
BAY AGING APARTMENTS JCC, INC.

HUD PROJECT NO. 051-EE103

FINANCIAL REPORT

YEAR ENDED MARCH 31, 2017

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY CERTIFIED PUBLIC ACCOUNTANTS

CHARLOTTESVILLE □ RICHMOND □ LOUISA □ FREDERICKSBURG □ STAUNTON □ BLACKSBURG



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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF
BAY AGING APARTMENTS JCC, INC.
URBANNA, VIRGINIA

Report on the Financial Statements

We have audited the accompanying financial statements of Bay Aging Apartments JCC, Inc., which comprise the statement of financial position as of March 31, 2017, and the related 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 financial statements referred to above present fairly, in all material respects, the financial position of Bay Aging Apartments JCC, Inc., as of March 31, 2017, and the changes in its net assets and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 12-15 is presented for purposes of additional analysis as required by the *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2017 on our consideration of Bay Aging Apartments JCC, Inc.'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 Apartments JCC, Inc.'s internal control over financial reporting and compliance.

Charlottesville, Virginia
September 6, 2017

- Financial Statements -

BAY AGING APARTMENTS JCC, INC.
HUD Project No. 051-EE103

Statement of Financial Position
March 31, 2017

ASSETS			
<u>Account</u>			
<u>Current assets:</u>			
1120	Cash - operations	\$	40,097
1130	Tenant accounts receivable		3,163
1190	Petty cash		100
1200	Prepaid expenses		<u>4,747</u>
1100T	Total current assets	\$	<u>48,107</u>
<u>Cash deposits held in trust:</u>			
1191	Tenant deposits held in trust	\$	<u>26,437</u>
<u>Deposits:</u>			
1310	Escrow deposits	\$	14,156
1320	Replacement reserve		321,345
1340	Residual reserve		16,758
1350	Bay Aging reserve escrow		<u>10,352</u>
1300T	Total deposits	\$	<u>362,611</u>
<u>Fixed assets:</u>			
1410	Land	\$	335,000
1420	Buildings		5,322,093
1450	Furniture for project/tenant use		16,156
1465	Office furniture and equipment		11,623
1470	Maintenance equipment		<u>14,015</u>
1400T	Total fixed assets	\$	5,698,887
1495	Accumulated depreciation		<u>(1,131,648)</u>
1400N	Net fixed assets	\$	<u>4,567,239</u>
1000T	Total assets	\$	<u><u>5,004,394</u></u>
LIABILITIES AND NET ASSETS			
<u>Current liabilities:</u>			
2110	Accounts payable - operations	\$	29,704
2150	Accrued property taxes		8,625
2190	Miscellaneous current liabilities		<u>722</u>
2122T	Total current liabilities	\$	<u>39,051</u>
<u>Deposit liabilities:</u>			
2191	Tenant deposits held in trust	\$	<u>26,437</u>
2000T	Total liabilities	\$	<u>65,488</u>
<u>Net assets:</u>			
3131	Unrestricted	\$	(524,694)
3132	Temporarily restricted		<u>5,463,600</u>
3130	Total net assets	\$	<u>4,938,906</u>
2033T	Total liabilities and net assets	\$	<u><u>5,004,394</u></u>

