

BAY AGING

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2013 and 2012

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Bay Aging (a nonprofit organization, (the "Organization"), which comprise the consolidated statements of financial position as of September 30, 2013, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013, and the consolidated changes in its net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's consolidated financial statements as of September 30, 2012, and our report dated February 28, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supporting schedules and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bay Aging's internal control over financial reporting and compliance.

Handwritten signature of Cheryl Bekant in cursive script.

Virginia Beach, Virginia
February 27, 2014

BAY AGING**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION***SEPTEMBER 30, 2013 AND 2012*

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 4,115,701	\$ 3,297,002
Investments	680,445	571,330
Accounts and grants receivable	1,898,705	1,130,860
Due from related organizations	37,366	91,687
Inventory	50,062	60,682
Security deposits	1,775	1,775
Prepaid expenses	9,305	4,487
Property held for resale	319,563	319,563
Fixed assets, net of accumulated depreciation	6,672,666	6,317,326
Total assets	\$ 13,785,588	\$ 11,794,712
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,557,220	\$ 684,108
Accrued annual leave payable	268,132	269,229
Loans payable	506,695	561,438
Advances from the Virginia Department of Housing and Community Development Weatherization program	67,542	129,899
Deferred revenue	605,145	531,736
Total liabilities	3,004,734	2,176,410
Net assets		
Unrestricted	9,671,992	8,791,171
Temporarily restricted	1,108,862	827,131
Total net assets	10,780,854	9,618,302
Total liabilities and net assets	\$ 13,785,588	\$ 11,794,712

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, 2013 AND 2012

	Unrestricted	Temporarily Restricted	Total	
			2013	2012
Revenues, gains and support				
Contributions and grants	\$ 45,041	\$ -	\$ 45,041	\$ 50,078
Government grants	-	7,873,687	7,873,687	8,259,804
Interest and investment income	128,292	-	128,292	126,889
Program service fees	2,514,165	318,741	2,832,906	3,018,307
Other revenues	45,727	389,490	435,217	592,878
Net assets released from restrictions				
Satisfaction of program restrictions	8,300,187	(8,300,187)	-	-
Total revenue	<u>11,033,412</u>	<u>281,731</u>	<u>11,315,143</u>	<u>12,047,956</u>
Expenses				
Salaries	5,006,301	-	5,006,301	5,199,850
Fringes	677,691	-	677,691	706,142
Worker's compensation insurance	76,516	-	76,516	94,788
Staff travel	100,330	-	100,330	122,945
Office supplies, printing, postage	61,585	-	61,585	62,407
Telephone	142,831	-	142,831	128,316
Rent and utilities	257,067	-	257,067	251,183
Insurance	123,022	-	123,022	116,453
Vehicle gasoline, operation and maintenance	800,247	-	800,247	912,384
Materials and storage	216,814	-	216,814	398,895
Contract labor	585,379	-	585,379	1,066,492
Professional services	95,754	-	95,754	144,886
Program supplies	65,341	-	65,341	81,481
Meals	546,373	-	546,373	570,405
Other	628,094	-	628,094	397,885
Depreciation	769,246	-	769,246	758,895
Total expenses	<u>10,152,591</u>	<u>-</u>	<u>10,152,591</u>	<u>11,013,407</u>
Change in net assets	880,821	281,731	1,162,552	1,034,549
Net assets, beginning of year	8,791,171	827,131	9,618,302	8,583,753
Net assets, end of year	<u>\$ 9,671,992</u>	<u>\$ 1,108,862</u>	<u>\$ 10,780,854</u>	<u>\$ 9,618,302</u>

