</u>

Temporarily restricted net assets consist of the following:

	<u>2010</u>	<u>2009</u>
Bay Transit Funds	\$ 652,391	\$ 771,358
Agency fund-raising	41,741	40,666
Med-carry	8,349	12,448
Local grant funds	161,994	62,317
Local gifts and grants	51,685	3,089
Total	<u>\$ 916,160</u>	<u>\$ 889,878</u>

#### NOTE 17 - 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>2010</u>	<u>2009</u>
Virginia Department of Aging	\$ 2,609,769	\$ 2,591,654
Virginia Department of Housing and Community Development	2,126,459	1,406,174
Virginia Department of Medical Assistance Services (Medicaid purchase of service revenues)	1,726,462	1,674,462
Virginia Department of Rail and Public Transportation/ Virginia Department of Transportation	4,202,252	2,605,550
All Others	3,113,643	3,434,742
Total revenues	<u>\$ 13,778,585</u>	<u>\$ 11,712,582</u>

## BAY AGING

### Consolidated Notes to Financial Statements As of September 30, 2010 (continued)

#### NOTE 17 - SIGNIFICANT SOURCES OF REVENUES: (CONTINUED)

The Organization has a contract with the 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 the various approved projects. These funds are not reported as Organization revenues and expenditures, but are considered as federal financial assistance for compliance reporting purposes. The amount of funds expended under these programs totaled \$911,501 in 2010 and \$1,554,189 in 2009. Interest of \$243 (2010) and \$3,162 (2009) was earned on program fund balances and has been allocated to the program activities.

#### NOTE 18 - 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 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:

#### Related organizations:

	Bay Aging Apartments Colonial Beach	Bay Aging Apartments West Point	Bay Aging Apartments Gloucester	Bay Aging Apartments Montross	Bay Aging Apartments Kilmarnock	Bay Aging Apartments Middlesex	Bay Aging Apartments Westmoreland	Bay Aging Apartments JCC
Fiscal Year	9/30/10	9/30/10	9/30/10	9/30/10	3/31/10	3/31/10	3/31/10	3/31/10
Assets	\$ 1,273,559	\$ 1,118,669	\$ 2,985,606	\$ 1,298,817	\$ 1,653,863	\$ 1,888,393	\$ 1,786,181	\$ 5,792,682
Liabilities	(20,263)	(15,371)	(35,555)	(15,913)	(54,546)	(22,335)	(29,949)	(90,906)
Net assets	<u>\$ 1,253,296</u>	<u>\$ 1,103,298</u>	<u>\$ 2,950,051</u>	<u>\$ 1,282,904</u>	<u>\$ 1,599,317</u>	<u>\$ 1,866,058</u>	<u>\$ 1,756,232</u>	<u>\$ 5,701,776</u>
Operating revenues	\$ 160,347	\$ 112,024	\$ 232,223	\$ 100,854	\$ 95,196	\$ 87,326	\$ 92,294	\$ 230,624
Operating expenses	(194,023)	(144,881)	(294,160)	(129,855)	(132,218)	(141,401)	(137,758)	(406,471)
Other revenues/ (expenses)	1,692	618	64	633	146	611	159	496
Change in net assets	<u>\$ (31,984)</u>	<u>\$ (32,239)</u>	<u>\$ (61,873)</u>	<u>\$ (28,368)</u>	<u>\$ (36,876)</u>	<u>\$ (53,464)</u>	<u>\$ (45,305)</u>	<u>\$ (175,351)</u>

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, Inc. totaled \$271,233 for 2010 and \$325,942 for 2009.

\$254,455 and \$353,347 was due from related organizations at September 30, 2010 and 2009, respectively.

**BAY AGING**

**Consolidated Notes to Financial Statements  
As of September 30, 2010 (continued)**

**NOTE 19 - SUBSEQUENT EVENTS:**

In preparing these financial statements, management of the organization has evaluated events and transaction for potential recognition or through February 10, 2011, the date the financial statements were available to be issued. There are no known subsequent events that should be recognized or disclosed.

