

# **Bay Aging**

Consolidated Financial Statements

Years Ended  
September 30, 2011 and 2010

# Bay Aging

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## Independent Auditors' Report

To the Board of Directors of  
Bay Aging  
Urbanna, Virginia

We have audited the accompanying consolidated statement of financial position of Bay Aging (a nonprofit organization) (the "Organization") as of September 30, 2011, and the related statements of activities, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Bay Aging's 2010 financial statements. This information was audited by other auditors and, in their report dated February 10, 2011 they expressed unqualified opinions on the respective financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bay Aging as of September 30, 2011, and the consolidated changes in its net assets and its consolidated cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2012, on our consideration of Bay Aging internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

*Cherry, Bekant, + Holland, LLP*

Virginia Beach, Virginia  
February 23, 2012

## **Financial Statements**

# Bay Aging

## Consolidated Statements of Financial Position

September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,214,691	\$ 2,283,997
Investments	464,265	495,523
Accounts and grants receivable	1,098,056	1,588,705
Due from related organizations	226,231	254,455
Security deposits	1,775	2,175
Property held for resale	376,667	629,569
Fixed assets, net of accumulated depreciation	5,697,688	5,561,706
<b>Total assets</b>	<u>\$ 11,079,373</u>	<u>\$ 10,816,130</u>
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 506,593	\$ 824,879
Accrued annual leave payable	263,923	291,363
Loans payable	599,402	842,006
Advances from the Virginia Department of Housing and Community Development Weatherization program	197,404	145,604
Deferred revenue	928,298	958,870
<b>Total liabilities</b>	<u>2,495,620</u>	<u>3,062,722</u>
<b>Net assets</b>		
Temporarily restricted	911,711	916,160
Unrestricted	7,672,042	6,837,248
<b>Total net assets</b>	<u>8,583,753</u>	<u>7,753,408</u>
<b>Total liabilities and net assets</b>	<u>\$ 11,079,373</u>	<u>\$ 10,816,130</u>

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

# Bay Aging

## Consolidated Statements of Activities

Years Ending September 30, 2011 and 2010

	Unrestricted	Temporarily Restricted	Total	
			2011	2010
<b>Revenues, gains and support</b>				
Contributions and grants	\$ 50,883	\$ -	\$ 50,883	\$ 138,676
Government grants	-	7,701,690	7,701,690	10,648,541
Interest and investment income	23,958	-	23,958	99,545
Program service fees	2,278,458	813,116	3,091,574	2,609,040
Other revenues	271,395	328,079	599,474	282,783
Net assets released from restrictions				
Satisfaction of program restrictions	8,847,334	(8,847,334)	-	-
Total revenue	<u>11,472,028</u>	<u>(4,449)</u>	<u>11,467,579</u>	<u>13,778,585</u>
<b>Expenses</b>				
Salaries	5,454,280	-	5,454,280	5,592,014
Fringes	764,856	-	764,856	774,567
Worker's compensation insurance	98,482	-	98,482	114,769
Staff travel	138,626	-	138,626	155,627
Office supplies, printing, postage	62,768	-	62,768	74,034
Telephone	122,212	-	122,212	74,868
Rent and utilities	216,771	-	216,771	258,938
Insurance	123,238	-	123,238	171,331
Vehicle gasoline, operation and maintenance	686,580	-	686,580	621,835
Materials and storage	503,845	-	503,845	1,293,620
Contract labor	401,779	-	401,779	143,001
Professional services	224,068	-	224,068	183,731
Program supplies	105,348	-	105,348	90,210
Meals	584,922	-	584,922	644,806
Other	535,688	-	535,688	659,375
Depreciation	613,771	-	613,771	617,367
Total expenses	<u>10,637,234</u>	<u>-</u>	<u>10,637,234</u>	<u>11,470,093</u>
Change in net assets	834,794	(4,449)	830,345	2,308,492
Net assets, beginning of year	6,837,248	916,160	7,753,408	5,444,916
Net assets, end of year	<u>\$ 7,672,042</u>	<u>\$ 911,711</u>	<u>\$ 8,583,753</u>	<u>\$ 7,753,408</u>

