

BAY AGING
URBANNA, VIRGINIA
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Board of Directors
Bay Aging
Urbanna, Virginia

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Bay Aging (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bay Aging as of September 30, 2017, and the consolidated changes in its net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the 2016 consolidated financial statements of Bay Aging as of September 30, 2016, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 14, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supporting schedules and schedule of expenditures of federal awards, as required by 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2018, on our consideration of Bay Aging's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Robinson, Fawcett, Cox Associates

Charlottesville, Virginia
March 6, 2018

- Financial Statements -

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BAY AGING

Consolidated Statement of Financial Position

At September 30, 2017

(With Comparative Totals for 2016)

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 5,741,484	\$ 5,163,594
Investments	945,976	827,899
Accounts and grants receivable	1,838,547	1,913,663
Due from related organizations	91,194	74,764
Inventory	37,975	42,963
Security deposits	1,775	1,775
Prepaid expenses	170,087	72,962
Property held for resale	319,563	319,563
Fixed assets, net of accumulated depreciation	10,660,038	11,119,575
Total Assets	\$ 19,806,639	\$ 19,536,758
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,479,021	\$ 1,063,069
Accrued annual leave payable	346,013	331,524
Loans payable	288,066	346,082
VHDA predevelopment loan	67,030	-
Advances from the Virginia Department of Housing and Community Development:		
Weatherization program	23,978	23,714
Deferred revenue	444,427	282,836
Total Liabilities	\$ 2,648,535	\$ 2,047,225
NET ASSETS		
Unrestricted	\$ 16,533,713	\$ 16,701,678
Temporarily restricted	624,391	787,855
Total Net Assets	\$ 17,158,104	\$ 17,489,533
Total Liabilities and Net Assets	\$ 19,806,639	\$ 19,536,758

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

BAY AGING

**Consolidated Statement of Activities
Year Ended September 30, 2017
(With Comparative Totals for 2016)**

			<u>Total</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017</u>	<u>2016</u>
Revenues, Gains and Support:				
Contributions and grants	\$ 56,799	\$ -	\$ 56,799	\$ 84,186
Government grants (Schedule D)	-	7,255,653	7,255,653	7,377,451
Interest and investment income	78,577	-	78,577	78,515
Program service fees	7,288,342	252,332	7,540,674	5,304,843
Other revenues	214,851	137,721	352,572	2,046,131
Net assets released from restrictions:				
Satisfaction of program restrictions	7,809,170	(7,809,170)	-	-
Total Revenues, Gains, and Support	\$ 15,447,739	\$ (163,464)	\$ 15,284,275	\$ 14,891,126
Expenses:				
Salaries	\$ 6,110,770	\$ -	\$ 6,110,770	\$ 5,928,305
Fringes	901,108	-	901,108	886,195
Worker's compensation insurance	101,761	-	101,761	94,548
Staff travel	126,644	-	126,644	144,402
Office supplies, printing, postage	69,334	-	69,334	64,286
Telephone	153,744	-	153,744	157,263
Rent and utilities	213,839	-	213,839	195,771
Insurance	151,351	-	151,351	159,945
Vehicle gasoline, operation and maintenance	549,146	-	549,146	472,019
Materials and storage	66,197	-	66,197	97,134
Contract labor	3,591,202	-	3,591,202	1,753,687
Professional services	230,297	-	230,297	276,578
Program supplies	54,337	-	54,337	86,263
Meals	495,740	-	495,740	544,436
Partner Payments	1,076,114	-	1,076,114	1,899,941
Other	659,625	-	659,625	649,012
Depreciation	1,064,495	-	1,064,495	924,925
Total Expenses	\$ 15,615,704	\$ -	\$ 15,615,704	\$ 14,334,710
Change in Net Assets	\$ (167,965)	\$ (163,464)	\$ (331,429)	\$ 556,416
Net Assets, beginning of year	16,701,678	787,855	17,489,533	16,933,117
Net Assets, end of year	\$ 16,533,713	\$ 624,391	\$ 17,158,104	\$ 17,489,533

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

BAY AGING

Consolidated Statement of Cash Flows Year Ended September 30, 2017 (With Comparative Totals for 2016)