**NOTE 20 - EXPENSE ALLOCATION:**

The following summarizes the Organization's expenses by functional allocation for the year ended September 30, 2010:

	<u>Program</u>	<u>Management &amp; General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 4,716,205	\$ 875,809	\$ -	\$ 5,592,014
Fringes	640,966	133,601	-	774,567
Workers compensation insurance	107,545	7,224	-	114,769
Staff travel	153,658	1,969	-	155,627
Office supplies, printing, postage	51,386	22,648	-	74,034
Telephone	34,469	40,399	-	74,868
Rent and utilities	130,983	127,955	-	258,938
Insurance	66,654	104,677	-	171,331
Vehicle gasoline, operation and maintenance	606,639	15,196	-	621,835
Materials and storage	1,293,591	29	-	1,293,620
Contract labor	117,923	25,078	-	143,001
Professional services	183,731	-	-	183,731
Program supplies	77,968	12,242	-	90,210
Meals	644,802	4	-	644,806
Other (1)	529,157	127,549	2,669	659,375
Depreciation	517,644	99,723	-	617,367
Total expenses	<u>\$ 9,873,321</u>	<u>\$ 1,594,103</u>	<u>\$ 2,669</u>	<u>\$ 11,470,093</u>
 (1) Other includes:				
Interest expense	\$ 44,716	\$ 15,949	\$ -	\$ 60,665
All other expenses	<u>484,441</u>	<u>111,600</u>	<u>2,669</u>	<u>598,710</u>
Total	<u>\$ 529,157</u>	<u>\$ 127,549</u>	<u>\$ 2,669</u>	<u>\$ 659,375</u>



**- Supporting Schedules -**

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## BAY AGING

Status of Funds  
Year Ending September 30, 2010

FUND	Unencumbered Funds on Hand at Beginning of Period	Total Funds Received During Period	Funds In Transit At 9-30-10	Total Funds Available During Period	Accrued Costs to Contract Period	Unencumbered Funds on Hand at End of Period
<b>Federal</b>						
<b>Older Americans Act:</b>						
Title III B	\$ (85,502)	\$ 483,351	\$ -	\$ 397,849	\$ 391,922	\$ 5,927
Title III C (1)	(39,029)	246,386	-	207,357	208,394	(1,037)
Title III C (2)	25,680	268,062	-	293,742	266,556	27,186
Title III D	(1,085)	24,845	-	23,760	23,795	(35)
Title III E	-	127,003	-	127,003	114,343	12,660
Title VII - Ombudsman	2,706	26,240	-	28,946	26,971	1,975
Title VII - Elder Abuse	(214)	3,547	-	3,333	4,485	(1,152)
Title III C (1) - Stimulus	9,814	31,729	-	41,543	58,883	(17,340)
Title III C (2) - Stimulus	4,832	24,157	-	28,989	28,989	-
<b>Other Federal</b>						
Title V - 6/30/10 award	(4,540)	143,052	-	138,512	138,512	-
Title V - 6/30/11 award	-	36,472	-	36,472	47,965	(11,493)
Title V - 6/30/11 award - New	-	-	-	-	28,565	(28,565)
Title V - Stimulus	(1,917)	21,008	-	19,091	19,091	-
USDA - NSIP	11,320	159,548	-	170,868	156,692	14,176
VICAP - 6/30/10 award	(12,879)	46,187	-	33,308	33,308	-
VICAP - 6/30/11 award	-	22,294	-	22,294	20,924	1,370
CLP-1 (Formerly Nursing Home Division)	71,272	135,026	-	206,298	227,557	(21,259)
CMS MIPPA LIS/MSP	-	14,145	-	14,145	-	14,145
CMS MIPPA LIS/MSP ADRC & AAA	-	4,140	-	4,140	-	4,140
<b>General Funds</b>						
Title III Match - 6/30/10 award	-	29,629	-	29,629	29,629	-
Community Based - 6/30/10 award	-	163,120	-	163,120	163,120	-
Spec. Transportation - 6/30/10 award	-	55,037	-	55,037	55,037	-
Home Delivered Meals - 6/30/10 award	-	192,241	-	192,241	192,241	-
Ombudsman - 6/30/10 award	-	22,798	-	22,798	22,798	-
DMAS Ombudsman 6/30/09 award	11,389	218	-	11,607	9,258	2,349
Care Coordination - 6/30/10 award	(6,108)	136,887	-	130,779	130,779	-
Care Coordination - 6/30/11 award	-	17,819	-	17,819	6,106	11,713
Respite Care - 6/30/10 award	(10,000)	64,509	-	54,509	54,509	-
Respite Care - 6/30/11 award	-	11,195	-	11,195	-	11,195
Fan Care (Dominion Power)	(1,314)	4,440	-	3,126	2,700	426
Unmet Needs	-	59,885	-	59,885	59,885	-
Bay Aging Adult Day Break Services	-	223,008	-	223,008	223,008	-
<b>Total</b>	<b>\$ (25,575)</b>	<b>\$ 2,797,978</b>	<b>\$ -</b>	<b>\$ 2,772,403</b>	<b>\$ 2,746,022</b>	<b>\$ 26,381</b>