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

# Bay Aging

## Consolidated Statements of Cash Flows

### Years Ending September 30, 2011 and 2010

	2011	2010
Cash flows provided (used) by operating activities		
Change in net assets	\$ 830,345	\$ 2,308,492
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	613,771	617,367
(Gain) loss on disposal of fixed assets	105,973	(15,016)
Unrealized (gain) loss on investments	45,982	(46,266)
Changes in assets and liabilities		
(Increase) decrease in		
Accounts and grants receivable	490,649	430,169
Due from related organizations	28,224	98,892
Security deposits	400	-
Increase (decrease) in		
Accounts payable and accrued liabilities	(318,286)	(650,541)
Accrued annual leave payable	(27,440)	17,641
Advances	51,800	-
Deferred revenue	(30,572)	176,061
Net cash provided (used) by operating activities	1,790,846	2,936,799
Cash flows provided (used) by investing activities		
Purchase of fixed assets and construction in progress	(1,025,311)	(2,771,837)
Purchase of property for resale	248,000	(96,250)
Proceeds from sale of fixed assets	174,489	123,417
Sale of investments	15,233	64,262
Purchase of investments	(29,959)	(82,165)
Net cash provided (used) by investing activities	(617,548)	(2,762,573)
Cash flows provided (used) by financing activities		
Loan proceeds	-	650,000
Principal payments on loans	(242,604)	(672,008)
Net Cash provided (used) by financing activities	(242,604)	(22,008)
Net change in cash and cash equivalents	930,694	152,218
Cash and cash equivalents, beginning of year	2,283,997	2,131,779
Cash and cash equivalents, end of year	\$ 3,214,691	\$ 2,283,997
Other supplemental information		
Interest paid	\$ 53,798	\$ 60,665

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



# Bay Aging

## Notes to Consolidated Financial Statements

### Years Ended September 30, 2011 and 2010

#### Note 1 – Organization and nature of operations

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

#### Note 2 – Summary of significant accounting policies

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

*Basis of presentation* - The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based on the existence or absence of donor-imposed restrictions. The consolidated financial statements report amounts separately by class of assets as follows:

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

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

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

# Bay Aging

## Notes to Consolidated Financial Statements

### Years Ended September 30, 2011 and 2010

#### Note 2 – Summary of significant accounting policies (continued)

*Donated services* - Donated supplies and services are reflected in the financial statements at the estimated fair value of supplies and services received. The contribution of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. There are no amounts reported for donated services in 2011. See additional information in Note 13.

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

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

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

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

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

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

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

# Bay Aging

## Notes to Consolidated Financial Statements

### Years Ended September 30, 2011 and 2010

#### Note 2 – Summary of significant accounting policies (continued)

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

<u>Asset Category</u>	<u>Useful Life</u>
Buildings	30 years
Equipment, furniture and vehicles	5 - 10 years

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

*Estimates* - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

*Accrued leave* - Accumulated unpaid vacation is accrued when earned. The amount of such pay was \$263,923 and \$291,363 for 2011 and 2010, 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, 2011. 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, 2011.

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

# Bay Aging

## Notes to Consolidated Financial Statements

### Years Ended September 30, 2011 and 2010

#### Note 3 – Cash and cash investments

The following is the composition of the combined amounts appearing in the financial statements for 2011 and 2010:

	2011	2010
Cash	\$ 1,153,300	\$ 1,080,316
Certificate of deposit	1,727,170	1,101,891
Money market funds	334,221	101,790
	\$ 3,214,691	\$ 2,283,997

Long-term investments, carried at fair value based on quoted prices in active markets (all Level 1 measurements), at September 30, 2011 and 2010 consist of the following:

	September 30, 2011			September 30, 2010		
	Market Value	Cost Basis	Unrealized Gains (Losses)	Market Value	Cost Basis	Unrealized Gains (Losses)
Publicly held stocks	\$ 191,906	\$ 167,566	\$ 24,340	\$ 189,357	\$ 162,593	\$ 26,764
Mutual fund units	272,359	316,873	(44,514)	306,166	327,953	(21,787)
	\$ 464,265	\$ 484,439	\$ (20,174)	\$ 495,523	\$ 490,546	\$ 4,977

#### 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, 2011 and 2010, the Organization's consolidated financial assets measured a fair value on a recurring basis consisted of investments in the amount of \$464,265 and \$495,523 respectively, which is also the carry value. The value of investments was established based on Level 1 inputs.

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

# Bay Aging

## Notes to Consolidated Financial Statements

Years Ended September 30, 2011 and 2010

### Note 5 – Accounts and grants receivable

Accounts and grants receivable consist of the following:

	<u>2011</u>	<u>2010</u>
Virginia Department of Medical Assistance Services	\$ 264,137	\$ 275,319
Virginia Department of Rail and Public Transportation	306,307	464,271
Virginia Department of Housing and Community Development	256,439	424,674
Virginia Department of Aging	159,019	121,043
Virginia Department of Social Services	8,560	76,863
Others	103,594	226,535
Total	<u>\$ 1,098,056</u>	<u>\$ 1,588,705</u>

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

### Note 6 – Due from related organizations

The Organization has receivables from various related not-for-profit organizations, the balance of which was \$226,231 and \$254,455 at September 30, 2011 and 2010, respectively. Also see Note 19 for additional disclosures applicable to related organizations.

### Note 7 – Real estate activities and property held for resale

The Organization has purchased land in the Town of West Point, Gloucester County, and Middlesex County for future development. It is anticipated that a significant portion of the properties will be utilized for low cost elderly rental housing. The total cost of these properties is \$376,667. During 2011, Bay Custom Homes sold its model home including land and construction costs, at September 30, 2010 that property had a cost of \$252,902.

