

BAY AGING
URBANNA, VIRGINIA
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

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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, 2019, and the related consolidated statements of activities, functional expenses 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, 2019, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, in 2019, Bay Aging adopted new accounting guidance, FASB ASU 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the 2018 consolidated financial statements of Bay Aging as of September 30, 2018, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 15, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary and 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* 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 11, 2020, 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 solely 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 effectiveness of Bay Aging's 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 Turner Cox Associates

Charlottesville, Virginia
March 11, 2020

- Financial Statements -

BAY AGING

**Consolidated Statement of Financial Position
At September 30, 2019
(With Comparative Totals for 2018)**

ASSETS	2019	2018
Cash and cash equivalents	\$ 4,375,726	\$ 5,522,542
Investments	1,038,121	1,013,428
Cash surrender value of insurance	120,000	-
Accounts and grants receivable	3,714,641	2,184,763
Due from related organizations	245,447	111,821
Inventory	59,323	36,908
Security deposits	39,395	1,775
Prepaid expenses	42,922	130,160
Property held for resale	231,063	231,063
Fixed assets, net of accumulated depreciation	9,636,742	10,109,495
Total Assets	\$ 19,503,380	\$ 19,341,955
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,918,846	\$ 1,516,014
Compensated absences	403,271	378,420
Loans payable	167,676	228,226
VHDA predevelopment loan	70,000	67,030
Advances from the Virginia Department of Housing and Community Development:		
Weatherization program	24,883	24,379
Deferred revenue	364,080	399,332
Total Liabilities	\$ 2,948,756	\$ 2,613,401
NET ASSETS		
Without Donor Restrictions	\$ 16,143,677	\$ 16,259,551
With Donor Restrictions	410,947	469,003
Total Net Assets	\$ 16,554,624	\$ 16,728,554
Total Liabilities and Net Assets	\$ 19,503,380	\$ 19,341,955

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

BAY AGING

**Consolidated Statement of Activities
Year Ended September 30, 2019
(With Comparative Totals for 2018)**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
Revenues, Gains and Support:				
Contributions and grants	\$ 21,839	\$ 54,744	\$ 76,583	\$ 62,353
Government grants (Schedule D)	-	7,640,859	7,640,859	7,164,346
Interest and investment income	130,538	-	130,538	88,921
Program service fees	9,046,714	332,939	9,379,653	8,645,985
Other revenues	342,150	65,419	407,569	421,150
Net assets released from restrictions:				
Satisfaction of program restrictions	8,152,017	(8,152,017)	-	-
Total Revenues, Gains, and Support	\$ 17,693,258	\$ (58,056)	\$ 17,635,202	\$ 16,382,755
Expenses:				
Salaries	\$ 6,112,786	\$ -	\$ 6,112,786	\$ 6,335,089
Fringes	936,742	-	936,742	957,576
Worker's compensation insurance	91,118	-	91,118	80,247
Staff travel	100,463	-	100,463	112,945
Office supplies, printing, postage	57,930	-	57,930	68,528
Telephone	167,073	-	167,073	175,118
Rent and utilities	264,246	-	264,246	259,341
Insurance	167,623	-	167,623	147,457
Vehicle gasoline, operation and maintenance	598,534	-	598,534	601,817
Materials and storage	121,351	-	121,351	104,102
Contract labor	5,889,222	-	5,889,222	4,095,225
Professional services	242,097	-	242,097	302,688
Program supplies	111,608	-	111,608	71,214
Meals	490,683	-	490,683	548,388
Partner Payments	681,189	-	681,189	1,128,655
Other	702,609	-	702,609	730,743
Depreciation	1,073,858	-	1,073,858	1,093,172
Total Expenses	\$ 17,809,132	\$ -	\$ 17,809,132	\$ 16,812,305
Change in Net Assets	\$ (115,874)	\$ (58,056)	\$ (173,930)	\$ (429,550)
Net Assets, beginning of year	16,259,551	469,003	16,728,554	17,158,104
Net Assets, end of year	\$ 16,143,677	\$ 410,947	\$ 16,554,624	\$ 16,728,554

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

BAY AGING

Consolidated Statement of Functional Expenses
 Year Ended September 30, 2019
 (With Comparative Totals for 2018)