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, 2013 AND 2012

	2013	2012
Cash flows provided (used) by operating activities		
Change in net assets	\$ 1,162,552	\$ 1,034,549
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	769,246	758,895
(Gain) loss on sale of property held for resale	-	(13,396)
(Gain) on sale of investments	(109,115)	(10,042)
Unrealized (gain) loss on investments	-	(79,804)
Changes in assets and liabilities		
(Increase) decrease in		
Accounts and grants receivable	(767,845)	(32,804)
Due from related organizations	54,321	134,544
Inventory	10,620	(60,682)
Prepaid expenses	(4,818)	(4,487)
Increase (decrease) in		
Accounts payable and accrued liabilities	873,112	177,515
Accrued annual leave payable	(1,097)	5,306
Advances	(62,357)	(67,505)
Deferred revenue	73,409	(396,562)
Net cash provided by operating activities	<u>1,998,028</u>	<u>1,445,527</u>
Cash flows provided (used) by investing activities		
Purchase of fixed assets and construction in progress	(1,124,586)	(1,378,533)
Proceeds from sale of property for resale	-	70,500
Sale of investments	-	98,640
Purchase of investments	-	(115,859)
Net cash used in investing activities	<u>(1,124,586)</u>	<u>(1,325,252)</u>
Cash flows provided (used) by financing activities		
Principal payments on loans	(54,743)	(37,964)
Net cash used in financing activities	<u>(54,743)</u>	<u>(37,964)</u>
Net change in cash and cash equivalents	818,699	82,311
Cash and cash equivalents, beginning of year	<u>3,297,002</u>	<u>3,214,691</u>
Cash and cash equivalents, end of year	<u>\$ 4,115,701</u>	<u>\$ 3,297,002</u>
Other supplemental information		
Interest paid	<u>\$ 21,869</u>	<u>\$ 37,410</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, 2013 AND 2012

Note 1—Organization and nature of operations

Bay Aging (the “Organization”) is a nonprofit 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 include government grants and Medicaid fees resulting from services provided.

Note 2—Summary of significant accounting policies

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of the Bay Aging Foundation (the “Foundation”). 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. This entity 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 that are 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.

Donated Services - Donated supplies and services are reflected in the consolidated financial statements at the estimated fair value of supplies and services received. The contribution of services is 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 2013 or 2012. See additional information in Note 12.

BAY AGING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 AND 2012

Note 2—Summary of significant accounting policies (continued)

Contributions – The Organization has determined that substantially all grants are in the form of contributions. These contributions are recorded in accordance with the applicable guidance and accounting topics standards. Contributions received without conditions are reported as unrestricted revenue and net assets, unless subject to external 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. Deferred revenue represents contributions for which asset recognition criteria has been met, but for which revenue recognition is subject to a condition which has not been met.

Program Service Fees – Program service fees represent a variety of medical and transportation assistance programs offered to citizens and veterans in the communities serviced by the Organization. Revenue is recognized as services are provided for each program and is reported as unrestricted revenue and net assets, unless subject to donor restrictions.

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.

Inventory – Inventory consists 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 consolidated 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 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 collectability 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 – 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.

BAY AGING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 AND 2012

Note 2—Summary of significant accounting policies (continued)

Accrued Leave — Accumulated unpaid vacation is accrued when earned. The amount of such pay was \$268,132 and \$269,229 for 2013 and 2012, 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, 2013. 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, 2013. The Organization does not believe that it is subject to tax examinations for periods prior to 2010.

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

Note 3—Cash and cash investments

The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (“FDIC”) covers \$250,000 for substantially all depository accounts. The Organization from time to time may have amounts on deposit in excess of the insured limits. As of September 30, 2013 balances not insured by the FDIC amounted to approximately \$2.5 million. A majority of the balance in excess of the FDIC limit is invested in a repurchase agreement that is backed by U.S. Government and other secure state and municipal bonds.

The following is the composition of the combined amounts appearing in the financial statements for 2013 and 2012:

	2013	2012
Cash	\$ 2,775,178	\$ 1,849,984
Certificates of Deposit	935,577	1,042,173
Money Market Funds	404,946	404,845
	<u>\$ 4,115,701</u>	<u>\$ 3,297,002</u>

Long-term investments, carried at fair value based on quoted prices in active markets (all Level 1 measurements), at September 30, 2013 and 2012 consist of the following:

	September 30, 2013			September 30, 2012		
	Value	Cost Basis	Cumulative Gain	Value	Cost Basis	Cumulative Gain (Loss)
Publicly Held Stock	\$ 320,758	\$ 214,192	\$ 106,566	\$ 264,561	\$ 191,119	\$ 73,442
Mutual Fund Units	359,687	337,729	21,958	306,769	320,581	(13,812)
	<u>\$ 680,445</u>	<u>\$ 551,921</u>	<u>\$ 128,524</u>	<u>\$ 571,330</u>	<u>\$ 511,700</u>	<u>\$ 59,630</u>