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

BAY AGING APARTMENTS JCC, INC.
HUD Project No. 051-EE103

Statement of Activities
Year Ended March 31, 2017

<u>Account</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenue:</u>			
<u>Rent revenues:</u>			
5120 Rent revenues - gross potential	\$ 208,535	\$ -	\$ 208,535
5121 Tenant assistance payments	129,811	-	129,811
5152N Total rental revenue	<u>\$ 338,346</u>	<u>\$ -</u>	<u>\$ 338,346</u>
<u>Financial revenue:</u>			
5430 Revenue from - residual receipts	\$ 13	\$ -	\$ 13
5440 Revenue from - replacement reserve	1,328	-	1,328
5490 Revenue from - property tax and insurance escrow	119	-	119
5400T Total financial revenue	<u>\$ 1,460</u>	<u>\$ -</u>	<u>\$ 1,460</u>
<u>Other revenue:</u>			
5910 Laundry and vending revenue	\$ -	\$ -	\$ -
5990 Miscellaneous revenue	968	-	968
5900T Total other revenue	<u>\$ 968</u>	<u>\$ -</u>	<u>\$ 968</u>
5000T Total revenue	<u>\$ 340,774</u>	<u>\$ -</u>	<u>\$ 340,774</u>
<u>Expenses:</u>			
<u>Administrative:</u>			
6203 Conventions and meetings	\$ 511	\$ -	\$ 511
6250 Other renting expenses	471	-	471
6311 Office expenses	8,161	-	8,161
6320 Management fee	49,974	-	49,974
6330 Manager/superintendent salary	33,777	-	33,777
6350 Audit expense	6,900	-	6,900
6351 Bookkeeping fees/accounting services	18,837	-	18,837
6370 Bad debts	1,017	-	1,017
6390 Miscellaneous administrative expenses	30	-	30
6263T Total administrative expenses	<u>\$ 119,678</u>	<u>\$ -</u>	<u>\$ 119,678</u>
<u>Utilities:</u>			
6450 Electricity	\$ 13,449	\$ -	\$ 13,449
6451 Water	5,490	-	5,490
6453 Sewer	11,683	-	11,683
6400T Total utilities expense	<u>\$ 30,622</u>	<u>\$ -</u>	<u>\$ 30,622</u>
<u>Operating and maintenance:</u>			
6515 Supplies	\$ 13,244	\$ -	\$ 13,244
6520 Contracts	55,496	-	55,496
6525 Garbage and trash removal	4,137	-	4,137
6545 Elevator maintenance	3,494	-	3,494
6546 Heating/cooling repairs/maintenance	7,438	-	7,438
6548 Snow removal	665	-	665
6590 Miscellaneous operating and maintenance expenses	1,453	-	1,453
6500T Total operating and maintenance	<u>\$ 85,927</u>	<u>\$ -</u>	<u>\$ 85,927</u>

BAY AGING APARTMENTS JCC, INC.

HUD Project No. 051-EE103

Statement of Activities

Year Ended March 31, 2017 (Continued)

<u>Account</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Expenses: (Continued)</u>			
<u>Depreciation:</u>			
6600 Building	\$ 133,052	\$ -	\$ 133,052
6600 Furnishings	2,174	-	2,174
	<u>135,226</u>	<u>-</u>	<u>135,226</u>
6600 Total depreciation expenses	\$ 135,226	\$ -	\$ 135,226
<u>Taxes and insurance:</u>			
6710 Real estate taxes	\$ 34,500	\$ -	\$ 34,500
6711 Payroll taxes (project's share)	3,274	-	3,274
6720 Property and liability insurance (Hazard)	11,762	-	11,762
6722 Workmen's compensation	289	-	289
6723 Health insurance and other employee benefits	4,288	-	4,288
6790 Miscellaneous taxes, licenses, permits, insurance	1,204	-	1,204
	<u>55,317</u>	<u>-</u>	<u>55,317</u>
6700T Total taxes and insurance	\$ 55,317	\$ -	\$ 55,317
<u>Financial expenses:</u>			
6890 Miscellaneous financial expenses	\$ 14	\$ -	\$ 14
<u>Other expenses:</u>			
6900 Service coordinator	\$ 19,258	\$ -	\$ 19,258
	<u>446,042</u>	<u>-</u>	<u>446,042</u>
Total expenses	\$ 446,042	\$ -	\$ 446,042
5060N Change in net assets	\$ (105,268)	\$ -	\$ (105,268)
S1100-050 Net assets, beginning of year	<u>(419,426)</u>	<u>5,463,600</u>	<u>5,044,174</u>
3130 Net assets, end of year	<u><u>(524,694)</u></u>	<u><u>5,463,600</u></u>	<u><u>4,938,906</u></u>

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

BAY AGING APARTMENTS JCC, INC.
HUD Project No. 051-EE103

Statement of Cash Flows
Year Ended March 31, 2017

Cash flows from operating activities:

Receipts:

S1200-010 Rental receipts	\$	344,352
S1200-020 Interest receipts		1,460
S1200-030 Other operating receipts		968
		968
S1200-040 Total receipts	\$	346,780

Expenses:

S1200-050 Administrative	\$	35,927
S1200-070 Management fee		53,503
S1200-090 Utilities		30,622
S1200-100 Salaries and wages		33,777
S1200-110 Operating and maintenance		81,099
S1200-120 Real estate taxes		34,500
S1200-140 Property insurance		11,762
S1200-150 Miscellaneous taxes and insurance		1,204
S1200-170 Other operating expenses		27,123
		27,123
S1200-230 Total disbursements	\$	309,517

S1200-240 Net cash provided by (used for) operating activities	\$	37,263
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Cash flows from investing activities:

S1200-250 Net deposits to reserve for replacement account	\$	(2,223)
S1200-255 Net deposits from (to) other reserves		(7,698)
S1200-330 Net purchase of fixed assets		(1,297)
		(1,297)
S1200-350 Net cash flows provided by (used for) investing activities	\$	(11,218)