	Program Services			Supporting Services		Total	2018
	Transportation	Housing	Healthy Living	Management & General	Fund Raising		
Salaries	\$ 1,801,889	\$ 727,349	\$ 2,714,969	\$ 827,181	\$ 41,398	\$ 6,112,786	\$ 6,335,089
Fringes	227,960	129,505	428,658	143,095	7,524	936,742	957,576
Worker's compensation insurance	44,568	16,534	29,074	898	44	91,118	80,247
Staff travel	24,535	9,545	62,486	3,897	-	100,463	112,945
Office supplies, printing, postage	7,755	3,021	24,921	21,970	263	57,930	68,528
Telephone	55,927	8,749	81,311	20,235	851	167,073	175,118
Rent and utilities	39,634	42,583	138,627	40,897	2,505	264,246	259,341
Insurance	130,520	8,357	19,857	8,889	-	167,623	147,457
Vehicle gasoline, operation and maintenance	521,364	19,473	50,198	7,449	50	598,534	601,817
Materials and storage	-	120,754	597	-	-	121,351	104,102
Contract labor	343,610	290,942	5,248,864	5,588	218	5,889,222	4,095,225
Professional services	62,690	34,964	96,336	48,107	-	242,097	302,688
Program supplies	3,931	16,387	90,760	530	-	111,608	71,214
Meals	-	-	490,683	-	-	490,683	548,388
EVCTP partner payments	-	-	681,189	-	-	681,189	1,128,655
Other (1)	120,510	252,933	264,825	52,040	12,301	702,609	730,743
Depreciation	316,545	127,776	476,950	145,314	7,273	1,073,858	1,093,172
Total Expenses	\$ 3,701,438	\$ 1,808,872	\$ 10,900,305	\$ 1,326,090	\$ 72,427	\$ 17,809,132	\$ 16,812,305
 (1) Other:							
Interest expense	\$ -	\$ -	\$ 8,089	\$ -	\$ -	\$ 8,089	\$ 10,716
All other expenses	120,510	252,933	256,736	52,040	12,301	694,520	720,027
Total	\$ 120,510	\$ 252,933	\$ 264,825	\$ 52,040	\$ 12,301	\$ 702,609	\$ 730,743

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

BAY AGING

Consolidated Statement of Cash Flows
Year Ended September 30, 2019
(With Comparative Totals for 2018)

	2019	2018
Cash flows provided (used) by operating activities:		
Change in net assets	\$ (173,930)	\$ (429,550)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,073,858	1,093,172
(Gain) loss on disposal of equipment	(3,474)	(10,514)
(Gain) on sale of investments	(24,849)	(20,819)
Unrealized (gains) losses on investments	(80,523)	51,384
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts and grants receivable	(1,529,878)	(346,216)
Due from related organizations	(133,626)	(20,627)
Inventory	(22,415)	1,067
Prepaid expenses	87,238	39,927
Increase (decrease) in:		
Accounts payable and accrued liabilities	402,832	37,136
Compensated absences	24,851	32,407
Advances	504	401
Deferred revenue	(35,252)	(45,095)
Net cash provided (used) by operating activities	\$ (414,664)	\$ 382,673
Cash flows provided (used) by investing activities:		
Purchase of fixed assets and construction in progress	\$ (602,931)	\$ (547,749)
Proceeds from sale of fixed assets	5,300	16,250
Sale of investments	259,758	81,352
Purchase of investments	(213,729)	(91,628)
Purchase of life insurance policy	(120,000)	-
Net cash provided (used) by investing activities	\$ (671,602)	\$ (541,775)
Cash flows provided (used) by financing activities:		
Principal payments on loans	\$ (60,550)	\$ (59,840)
Net cash provided (used) by financing activities	\$ (60,550)	\$ (59,840)
Net change in cash and cash equivalents	\$ (1,146,816)	\$ (218,942)
Cash and cash equivalents, beginning of year	5,522,542	5,741,484
Cash and cash equivalents, end of year	\$ 4,375,726	\$ 5,522,542
Other Supplemental Information:		
Interest paid	\$ 8,089	\$ 10,716

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

BAY AGING

Notes to Consolidated Financial Statements As of September 30, 2019

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 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 two classes of net assets: net assets without donor restriction and net assets with donor restriction, based on the existence or absence of donor-imposed restrictions. The consolidated financial statements report amounts separately by class of assets as follows:

Net Assets Without Donor Restriction - 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. Net assets accumulated that are not subject to donor-imposed restrictions, but which the Board of Directors of the Organization has earmarked for specific uses, shall be segregated in the accounting records as "board-designated" funds within this category of net assets.