BAY AGING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 AND 2012

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, 2013 and 2012, the Organization's consolidated financial assets measured a fair value on a recurring basis consisted of investments in the amount of \$680,445 and \$571,330, 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 consolidated 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 5—Accounts and grants receivable

Accounts and grants receivable at September 30, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Virginia Department of Medical Assistance Services	\$ 96,801	\$ 92,647
Virginia Department of Rail and Public Transportation	1,139,296	478,541
Virginia Department of Housing and Community Development	100,482	163,241
Virginia Department for Aging and Rehabilitative Services	9,055	17,610
Virginia Department of Social Services	86,813	24,443
CMS	141,515	-
Veteran's Administration	209,917	-
Others	114,826	354,378
Total	<u>\$ 1,898,705</u>	<u>\$ 1,130,860</u>

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

BAY AGING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 AND 2012

Note 6—Due from related organizations

The Organization is related to other not for profit organizations through common membership of the Board of Directors on their organizations. The Organization has \$37,366 and \$91,687 in related-party receivables at September 30, 2013 and 2012, respectively.

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 Apartments Colonial Beach	Bay Aging Apartments West Point	Bay Aging Apartments Gloucester	Bay Aging Apartments Montross	Bay Aging Apartments Kilmarnock (Tartan I & II)	Bay Aging Apartments Westmoreland	Bay Aging Apartments Middlesex (P'Town 1)	Bay Aging Apartments JCC	Bay Aging Apartments Middlesex (P'Town 2)
	9/30/13	9/30/13	9/30/13	9/30/13	3/31/13	3/31/13	3/31/13	3/31/13	3/31/13
Assets	\$ 1,163,097	\$ 1,046,147	\$ 2,772,145	\$ 1,213,029	\$ 3,758,947	\$ 1,696,532	\$ 1,756,165	\$ 5,458,089	\$ 1,333,039
Liabilities	(26,179)	(23,569)	(47,198)	(20,089)	(37,669)	(21,181)	(19,687)	(49,430)	(8,028)
Net Assets	<u>\$ 1,136,918</u>	<u>\$ 1,022,578</u>	<u>\$ 2,724,947</u>	<u>\$ 1,192,940</u>	<u>\$ 3,721,278</u>	<u>\$ 1,675,351</u>	<u>\$ 1,736,478</u>	<u>\$ 5,408,659</u>	<u>\$ 1,325,011</u>
Operating revenues	\$ 190,553	\$ 140,540	\$ 269,880	\$ 135,374	\$ 203,017	\$ 127,355	\$ 125,051	\$ 280,642	\$ 50,390
Operating expenses	(233,819)	(156,688)	(337,233)	(161,810)	(276,835)	(157,303)	(161,772)	(397,166)	(82,772)
Other revenues/ (expenses)	83	124	43	232	1,356	683	562	4,885	20,495
Change in Net Assets	<u>\$ (43,183)</u>	<u>\$ (16,024)</u>	<u>\$ (67,310)</u>	<u>\$ (26,204)</u>	<u>\$ (72,462)</u>	<u>\$ (29,265)</u>	<u>\$ (36,159)</u>	<u>\$ (111,639)</u>	<u>\$ (11,887)</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 totaled \$340,641 for 2013 and \$313,710 for 2012.

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, 2013 and 2012 is \$319,563.

BAY AGING
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 AND 2012

Note 8—Fixed assets

Major classes of fixed assets consist of the following at September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Land	\$ 471,550	\$ 471,550
Buidings	3,553,171	3,553,172
Furniture and equipment	1,307,389	1,205,115
Vehicles	3,299,543	3,714,552
Construction in progress	1,392,024	350,973
Total	<u>10,023,677</u>	<u>9,295,362</u>
Accumulated depreciation	(3,351,011)	(2,978,036)
Net Fixed Assets	<u>\$ 6,672,666</u>	<u>\$ 6,317,326</u>

Depreciation expense was \$769,246 for 2013 and \$758,895 for 2012.