BAY AGING

Costs by Program Activity  
Year Ending September 30, 2010

	Costs to Federal Title III B Funds	Costs to Federal Title III C1 Funds	Costs to Federal Title III C2 Funds	Costs to Federal Title III D Funds	Costs to Federal Title III E Funds	Costs to Federal Title VII Ombudsman Funds	Costs to Federal Title VII Elder Abuse Funds	Voluntary Contributions
<b>Title III, (Except III-E), Older American Act Funds:</b>								
Homemaker services	\$ 20,788	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	822
Home health	-	-	-	-	-	-	-	-
Personal care services	140,751	-	-	-	-	-	-	554
Adult day care	-	-	-	-	-	-	-	-
Care coordination	-	-	-	-	-	-	-	-
Caregiver training	-	-	-	-	-	-	-	-
Information and assistance	110,881	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	722
Congregate meals	-	173,489	-	-	-	-	-	12,527
Disease prevention	-	-	-	18,695	-	-	-	-
Elder abuse prevention	-	-	-	-	-	-	4,485	-
Emergency services	-	-	-	-	-	-	-	-
Employment	30,895	-	-	-	-	-	-	-
Individual counseling	-	-	-	-	-	-	-	-
Long-term care coordinating activity	37,585	-	-	-	-	-	-	-
Home delivered fee for services	-	-	-	-	-	-	-	-
Senior patrol	-	-	-	-	-	-	-	-
Health screening	-	-	-	-	-	-	-	-
Home delivered meals	-	-	238,517	-	-	-	-	6,302
Medication management	-	-	-	5,100	-	-	-	-
Legal assistance	7,666	-	-	-	-	-	-	-
LTC Ombudsman	-	-	-	-	-	26,971	-	-
Other programs	-	-	-	-	-	-	-	-
Preparation and administration	18,478	34,905	28,039	-	-	-	-	-
Public information and education	24,878	-	-	-	-	-	-	-
Relatives as parents	-	-	-	-	-	-	-	-
Res repair and renovation	-	-	-	-	-	-	-	-
Direct respite services payments	-	-	-	-	-	-	-	-
Socialization/Recreation	-	-	-	-	-	-	-	-
Medicare Plus	-	-	-	-	-	-	-	-
VICAP	-	-	-	-	-	-	-	-
Alzheimer's Disease Holistic	-	-	-	-	-	-	-	-
Information and referral	-	-	-	-	-	-	-	-
Summer cooling	-	-	-	-	-	-	-	-
<b>Title III-E Older American Act Funds:</b>								
Adult day care	-	-	-	-	98,868	-	-	5,919
Individual counseling	-	-	-	-	5,656	-	-	-
Public information and education	-	-	-	-	5,548	-	-	-
Direct respite services payments	-	-	-	-	-	-	-	-
Support groups	-	-	-	-	4,271	-	-	-
<b>Total</b>	<b>\$ 391,922</b>	<b>\$ 208,394</b>	<b>\$ 266,556</b>	<b>\$ 23,795</b>	<b>\$ 114,343</b>	<b>\$ 26,971</b>	<b>\$ 4,485</b>	<b>\$ 26,846</b>