	2017	2016
Cash flows provided (used) by operating activities:		
Change in net assets	\$ (331,429)	\$ 556,416
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,064,495	924,925
(Gain) loss on disposal of equipment	(9,655)	5,347
(Gain) on sale of investments	(17,671)	(22,434)
Unrealized (gains) losses on investments	(17,762)	(33,097)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts and grants receivable	75,116	(477,467)
Due from related organizations	(16,430)	14,154
Inventory	4,988	5,785
Prepaid expenses	(97,125)	(55,733)
Increase (decrease) in:		
Accounts payable and accrued liabilities	415,952	(12,011)
Accrued annual leave payable	14,489	27,290
Retainage payable	-	(113,198)
Advances	264	(695)
Deferred revenue	161,591	(61,935)
Net cash provided (used) by operating activities	\$ 1,246,823	\$ 757,347
Cash flows provided (used) by investing activities:		
Purchase of fixed assets and construction in progress	\$ (636,034)	\$ (839,602)
Proceeds from sale of fixed assets and insurance	40,730	22,183
Sale of investments	67,889	233,694
Purchase of investments	(83,502)	(243,894)
Net cash provided (used) by investing activities	\$ (610,917)	\$ (827,619)
Cash flows provided (used) by financing activities:		
Principal payments on loans	\$ (58,016)	\$ (55,682)
Net cash provided (used) by financing activities	\$ (58,016)	\$ (55,682)
Net change in cash and cash equivalents	\$ 577,890	\$ (125,954)
Cash and cash equivalents, beginning of year	5,163,594	5,289,548
Cash and cash equivalents, end of year	\$ 5,741,484	\$ 5,163,594
Other Supplemental Information:		
Interest paid	\$ 12,902	\$ 15,428

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

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BAY AGING

Notes to Consolidated Financial Statements As of September 30, 2017

NOTE 1 - DESCRIPTION AND PURPOSE OF ORGANIZATION

Bay Aging (the "Organization") is a non-profit organization (and a Virginia non-stock corporation) which acts as an agent for the counties of Essex, Gloucester, King and Queen, King William, Lancaster, Mathews, Middlesex, Northumberland, Richmond and Westmoreland in the establishment of and operation of aging, housing and weatherization programs, public transportation, and senior apartments with supportive services, and also provides transportation services to New Kent and Charles City Counties. Significant sources of revenues include government grants and Medicaid fees resulting from services provided.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Bay Aging Foundation (the "Foundation"). Bay Aging Foundation was established in 2004 to provide resources to provide better service to senior citizens and their families by attracting diverse funding sources and making charitable grants and gifts as appropriate. The Foundation is defined as a supporting organization as defined in Section 509(a) (1) of the Internal Revenue Code. This entity was 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.

Financial Statement 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 currently available at the discretion of the Board of Directors for use in the Organization's operations and those resources invested in property or equipment.

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

Permanently Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that they be maintained permanently by the Organization, the income from which is expendable in accordance with the conditions of each specific donation. At September 30, 2017, the Organization did not have any permanently restricted net assets.

Donated Services

Donated supplies and services are reflected in the consolidated financial statements at the estimated fair value of supplies and services received. The contribution of services is recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. There were no amounts reported for donated services in fiscal year 2017. See additional information in Note 12.

BAY AGING

Notes to Consolidated Financial Statements As of September 30, 2017 (continued)

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

Contributions

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

Program Service Fees

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

Cash and Cash Equivalents

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

Inventory

Inventory consists primarily of weatherization of materials used to improve low-income houses and are stated at the lower of cost or market.

Investments

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

Property Held for Resale

Bay Aging holds certain land for resale valued at the lower of cost or market. The land is held for the potential sale to future HUD 202 Housing projects or low income tax credit projects.

Allowance for Uncollectible Accounts

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

BAY AGING

Notes to Consolidated Financial Statements As of September 30, 2017 (continued)

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

The Organization capitalizes all expenditures for fixed assets in excess of \$500; donated fixed assets are capitalized at their fair market value at the date of donation. The Organization recognizes the prorated depreciation in the year of acquisition and the remainder in the year of disposition.

Use of 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 revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Accrued Leave

Accumulated unpaid vacation pay is accrued when earned. The amount of such pay was \$346,013 and \$331,524 for 2017 and 2016, respectively.

Income Taxes

Bay Aging and Bay Aging Foundation are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Prior Year Totals

The prior year totals are presented for comparative purposes only. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year presentation.

NOTE 3 - CASH AND CASH INVESTMENTS:

The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation ("FDIC") covers \$250,000 for substantially all depository accounts. The Organization from time to time may have amounts on deposit in excess of the insured limits. As of September 30, 2017, balances not insured by the FDIC amounted to approximately \$4.3 million. A majority of the balance in excess of the FDIC limit is invested in a repurchase agreement that is backed by U.S. Government and other secure state and municipal bonds.