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 \$506,694 at September 30, 2013 and \$561,438 at September 30, 2012.

Interest expense totaled \$21,869 for 2013 and \$37,410 for 2012, all of which was expensed.

Summary of debt activity:

	<u>2013</u>	<u>2012</u>
Loans payable, beginning of year	\$ 561,438	\$ 599,402
Principal payments on loans	(54,743)	(37,964)
Loans payable, end of year	<u>\$ 506,695</u>	<u>\$ 561,438</u>

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

	<u>Principal</u>	<u>Interest</u>
2014	\$ 51,423	\$ 19,496
2015	53,513	17,406
2016	55,687	15,232
2017	57,950	12,969
2018	60,305	10,614
Thereafter	<u>227,817</u>	<u>17,192</u>
	<u>\$ 506,695</u>	<u>\$ 92,909</u>

BAY AGING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 AND 2012

Note 10—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 \$161,484 and \$155,703 for 2013 and 2012, respectively.

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, 2013 and 2012 was \$82,058 and \$79,267, respectively. The employee's contributions to the plan for the years ending September 30, 2013 and 2012 were \$164,250 and \$158,722, respectively.

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 \$29,717 and \$17,840 for fiscal year 2013 and 2012, respectively. The Organization also received the benefit of a significant amount of volunteer time which has not been valued or reported in these consolidated financial statements. There were donated materials in fiscal 2013 and 2012; however, the values of these items were of a minimal amount. These in-kind amounts are not reported in the financial statements.

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. The difference in the adjustments and a contractual accrual adjustment is immaterial.

Note 14—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 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. 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 in 2012. The Middle Peninsula Transit Facility is currently under construction. The estimated cost of the facility is \$5,000,000, of which \$2,124,019 has been expended as of September 30, 2013.

BAY AGING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 AND 2012

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>2013</u>	<u>2012</u>
Aging programs	\$ 2,179,861	\$ 2,468,486
Action (RSVP)	85,890	47,438
Virginia Department of Housing and Community Development programs	1,614,297	1,858,664
Transportation Programs	3,625,794	4,225,126
Community Services Block Grant	239,602	222,827
Other	554,743	782,211
	<u>\$ 8,300,187</u>	<u>\$ 9,604,752</u>

Temporarily restricted net assets consist of the following:

	<u>2013</u>	<u>2012</u>
Bay Transit Funds	\$ 974,742	\$ 659,354
Agency Fund Raising	58,335	47,465
Med-Carry	4,508	6,513
Local Grant Funds	60,030	88,565
Local Gifts and grants	11,247	14,339
Weatherization Inventory	-	10,895
	<u>\$ 1,108,862</u>	<u>\$ 827,131</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>2013</u>	<u>2012</u>
Virginia Department for Aging and Rehabilitative Services	\$ 2,179,861	\$ 2,468,486
Virginia Department of Housing and Community Development	795,721	933,772
Virginia Department of Medical Assurance Services (Medicaid purchase of service revenues)	1,234,618	1,433,274
Virginia Department of Rail and Public Transportation/ Virginia Department of Transportation	3,625,794	3,327,089
All others	3,479,150	3,885,335
Total Revenues	<u>\$ 11,315,143</u>	<u>\$ 12,047,956</u>

BAY AGING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 AND 2012

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 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 \$304,255 in 2013 and \$196,521 in 2012. Interest of \$2,824 (2013) and \$204 (2012) was earned on program fund balances and has been allocated to program activities.

Note 18—Subsequent events

In preparing these consolidated financial statements, management of the Organization has evaluated events and transactions for potential recognition through February 27, 2014, the date the financial statements were available to be issued. There are no known subsequent events that should be recognized or disclosed.