S1200-470 Net increase (decrease) in cash	\$	26,045
S1200-480 Cash at beginning of year		14,052
		14,052
S1200T Cash at end of year	\$	40,097

Cash flows from operating activities:

3250 Increase (decrease) in net assets	\$	(105,268)
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Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities:

6600 Depreciation		135,226
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Changes in:

S1200-490 Tenant accounts receivable		6,096
S1200-520 Prepaid expenses		(3,529)
S1200-540 Accounts payable		4,106
S1200-550 Misc current liabilities		722
S1200-600 Other adjustments		(90)
		(90)

Net cash flows provided by (used for) operating activities	\$	37,263
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The accompanying notes to financial statements are an integral part of this statement.

BAY AGING APARTMENTS JCC, INC.
HUD Project Number 051-EE103

Notes to Financial Statements
March 31, 2017

NOTE 1 - DESCRIPTION OF ORGANIZATION:

Bay Aging Apartments JCC, Inc. is a not-for-profit organization which is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and comparable state law. The Organization owns and operates Parker View, a 67-unit residential facility for elderly adults, located in Williamsburg, Virginia. Substantially all revenues result from tenant rentals and rental subsidies from the U.S. Department of Housing and Urban Development Section 8 Housing Assistance Program. The Organization has been classified as a publicly supported organization under Section 509(a) of the Code. The project is a Section 202 project under the National Affordable Housing Act. The Organization commenced operations on January 6, 2009.

The Organization is managed by Bay Aging, whose President/CEO and Board of Directors also serve on the Board of Directors of the Organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

The Organization's financial statements are prepared on the accrual basis, in accordance with generally accepted accounting principles. Therefore, revenues are recognized when earned rather than when received and expenditures are recorded when incurred rather than when paid. Expenditures are capitalized as assets when the expenditure in one period can be seen as provided benefit to the Organization in future periods.

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. Accordingly, the net assets of the Organization and changes therein are classified and reported, based on the existence or absence of donor-imposed restrictions, as follows:

Unrestricted net assets - Net assets that are not subject to any donor-imposed stipulations. At March 31, 2017 the Organization reported unrestricted net assets of (\$524,694).

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Organization or the passage of time. At March 31, 2017, the Organization reported temporarily restricted net assets of \$5,463,600.

Permanently restricted net assets - Net assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Organization. Generally, the donor permits the Organization to use all or part of the income earned for either general or donor-specific purposes. At March 31, 2017, the Organization had no permanently restricted net assets.

Notes to Financial Statements (Continued)
March 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Accounts Receivable:

Accounts receivable consist of amounts due from tenants for rents and other charges, and amounts due from HUD for housing, assistance payments and construction advances. Tenant receivables are considered to be delinquent when they are more than 30 days in arrears. No provision has been made for uncollectible amounts since management believes all amounts reported as receivables will be received. Receivables are written off when all efforts to collect the amounts are exhausted and three years transpire.

Fixed Assets:

Fixed assets which cost \$500 or more are capitalized. Depreciation is provided over the estimated useful lives of the assets using the straight-line method as follows:

Building	40 years
Furnishings	7 years

Depreciation expense for the year ended March 31, 2017 was \$135,226.

Real estate acquired or constructed with HUD capital advance funds are subject to liens to HUD for a period of 40 years or until HUD releases use restrictions.

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.

Distributions:

The Organization's regulatory agreement with HUD stipulates, among other things, that the Organization will not make distributions of assets or income to any of its officers or directors.

Notes to Financial Statements (Continued)
March 31, 2017

NOTE 3 - CASH:

For purposes of cash flows, cash and cash equivalents consists of all cash on hand and in banks, certificates of deposits, and investments with maturities of 3 months or less. There were no investments during the year.

All cash in banks was in federally insured accounts at all times during the year.

NOTE 4 - RESTRICTED DEPOSITS:

Under the regulatory agreement with HUD, the Organization is required to set aside amounts for the replacement of property and other project expenditures approved by HUD. Such amounts are required to be held in separate bank accounts. HUD restricted deposits, which were \$348,455 at March 31, 2017, are held in separate accounts and are generally not available for operating purposes. The use of the residual receipts and reserve for replacement accounts is contingent upon HUD's prior written approval.

NOTE 5 - ACCOUNTS RECEIVABLE:

Accounts receivable are due from tenants for unpaid rents and other charges, housing assistance payments and amounts due from HUD capital advances to pay HUD allowed project costs.

Rents due from tenants are considered overdue based on the terms of the lease.