BAY AGING

Notes to Consolidated Financial Statements As of September 30, 2017 (continued)

NOTE 3 - CASH AND CASH INVESTMENTS: (continued)

The following is the composition of the combined amounts appearing in the consolidated financial statements for 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Cash	\$ 4,436,611	\$ 3,693,869
Certificates of Deposit	790,029	780,850
Money Market Funds	514,844	688,875
Total	<u>\$ 5,741,484</u>	<u>\$ 5,163,594</u>

Long-term investments, carried at fair value based on quoted prices in active markets (all Level 1 measurements), at September 30, 2017 and 2016 consist of the following:

	<u>September 30, 2017</u>			<u>September 30, 2016</u>		
	<u>Fair Value</u>	<u>Cost Basis</u>	<u>Cumulative Gain</u>	<u>Fair Value</u>	<u>Cost Basis</u>	<u>Cumulative Gain</u>
Publicly-held stock	\$ 332,287	\$ 188,486	\$ 143,801	\$ 285,144	\$ 183,059	\$ 102,085
Mutual fund units	613,689	529,520	84,169	542,755	519,467	23,288
Total	<u>\$ 945,976</u>	<u>\$ 718,006</u>	<u>\$ 227,970</u>	<u>\$ 827,899</u>	<u>\$ 702,526</u>	<u>\$ 125,373</u>

NOTE 4 - FAIR VALUE MEASUREMENTS:

Fair value for investments is determined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Accounting standards establish a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of 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 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. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

BAY AGING

Notes to Consolidated Financial Statements As of September 30, 2017 (continued)

NOTE 4 - FAIR VALUE MEASUREMENTS: (continued)

At September 30, 2017 and 2016, the Organization's consolidated financial assets measured at fair value on a recurring basis consisted of investments in the amount of \$945,976 and \$827,899, respectively, which was also the carrying 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 carrying amounts reported in the consolidated financial statements of financial position approximate fair values because of the short maturities of those items and interest rates on the loans and notes payable.

NOTE 5 - ACCOUNTS AND GRANTS RECEIVABLE:

Accounts and grants receivable at September 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Virginia Department of Medical Assistance Services	\$ 103,472	\$ 224,688
Virginia Department of Rail and Public Transportation	281,826	360,902
Virginia Department of Housing and Community Development	110,660	76,096
Virginia Department for Aging and Rehabilitative Services	14,851	74,261
Virginia Department of Social Services	59,616	174,761
Magellan Health	145,768	-
Veteran's Administration	834,901	523,061
Others	287,453	479,894
Total	<u>\$ 1,838,547</u>	<u>\$ 1,913,663</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 is related to other not-for-profit organizations through common membership of the Board of Directors on their organizations. The Organization has \$91,553 and \$74,764 in related-party receivables at September 30, 2017 and 2016, respectively. Of this amount, \$34,675 represents advances for which there is no current repayment plan. The remaining balance represents routine expenses reimbursed after year-end.

BAY AGING

**Notes to Consolidated Financial Statements
As of September 30, 2017 (continued)**

NOTE 6 - DUE FROM RELATED ORGANIZATIONS: (continued)

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:

	Bay Aging				Bay Aging		Bay Aging		Bay Aging
	Apartments	Bay Aging	Bay Aging	Bay Aging	Apartments	Bay Aging	Apartments	Bay Aging	Apartments
	Colonial	Apartments	Apartments	Apartments	Kilmarnock	Apartments	Middlesex	Apartments	Middlesex
	Beach	West Point	Gloucester	Montross	(Tartan I & II)	Westmoreland	(P'Town 1)	JCC	(P'Town 2)
Fiscal Year	<u>9/30/2017</u>	<u>9/30/2017</u>	<u>9/30/2017</u>	<u>9/30/2017</u>	<u>3/31/2017</u>	<u>3/31/2017</u>	<u>3/31/2017</u>	<u>3/31/2017</u>	<u>3/31/2017</u>
Assets	\$ 1,058,909	\$ 937,230	\$ 2,487,277	\$ 1,075,510	\$ 3,377,257	\$ 1,527,468	\$ 1,618,096	\$ 5,004,394	\$ 1,228,013
Liabilities	(27,889)	(21,544)	(51,345)	(13,802)	(36,990)	(16,676)	(17,317)	(65,488)	(13,151)
Net Assets	<u>\$ 1,031,020</u>	<u>\$ 915,686</u>	<u>\$ 2,435,932</u>	<u>\$ 1,061,708</u>	<u>\$ 3,340,267</u>	<u>\$ 1,510,792</u>	<u>\$ 1,600,779</u>	<u>\$ 4,938,906</u>	<u>\$ 1,214,862</u>
Operating Revenues	\$ 217,154	\$ 170,508	\$ 294,616	\$ 149,484	\$ 223,282	\$ 133,959	\$ 139,284	\$ 338,346	\$ 76,266
Operating Expenses	(246,090)	(191,520)	(381,098)	(182,777)	(308,635)	(174,913)	(180,462)	(446,042)	(101,665)
Other Revenues/ (Expenses)	595	157	35	214	1,769	610	846	2,428	147
Change in Net Assets	<u>\$ (28,341)</u>	<u>\$ (20,855)</u>	<u>\$ (86,447)</u>	<u>\$ (33,079)</u>	<u>\$ (83,584)</u>	<u>\$ (40,344)</u>	<u>\$ (40,332)</u>	<u>\$ (105,268)</u>	<u>\$ (25,252)</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 \$389,529 for 2017 and \$413,156 for 2016.