Note 19—Functional expense allocation

The following summarizes the Organization’s expenses by functional allocation for the year ended September 30, 2013:

	<u>Program</u>	<u>& General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 4,023,072	\$ 983,229	\$ -	\$ 5,006,301
Fringes	526,585	151,106	-	677,691
Worker's compensation insurance	71,154	5,362	-	76,516
Staff travel	82,249	18,081	-	100,330
Office supplies, printing, postage	18,375	43,210	-	61,585
Telephone	100,485	42,346	-	142,831
Rent and utilities	166,567	90,500	-	257,067
Insurance	56,830	66,192	-	123,022
Vehicle gasoline, operation and maintenance	785,386	14,861	-	800,247
Materials and storage	216,814	-	-	216,814
Contract labor	573,517	11,862	-	585,379
Professional services	88,886	6,868	-	95,754
Program supplies	65,341	-	-	65,341
Meals	546,373	-	-	546,373
Other (1)	588,724	36,701	2,669	628,094
Depreciation	618,167	151,079	-	769,246
Total expenses	<u>\$ 8,528,525</u>	<u>\$ 1,621,397</u>	<u>\$ 2,669</u>	<u>\$ 10,152,591</u>
(1) Other				
Interest expense	\$ 21,869	\$ -	\$ -	\$ 21,869
All other expenses	566,855	36,701	2,669	606,225
	<u>\$ 588,724</u>	<u>\$ 36,701</u>	<u>\$ 2,669</u>	<u>\$ 628,094</u>

SUPPORTING SCHEDULES

BAY AGING

VIRGINIA DEPARTMENT FOR AGING AND REHABILITATIVE SERVICES SCHEDULE A – STATUS OF FUNDS

YEAR ENDING SEPTEMBER 30, 2013

Fund	Unencumbered Funds on Hand at Beginning of Period	Total Funds Received During Period	Funds In Transit At 41547	Total Funds During Period	Accrued Cost to Contract Period	Unencumbered Funds on Hand at End of Period
Older Americans Act						
Title III-B	\$ 28,743	\$ 330,936	\$ -	\$ 359,679	\$ 356,097	\$ 3,582
Title III-C(1)	12,536	192,683	-	205,219	198,009	7,210
Title III-C(2)	27,186	237,712	-	264,898	241,388	23,510
Title III-D	(50)	18,195	-	18,145	25,042	(6,897)
Title III-E	4,702	124,272	-	128,974	117,416	11,558
Title VII-Ombudsman	2,744	17,589	-	20,333	18,647	1,686
Title VII-Elder Abuse		3,849	-	3,849	3,433	416
Other Federal						
Title V-(PY 06/30/12 Award)	(16,115)	120,033	-	103,918	103,918	-
Title V-(PY 06/30/13 Award)		34,069	-	34,069	35,049	(980)
NSIP	13,973	118,933	-	132,906	132,906	-
VICAP-(PY 03/31/11 Award)		-	-	-	-	-
VICAP-(PY 03/31/12 Award)	16,249	10,000	-	26,249	26,249	-
VICAP-(PY 03/31/13 Award)	20,059	46,442	-	66,501	59,887	6,614
VICAP-(PY 03/31/14 Award)	-	13,375	-	13,375	-	13,375
Aging & Disability Resource				-		-
Center Navigate Health "A"	-	6,650		6,650	6,650	-
Aging & Disability Resource				-		-
Center Options Counseling	-	-	-	-	-	-
DMAS Ombudsman FY 11	-	-	-	-	-	-
CLP2	-	4,350	-	4,350	4,350	-
MIPPA - AOA PRIORITY 1	-	-	-	-	-	-
MIPPA - AOA PRIORITY 2	-	-	-	-	-	-
MIPPA - AOA PRIORITY 3	-	-	-	-	-	-
Money Follows the Person	-	-	-	-	-	-
General Funds						
Title III Match-(PY 06/30/13)	-	28,939	-	28,939	28,939	-
Community Based-(PY 06/30/13)	-	148,722	-	148,722	148,722	-
Community Based-(PY 06/30/14)		21,757	-	21,757	-	21,757
Spec. Transportation-(PY 06/30/13)	-	53,756	-	53,756	53,756	-
Home Delivered Meals-(PY 06/30/13)	(57)	190,115	-	190,058	190,058	-
Ombudsman-(PY 06/30/13)	-	29,785	-	29,785	29,785	-
Care Coordination-(PY 06/30/13)	-	124,804	-	124,804	124,804	-
Respite Care-(PY 06/30/13)	-	81,358	-	81,358	81,358	-
Transportation Services for the Elderly		18,822	-	18,822	20,000	(1,178)
Fan Care (Dominion Power)	(1,445)	2,385	-	940	3,249	(2,309)
Census Adjustment	-	29,807		29,807	29,807	-
Bay Aging Unmet Needs	-	26,582	-	26,582	26,582	-
Bay Aging ADB	-	98,991	-	98,991	98,991	-
Census Adjustment FY14	-	11,138		11,138	-	11,138
	<u>\$ 108,525</u>	<u>\$ 2,146,049</u>	<u>\$ -</u>	<u>\$ 2,254,574</u>	<u>\$ 2,165,092</u>	<u>\$ 89,482</u>