NOTE 6 - RENTAL INCOME:

Rental income consists of payments from tenants and HUD rental subsidies. Rent increases cannot be assessed without approval from HUD. The Organization received \$129,811 in tenant rental assistance payments from the Section 8 Housing Assistance Program.

NOTE 7 - CAPITAL ADVANCE:

Capital advance funds have been reported as temporarily restricted revenues. The capital advance funds do not bear interest and need not be repaid as long as the constructed facilities are used for housing for the elderly for 40 years, or other HUD approved use of the facilities. Failure to keep the facilities available for housing for eligible elderly persons or other HUD approved uses would result in HUD billing the Organization for the entire capital advance plus interest from the date of the first funds advanced.

NOTE 8 - RELATED PARTY ACTIVITIES / MANAGEMENT FEE:

The Organization is managed by Bay Aging. Bay Aging provides accounting and other related services to the Organization. All costs attributable to the operation of the residential facility that are paid by Bay Aging are charged to the Organization as incurred. Bay Aging was paid \$129,696 for various operating and capital expenses. All transactions were consummated on terms equivalent to those that prevail in arm's-length transactions. The management fee is approved by HUD and approximates 14.77% of gross potential rent. The Organization owed Bay Aging \$6,407 at March 31, 2017.

Notes to Financial Statements (Continued)
 March 31, 2017

NOTE 9 - 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.

NOTE 10 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS:

The Organization's primary asset is a 67-unit residential facility. The Organization's operations are concentrated in the multifamily real estate market. In addition, the housing project operates in a heavily regulated environment. The operations of the housing project are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

NOTE 11 - FUNCTIONAL ALLOCATION OF EXPENSES:

The following summarizes the functional allocation of expenses:

	<u>Program</u>	<u>Supporting Services</u>		
	<u>Services</u>	<u>Management</u>	<u>Fund-</u>	<u>Total</u>
		<u>& General</u>	<u>raising</u>	
Administrative:				
Management fees	\$ -	\$ 49,974	\$ -	\$ 49,974
Audit	5,520	1,380	-	6,900
Bookkeeping	9,418	9,419	-	18,837
Manager	-	33,777	-	33,777
Other	-	10,190	-	10,190
	<u>14,938</u>	<u>104,740</u>	<u>-</u>	<u>119,678</u>
Total administrative	\$ 14,938	\$ 104,740	\$ -	\$ 119,678
Utilities	30,622	-	-	30,622
Operating and maintenance	85,927	-	-	85,927
Depreciation	135,226	-	-	135,226
Taxes and insurance	51,029	4,288	-	55,317
Financial	14	-	-	14
Service coordinator	19,258	-	-	19,258
	<u>337,014</u>	<u>109,028</u>	<u>-</u>	<u>446,042</u>
Total	\$ 337,014	\$ 109,028	\$ -	\$ 446,042

NOTE 12 - INCOME TAXES:

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

NOTE 13 - SUBSEQUENT EVENTS:

In preparing these financial statements, management of Bay Aging Apartments JCC, Inc. has evaluated events and transactions for potential recognition or disclosure through September 6, 2017, the date the financial statements were available to be issued.

- Supplemental Information -

BAY AGING APARTMENTS JCC, INC.
HUD Project 051-EE103

Supplementary Data Required by HUD
Year Ended March 31, 2017

Computation of Surplus Cash, Distributions and Residual Receipts

Cash - Accounts # 1120 & # 1191	\$ 66,534
Accounts payable - operations	(29,704)
Tenant deposits held in trust	<u>(26,437)</u>
Surplus cash (deficiency)	<u>\$ 10,393</u>

Schedule of Activity - Reserve for Replacements

Balance, beginning of year	\$ 319,122
Monthly deposits	39,450
Authorized withdrawals	(38,555)
Interest income	<u>1,328</u>
Balance, end of year	<u>\$ 321,345</u>

Schedule of Activity - Residual Receipts

Balance, beginning of year	\$ 16,758
Authorized withdrawals and bank charges	(13)
Interest income	<u>13</u>
Balance, end of year	<u>\$ 16,758</u>

Schedule of Changes in Fixed Assets

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 335,000	\$ -	\$ -	\$ 335,000
Buildings	5,322,093	-	-	5,322,093
Furniture for proj/tenant use	15,155	1,001	-	16,156
Office furniture and equipment	11,327	1,297	1,001	11,623
Maintenance equipment	<u>14,015</u>	<u>-</u>	<u>-</u>	<u>14,015</u>
Total	\$ 5,697,590	\$ 2,298	\$ 1,001	\$ 5,698,887
Accumulated depreciation	<u>996,422</u>	<u>135,226</u>	<u>-</u>	<u>1,131,648</u>
Net fixed assets	<u>\$ 4,701,168</u>	<u>\$ (132,928)</u>	<u>\$ 1,001</u>	<u>\$ 4,567,239</u>

BAY AGING APARTMENTS JCC, INC.
HUD Project Number 051-EE103

Borrower's Certification
March 31, 2017

We hereby certify that we have examined the accompanying financial statements and supplemental data as of and for the year ended March 31, 2017 of Bay Aging Apartments JCC, Inc. and, to the best of our knowledge and belief, the same is complete and accurate.