# Bay Aging

## Notes to Consolidated Financial Statements

### Years Ended September 30, 2011 and 2010

#### Note 8 – Fixed assets

Major classes of fixed assets consist of the following at September 30, 2011:

	2011	2010
Land	\$ 471,550	\$ 471,550
Buildings	3,553,172	3,345,302
Furniture and equipment	738,351	745,724
Vehicles	3,141,675	3,212,301
Construction in progress	33,005	28,026
Total	7,937,753	7,802,903
Accumulated depreciation	(2,240,065)	(2,241,197)
Net fix assets	\$5,697,688	\$5,561,706

Depreciation expense was \$613,771 for 2011 and \$617,367 for 2010.

#### 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. The balance on this loan was \$599,402 at September 30, 2011 and \$629,496 at September 30, 2010.

During the current year, Bay Custom Home sold its model home and repaid the loan associated with that property. The loan was with EVB Bank for \$220,000 with an interest rate of 7.50% payable in monthly installments of \$1,642. The loan had a balance of \$212,510 at September 30, 2010.

Interest expense totaled \$53,798 for 2011 and \$60,665, for 2009, all of which was expensed.

Summary of debt activity.

	Bay Aging		Bay Custom Homes		Total	
	2011	2010	2011	2010	2011	2010
Loans payable, beginning of year	\$ 629,496	\$ 648,104	\$212,510	\$215,910	\$842,006	\$864,014
Loan proceeds	-	650,000	-	-	-	650,000
Principal payments on loans	(30,094)	(668,608)	(212,510)	(3,400)	(242,604)	(672,008)
Loans payable, end of year	\$ 599,402	\$ 629,496	\$ -	\$212,510	\$599,402	\$842,006

# Bay Aging

## Notes to Consolidated Financial Statements

### Years Ended September 30, 2011 and 2010

#### Note 9 – Loan Payable (continued)

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

	Bay Aging	
	Principal	Interest
2012	\$ 28,960	\$ 42,699
2013	31,130	40,528
2014	33,464	38,194
2015	35,972	35,686
2016	38,669	32,890
Thereafter	431,207	139,066
	<u>\$ 599,402</u>	<u>\$ 329,063</u>

#### Note 10 – Deferred revenue

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenue is comprised of unexpended grant and other funds which amounted to \$928,298 and \$958,870 at September 30, 2011 and 2010, respectively.

#### Note 11 – Lease Commitments

The Organization leases office space and other facilities pursuant to lease agreements which expire at various dates. Total rental expenses for the fiscal year totaled \$168,541 and \$141,967 for 2011 and 2010, respectively.

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

Fiscal Year	Amount
2012	\$ 4,717
Total	<u>\$ 4,717</u>

#### Note 12 – Retirement plans

All employees of the Organization are covered by a defined contribution benefit plan under section 403(b) of the Internal Revenue Code. All employees who make a contribution to the plan will receive a safe harbor matching contribution in the amount of 100% of the first 3% contributed, plus 50% of the next 4% of compensation contributed. Employees have full and immediate vesting of plan assets. The amount of the Organization's contribution for the years ending September 30, 2011 and 2010 was \$82,404 and \$84,416, respectively. The employee's contributions to the plan for the years ending September 30, 2011 and 2010 were \$188,045 and \$176,097, respectively.

In fiscal year 2010 the Organization established a deferred compensation plan under the provisions of the Internal Revenue Code Section 457(b) for the former president. The plan authorized the payment of \$16,500 per year plus a guaranteed return of 6% upon his retirement. That amount was accrued for 2010 and 2011. No payments have been approved for future years.

# Bay Aging

## Notes to Consolidated Financial Statements

### Years Ended September 30, 2011 and 2010

#### Note 13 – Donated materials and services

The Organization records the value of in-kind contributions as matching funds for the RSVP and Title V grant programs. The amount of in-kind contributions for services and other items provided, totaled approximately \$29,089 and \$38,188 for fiscal year 2011 and 2010, respectively. The Organization also received the benefit of a significant amount of volunteer time which has not been valued or reported in these financial statements. There were donated materials in fiscal 2011 and 2010; however, the values of these items were of a minimal amount. These in-kind amounts are not reported in the financial statements.

#### Note 14 – Fees for services

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

#### Note 15 – Advances payable

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

#### Note 16 – Commitments and contingencies

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

The Organization had committed to paying a \$50,000 retirement benefit to the president of the Organization for five years (through the 2013 fiscal year or his retirement); the payment was made in 2010. The payments were to be reviewed and approved annually by the Board of Directors. No payment was approved in 2011 or for future years.