NOTE 7 - REAL ESTATE ACTIVITIES AND PROPERTY HELD FOR RESALE:

The Organization has purchased land in the Town of West Point, Gloucester County, Middlesex County, and Lancaster 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 as of September 30, 2017 and 2016 is \$319,563.

BAY AGING

Notes to Consolidated Financial Statements As of September 30, 2017 (continued)

NOTE 8 - FIXED ASSETS:

Major classes of fixed assets consist of the following at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 471,550	\$ 471,550
Buildings	9,178,204	9,178,204
Furniture and equipment	1,535,560	1,518,130
Vehicles	4,812,033	4,972,262
Total	\$ 15,997,347	\$ 16,140,146
Accumulated depreciation	<u>(5,337,309)</u>	<u>(5,020,571)</u>
Net fixed assets	<u>\$ 10,660,038</u>	<u>\$ 11,119,575</u>

Depreciation expense was \$1,064,495 for 2017 and \$924,925 for 2016.

NOTE 9 - LOANS PAYABLE:

On November 24, 2009, Bay Aging obtained a loan from BB&T Bank for \$650,000 bearing interest at 7.25% payable in monthly installment of \$5,972 and maturing on September 24, 2024. This loan is secured by a deed of trust on real estate located in Gloucester County, Virginia. On March 4, 2012, Bay Aging refinanced their loan with BB&T for \$583,047 bearing interest at 3.99% payable in monthly installments of \$5,910 and maturing on April 24, 2022. The balance of this loan was \$288,066 at September 30, 2017 and \$346,082 at September 30, 2016.

Interest expense totaled \$12,902 for 2017 and \$15,428 for 2016, all of which was expensed.

Summary of debt activity:

	<u>2017</u>	<u>2016</u>
Loans payable, beginning of year	\$ 346,082	\$ 401,764
Principal payments on loans	<u>(58,016)</u>	<u>(55,682)</u>
Loans payable, end of year	<u>\$ 288,066</u>	<u>\$ 346,082</u>

BAY AGING

Notes to Consolidated Financial Statements As of September 30, 2017 (continued)

NOTE 9 - LOANS PAYABLE: (continued)

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

	<u>Principal</u>	<u>Interest</u>
2018	\$ 60,091	\$ 10,829
2019	62,555	8,365
2020	65,120	5,800
2021	67,790	3,130
2022	32,510	550
Total	<u>\$ 288,066</u>	<u>\$ 28,674</u>

Bay Aging also has a VHDA predevelopment loan outstanding related to Daffodil Gardens Phase II. The loan agreement for \$50,000 and subsequent addendum for \$20,000 carry a 1% interest rate. The agreement stipulates that payment of principal and accrued interest is due upon the sooner of 37 months after the agreement date or the closing of permanent financing for the project. Currently Bay Aging is under the second six-month extension of the agreement while final arrangements are completed on permanent financing. Interest will be reduced to zero if VHDA multifamily permanent financing is received for the Development. The loan will be paid off with permanent financing, when received.

NOTE 10 - LEASE COMMITMENTS:

The Organization leases office space and other facilities pursuant to lease agreements. Total rental expenses totaled \$209,918 and \$136,579 for fiscal year 2017 and 2016, respectively.

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

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$ 66,358
2019	60,080
2020	21,037
Total	<u>\$ 147,475</u>

NOTE 11 - RETIREMENT PLANS:

All employees of the Organization are covered by a defined contribution benefit plan under section 403(b) of the Internal Revenue Code. All employees who make a contribution to the plan received a safe harbor matching contribution in the amount of 100% of contributions up to the first 4% of their pay in calendar year 2017 (up from 3% in 2016), plus 50% of what they contributed, up to the next 2% of their pay (down from 4% of compensation contributed in 2016). Employees have full and immediate vesting of plan assets. The amount of the Organization's contribution for the years ended September 30, 2017 and 2016 was \$141,728 and \$134,035, respectively. The employees' contributions to the plan for the years ended September 30, 2017 and 2016 were \$255,190 and \$268,799, respectively.