Costs to Other Non- Federal Funds	Fees	Costs to DMAS Ombudsman Funds	Costs to NSIP Funds	Costs to GF State Matching Funds	Costs to GF Community Based Funds	Costs to GF Special Transportation Funds	Costs to GF Home Delivered Meals Funds	Costs to GF Ombudsman Funds	Total Costs
\$ -	\$ 146	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	21,756
-	-	-	-	-	-	-	-	-	-
120	566	-	-	-	163,120	-	-	-	305,111
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	4,072	-	-	-	-	114,953
100	-	-	-	25,557	-	55,037	-	-	81,416
359	-	-	9,233	-	-	-	-	-	195,608
-	-	-	-	-	-	-	-	-	18,695
-	-	-	-	-	-	-	-	-	4,485
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	30,895
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	37,585
862	19,294	-	-	-	-	-	31,181	-	51,337
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
21,228	-	-	147,459	-	-	-	161,060	-	574,566
-	-	-	-	-	-	-	-	-	5,100
-	-	-	-	-	-	-	-	-	7,666
-	-	9,258	-	-	-	-	-	22,798	59,027
-	-	-	-	-	-	-	-	-	-
35,896	-	-	-	-	-	-	-	-	117,318
-	-	-	-	-	-	-	-	-	24,878
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
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-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
175,287	47,119	-	-	-	-	-	-	-	327,193
-	-	-	-	-	-	-	-	-	5,656
-	-	-	-	-	-	-	-	-	5,548
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	4,271
<u>\$ 233,852</u>	<u>\$ 67,125</u>	<u>\$ 9,258</u>	<u>\$ 156,692</u>	<u>\$ 29,629</u>	<u>\$ 163,120</u>	<u>\$ 55,037</u>	<u>\$ 192,241</u>	<u>\$ 22,798</u>	<u>\$ 1,993,064</u>

Costs by Program Activity  
Year Ending September 30, 2010 (Continued)

	Stimulus		Total Stimulus	Grand Total
	Costs to Federal Title III C1 Funds	Costs to Federal Title III C2 Funds		
<b>Title III, (Except III-E), Older American Act Funds:</b>				
Homemaker services	\$ -	\$ -	\$ -	21,756
Home health	-	-	-	-
Personal care services	-	-	-	305,111
Adult day care	-	-	-	-
Care coordination	-	-	-	-
Caregiver training	-	-	-	-
Information and assistance	-	-	-	114,953
Transportation	-	-	-	81,416
Congregate meals	58,883	-	58,883	254,491
Disease prevention	-	-	-	18,695
Elder abuse prevention	-	-	-	4,485
Emergency services	-	-	-	-
Employment	-	-	-	30,895
Individual counseling	-	-	-	-
Long-term care coordinating activity	-	-	-	37,585
Home delivered fee for services	-	-	-	51,337
Senior patrol	-	-	-	-
Health screening	-	-	-	-
Home delivered meals	-	28,989	28,989	603,555
Medication management	-	-	-	5,100
Legal assistance	-	-	-	7,666
LTC Ombudsman	-	-	-	59,027
Other programs	-	-	-	-
Preparation and administration	-	-	-	117,318
Public information and education	-	-	-	24,878
Relatives as parents	-	-	-	-
Res repair and renovation	-	-	-	-
Direct respite services payments	-	-	-	-
Socialization/Recreation	-	-	-	-
Medicare Plus	-	-	-	-
VICAP	-	-	-	-
Alzheimer's Disease Holistic Information and referral	-	-	-	-
Summer cooling	-	-	-	-
<b>Title III-E Older American Act Funds:</b>				
Adult day care	-	-	-	327,193
Individual counseling	-	-	-	5,656
Public information and education	-	-	-	5,548
Direct respite services payments	-	-	-	-
Support groups	-	-	-	4,271
<b>Total</b>	<b>\$ 58,883</b>	<b>\$ 28,989</b>	<b>\$ 87,872</b>	<b>\$ 2,080,936</b>