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



# Bay Aging

## Notes to Consolidated Financial Statements

Years Ended September 30, 2011 and 2010

### Note 17 – Restricted assets

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

	2011	2010
Aging programs	\$2,618,592	\$ 2,758,868
Action (RSVP)	88,000	90,364
Virginia Department of Housing and Community Development programs	2,151,645	2,138,536
Transpiortation programs	3,267,595	5,281,547
Community Services Block Grant	232,273	628,663
Other	489,230	307,740
	\$8,847,335	\$ 11,205,718

Temporarily restricted net assets consist of the following:

	2011	2010
Bay Transit funds	\$ 752,660	\$ 652,391
Agency fundraising	45,244	41,741
Med-carry	9,665	8,349
Local grant funds	90,306	161,994
Local gifts and grants	13,836	51,685
	\$ 911,711	\$ 916,160

### Note 18 – Significant sources of revenues

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

	2011	2010
Virginia Department of Aging	\$ 2,618,592	\$ 2,609,769
Virginia Department of Housing and Community Development	1,247,363	2,126,459
Virginia Department of Medical Assurance Services (Medicaid purchase of service revenues)	1,743,053	1,726,462
Virginia Department of Rail and Public Transportation/ Virgina Department of Transportation	2,556,634	4,202,252
All others	3,301,937	3,113,643
Total revenues	\$ 11,467,579	\$ 13,778,585

# Bay Aging

## Notes to Consolidated Financial Statements

### Years Ended September 30, 2011 and 2010

#### Note 18 – Significant sources of revenues (continued)

The Organization has a contract with Virginia Department of Housing and Community Development (VHCD) to administer the Indoor Plumbing Rehabilitation, and Home Investment Partnership Programs. The VHCD advances the funds to the Organization which then disburses the funds for various approved projects. These funds are not reported as Organization Revenues and expenditures, but are considered financial assistance for compliance reporting purposes. The amount of funds expended under these programs totaled \$871,598 in 2011 and \$911,501 in 2010. Interest of \$227 (2011) and \$243 (2010) was earned on program fund balances and has been allocated to program activities.

#### Note 19 – Related organizations

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

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

#### Related organizations:

	Bay Aging Apartments Colonial Beach	Bay Aging Apartments West Point	Bay Aging Apartments Gloucester	Bay Aging Apartments Montross	Bay Aging Apartments Kilmarnock	Bay Aging Apartments Middlesex	Bay Aging Apartments Westmoreland	Bay Aging Apartments JCC	Bay Aging Apartments Tartan Village II
Fiscal Year	9/30/11	9/30/11	9/30/11	9/30/11	3/31/11	3/31/11	3/31/11	3/31/11	3/31/11
Assets	\$ 1,249,523	\$ 1,097,120	\$ 2,923,128	\$ 1,271,079	\$ 1,583,392	\$ 1,891,348	\$ 1,755,220	\$ 5,695,510	\$ 2,306,202
Liabilities	(35,000)	(24,068)	(51,280)	(15,996)	(15,054)	(69,928)	(31,792)	(73,487)	(30,365)
Net Assets	<u>\$ 1,214,523</u>	<u>\$ 1,073,052</u>	<u>\$ 2,871,848</u>	<u>\$ 1,255,083</u>	<u>\$ 1,568,338</u>	<u>\$ 1,821,420</u>	<u>\$ 1,723,428</u>	<u>\$ 5,622,023</u>	<u>\$ 2,275,837</u>
Operating revenues	\$ 170,409	\$ 123,829	\$ 259,730	\$ 120,018	\$ 104,201	\$ 95,100	\$ 116,665	\$ 246,820	\$ 33,457
Operating expenses	(209,281)	(153,949)	(338,227)	(149,682)	(135,298)	(140,301)	(149,675)	(349,000)	(47,998)
Other revenues/ (expenses)	100	190	142	1,768	118	563	206	22,427	2,290,378
Change in net Assets	<u>\$ (38,772)</u>	<u>\$ (29,930)</u>	<u>\$ (78,355)</u>	<u>\$ (27,896)</u>	<u>\$ (30,979)</u>	<u>\$ (44,638)</u>	<u>\$ (32,804)</u>	<u>\$ (79,753)</u>	<u>\$ 2,275,837</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 \$337,974 for 2011 and \$271,233 for 2010.

\$226,233 and \$254,347 was due from related organizations at September 30, 2011 and 2010, respectively.

# Bay Aging

## Notes to Consolidated Financial Statements

### Years Ended September 30, 2011 and 2010

#### Note 20 – Subsequent events

In preparing these consolidated financial statements, management of the organization has evaluated events and transactions for potential recognition through February 23, 2012, the date of the financial statements were available to be issued. There are no known subsequent events that should be recognized or disclosed.