Net Assets with Donor Restrictions - Net assets that are subject to donor-imposed stipulations or restrictions. Restrictions may be associated with either a time period (e.g. a particular future time period) or a purpose (e.g. specific programs). A purpose stipulation will be considered a restriction only if it is more specific than the broad limits resulting from the nature of the Organization, the environment in which it operates, and the purposes specified in Bay Aging's Articles of Incorporation and Bylaws. These restrictions limit the Organization's choices when using these resources because the Organization has a fiduciary responsibility to its donors to follow the donor's instructions.

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Notes to Consolidated Financial Statements As of September 30, 2019 (continued)

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

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 2019. See additional information in Note 12.

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 without donor restrictions, unless subject to external restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 and beyond. Revenue is recognized as services are provided for each program and is reported as unrestricted revenue and net assets without donor restrictions, 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 1 measurements) in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets.

Property Held for Resale

Bay Aging holds certain land for resale 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.

BAY AGING

Notes to Consolidated Financial Statements As of September 30, 2019 (continued)

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

Allowance for Uncollectible Accounts

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

Fixed Assets

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

	<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 \$403,271 and \$378,420 for 2019 and 2018, 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.

BAY AGING

Notes to Consolidated Financial Statements As of September 30, 2019 (continued)

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

Adoption of Accounting Pronouncement

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has changed the presentation of its financial statements, accordingly, applying the changes retrospectively to the beginning net assets. The ASU changes the following aspects of the Organization financial statements:

- The temporarily restricted and permanently restricted net asset classes have been reduced to a single net asset class called *net assets with donor restrictions*.
- The unrestricted net asset class has been changed to *net assets without donor restrictions*.
- The financial statements include a new disclosure about liquidity and availability of resources.
- The financial statements include increased disclosures on functional expenses.

The changes have the following effect on net assets at October 1, 2018:

	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted	\$ 16,259,551	\$ -
Temporarily restricted	469,003	-
Net assets without donor restrictions	-	16,259,551
Net assets with donor restrictions	-	<u>469,003</u>
Total Net Assets	<u>\$ 16,728,554</u>	<u>\$ 16,728,554</u>

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, 2019, balances not insured by the FDIC amounted to approximately \$2.9 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.

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Notes to Consolidated Financial Statements As of September 30, 2019 (continued)

NOTE 3 - CASH AND CASH INVESTMENTS: (continued)

The following is the composition of the combined amounts appearing in the consolidated financial statements for 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash	\$ 2,774,952	\$ 3,951,314
Certificates of Deposit	1,069,524	1,049,813
Money Market Funds	531,250	521,415
Total	<u>\$ 4,375,726</u>	<u>\$ 5,522,542</u>

Long-term investments, carried at fair value based on quoted prices in active markets (all Level 1 measurements), at September 30, 2019 and 2018 consist of the following:

	<u>September 30, 2019</u>			<u>September 30, 2018</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	\$ 359,595	\$ 187,710	\$ 171,885	\$ 373,345	\$ 208,915	\$ 164,430
Money market mutual funds	46,267	46,267	-	-	-	-
Mutual fund units	632,259	563,327	68,932	640,083	555,825	84,258
Total	<u>\$ 1,038,121</u>	<u>\$ 797,304</u>	<u>\$ 240,817</u>	<u>\$ 1,013,428</u>	<u>\$ 764,740</u>	<u>\$ 248,688</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, 2019 (continued)

NOTE 4 - FAIR VALUE MEASUREMENTS: (continued)

At September 30, 2019 and 2018, the Organization's consolidated financial assets measured at fair value on a recurring basis consisted of investments in the amount of \$1,038,121 and \$1,013,428, 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. The life insurance policy is valued at the cash surrender value at year-end.