## BAY AGING

Status of Inventories  
Year Ending September 30, 2010

<u>Fund Source and Type of Inventory</u>	<u>Value on Hand at October 1, 2009</u>	<u>Net Changes During Year</u>	<u>Value on Hand at September 30, 2010</u>
Older Americans Act:			
Title III B	\$ -	\$ -	\$ -
Title III C1	-	-	-
Title III C2	-	-	-
Title III D	-	-	-
Total Older Americans Act	\$ -	\$ -	\$ -
Title V	-	-	-
Title VII Ombudsman	-	-	-
Total	\$ -	\$ -	\$ -

## BAY AGING

Schedule of Government Grants  
Year Ending September 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues:</b>			
Aging programs	\$ -	\$ 2,712,960	\$ 2,712,960
Virginia Department of Housing and Community Development:			
Weatherization - DOE	-	1,107,082	1,107,082
Emergency home repair	-	8,342	8,342
Indoor plumbing program	-	104,700	104,700
LIHEAP	-	899,638	899,638
Transportation:			
Virginia Department of Rail and Public Transportation	-	4,202,252	4,202,252
Community Services Block Grant	-	628,663	628,663
ACTION - RSVP	-	90,364	90,364
Department of Homeland Security	-	9,761	9,761
Local governments			
Local match funds	-	884,779	884,779
Total government grants	<u>\$ -</u>	<u>\$ 10,648,541</u>	<u>\$ 10,648,541</u>



- Compliance -

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## 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

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TO THE BOARD OF DIRECTORS  
BAY AGING  
URBANNA, VIRGINIA

We have audited the financial statements of Bay Aging (a nonprofit organization), as of and for the year ended September 30, 2010, and have issued our report thereon dated February 10, 2011. 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

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 Bay Aging'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 Organization's 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 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 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 the Board of Directors, management, 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.

*Robinson, Jarner, Cox Associates*

Charlottesville, Virginia  
February 10, 2011

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 INDEPENDENT AUDITORS' REPORT

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TO THE BOARD OF DIRECTORS  
BAY AGING  
URBANNA, VIRGINIA

### Compliance

We have audited Bay Aging's (a nonprofit organization) 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, 2010. Bay Aging's major federal programs are identified in the summary of auditors' 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 Bay Aging'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 requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2010-1.

### 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 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 define above.

Bay Aging's responses to the findings indentified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Bay Aging's responses, and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, The Board of Directors, others within the entity, 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.

*Robinson, Jarner, Cox Associates*

Charlottesville, Virginia  
February 10, 2011

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Schedule of Expenditures of Federal Awards  
Year Ending September 30, 2010

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>Department of Agriculture:</u>			
Pass Through Payments:			
Virginia Department of Agriculture			
Child Nutrition Discretionary Grants Limited Availability	10.579	N/A	\$ 23,839
<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	\$ 1,016,201
<u>Corporation for National and Community Service:</u>			
Direct Payments:			
Retired Senior Volunteer Program	94.002		\$ 90,364
<u>Department of Health and Human Services:</u>			
Pass Through Payments:			
Virginia Department for the Aging:			
Aging Cluster:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	44119, 44110	
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	44129, 44120 44139, 44130	\$ 391,921 474,950
Nutrition Services Incentive Program	93.053	40579,40570	156,692
ARRA - Aging Home-Delivered Nutrition Services for States	93.705	69998	28,989
ARRA - Aging Congregate Nutrition Services for States	93.707	69999	58,883
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	45009, 45000	23,795
Special Programs for the Aging - Title IV and Title II Discretionary Projects (CPL)	93.048	51009, 62006, 62007	170,618
National Family Caregiver Support, Title III, Part E	93.052	46009,46000	114,342
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation:			
Ombudsman	93.041	44209/44200	26,971
Elder Abuse	93.041	44409/44400	4,485
Centers for Medicare and Medical Services (CMS) Research, Demonstrations and Evaluations - VICAP, Medicare Choice Plus	93.779	60008, 60009,60000	54,232
Virginia Department of Housing and Community Development: Low-Income Home Energy Assistance	93.568	09ALI-15	906,336
Virginia Department of Social Services: Community Services Block Grant	93.569	N/A	238,989
ARRA - Community Services Block Grant	93.710	N/A	389,674
Total Department of Health and Human Services			\$ 3,040,877
<u>Department of Labor:</u>			
Pass Through Payments:			
Virginia Department for the Aging:			
Senior Community Service Employment Program	17.235	47300, 47308, 47309	\$ 215,041
ARRA - Senior Community Service Employment Program	17.235	69999	19,091
Total Department of Labor			\$ 234,132
<u>Department of Energy:</u>			
Pass Through Payments:			
Virginia Department of Housing and Community Development:			
Weatherization Assistance for Low-Income Persons	81.042	10-WX-15,11-WX-15	\$ 207,444
ARRA - Weatherization Assistance for Low-Income Persons	81.042	10-WX-15,11-WX-15	899,638
Total Department of Energy			\$ 1,107,082