#### Note 21 – Expense allocation

The following summarizes the Organization's expenses by functional allocation for the year ended September 30, 2011:

	Program	Management & General	Fund Raising	Total
Salaries	\$ 4,591,942	\$ 862,338	\$ -	\$ 5,454,280
Fringes	631,396	133,460	-	764,856
Worker's compensation insurance	92,598	5,884	-	98,482
Staff travel	120,240	18,386	-	138,626
Office Supplies, printing, postage	33,378	29,390	-	62,768
Telephone	84,720	37,490	-	122,212
Rent and utilities	116,252	100,519	-	216,771
Insurance	61,939	61,299	-	123,238
Vehicle gasoline, operation and maintenance	673,530	13,050	-	686,580
Materials and storage	503,845	-	-	503,845
Contract labor	390,758	11,021	-	401,779
Professional services	203,544	20,524	-	224,068
Program supplies	105,348	-	-	105,348
Meals	584,922	-	-	584,922
Other (1)	492,183	40,836	2,669	535,688
Depreciation	516,732	97,039	-	613,771
<b>Total expenses</b>	<b>\$ 9,203,329</b>	<b>\$ 1,431,237</b>	<b>\$ 2,669</b>	<b>\$ 10,637,234</b>
 (1) Other				
Interest expense	\$ 53,798	\$ -	\$ -	\$ 53,798
All other expenses	438,385	40,836	2,669	481,890
	<b>\$ 492,183</b>	<b>\$ 40,836</b>	<b>\$ 2,669</b>	<b>\$ 535,688</b>

## **Supporting Schedules**

Status of Funds

Year Ending September 30, 2011

Fund	Unencumbered Funds on Hand at Beginning of Period	Total Funds Received During Period	Funds In Transit At 9/30/2011	Total Funds During Period	Accrued Cost to Contract Period	Unencumbered Funds on Hand at End of Period
<b>Older Americans Act</b>						
Title III-B	\$ 5,927	\$ 429,505	\$ -	\$ 435,432	\$ 395,849	\$ 39,583
Title III-C(1)	(1,037)	196,405	-	195,368	221,500	(26,132)
Title III-C(2)	27,186	271,683	-	298,869	271,863	27,006
Title III-D	(35)	24,773	-	24,738	24,443	295
Title III-E	12,660	88,929	-	101,589	126,606	(25,017)
Title VII-Ombudsman	1,975	23,722	-	25,697	27,945	(2,248)
Title VII-Elder Abuse	(1,152)	6,161	-	5,009	4,554	455
Title III-C(1) - STIMULUS	(17,340)	27,762	-	10,422	10,422	-
<b>Other Federal</b>						
Title V-(PY 06/30/10 Award )	-	600	-	600	600	-
Title V-(PY 12/31/11 Award)	(11,493)	142,486	-	130,993	130,993	-
Title V-(PY 12/31/11 Award)	(28,565)	74,978	-	46,413	46,413	-
NSIP	14,176	167,834	-	182,010	168,037	13,973
VICAP-(PY 03/31/11 Award)	1,370	65,226	-	66,596	66,437	159
VICAP-(PY 03/31/12 Award)	-	3,311	-	3,311	-	3,311
Aging & Disability Resource Center Navigate Health	-	6,650	-	6,650	6,650	-
Aging & Disability Resource Center Options Counseling	-	15,057	-	15,057	20,000	(4,943)
DMAS Ombudsman FY 09	2,349	14,340	-	16,689	16,689	-
DMAS Ombudsman FY 10	-	10,836	-	10,836	10,836	-
DMAS Ombudsman FY 11	-	7,386	-	7,386	7,386	-
CLP 1-FORMERLY NURSING HOME DIV	(21,259)	95,017	-	73,758	73,758	-
CLP2	-	44,830	-	44,830	17,896	26,934
CMS MIPPA LIS/MSP	14,145	14,145	-	28,290	28,290	-
CMS MIPPA LIS/MSP ADRC & AAA	4,140	4,140	-	8,280	8,280	-
<b>General Funds</b>						
Title III Match-(PY 06/30/11)	-	29,628	-	29,628	29,628	-
Community Based-(PY 06/30/11)	-	157,125	-	157,125	157,125	-
Spec. Transportation-(PY 06/30/11)	-	55,037	-	55,037	55,037	-
Home Delivered Meals-(PY 06/30/11)	-	191,679	-	191,679	191,679	-
Ombudsman-(PY 06/30/11)	-	22,750	-	22,750	22,750	-
Care Coordination-(PY 06/30/11)	11,713	106,594	-	118,307	118,307	-
Respite Care-(PY 06/30/11)	11,195	57,859	-	69,054	69,054	-
Fan Care (Dominion Power)	426	2,467	-	2,893	2,717	176
Unmet Needs	-	56,558	-	56,558	56,558	-
Adult Day Care	-	210,619	-	210,619	210,619	-
	<u>\$ 26,381</u>	<u>\$ 2,626,092</u>	<u>\$ -</u>	<u>\$ 2,652,473</u>	<u>\$ 2,598,921</u>	<u>\$ 53,552</u>

