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**BAY AGING APARTMENTS MIDDLESEX, INC.  
(PORT TOWN VILLAGE II)**

**HUD PROJECT NO. 051-EE118**

**FINANCIAL REPORT**

**YEAR ENDED MARCH 31, 2017**

**ROBINSON, FARMER, COX ASSOCIATES**

*A PROFESSIONAL LIMITED LIABILITY COMPANY    CERTIFIED PUBLIC ACCOUNTANTS*

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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 MIDDLESEX, INC. (PORT TOWN VILLAGE II)  
URBANNA, VIRGINIA

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Bay Aging Apartments Middlesex, Inc. (Port Town Village II) (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.

### *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 Middlesex, Inc. (Port Town Village II), 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* (CFR) 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 additional 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 12, 2017 on our consideration of Bay Aging Apartments Middlesex, Inc.'s (Port Town Village II) 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 Middlesex, Inc.'s (Port Town Village II) internal control over financial reporting and compliance.

Charlottesville, Virginia  
September 12, 2017

- Financial Statements -

BAY AGING APARTMENTS MIDDLESEX, INC. (PORT TOWN VILLAGE II)  
HUD Project No. 051-EE118

Statement of Financial Position  
March 31, 2017

ASSETS		
<u>Account</u>		
<u>Current assets:</u>		
1120	Cash - operations	\$ 6,740
1130	Tenant accounts receivable	3,745
1190	Petty cash - miscellaneous current assets	100
1200	Prepaid expenses	1,884
1100T	Total current assets	\$ 12,469
<u>Cash deposits held in Trust:</u>		
1191	Tenant deposits held in trust	\$ 3,404
<u>Restricted cash deposits:</u>		
1310	Escrow deposits	\$ 5,658
1320	Replacement reserve	35,765
1340	Residual receipts reserve	1,641
1300T	Total deposits	\$ 43,064
<u>Fixed assets:</u>		
1410	Land	\$ 70,500
1420	Buildings	1,286,209
1450	Furniture for project/tenant use	7,427
1465	Office furniture and equipment	1,560
1470	Maintenance equipment	3,624
1400T	Total fixed assets	\$ 1,369,320
1495	Accumulated depreciation	(200,244)
1400N	Net fixed assets	\$ 1,169,076
1000T	Total assets	\$ 1,228,013
LIABILITIES AND NET ASSETS		
<u>Current liabilities:</u>		
2110	Accounts payable - operations	\$ 8,405
2150	Accrued property taxes	1,342
2122T	Total current liabilities	\$ 9,747
<u>Deposit liabilities:</u>		
2191	Tenant deposits held in trust	\$ 3,404
2000T	Total liabilities	\$ 13,151
<u>Net assets:</u>		
3131	Unrestricted	\$ (149,332)
3132	Temporarily restricted	1,364,194
3130	Total net assets	\$ 1,214,862
2033T	Total liabilities and net assets	\$ 1,228,013

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

BAY AGING APARTMENTS MIDDLESEX, INC. (PORT TOWN VILLAGE II)  
HUD Project No. 051-EE118

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	\$ 31,214	\$ -	\$ 31,214
5121 Tenant assistance payments	45,052	-	45,052
5152N Total rental revenue	<u>\$ 76,266</u>	<u>\$ -</u>	<u>\$ 76,266</u>
<u>Financial revenue:</u>			
5410 Financial revenue from - project operations	\$ 18	\$ -	\$ 18
5430 Revenue from investments - residual receipts	3	-	3
5440 Revenue from investments - replacement reserve	110	-	110
5490 Revenue from investments - property tax and insurance escrow	12	-	12
5400T Total financial revenue	<u>\$ 143</u>	<u>\$ -</u>	<u>\$ 143</u>
<u>Other revenue:</u>			
5990 Miscellaneous revenue	\$ 4	\$ -	\$ 4
5900T Total other revenue	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 4</u>
5000T Total revenue	<u>\$ 76,413</u>	<u>\$ -</u>	<u>\$ 76,413</u>
<u>Expenses:</u>			
<u>Administrative:</u>			
6203 Conventions and meetings	\$ 330	\$ -	\$ 330
6210 Advertising	156	-	156
6250 Other renting expenses	173	-	173
6311 Office expenses	3,679	-	3,679
6320 Management fee	10,128	-	10,128
6330 Manager or superintendent salaries	3,752	-	3,752
6350 Audit expense	6,500	-	6,500
6351 Bookkeeping fees/accounting services	10,320	-	10,320
6370 Bad debts	1,037	-	1,037
6390 Miscellaneous administrative expenses	18	-	18
6263T Total administrative expenses	<u>\$ 36,093</u>	<u>\$ -</u>	<u>\$ 36,093</u>
<u>Utilities:</u>			
6450 Electricity	\$ 2,388	\$ -	\$ 2,388
6451 Water	1,313	-	1,313
6453 Sewer	2,342	-	2,342
6400T Total utilities expense	<u>\$ 6,043</u>	<u>\$ -</u>	<u>\$ 6,043</u>
<u>Operating and maintenance:</u>			
6515 Supplies	\$ 3,189	\$ -	\$ 3,189
6520 Contracts	9,847	-	9,847
6525 Garbage and trash removal	432	-	432
6546 Heating/cooling repairs/maintenance	217	-	217
6548 Snow removal	718	-	718
6590 Miscellaneous operating and maintenance expenses	395	-	395
6500T Total operating and maintenance expenses	<u>\$ 14,798</u>	<u>\$ -</u>	<u>\$ 14,798</u>