NOTE 5 - ACCOUNTS AND GRANTS RECEIVABLE:

Accounts and grants receivable at September 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Virginia Department of Medical Assistance Services	\$ -	\$ 133,146
Virginia Department of Rail and Public Transportation	437,179	313,029
Virginia Department of Housing and Community Development	312,662	150,980
Virginia Department for Aging and Rehabilitative Services	2,815	32,354
Virginia Department of Social Services	61,166	32,222
Magellan Health	-	141,522
United Healthcare	141,700	126,140
Veteran's Administration	2,569,724	1,129,867
Others	189,395	125,503
Total	<u>\$ 3,714,641</u>	<u>\$ 2,184,763</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 \$245,447 and \$111,821 in related-party receivables at September 30, 2019 and 2018, respectively. Of this amount, \$174,599 and \$46,440, respectively, represent 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, 2019 (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 Apartments Colonial Beach	Bay Aging Apartments West Point	Bay Aging Apartments Gloucester	Bay Aging Apartments Montross	Bay Aging Apartments Kilmarnock (Tartan I & II)	Bay Aging Apartments Westmoreland	Bay Aging Apartments Middlesex (P'Town 1)	Bay Aging Apartments JCC	Bay Aging Apartments Middlesex (P'Town 2)
Fiscal Year	<u>9/30/2019</u>	<u>9/30/2019</u>	<u>9/30/2019</u>	<u>9/30/2019</u>	<u>3/31/2019</u>	<u>3/31/2019</u>	<u>3/31/2019</u>	<u>3/31/2019</u>	<u>3/31/2019</u>
Assets	\$ 1,017,171	\$ 897,207	\$ 2,323,383	\$ 1,023,411	\$ 3,208,845	\$ 1,448,440	\$ 1,528,904	\$ 4,771,214	\$ 1,187,475
Liabilities	<u>(34,958)</u>	<u>(37,513)</u>	<u>(63,804)</u>	<u>(30,267)</u>	<u>(34,281)</u>	<u>(23,252)</u>	<u>(19,269)</u>	<u>(54,070)</u>	<u>(17,068)</u>
Net Assets	<u>\$ 982,213</u>	<u>\$ 859,694</u>	<u>\$ 2,259,579</u>	<u>\$ 993,144</u>	<u>\$ 3,174,564</u>	<u>\$ 1,425,188</u>	<u>\$ 1,509,635</u>	<u>\$ 4,717,144</u>	<u>\$ 1,170,407</u>
Operating Revenues	\$ 238,003	\$ 187,857	\$ 341,823	\$ 159,627	\$ 247,767	\$ 161,269	\$ 155,095	\$ 372,105	\$ 93,675
Operating Expenses	(265,304)	(215,541)	(444,557)	(189,725)	(314,686)	(186,917)	(196,582)	(488,403)	(115,322)
Other Revenues/ (Expenses)	<u>9</u>	<u>262</u>	<u>15</u>	<u>266</u>	<u>455</u>	<u>153</u>	<u>409</u>	<u>3,523</u>	<u>182</u>
Change in Net Assets	<u>\$ (27,292)</u>	<u>\$ (27,422)</u>	<u>\$ (102,719)</u>	<u>\$ (29,832)</u>	<u>\$ (66,464)</u>	<u>\$ (25,495)</u>	<u>\$ (41,078)</u>	<u>\$ (112,775)</u>	<u>\$ (21,465)</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 \$423,436 for 2019 and \$398,435 for 2018.

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, 2019 and 2018 is \$231,063 and \$231,063, respectively.

BAY AGING

Notes to Consolidated Financial Statements As of September 30, 2019 (continued)

NOTE 8 - FIXED ASSETS:

Major classes of fixed assets consist of the following at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 471,550	\$ 471,550
Buildings	9,293,081	9,178,204
Furniture and equipment	1,633,279	1,540,352
Vehicles	5,312,493	5,072,703
Total	\$ 16,710,403	\$ 16,262,809
Accumulated depreciation	(7,073,661)	(6,153,314)
Net fixed assets	<u>\$ 9,636,742</u>	<u>\$ 10,109,495</u>

Depreciation expense was \$1,073,858 for 2019 and \$1,093,172 for 2018.