BAY AGING

Notes to Consolidated Financial Statements As of September 30, 2017 (continued)

NOTE 12 - DONATED MATERIALS AND SERVICES:

The Organization records the value of in-kind contributions as matching funds for the RSVP and Title V grant programs. The amount of in-kind contributions for other items (office space, MedCarry mileage reimbursement to volunteers, volunteer recognition discount on meals, waiver of fee for the use of a kitchen, program management and oversight by Bay Aging staff) provided totaled approximately \$21,603 and \$21,839 for fiscal year 2017 and 2016, 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 years 2017 and 2016; however, the values of these items were of a minimal value. As a result, these in-kind amounts are not reported in the consolidated financial statements.

NOTE 13 - FEES FOR SERVICES:

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

NOTE 14 - ADVANCES PAYABLE:

The Organization has advances from the Virginia Department of Housing and Community Development ("VDHCD") for the Indoor Plumbing Rehabilitation ("IPR") programs and Home Investment Partnership ("HOME"). These funds were expended under the direction of VDHCD. See Note 17 for additional details of the IPR and HOME programs.

NOTE 15 - COMMITMENTS AND CONTINGENCIES:

The Organization participates in federal grant programs which are audited in accordance with the provisions of Uniform Guidance. These programs are subject to audit by the grantor agencies in addition to requirements of the Single Audit Act. Management is of the opinion that any disallowance of program expenditures as a result of any audits by grantor agencies would not be significant.

BAY AGING

Notes to Consolidated Financial Statements As of September 30, 2017 (continued)

NOTE 16 - RESTRICTED ASSETS:

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

	<u>2017</u>	<u>2016</u>
Aging Programs	\$ 2,185,985	\$ 2,115,357
Action (RSVP)	79,587	63,877
Virginia Department of Housing and Community Development programs	470,844	559,647
Transportation programs	2,906,795	2,941,809
Community Services Block Grant	392,090	523,649
CMS	-	1,568,400
Other	1,773,869	1,678,527
Total	<u>\$ 7,809,170</u>	<u>\$ 9,451,266</u>

Temporarily restricted net assets consist of the following:

	<u>2017</u>	<u>2016</u>
Bay Transit Funds	\$ 1,099	\$ 116,781
Agency fund raising	-	-
Med-Carry	(1,337)	813
Local grant funds	124,567	142,617
Local gifts and grants	500,062	527,644
Total	<u>\$ 624,391</u>	<u>\$ 787,855</u>

NOTE 17 - SIGNIFICANT SOURCES OF REVENUES:

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

	<u>2017</u>	<u>2016</u>
Virginia Department of Aging and Rehabilitative Services	\$ 2,185,985	\$ 2,115,357
Virginia Department of Housing and Community Development	470,844	559,647
Virginia Department of Medical Assistance Services (Medicaid purchase of service revenues)	735,566	1,054,641
Virginia Department of Rail and Public Transportation/ Virginia Department of Transportation	2,906,795	2,941,809
CMS	-	1,568,400
All Others	8,985,085	6,651,272
Total revenues	<u>\$ 15,284,275</u>	<u>\$ 14,891,126</u>

BAY AGING

Notes to Consolidated Financial Statements
As of September 30, 2017 (continued)

NOTE 17 - SIGNIFICANT SOURCES OF REVENUES: (continued)

The Organization has a contract with the Virginia Department of Housing and Community Development (“DHCD”) to administer the IPR and HOME programs. The DHCD advances the funds to the Organization which then disburses the funds for the various approved projects. These funds are not reported as Organization revenues and expenditures, but are considered financial assistance for compliance reporting purposes. The amount of funds expended under these programs totaled \$200,450 in 2017 and \$252,570 in 2016. Interest in the amount of \$264 and \$0 was earned on program fund balances to be allocated to program activities in 2017 and 2016, respectively.

NOTE 18 - FUNCTIONAL ALLOCATION OF EXPENSES:

The following summarizes the Organization’s expenses by functional allocation for the year ended September 30, 2017:

	Program Services	Supporting Services		Total
		Management & General	Fund Raising	
Salaries	\$ 5,306,870	\$ 803,900	\$ -	\$ 6,110,770
Fringes	761,809	139,299	-	901,108
Worker's compensation insurance	100,643	1,118	-	101,761
Staff travel	120,608	6,036	-	126,644
Office supplies, printing, postage	49,253	20,081	-	69,334
Telephone	140,865	12,879	-	153,744
Rent and utilities	186,419	27,420	-	213,839
Insurance	123,336	28,015	-	151,351
Vehicle gasoline, operation and maintenance	539,834	9,312	-	549,146
Materials and storage	66,197	-	-	66,197
Contract labor	3,587,532	3,670	-	3,591,202
Professional services	162,461	67,836	-	230,297
Program supplies	54,139	198	-	54,337
Meals	495,740	-	-	495,740
EVCTP partner payments	1,076,114	-	-	1,076,114
Other (1)	615,160	40,965	3,500	659,625
Depreciation	924,456	140,039	-	1,064,495
Total Expenses	\$ 14,311,436	\$ 1,300,768	\$ 3,500	\$ 15,615,704
(1) Other:				
Interest expense	\$ 12,902	\$ -	\$ -	\$ 12,902
All other expenses	602,258	40,965	3,500	646,723
Total	\$ 615,160	\$ 40,965	\$ 3,500	\$ 659,625

BAY AGING

**Notes to Consolidated Financial Statements
As of September 30, 2017 (continued)**

NOTE 19 - SUBSEQUENT EVENTS:

In preparing these financial statements, management of the Organization has evaluated events and transactions for potential recognition or through March 6, 2018, the date the financial statements were available to be issued. There are no known subsequent events that should be recognized or disclosed.