BAY AGING APARTMENTS MIDDLESEX, INC. (PORT TOWN VILLAGE II)

HUD Project No. 051-EE118

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	\$ 32,155	\$ -	\$ 32,155
6600 Furnishings	1,802	-	1,802
6600 Total depreciation expenses	<u>\$ 33,957</u>	<u>\$ -</u>	<u>\$ 33,957</u>
<u>Taxes and insurance:</u>			
6710 Real estate taxes	\$ 5,368	\$ -	\$ 5,368
6711 Payroll taxes (project's share)	854	-	854
6720 Property and liability insurance	3,304	-	3,304
6722 Workmen's compensation	45	-	45
6723 Health insurance and other employee benefits	814	-	814
6790 Miscellaneous taxes, licenses, permits and insurance	389	-	389
6700T Total taxes and insurance	<u>\$ 10,774</u>	<u>\$ -</u>	<u>\$ 10,774</u>
Total expenses	<u>\$ 101,665</u>	<u>\$ -</u>	<u>\$ 101,665</u>
5060N Change in net assets	\$ (25,252)	\$ -	\$ (25,252)
S1100-050 Net assets, beginning of year	<u>(124,080)</u>	<u>1,364,194</u>	<u>1,240,114</u>
3130 Net assets, end of year	<u><u>\$ (149,332)</u></u>	<u><u>\$ 1,364,194</u></u>	<u><u>\$ 1,214,862</u></u>

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



BAY AGING APARTMENTS MIDDLESEX, INC. (PORT TOWN VILLAGE II)  
HUD Project No. 051-EE118

Statement of Cash Flows  
Year Ended March 31, 2017

Cash flows from operating activities:

Receipts:

S1200-010 Rental receipts	\$	75,315
S1200-020 Interest receipts		143
		75,462
S1200-040 Total receipts	\$	75,462

Expenses:

S1200-050 Administrative	\$	22,213
S1200-070 Management fee		11,123
S1200-090 Utilities		6,043
S1200-100 Salaries and wages		3,752
S1200-110 Operating and maintenance		10,232
S1200-120 Real estate taxes		5,368
S1200-140 Property insurance		3,304
S1200-150 Miscellaneous taxes and insurance		389
S1200-170 Other operating expenses		1,713
		64,137
S1200-230 Total disbursements	\$	64,137

S1200-240 Net cash provided by (used for) operating activities	\$	11,325
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Cash flows from investing activities:

S1200-250 Net deposits to reserve for replacement account	\$	(4,909)
S1200-255 Net deposits from (to) other reserves		1,037
S1200-260 Net deposits from (to) residual receipts account		(158)
S1200-330 Net purchase of fixed assets		(4,550)
		(8,580)

S1200-350 Net cash flows provided by (used for) by investing activities	\$	(8,580)
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S1200-470 Net increase (decrease) in cash	\$	2,745
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S1200-480 Cash at beginning of year		3,995
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S1200T Cash at end of year	\$	6,740
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Cash flows from operating activities:

3250 Change in total net assets from operations	\$	(25,252)
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Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities:

6600 Depreciation expenses		33,957
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Changes in:

S1200-490 Tenant accounts receivable		(951)
S1200-520 Prepaid expenses		(995)
S1200-540 Accounts payable		4,566
		4,566

S1200-610 Net cash flows provided by (used for) by operating activities	\$	11,325
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The accompanying notes to financial statements are an integral part of this statement.