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Schedule of Expenditures of Federal Awards  
Year Ending September 30, 2010 (continued)

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<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	\$ 2,770,357
ARRA - Formula Grants for Other Than Urbanized Areas	20.509	44010	<u>747,552</u>
Total Department of Transportation			<u>\$ 3,517,909</u>
<u>Department of Homeland Security:</u>			
Pass Through Payments:			
Virginia Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	<u>9,761</u>
Total expenditures of federal awards			<u>\$ 9,040,165</u>

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, 2010. 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 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

\$911,501 of the reported HOME program expenditures amount is not reported in revenues on the Statement of Activities.



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**Schedule of Findings and Questioned Costs  
Year Ending September 30, 2010**

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	Yes

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
<b>Aging Cluster</b>	
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services
93.053	Nutrition Services Incentive Program
93.705	ARRA - Aging Home Delivered Nutrition Services for States
93.707	ARRA - Aging Congregate Nutrition Services for States
<b>Other Programs</b>	
14.239	HOME Investment Partnerships Program
20.509	Formula Grants for Other Than Urbanized Areas
20.509	ARRA - Formula Grants for Other Than Urbanized Areas
81.042	Weatherization Assistance for Low-Income Persons
81.042	ARRA - Weatherization Assistance for Low-Income Persons
93.569	Community Services Block Grant
93.710	ARRA - Community Services Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	Yes
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## BAY AGING

### Schedule of Findings and Questioned Costs Year Ending September 30, 2010 (continued)

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#### Section II - Financial Statement Findings

There are no financial statement findings to report.

#### Section III - Federal Award Findings and Questioned Costs

##### Finding 2010-1

##### Weatherization Program

Findings/Conditions Found:

Testing of Weatherization application for services files disclosed instances where files did not include proper applicant certification and/or the required owner certifications for rental properties.

Criteria:

10 CFR Section 440.22(b)(1) requires that written permission be obtained from the owner of the dwelling or his/her agent. If the dwelling to be weathrized is rented, a formal agreement between the landlord and the tenant must be reached addressing issues of eviction from and sale of property receiving weatherization materials.

Effects or Possible Effects of Condition:

Lack of documentation supporting the application certification and/or the required owner certifications for certain rental properties indicates the grantee (Bay Aging) is not consistently in compliance with program eligibility requirements.

Questioned Costs:

None noted.

Cause of Condition:

All of the locations where the findings of noncompliance cited are owned by organizations that are related to and managed by the grantee (Bay Aging). These organizations provide subsidized housing for eligible elderly and/or disabled persons. The Weatherization staff erroneously assumed that signed authorizations by the landlord would not be required in those instances. In instances where the approvals were not obtained from the tenant, it was determined that the failure to obtain the approval signatures was solely the result of an oversight by the Weatherization staff.

Recommendations:

A review of all Weatherization files should be made to ensure that appropriate signatures have been obtained on all files. In instances where the property owner is a related organization, the property manager or other management employee should sign the authorizations. In instances where the tenant did not sign the application, the property owners should be contacted and arrangements made to obtain proper signatures on the authorizations.

Management's Response:

Management will obtain all required signatures for authorizations and implement procedures to ensure that all future applications contain appropriate signatures and/or approvals.

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**Schedule of Prior Year Findings and Questioned Costs  
Year Ending September 30, 2010**

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There were no financial statement or federal award findings or questioned costs reported.

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