- Supporting Schedules -

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BAY AGING
Virginia Department for Aging and Rehabilitative Services

Status of Funds
Year Ended September 30, 2017

FUND	Unencumbered Funds on Hand at Beginning of Period	Total Funds Received During Period	Funds In Transit At 9-30-17	Total Funds Available During Period	Accrued Costs to Contract Period	Unencumbered Funds on Hand at End of Period
Federal						
Older Americans Act:						
Title III-B	\$ (50,084)	\$ 378,722	\$ -	\$ 328,638	\$ 328,637	\$ 1
Title III-C (1)	(4,128)	194,429	-	190,301	191,629	(1,328)
Title III-C (2)	4,037	230,395	-	234,432	234,432	-
Title III-D	3,500	18,020	13,396	34,916	34,915	1
Title III-E	-	119,825	-	119,825	119,825	-
Title VII-Ombudsman	2,190	15,705	-	17,895	17,448	447
Title VII-Elder Abuse	(1,091)	5,267	127	4,303	4,305	(2)
NSIP	(1,874)	100,940	-	99,066	99,066	-
Other Federal:						
Title V (6/30/17 Award)	2,429	86,561	-	88,990	88,990	-
Title V (6/30/18 Award)	-	27,527	-	27,527	26,710	817
VICAP (3/31/17 Award)	4,750	45,852	-	50,602	50,602	-
VICAP (3/31/18 Award)	-	3,167	-	3,167	-	3,167
DMAS Ombudsman FY16	-	9,965	-	9,965	-	9,965
MIPPA Priority 1 - SHIP	(17,084)	130,718	-	113,634	113,634	-
CMS Demonstration Duals	-	6,471	-	6,471	3,060	3,411
General Funds						
Title III Match (6/30/17 Award)	-	7,052	-	7,052	7,052	-
Title III Match (6/30/18 Award)	-	20,927	-	20,927	20,927	-
Community Based (6/30/17 Award)	-	36,251	-	36,251	36,251	-
Community Based (6/30/18 Award)	-	107,509	-	107,509	107,509	-
Transportation (6/30/17 Award)	-	13,099	-	13,099	13,099	-
Transportation (6/30/18 Award)	-	38,872	-	38,872	38,872	-
Home Delivered Meals (6/30/17 Award)	-	45,675	-	45,675	45,675	-
Home Delivered Meals (6/30/18 Award)	-	137,431	-	137,431	137,431	-
Supplemental Nutrition (6/30/17 Award)	-	10,697	-	10,697	10,697	-
Supplemental Nutrition (6/30/18 Award)	-	31,360	-	31,360	31,360	-
Ombudsman (6/30/17 Award)	-	7,058	-	7,058	7,058	-
Ombudsman (6/30/18 Award)	-	21,200	-	21,200	21,200	-
Census Adjustment (6/30/17)	-	13,033	-	13,033	13,033	-
Census Adjustment (6/30/18)	-	35,209	-	35,209	35,209	-
Care Coordination (6/30/17 Award)	2	30,800	-	30,802	30,800	2
Care Coordination (6/30/18 Award)	-	7,988	-	7,988	7,988	-
Respite Care (6/30/16 Award)	-	16,612	-	16,612	16,612	-
Respite Care (6/30/17 Award)	-	41,250	-	41,250	41,250	-
Senior Cool Care (Dominion Power)	708	-	-	708	400	308
Total	\$ (56,645)	\$ 1,995,587	\$ 13,523	\$ 1,952,465	\$ 1,935,676	\$ 16,789