BAY AGING

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

YEAR ENDING SEPTEMBER 30, 2013

	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 Ombuds- man	Costs to Federal Title VII Elder Abuse	Voluntary Contribu- tions	Costs to Other Non- Federal Funds	Fees
TITLE III (EXCEPT III-E), OLDER AMERICAN ACT FUNDS										
Adult Day Care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Checking	-	-	-	-	-	-	-	-	-	-
Chore	-	-	-	-	-	-	-	-	-	-
Home Health	-	-	-	-	-	-	-	-	-	-
Homemaker Services	16,914	-	-	-	-	-	-	90	-	-
Personal Care Services	152,058	-	-	-	-	-	-	892	857,765	22,117
Res. Repair and Renovation	-	-	-	-	-	-	-	-	-	-
Care Coordination	-	-	-	-	-	-	-	-	-	-
Information and Assistance	122,101	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	116	-	-
Congregate Meals	-	166,008	-	-	-	-	-	10,925	324	-
Home Delivered Meals	-	-	227,373	-	-	-	-	10,193	2,655	-
Home Delivered Fee for Service	-	-	-	-	-	-	-	-	6,735	31,501
Disease Prevention	-	-	-	25,042	-	-	-	-	-	-
Medication Management	-	-	-	-	-	-	-	-	-	-
Emergency Services	-	-	-	-	-	-	-	-	-	-
Employment	18,618	-	-	-	-	-	-	-	-	-
Health Screening / Education	-	-	-	-	-	-	-	-	-	-
I.D. Discount	-	-	-	-	-	-	-	-	-	-
LTC Coordinating Activity	33,696	-	-	-	-	-	-	-	-	-
Money Management	-	-	-	-	-	-	-	-	-	-
Public Information & Education	5,478	-	-	-	-	-	-	-	-	-
Socialization/Recreation	-	-	-	-	-	-	-	-	-	-
Volunteer Programs	-	-	-	-	-	-	-	-	-	-
Legal Assistance	7,232	-	-	-	-	-	-	-	-	-
Elder Abuse Prevention	-	-	-	-	-	-	3,433	-	2,516	-
LTC Ombudsman Program	-	-	-	-	-	18,647	-	-	-	-
Prep. and Admin.	-	32,001	14,015	-	-	-	-	-	35,896	-
Assisted Transportation	-	-	-	-	-	-	-	-	-	-
CLP 1	-	-	-	-	-	-	-	-	-	-
CLP 2	-	-	-	-	-	-	-	-	-	-
TITLE III-E, OLDER AMERICAN ACT FUNDS										
Individual Counseling	-	-	-	-	-	-	-	-	-	-
Support Groups	-	-	-	-	-	-	-	-	-	-
Caregiver Training	-	-	-	-	-	-	-	-	-	-
Public Information/Education	-	-	-	-	-	-	-	-	-	-
Adult Day Care	-	-	-	-	117,416	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-
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	\$ 356,097	\$ 198,009	\$ 241,388	\$ 25,042	\$ 117,416	\$ 18,647	\$ 3,433	\$ 22,216	\$ 905,891	\$ 53,618