Costs by Program Activity

Year Ending September 30, 2011

TITLE III (EXCEPT III-E), OLDER	Costs to Federal										Fees
	Title III B Funds	Title III C1 Funds	Title III C2 Funds	Title III D Funds	Title III E Funds	Title III Ombudsman funds	Title III Elder Abuse Funds	Voluntary Contributions	Non-Federal Funds		
<b>AMERICAN ACT FUNDS</b>											
Adult Day Care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Checking	-	-	-	-	-	-	-	-	-	-	-
Chore	-	-	-	-	-	-	-	-	-	-	-
Home Health	-	-	-	-	-	-	-	-	-	-	-
Homemaker Services	28,604	-	-	-	-	-	-	427	55	-	-
Personal Care Services	170,389	-	-	-	-	-	-	602	8,086	7,049	-
Res. Repair and Renovation	-	-	-	-	-	-	-	-	-	-	-
Care Coordination	-	-	-	-	-	-	-	-	-	-	-
Information and Assistance	102,179	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	601	-	-	-
Congregate Meals	-	184,890	-	-	-	-	-	13,894	-	-	-
Home Delivered Meals	-	-	243,211	-	-	-	-	6,566	9,700	-	-
Home Delivered Fee for Service	-	-	-	-	-	-	-	-	425	42,708	-
Disease Prevention	-	-	-	18,708	-	-	-	-	217	-	-
Medication Management	-	-	-	5,735	-	-	-	-	-	-	-
Emergency Services	-	-	-	-	-	-	-	-	-	-	-
Employment	35,340	-	-	-	-	-	-	-	-	-	-
Health Screening / Education	-	-	-	-	-	-	-	-	-	-	-
ID. Discount	-	-	-	-	-	-	-	-	-	-	-
LTC Coordinating Activity	44,056	-	-	-	-	-	-	-	-	-	-
Money Management	-	-	-	-	-	-	-	-	-	-	-
Public Information & Education	3,520	-	-	-	-	-	-	-	-	-	-
Socialization/Recreation	-	-	-	-	-	-	-	-	-	-	-
Volunteer Programs	-	-	-	-	-	-	-	-	-	-	-
Legal Assistance	8,259	-	-	-	-	-	-	-	-	-	-
Elder Abuse Prevention	-	-	-	-	-	-	4,554	-	-	-	-
LTC Ombudsman Program	-	-	-	-	-	27,845	-	-	-	-	-
Prep. and Admin.	1,042	36,610	28,652	-	-	-	-	-	29,300	-	-
Assisted Transportation	-	-	-	-	-	-	-	-	-	-	-
CLP 1	-	-	-	-	-	-	-	-	-	-	-
CLP 2	2,460	-	-	-	-	-	-	-	-	-	-
<b>TITLE III-E, OLDER</b>											
<b>AMERICAN ACT FUNDS</b>											
Individual Counseling	-	-	-	-	7,498	-	-	-	-	-	-
Support Groups	-	-	-	-	5,673	-	-	-	-	-	-
Caregiver Training	-	-	-	-	-	-	-	-	-	-	-
Public Information/Education	-	-	-	-	7,566	-	-	-	-	-	-
Adult Day Care	-	-	-	-	69,437	-	-	525	261,650	20,174	-
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	-	-	-	-	-	8,412	-	-	-	-	-
<b>Total</b>	<b>\$ 309,649</b>	<b>\$ 221,500</b>	<b>\$ 271,863</b>	<b>\$ 24,443</b>	<b>\$ 126,606</b>	<b>\$ 27,845</b>	<b>\$ 4,554</b>	<b>\$ 23,005</b>	<b>\$ 307,433</b>	<b>\$ 68,892</b>	