BAY AGING
Virginia Department for Aging and Rehabilitative Services

Costs by Program Activity
Year Ended September 30, 2017

	Costs to Federal Title III-B Funds	Costs to Federal Title III-C1 Funds	Costs to Federal Title III-C2 Funds	Costs to Federal Title III-D Funds	Costs to Federal Title III-E Funds	Costs to Federal Title VII Elder Abuse Funds	Costs to Federal Title VII Ombudsman Funds	Voluntary Contributions	Costs to Other Non- Federal Funds
Title III, (Except III-E), Older Americans Act Funds:									
Homemaker services	\$ 18,387	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Personal care services	120,707	-	-	-	-	-	-	405	-
Comm. Referral Info & Assist	105,435	-	-	-	-	-	-	-	-
Transportation	1,466	-	-	-	-	-	-	-	-
Congregate meals	-	169,717	-	-	-	-	-	11,421	-
Home delivered meals	-	-	225,133	-	-	-	-	3,945	52,929
Home delivered fee for services	-	-	-	-	-	-	-	-	-
Disease prevention	-	-	-	34,915	-	-	-	-	-
Long-term care coordinating activity	60,644	-	-	-	-	-	-	-	-
Public information and education	11,732	-	-	-	-	-	-	-	-
Legal assistance	8,766	-	-	-	-	-	-	-	-
Elder abuse prevention	-	-	-	-	-	4,305	-	-	-
LTC Ombudsman	-	-	-	-	-	-	17,448	-	-
Preparation and administration	1,500	21,912	9,299	-	-	-	-	-	14,461
Title III-E Older Americans Act Funds:									
Adult day care	-	-	-	-	119,825	-	-	-	268,139
Total	\$ 328,637	\$ 191,629	\$ 234,432	\$ 34,915	\$ 119,825	\$ 4,305	\$ 17,448	\$ 15,771	\$ 335,529

Fees	Costs to NSIP Funds	Costs to GF							Total Costs		
		Costs to T III State Matching Funds	Costs to GF Community Based Funds	Costs to GF Special Transportation Funds	Home Delivered Meals Funds	Costs to GF Supplemental Nutrition Funds	Costs to GF Ombudsman Funds	Costs to GF Census Adjustment		In-Kind	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	18,387
378	-	-	143,760	-	-	-	-	-	37,945	-	303,195
-	-	-	-	-	-	-	-	-	-	-	105,435
-	-	27,979	-	51,971	-	-	-	-	-	-	81,416
-	-	-	-	-	-	30,073	-	-	-	-	211,211
-	99,066	-	-	-	145,080	11,984	-	10,297	-	-	548,434
19,576	-	-	-	-	38,026	-	-	-	-	-	57,602
-	-	-	-	-	-	-	-	-	-	-	34,915
-	-	-	-	-	-	-	-	-	-	-	60,644
-	-	-	-	-	-	-	-	-	-	-	11,732
-	-	-	-	-	-	-	-	-	-	-	8,766
-	-	-	-	-	-	-	-	-	-	-	4,305
-	-	-	-	-	-	-	-	28,258	-	-	45,706
-	-	-	-	-	-	-	-	-	-	-	47,172
86,290	-	-	-	-	-	-	-	-	-	-	474,254
<u>\$ 106,244</u>	<u>\$ 99,066</u>	<u>\$ 27,979</u>	<u>\$ 143,760</u>	<u>\$ 51,971</u>	<u>\$ 183,106</u>	<u>\$ 42,057</u>	<u>\$ 28,258</u>	<u>\$ 48,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,013,174</u>

BAY AGING
Virginia Department for Aging and Rehabilitative Services

Status of Inventories
Year Ended September 30, 2017

<u>Fund Source and Type of Inventory</u>	<u>Value on Hand at October 1, 2016</u>	<u>Net Changes During Year</u>	<u>Value on Hand at September 30, 2017</u>
Older Americans Act:			
Title III-B	\$ -	\$ -	\$ -
Title III-C (1)	-	-	-
Title III-C (2)	-	-	-
Title III-D	-	-	-
Title III-E	-	-	-
Total Older Americans Act	\$ -	\$ -	\$ -
Title VII Ombudsman	-	-	-
Title VII Elder Abuse	-	-	-
Total	\$ -	\$ -	\$ -

BAY AGING

Schedule of Government Grants
Year Ended September 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Aging programs	\$ -	\$ 2,185,985	\$ 2,185,985
Virginia Department of Housing and Community Development:			
Weatherization - DOE	-	77,681	77,681
Emergency home repair	-	12,018	12,018
LIHEAP	-	381,145	381,145
Transportation:			
Virginia Department of Rail and Public Transportation	-	2,906,795	2,906,795
Community Services Block Grant/TANF	-	392,090	392,090
ACTION - RSVP	-	79,587	79,587
Department of Homeland Security	-	1,750	1,750
Other grants	-	357,309	357,309
Local governments:			
Local match funds	-	861,293	861,293
Total Government Grants	<u>\$ -</u>	<u>\$ 7,255,653</u>	<u>\$ 7,255,653</u>

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- Compliance -

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Bay Aging
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 consolidated financial statements of Bay Aging (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 6, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bay Aging's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bay Aging's internal control. Accordingly, we do not express an opinion on the effectiveness of Bay Aging's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bay Aging's 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.