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 installments of \$5,972 and maturing on September 24, 2024. This loan is secured by a deed of trust on real estate located in Gloucester County, Virginia. On March 4, 2012, Bay Aging refinanced their loan with BB&T for \$583,047 bearing interest at 3.99% payable in monthly installments of \$5,910 and maturing on April 24, 2022. On April 25, 2018, Bay Aging again refinanced their loan with BB&T for \$253,102 bearing interest at 3.99% payable in monthly installments of \$5,720 and maturing on April 24, 2022. This transaction released collateral on Fiddlers Green Road. The balance of this loan was \$167,676 at September 30, 2019 and \$228,226 at September 30, 2018.

Interest expense totaled \$8,089 for 2019 and \$10,716 for 2018, all of which was expensed.

Summary of debt activity:

	<u>2019</u>	<u>2018</u>
Loans payable, beginning of year	\$ 228,226	\$ 288,066
Principal payments on loans	(60,550)	(59,840)
Loans payable, end of year	<u>\$ 167,676</u>	<u>\$ 228,226</u>

BAY AGING

Notes to Consolidated Financial Statements As of September 30, 2019 (continued)

NOTE 9 - LOANS PAYABLE: (continued)

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

	<u>Principal</u>	<u>Interest</u>
2020	\$ 62,986	\$ 5,653
2021	65,598	3,041
2022	<u>39,092</u>	<u>533</u>
Total	<u>\$ 167,676</u>	<u>\$ 9,227</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 final 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. Rental expenses totaled \$218,899 and \$204,736 for fiscal year 2019 and 2018, respectively.

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

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 74,575
2021	<u>16,461</u>
Total	<u>\$ 91,036</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 2018, plus 50% of what they contributed, up to the next 2% of their pay. Employees have full and immediate vesting of plan assets. The amount of the Organization's contribution for the years ended September 30, 2019 and 2018 was \$169,889 and \$152,356, respectively. The employees' contributions to the plan for the years ended September 30, 2019 and 2018 were \$318,873 and \$288,207, respectively.

BAY AGING

Notes to Consolidated Financial Statements As of September 30, 2019 (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 \$30,916 and \$19,806 for fiscal year 2019 and 2018, 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 since recognition criteria have not been met. There were donated materials in fiscal years 2019 and 2018; 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 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 18 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, 2019 (continued)

NOTE 16 - NET ASSETS WITH DONOR RESTRICTIONS:

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>2019</u>	<u>2018</u>
Aging Programs	\$ 2,294,215	\$ 2,087,132
CNS (RSVP)	71,830	67,489
Virginia Department of Housing and Community Development programs	841,347	585,452
Transportation programs	2,836,910	2,847,108
Virginia Housing Development Authority	94,124	68,729
Community Services Block Grant	481,861	392,845
Other	1,531,730	1,647,475
Total	<u>\$ 8,152,017</u>	<u>\$ 7,696,230</u>

Net assets with donor restrictions consist of the following:

	<u>2019</u>	<u>2018</u>
Local gifts and grants	\$ 410,947	\$ 469,003
Total	<u>\$ 410,947</u>	<u>\$ 469,003</u>

NOTE 17 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

Bay Aging monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. Bay Aging's investment objectives are the preservation and protection of the Organization's assets, as well as the maintenance of liquid reserves to meet obligations arising from unanticipated activities, by earning an appropriate return on investments. It is the policy of Organization that excess cash investments are properly managed and that these investments are consistent with the mission of Bay Aging.

BAY AGING

**Notes to Consolidated Financial Statements
As of September 30, 2019 (continued)**

NOTE 17 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS: (continued)

Bay Aging treats all assets of the Organization, including those funds that are legally unrestricted, as though they are held in a fiduciary capacity for the purpose of accomplishing the Organization's tax-exempt mission.

	<u>2019</u>	<u>2018</u>
Financial assets at year-end	\$ 4,375,726	\$ 5,522,542
Less those unavailable for general expenditures within one year, due to:		
Designated for accrued leave	(329,470)	(324,900)
Designated for contract labor in the VDC Program	<u>(170,919)</u>	<u>(123,019)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 3,875,337</u>	<u>\$ 5,074,623</u>

NOTE 18 - SIGNIFICANT SOURCES OF REVENUES:

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

	<u>2019</u>	<u>2018</u>
Virginia Department of Aging and Rehabilitative Services	\$ 2,294,215	\$ 2,087,132
Virginia Department of Housing and Community Development	841,347	585,452
Virginia Department of Medical Assistance Services (Medicaid purchase of service)	127,933	788,693
MCO revenues	1,442,504	2,154,742
Virginia Department of Rail and Public Transportation/ Virginia Department of Transportation	2,836,910	2,847,108
U.S. Department of Veterans Affairs	6,676,612	4,622,668
All Others	<u>3,415,681</u>	<u>3,305,960</u>
Total revenues	<u>\$ 17,635,202</u>	<u>\$ 16,382,755</u>

BAY AGING

Notes to Consolidated Financial Statements As of September 30, 2019 (continued)

NOTE 18 - 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 \$0 in 2019 and \$0 in 2018. Interest in the amount of \$504 and \$401 was earned on program fund balances to be allocated to program activities in 2019 and 2018, respectively.

NOTE 19 - FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing programs and activities have been reported on a functional basis below. Expenses require allocation on a reasonable basis that is consistently applied. Some expenses are directly identifiable and are charged to programs and supporting services accordingly. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular grant or program. Joint costs benefit more than one, but not necessarily all, awards. Indirect costs, but not joint costs, may be allocated to benefiting grants through the use of an indirect cost rate.

Examples of indirect costs are:

- The Accounting Department
- The Human Resources Department
- The Administrative Staff of the Organization

Examples of joint costs are:

- Shared space
- Trash Removal
- Vehicle insurance

Bay Aging maintains an annual indirect cost budget. Each year a new indirect cost rate application is prepared and submitted to Bay Aging’s Cognizant Agency for approval. However, for FY19 Bay Aging exercised its option to extend the 2018 agreement for one year. The actual indirect cost rate from the previous year receives final approval, and that rate is also approved as a provisional rate for the current fiscal year. This provisional rate is used when determining the overhead applied to each Federal award.

Bay Aging’s Indirect Cost Pool consists of the salaries and fringe of the administrative staff, including but not limited to the President, COO, CFO, HR Director, Fiscal and IT Staff.

The Indirect Cost Rate application is prepared by the CFO using the format recommended by the Cognizant Agency. The Indirect Cost application packet includes the audit from the fiscal year pertaining to the proposal. After completion, the Indirect Cost Application is reviewed by the President and the Finance Committee. The Indirect Cost Application is due to the Cognizant Agency by March 31 of each year.

BAY AGING

Notes to Consolidated Financial Statements As of September 30, 2019 (continued)

NOTE 19 - FUNCTIONAL ALLOCATION OF EXPENSES: (continued)

Direct and joint costs are allocated to the benefiting programs using cost pools under the following methodology:

1. Costs will be allocated to all programs on an equitable basis regardless of any limits imposed by funding sources.
2. As much as possible, costs will be charged directly to benefiting programs.
3. All remaining shared costs will be allocated on the most meaningful measures. The following basis will be used:
 - a. Facilities and related costs will be allocated based on square footage occupied
 - b. Telephone costs will be based on space occupied
 - c. Internet service cost will be based on space occupied
 - d. Insurance costs will be prorated by program using the most meaningful distribution method (building insurance based on square footage if occupied by multiple programs)

NOTE 20 - SUBSEQUENT EVENTS:

In preparing these financial statements, management of the Organization has evaluated events and transactions for potential recognition or through March 11, 2020, the date the financial statements were available to be issued.

On October 1, 2019, Bay Aging closed on the purchase of the Urbanna Professional Center in the amount of \$1,650,000. USDA financing was obtained for the project in the amount of \$3,463,000. Citizens and Farmers Bank handled the interim financing and USDA will take it over at the conclusion of construction, expected in the summer of 2020.