Costs by Program Activity  
Year Ending September 30, 2011

	Costs to OMAS Ombudsman Funds	Costs to Title V Funds	Costs to NSIP Funds	Costs to FG State Matching Funds	Costs to GF Community Based Funds	Costs to GF Special Transportation Funds	Costs of Home Delivered Meals Funds	Costs to GF Ombudsman Funds	Costs to GF Hold Harmless Funds	IN-GRND	Total Costs
TITLE III (EXCEPT III-E), OLDER											
AMERICAN ACT FUNDS											
Adult Day Care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Checking	-	-	-	-	-	-	-	-	-	-	-
Chore	-	-	-	-	-	-	-	-	-	-	-
Home Health	-	-	-	-	-	-	-	-	-	-	-
Homemaker Services	-	-	-	-	-	-	-	-	-	-	28,068
Personal Care Services	-	-	-	4,050	157,125	-	-	-	-	-	345,501
Res. Repair and Renovation	-	-	-	-	-	-	-	-	-	-	-
Care Coordination	-	-	-	-	-	-	-	-	-	-	-
Information and Assistance	-	-	-	-	-	-	-	-	-	-	102,179
Transportation	-	-	-	25,578	-	55,037	-	-	-	-	81,416
Congregate Meals	-	-	7,349	-	-	-	-	-	-	-	206,133
Home Delivered Meals	-	-	160,688	-	-	-	170,205	-	-	-	590,360
Home Delivered Fee for Service	-	-	-	-	-	-	21,475	-	-	-	64,609
Disease Prevention	-	-	-	-	-	-	-	-	-	-	18,825
Medication Management	-	-	-	-	-	-	-	-	-	-	5,735
Emergency Services	-	-	-	-	-	-	-	-	-	-	-
Employment	-	-	-	-	-	-	-	-	-	-	35,340
Health Screening / Education	-	-	-	-	-	-	-	-	-	-	-
I.D. Discount	-	-	-	-	-	-	-	-	-	-	-
LTC Coordinating Activity	-	-	-	-	-	-	-	-	-	-	44,056
Money Management	-	-	-	-	-	-	-	-	-	-	-
Public Information & Education	-	-	-	-	-	-	-	-	-	-	3,520
Socialization/Recreation	-	-	-	-	-	-	-	-	-	-	-
Volunteer Programs	-	-	-	-	-	-	-	-	-	-	-
Legal Assistance	-	-	-	-	-	-	-	-	-	-	8,259
Elder Abuse Prevention	-	-	-	-	-	-	-	-	-	-	4,554
LTC Ombudsman Program	34,911	-	-	-	-	-	-	22,750	-	-	85,806
Prep. and Admin.	-	-	-	-	-	-	-	-	-	-	95,604
Assisted Transportation	-	-	-	-	-	-	-	-	-	-	-
CLP 1	-	-	-	-	-	-	-	-	-	-	-
CLP 2	-	-	-	-	-	-	-	-	-	-	2,480
TITLE III-E, OLDER											
AMERICAN ACT FUNDS											
Individual Counseling	-	-	-	-	-	-	-	-	-	-	7,488
Support Groups	-	-	-	-	-	-	-	-	-	-	5,873
Caregiver Training	-	-	-	-	-	-	-	-	-	-	-
Public Information/Education	-	-	-	-	-	-	-	-	-	-	7,586
Adult Day Care	-	-	-	-	-	-	-	-	-	-	381,788
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	-	-	-	-	-	-	-	-	-	-	-
Total	\$ 34,911	\$ -	\$ 188,037	\$ 29,628	\$ 157,125	\$ 55,037	\$ 191,680	\$ 22,750	\$ -	\$ -	\$ 2,132,268

Costs by Program Activity

Year Ending September 30, 2011

	Costs to Federal Title III C1 Funds	Costs to Federal Title III C2 Funds	Total Stimulus	Grand Total
<b>TITLE II (EXCEPT III-E), OLDER</b>				
<b>AMERICAN ACT FUNDS</b>				
Adult Day Care	\$ -	\$ -	\$ -	\$ -
Checking	-	-	-	-
Chore	-	-	-	-
Home Health	-	-	-	-
Homemaker Services	-	-	-	29,086
Personal Care Services	-	-	-	345,501
Res. Repair and Renovation	-	-	-	-
Care Coordination	-	-	-	-
Information and Assistance	-	-	-	102,179
Transportation	-	-	-	81,418
Congregate Meals	10,422	-	10,422	216,955
Home Delivered Meals	-	-	-	590,360
Home Delivered Fee for Service	-	-	-	84,909
Disease Prevention	-	-	-	16,925
Medication Management	-	-	-	5,735
Emergency Services	-	-	-	-
Employment	-	-	-	35,340
Health Screening / Education	-	-	-	-
I.D. Discount	-	-	-	-
LTC Coordinating Activity	-	-	-	44,058
Money Management	-	-	-	-
Public Information & Education	-	-	-	3,520
Socialization/Recreation	-	-	-	-
Volunteer Programs	-	-	-	-
Legal Assistance	-	-	-	8,258
Elder Abuse Prevention	-	-	-	4,554
LTC Ombudsman Program	-	-	-	85,806
Prep. and Admin.	-	-	-	95,804
Assisted Transportation	-	-	-	-
CLP 1	-	-	-	-
CLP 2	-	-	-	2,460
<b>TITLE III-E, OLDER</b>				
<b>AMERICAN ACT FUNDS</b>				
Individual Counseling	-	-	-	7,488
Support Groups	-	-	-	5,673
Caregiver Training	-	-	-	-
Public Information/Education	-	-	-	7,586
Adult Day Care	-	-	-	381,786
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	-	-	-	6,412
<b>Total</b>	<b>\$ 10,422</b>	<b>\$ -</b>	<b>\$ 10,422</b>	<b>\$ 2,142,720</b>



# Bay Aging

Schedule C

## Status of Inventories

Year Ending September 30, 2011

Fund Source and Type of Inventory	Value on Hand October 1, 2010	Net Changes During Year	Value on Hand September 30, 2011
Older Americans Act			
Title III-B	\$ -	\$ -	\$ -
Title III-C(1)	-	-	-
Title III-C(2)	-	-	-
Title III-D	-	-	-
Total Older	\$ -	\$ -	\$ -
Title V	-	-	-
Title VII Ombudsman	-	-	-
Total	\$ -	\$ -	\$ -