Robinson, Fawcett, Cox Associates

Charlottesville, Virginia
March 6, 2018

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
Urbanna, Virginia

Report on Compliance for Each Major Federal Program

We have audited Bay Aging's (a nonprofit organization) compliance with the types of compliance requirements described in *the OMB Compliance Supplement* that could have a direct and material effect on each of Bay Aging's major federal programs for the year ended September 30, 2017. Bay Aging's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Bay Aging's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bay Aging's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bay Aging's compliance.

Opinion on Each Major Federal Program

In our opinion, Bay Aging 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 September 30, 2017.

Report on Internal Control over Compliance

Management of Bay Aging 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's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bay Aging's internal control over compliance.

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

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

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

Robinson, Fawcett, Cox Associates

Charlottesville, Virginia
March 6, 2018

BAY AGING

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-through to Subrecipients	Federal Expenditures
<u>Department of Agriculture:</u>				
Pass Through Payments:				
Virginia Department of Agriculture				
Child Nutrition Discretionary Grants Limited Availability	10.579	N/A		\$ 11,204
<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	\$ 200,450	200,450
Section 8 Housing Choice Vouchers	14.871	N/A		74,972
Total Department of Housing and Urban Development				\$ 275,422
<u>Corporation for National and Community Service:</u>				
Direct Payments:				
Retired and Senior Volunteer Program	94.002	N/A		\$ 79,587
<u>Department of Health and Human Services:</u>				
Pass Through Payments:				
Virginia Department of Aging and Rehabilitative Services:				
Aging Cluster:				
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	42016/42017	\$ 328,637	
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	42216/42217/42316/42317	426,061	
Nutrition Services Incentive Program	93.053	42716/42717	99,066	\$ 853,764
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	42416/42417		34,915
Special Programs for the Aging - Title IV and Title II- Discretionary Projects (CPL)	93.048	V4A		7,867
National Family Caregiver Support, Title III, Part E	93.052	42516/42517		119,825
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	43716/43717		4,305
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	43616/43617		17,448
Centers for Medicare and Medicaid Services (CMS) Research, Medicare Enrollment Assistance Program (MIPPA)	93.071	44817		113,634
State Health Insurance Assistance Program	93.324	44117/44118		50,602
Affordable Care Act State Health Insurance Assistance Program (SHIP) and Aging and Disability Resource Center (ADRC) Options Counseling for Medicare-Medicaid				
Individuals in States with Approved Financial Alignment Models	93.626	44417		3,059
Virginia Department of Housing and Community Development:				
Low-Income Home Energy Assistance	93.568	16-LI-15 & 17-LI-15		381,145
Virginia Department of Social Services:				
Temporary Assistance for Needy Families (TANF)	93.558	CVS-17-001-04/CVS-17-073-04		122,634
Community Services Block Grant	93.569	CVS-17-001-04/CVS-17-031-04/CVS-17-073-04		269,454
Total Department of Health and Human Services				\$ 1,978,652
<u>Department of Labor:</u>				
Pass Through Payments:				
Virginia Department of Aging and Rehabilitative Services:				
Senior Community Service Employment Program	17.235	43517/43518		\$ 115,700
<u>Department of Energy:</u>				
Pass Through Payments:				
Virginia Department of Housing and Community Development:				
Weatherization Assistance for Low-Income Persons	81.042	16-WX-15 & 17-WX-15		\$ 77,681
<u>Department of Transportation:</u>				
Pass Through Payments:				
Virginia Department of Transportation				
Formula Grants for Rural Areas	20.509	42017-20, 21, 22, 23, 24, 25; 42517-16; 44017-11; 44017-12; 47013-08; 42016-23; 44016-07		\$ 2,139,524

BAY AGING

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2017 (Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass- through to Subrecipients	Federal Expenditures
<u>Department of Homeland Security:</u>				
Pass Through Payments:				
County of Westmoreland, Virginia:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Not Available	\$	1,750
Total expenditures of federal awards			<u>\$</u>	<u>4,679,520</u>

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Bay Aging under programs of the federal government for the year ended September 30, 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 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 the Uniform Guidance and/or 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 - Indirect Cost Recovery

The entity has elected not to use the 10% de minimis indirect costs rate allowed under the Uniform Guidance.

Note D - Subrecipients

\$200,450 of the reported HOME program expenditures amount is not reported in revenues or expenses on the Statement of Activities.

BAY AGING

Schedule of Findings and Questioned Costs
Year Ended September 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? No
Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:
Material weakness(es) identified? No
Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR Section 200.516(a)? No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
20.509	Formula Grants for Rural Areas

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 financial statement findings to report.

Section IV - Prior Year's Findings

There were no federal award findings or questioned costs reported.

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