BAY AGING APARTMENTS MIDDLESEX, INC. (PORT TOWN VILLAGE II)  
HUD Project Number 051-EE118

Notes to Financial Statements  
March 31, 2017

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**NOTE 1 - DESCRIPTION OF ORGANIZATION:**

Bay Aging Apartments Middlesex, Inc. (Port Town Village II) 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 Port Town Village II, a 12-unit residential facility for elderly adults, located in Urbanna, 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 in May 2011.

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 (\$149,332).

*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 \$1,364,194.

*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.

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.

Notes to Financial Statements (Continued)  
March 31, 2017

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

**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 \$33,957.

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.

**NOTE 3 - CASH AND CASH EQUIVALENTS:**

For purposes of cash flows, cash and cash equivalents consists of all cash on hand and in banks, certificates of deposits, and investments with original 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 \$37,406 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.

A provision for uncollectible accounts has not been made as all amounts are considered collectible by management.

**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 \$45,052 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 \$25,914 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 13.28% of gross potential rent. The Organization owed Bay Aging \$2,176 at March 31, 2017.

BAY AGING APARTMENTS MIDDLESEX, INC. (PORT TOWN VILLAGE II)  
 HUD Project Number 051-EE118

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 - TEMPORARILY RESTRICTED NET ASSETS:**

Temporarily restricted net assets consist of capital advances received from HUD for the acquisition and construction of the facility.

**NOTE 11 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS:**

The Organization's primary asset is a 12-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 12 - FUNCTIONAL ALLOCATION OF EXPENSES:**

The following summarizes the functional allocation of expenses:

	Program Services	Supporting Services		Total
		Management & General	Fund- raising	
Administrative:				
Management fees	\$ -	\$ 10,128	\$ -	\$ 10,128
Audit	5,200	1,300	-	6,500
Bookkeeping and accounting	5,160	5,160	-	10,320
Manager and Superintendent	-	3,752	-	3,752
Other	-	5,393	-	5,393
Total administrative	\$ 10,360	\$ 25,733	\$ -	\$ 36,093
Utilities	6,043	-	-	6,043
Operating and maintenance	14,798	-	-	14,798
Depreciation	33,957	-	-	33,957
Taxes and insurance	9,960	814	-	10,774
Total	\$ 75,118	\$ 26,547	\$ -	\$ 101,665

BAY AGING APARTMENTS MIDDLESEX, INC. (PORT TOWN VILLAGE II)  
HUD Project Number 051-EE118

Notes to Financial Statements (Continued)  
March 31, 2017

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**NOTE 13 - 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 14 - SUBSEQUENT EVENTS:**

In preparing these financial statements, management of Bay Aging Apartments Middlesex, Inc. (Port Town Village II) has evaluated events and transactions for potential recognition or disclosure through September 12, 2017, the date the financial statements were available to be issued.

- Supplementary Information -

**BAY AGING APARTMENTS MIDDLESEX, INC. (PORT TOWN VILLAGE II)**  
**HUD Project No. 051-EE118**

**Supplementary Data Required by HUD**  
**Year Ended March 31, 2017**

**Computation of Surplus Cash, Distributions and Residual Receipts**

Cash - Accounts # 1120 & # 1191	\$	10,144
Accounts payable - operations		(8,405)
Tenant deposits held in trust		<u>(3,404)</u>
Surplus cash (deficiency)	\$	<u><u>(1,665)</u></u>

**Schedule of Activity - Reserve for Replacements**

Balance, beginning of period	\$	30,856
Monthly deposits		4,799
Interest income		<u>110</u>
Balance, end of year	\$	<u><u>35,765</u></u>

**Schedule of Activity - Residual Receipts**

Balance, beginning of year	\$	1,483
Required deposits		155
Interest income		<u>3</u>
Balance, end of year	\$	<u><u>1,641</u></u>