# Bay Aging

Schedule D

## Schedule of Government Grants

Year Ending September 30, 2011

	Unrestricted	Temporarily Restricted	Total
<b>Revenues</b>			
Aging programs	\$ -	\$ 2,618,592	\$ 2,618,592
Virginia Department of Housing and Community Development			
Weatherization, DOE	-	688,009	688,009
Emergency Home Repair	-	10,529	10,529
Indoor Plumbing program	-	126,232	126,232
LIHEAP	-	411,860	411,860
Transportation			
Virginia Department of Rail and Public Transportation	-	2,556,634	2,556,634
Community Services Block grant	-	232,273	232,273
ACTION-RSVP	-	88,000	88,000
Department of Homeland Security	-	1,750	1,750
Other grants	-	52,569	52,569
Local governments			
Local matches	-	915,242	915,242
Total government grants	\$ -	\$ 7,701,690	\$ 7,701,690

## **Compliance**



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

To the Board of Directors  
Bay Aging  
Urbanna, Virginia

We have audited the consolidated financial statements of Bay Aging (a nonprofit organization) as of and for the year ended September 30, 2011, and have issued our report thereon dated February 23, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

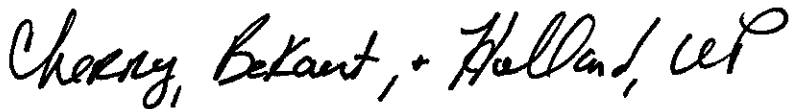
*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination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

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

**Compliance and Other Matters**

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

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



Virginia Beach, Virginia  
February 23, 2012



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

To the Board of Directors  
Bay Aging  
Urbanna, Virginia

**Compliance**

We have audited Bay Aging's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Bay Aging's major federal programs for the year ended September 30, 2011. Bay Aging's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Bay Aging's management. Our responsibility is to express an opinion on Bay Aging's compliance based on our audit.

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

In our opinion, Bay Aging complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

**Internal Control Over Compliance**

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

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

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

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

*Cherry, Betant, + Holland, LLP*

Virginia Beach, Virginia  
February 23, 2012

# Bay Aging

## Schedule of Expenditures of Federal Awards

Year Ending September 30, 2011

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	\$ 28,424
Virginia Department for the Aging			
Child and Adult Care Food Program	10.558	N/A	168,037
<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	126,232
<u>Corporation for National and Community Service</u>			
Direct Payments			
Retired Senior Volunteer Program	94.002	N/A	88,000
<u>Department of Health and Human Services</u>			
Pass Through Payments:			
Virginia Department for the Aging			
Aging Cluster			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	44119, 44110	667,711
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	44129, 44120 44139, 44130	221,500
ARRA - Aging Congregate Nutrition Services for States	93.707	69999	10,422
Special Programs for the Aging - Title III, Part D - Disease and Health Promotion Services	93.043	45009, 45000	24,443
Special Programs for the Aging - Title IV & Title II (CLP)	93.048	51009, 62006, 62007	59,787
National Family Caregiver Support, Title III, Part E	93.052	46009, 46000	126,606
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation			
Ombudsman	93.041	44209, 44200	27,945
Elder Abuse	93.041	44409, 44400	4,554
Centers for Medicare and Medical Services (CMS) Research, Demonstrations and Evaluations - VICAP, Medicare Choice Plus	93.779	60008, 60009, 60000	50,094
Virginia Department of Housing and Community Development			
Low-Income Home Energy Assistance	93.568	09ALI-15	411,860
Virginia Department of Social Services			
Community Services Block Grant	93.569	N/A	192,246
Total Department of Health and Human Services			1,797,168
<u>Department of Labor</u>			
Pass Through Payments			
Virginia Department for the Aging			
Senior Community Service Employment Program	17.235	47300,47308, 47309	194,182
<u>Department of Energy</u>			
Pass Through Payments			
Virginia Department of Housing and Community Development			
Weatherization Assistance for Low-Income Persons	81.042	47300, 47308, 47309	148,947
Weatherization Assistance for Low-Income Persons - ARRA	81.042	69999	539,062
Total Department of Energy			688,009
<u>Department of Transportation</u>			
Pass Through Payments			
Virginia Department of Transportation			
Formula Grants for Other Than Urbanized Areas	20.509	41008, 41608, 41609 42004, 42005,42007, 42008, 42009, 43008 72507	1,524,708
ARRA - Formula Grants for Other than Urbanized Areas	20.509	44010	735,727
Total Department of Transportation			2,260,435
Total expenditures of federal awards			\$ 5,350,487



# Bay Aging

## Schedule of Federal Awards

Year Ending September 30, 2011

### 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, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Bay Aging, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Bay Aging.

### Note B – Summary of significant accounting policies

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

### Note C – Other information

\$871,598 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, 2011

### A. Summary of Auditors' Results

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

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.558	Child and Adult Care Food Program
20.509	Transportation Formula Grants.
81.042	Weatherization

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

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

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

# Bay Aging

## Schedule of Prior Year Findings and Questioned Costs

Year Ending September 30, 2011

### Finding 2010-1

*Weatherization program* - Weatherization application files did not include proper applicant certification and/or the required owner certifications for rental properties.

Auditor recommended a review of all Weatherization files to ensure proper authorization documentation is obtained.

Management agreed with the finding.

The finding was not repeated in current year testing.