BAY AGING

VIRGINIA DEPARTMENT FOR AGING AND REHABILITATIVE SERVICES

SCHEDULE C – INVENTORIES STATUS OF VIRGINIA DEPARTMENT OF AGING

YEAR ENDING SEPTEMBER 30, 2013

<u>Fund Source and Type of Inventory</u>	<u>Value on Hand October 1, 2012</u>	<u>Net Changes During Year</u>	<u>Value on Hand September 30, 2013</u>
Older Americans Act			
Title III-B	\$ -	\$ -	\$ -
Title III-C(1)	-	-	-
Title III-C(2)	-	-	-
Title III-E	-	-	-
Title III-D	-	-	-
Total Older	-	-	-
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, 2013*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Aging programs	\$ -	\$ 2,181,845	\$ 2,181,845
Virginia Department of Housing and Community Development			
Weatherization, DOE	-	567,355	567,355
Emergency Home Repair	-	17,696	17,696
Indoor Plumbing program	-	35,916	35,916
LIHEAP	-	174,753	174,753
Transportation			
Virginia Department of Rail and Public Transportation	-	3,622,494	3,622,494
Community Services Block grant	-	239,602	239,602
ACTION-RSVP	-	85,890	85,890
Other grants	-	129,560	129,560
Local governments			
Local matches	-	818,576	818,576
Total Government Grants	<u>\$ -</u>	<u>\$ 7,873,687</u>	<u>\$ 7,873,687</u>

COMPLIANCE

REPORT OF INDEPENDENT AUDITOR 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, 2013, and have issued our report thereon dated February 27, 2014. We conducted our audit in accordance with 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 of the financial statements, we considered Bay Aging's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bay Aging's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bay Aging's consolidated financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cheryl Beasant LLP".

Virginia Beach, Virginia
February 27, 2014

REPORT OF INDEPENDENT AUDITOR ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB 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, 2013. 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 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 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, 2013.

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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Virginia Beach, Virginia
February 27, 2014

BAY AGING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDING SEPTEMBER 30, 2013

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 and Adult Care Food Program	10.579	N/A	\$ 16,216
Virginia Department of Aging and Rehabilitative Services			
Child and Adult Care Food Program	10.558	N/A	132,906
<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	35,916
Section 8 Housing Choice Vouchers program	14.871	N/A	74,113
<u>Corporation for National and Community Service</u>			
Direct Payments			
Retired Senior Volunteer Program	94.002	N/A	85,890
<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	554,106
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	44129, 44120 44139, 44130	241,388
Special Programs for the Aging - Title III, Part D - Disease and Health Promotion Services	93.043	45009, 45000	25,042
Special Programs for the Aging - Title IV & Title II (CLP)	93.048	51009, 62006, 62007	-
National Family Caregiver Support, Title III, Part E	93.052	46009, 46000	117,416
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation			
Ombudsman	93.041	44209, 44200	18,647
Elder Abuse	93.041	44409, 44400	3,433
Centers for Medicare and Medical Services (CMS) Research, Demonstrations and Evaluations - VICAP, Medicare Choice Plus	93.779	60008, 60009, 60000	88,653
Virginia Department of Housing and Community Development			
Low-Income Home Energy Assistance	93.568	09ALI-15	174,753
Virginia Department of Social Services			
Temporary Assistance For Need Families	93.558	N/A	29,425
Community Services Block Grant	93.569	N/A	225,665
Total Department of Health and Human Services			1,478,528
<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	138,967
<u>Department of Energy</u>			
Pass Through Payments			
Virginia Department of Housing and Community Development			
Weatherization Assistance for Low-Income Persons	81.042		136,330
Weatherization Assistance for Low-Income Persons - ARRA	81.042	69999	431,025
Total Department of Energy			567,355
<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	2,557,717
ARRA - Formula Grants for Other than Urbanized Areas	20.509	44010	182,623
Total Department of Transportation			2,740,340
Total expenditures of federal awards			\$ 5,270,231

BAY AGING

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDING SEPTEMBER 30, 2013

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, 2013. 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

\$304,255 of the reported HOME program expenditure amount is not reported in revenues of the statement of activities.

BAY AGING

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

YEAR ENDING SEPTEMBER 30, 2013

A. Summary of Auditor's Results

1. The type of report issued on the basic financial statements: UNMODIFIED 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: NONE REPORTED
6. Material weaknesses in internal control over major programs: NO
7. The type of report issued on compliance for major programs: UNMODIFIED 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>
81.042	Weatherization
93.044	Aging Cluster

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

D. Resolution of Prior Year's Findings: There were no findings reported in the prior year.