**Schedule of Changes in Fixed Assets**

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 70,500	\$ -	\$ -	\$ 70,500
Buildings	1,286,209	-	-	1,286,209
Furniture for proj/tenant use	3,667	3,760	-	7,427
Office furniture and equipment	1,560	-	-	1,560
Maintenance equipment	<u>2,834</u>	<u>790</u>	-	<u>3,624</u>
<b>Total</b>	<b>\$ 1,364,770</b>	<b>\$ 4,550</b>	<b>\$ -</b>	<b>\$ 1,369,320</b>
Accumulated depreciation	<u>166,287</u>	<u>33,957</u>	-	<u>200,244</u>
Net fixed assets	<u><u>\$ 1,198,483</u></u>	<u><u>\$ (29,407)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,169,076</u></u>



BAY AGING APARTMENTS MIDDLESEX, INC. (PORT TOWN VILLAGE II)  
HUD Project Number 051-EE118

Borrower's Certification  
March 31, 2017

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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 Middlesex, Inc. (Port Town Village II) and, to the best of our knowledge and belief, the same is complete and accurate.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

BAY AGING APARTMENTS MIDDLESEX, INC. (PORT TOWN VILLAGE II)

HUD Project Number 051-EE118

Management Agent's Certification  
March 31, 2017

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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 Middlesex, Inc. (Port Town Village II) and, to the best of our knowledge and belief, the same is complete and accurate.

Bay Aging:

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

BAY AGING APARTMENTS MIDDLESEX, INC. (PORT TOWN VILLAGE II)

HUD Project Number 051-EE118

Auditors' Disclosure Information  
March 31, 2017

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Auditor: Robinson, Farmer, Cox Associates, PLLC  
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

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## 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*

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TO THE BOARD OF DIRECTORS OF  
BAY AGING APARTMENTS MIDDLESEX, INC. (PORT TOWN VILLAGE II)  
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 Middlesex, Inc. (Port Town Village II) (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 12, 2017.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bay Aging Apartments Middlesex, Inc.'s (Port Town Village II) 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 Middlesex, Inc.'s (Port Town Village II) internal control. Accordingly, we do not express an opinion on the effectiveness of Bay Aging Apartments Middlesex, Inc.'s (Port Town Village II) 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 Middlesex, Inc.'s (Port Town Village II) 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 12, 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 MIDDLESEX, INC. (PORT TOWN VILLAGE II)  
URBANNA, VIRGINIA

### Report on Compliance for Each Major Federal Program

We have audited Bay Aging Apartments Middlesex, Inc.'s (Port Town Village II) (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 Middlesex, Inc.'s (Port Town Village II) major federal programs for the year ended March 31, 2017. Bay Aging Apartments Middlesex, Inc.'s (Port Town Village II) 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 Middlesex, Inc.'s (Port Town Village II) 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 Middlesex, Inc.'s (Port Town Village II) 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 Middlesex, Inc.'s (Port Town Village II) compliance.

### *Opinion on Each Major Federal Program*

In our opinion, Bay Aging Apartments Middlesex, Inc. (Port Town Village II) 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 Middlesex, Inc. (Port Town Village II) 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 Middlesex, Inc.'s (Port Town Village II) 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 Middlesex, Inc.'s (Port Town Village II) 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 12, 2017



BAY AGING APARTMENTS MIDDLESEX, INC. (PORT TOWN VILLAGE II)  
 HUD Project No. 051-EE118

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	\$ 1,364,194
Section 8 Housing Assistance Payments Program	14.195	N/A	<u>45,052</u>
Total expenditures of federal awards			<u><u>\$ 1,409,246</u></u>

See accompanying notes to schedule of expenditures of federal awards.

BAY AGING APARTMENTS MIDDLESEX, INC. (PORT TOWN VILLAGE II)

HUD Project Number 051-EE118

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

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**Note 1 - Basis of Presentation:**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Bay Aging Apartments Middlesex, Inc. (Port Town Village II) 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 Middlesex, Inc. (Port Town Village II), it is not intended to and does not present the financial position, changes in net assets, or cash flows of Bay Aging Apartments Middlesex, Inc. (Port Town Village II).

**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 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 indirect 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.

BAY AGING APARTMENTS MIDDLESEX, INC. (PORT TOWN VILLAGE II)  
HUD Project No. 051-EE118

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

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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 MIDDLESEX, INC. (PORT TOWN VILLAGE II)  
HUD Project No. 051-EE118

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

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