Bay Aging:

By: _____

Title: _____

Date: _____

BAY AGING APARTMENTS JCC, INC.
HUD Project Number 051-EE103

Management Agent's Certification
March 31, 2017

We hereby certify that we have examined the accompanying financial statements and supplemental data as of and for the year ended March 31, 2017 of Bay Aging Apartments JCC, Inc. and, to the best of our knowledge and belief, the same is complete and accurate.

Bay Aging:

By: _____

Title: _____

Date: _____

BAY AGING APARTMENTS JCC, INC.
HUD Project Number 051-EE103

Auditors' Disclosure Information
March 31, 2017

Auditor: Robinson, Farmer, Cox Associates, LLC
530 Westfield Road
Charlottesville, VA 22901

EIN: 54-1896113

Telephone: (434) 973-8314

Fax: (434) 974-7363

Auditor Contact: Kristen L. Choate, CPA

- Compliance -

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO THE BOARD OF DIRECTORS OF
BAY AGING APARTMENTS JCC, INC.
URBANNA, VIRGINIA

We have audited, in accordance with the 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, the financial statements of Bay Aging Apartments JCC, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 6, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bay Aging Apartments JCC, Inc.'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bay Aging Apartments JCC, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Bay Aging Apartments JCC, Inc.'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 Apartments JCC, Inc.'s 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 organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charlottesville, Virginia
September 6, 2017

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

TO THE BOARD OF DIRECTORS
BAY AGING APARTMENTS JCC, INC.
URBANNA, VIRGINIA

Report on Compliance for Each Major Federal Program

We have audited Bay Aging Apartments JCC's (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Bay Aging Apartments JCC's major federal programs for the year ended March 31, 2017. Bay Aging Apartments JCC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Bay Aging Apartments JCC's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Apartments JCC'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 on compliance for each major federal program. However, our audit does not provide a legal determination of Bay Aging Apartments JCC's compliance.

Opinion on Each Major Federal Program

In our opinion, Bay Aging Apartments JCC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2017.

Report on Internal Control over Compliance

Management of Bay Aging Apartments JCC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bay Aging Apartments JCC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Apartments JCC'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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Charlottesville, Virginia
September 6, 2017

BAY AGING APARTMENTS JCC, INC.

HUD Project No. 051-EE103

Schedule of Expenditures of Federal Awards
Year Ended March 31, 2017

Federal Grantor/ Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identify Number	Federal Expendi- tures
<u>Department of Housing and Urban Development</u>			
Direct payments:			
Supportive Housing for the Elderly	14.157	N/A	\$ 5,463,600
Section 8 Housing Assistance Payments Program	14.195	N/A	129,811
Total expenditures of federal awards			\$ 5,593,411

See accompanying notes to schedule of expenditures of federal awards.

BAY AGING APARTMENTS JCC, INC.
HUD Project Number 051-EE103

Notes to Schedule of Expenditures of Federal Awards
Year Ended March 31, 2017

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Bay Aging Apartments JCC, Inc. under programs of the federal government for the year ended March 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a select portion of the operations of Bay Aging Apartments JCC, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Bay Aging Apartments JCC, Inc.

Note 2 - Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate:

The Organization did not elect to use the 10-percent de minimis cost rate allowed under Uniform Guidance.

Note 4 - Loan Balances:

The Organization has no loans or loan guarantees which are subject to reporting requirements for the current year.

Note 5 - Subrecipients:

No awards were passed through to subrecipients.

BAY AGING APARTMENTS JCC, INC.
HUD Project No. 051-EE103

Schedule of Findings and Questioned Costs
Year Ended March 31, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFS Section 200.516(a)?	No
Identification of major programs:	
<u>CFDA #</u>	
14.157 Supportive Housing for the Elderly	
Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

BAY AGING APARTMENTS JCC, INC.
HUD Project No. 051-EE103

Summary Schedule of Prior Audit Findings
Year Ended March 31, 2017

There were no findings reported for year ended March 31, 2016.