- Supporting Schedules -

BAY AGING
Virginia Department for Aging and Rehabilitative Services

Status of Funds
Year Ended September 30, 2019

FUND	Unencumbered Funds on Hand at Beginning of Period	Total Funds Received During Period	Funds In Transit At 9-30-19	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	\$ 11,310	\$ 424,005	\$ -	\$ 435,315	\$ 437,435	\$ (2,120)
Title III-C (1)	1,692	235,429	-	237,121	237,121	-
Title III-C (2)	(6,408)	284,079	-	277,671	277,671	-
Title III-D	(8,122)	27,218	-	19,096	17,136	1,960
Title III-E	-	138,468	-	138,468	138,468	-
Title VII-Ombudsman	(5,393)	87,320	-	81,927	82,621	(694)
Title VII-Elder Abuse	192	3,739	-	3,931	3,845	86
NSIP	-	105,923	-	105,923	105,923	-
Other Federal:						
Title V (6/30/19 Award)	8,275	107,562	-	115,837	115,837	-
Title V (6/30/20 Award)	-	40,465	-	40,465	32,545	7,920
VICAP (3/31/19 Award)	5,790	31,590	-	37,380	37,380	-
VICAP (3/31/20 Award)	-	19,791	-	19,791	14,009	5,782
DMAS Ombudsman FY18	(1,629)	-	-	(1,629)	-	(1,629)
DMAS Ombudsman FY19	-	15,129	-	15,129	-	15,129
MIPPA Priority 1 - SHIP	-	4,100	-	4,100	4,100	-
MIPPA Priority 2 - AAA	(2,767)	2,767	-	-	-	-
MIPPA Priority 3 - ADRC	(8,037)	45,706	-	37,669	37,669	-
Falls Prevention Grant	-	3,360	-	3,360	3,360	-
General Funds						
Title III Match (6/30/19 Award)	-	19,712	-	19,712	19,712	-
Title III Match (6/30/20 Award)	-	70,598	-	70,598	70,598	-
Community Based (6/30/19 Award)	-	35,845	-	35,845	35,845	-
Community Based (6/30/20 Award)	-	106,491	-	106,491	106,491	-
Transportation (6/30/19 Award)	-	12,958	-	12,958	12,958	-
Transportation (6/30/20 Award)	-	38,490	-	38,490	38,490	-
Home Delivered Meals (6/30/19 Award)	-	45,653	-	45,653	45,653	-
Home Delivered Meals (6/30/20 Award)	-	135,598	-	135,598	135,598	-
Supplemental Nutrition (6/30/19 Award)	-	10,453	-	10,453	10,453	-
Supplemental Nutrition (6/30/20 Award)	-	30,703	-	30,703	30,703	-
Ombudsman (6/30/19 Award)	-	14,075	-	14,075	14,075	-
Ombudsman (6/30/20 Award)	-	45,642	-	45,642	45,642	-
Care Coordination CCEVP (6/30/19 Award)	-	30,800	-	30,800	30,800	-
Care Coordination CCEVP (6/30/20 Award)	-	92,399	-	92,399	92,399	-
Respite Care (6/30/19 Award)	-	13,750	-	13,750	13,750	-
Respite Care (6/30/20 Award)	-	41,250	-	41,250	41,250	-
Senior Cool Care (Dominion Power)	308	-	-	308	172	136
Total	\$ (4,789)	\$ 2,321,068	\$ -	\$ 2,316,279	\$ 2,289,709	\$ 26,570

BAY AGING
Virginia Department for Aging and Rehabilitative Services

Costs by Program Activity
Year Ended September 30, 2019

	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	\$ 34,120	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Personal care services	181,647	-	-	-	-	-	-	387	-
S.O.S.	-	-	-	-	-	-	-	-	20,808
Comm. Referral Info & Assist	126,866	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-
Congregate meals	-	203,813	-	-	-	-	-	7,661	24,090
Home delivered meals	-	-	252,623	-	-	-	-	3,320	24,120
Home delivered fee for services	-	-	-	-	-	-	-	-	-
Disease prevention	-	-	-	4,554	-	-	-	-	-
CDSME	-	-	-	12,582	-	-	-	-	-
Long-term care coordinating activity	53,497	-	-	-	-	-	-	-	-
Public information and education	12,893	-	-	-	-	-	-	-	-
Legal assistance	2,412	-	-	-	-	-	-	-	-
Elder abuse prevention	-	-	-	-	-	3,845	-	-	-
LTC Ombudsman	-	-	-	-	-	-	82,621	-	-
Preparation and administration	26,000	33,308	25,048	-	-	-	-	-	28,159
Title III-E Older Americans Act Funds:									
Adult day care	-	-	-	-	138,468	-	-	-	128,250
Total	\$ 437,435	\$ 237,121	\$ 277,671	\$ 17,136	\$ 138,468	\$ 3,845	\$ 82,621	\$ 11,368	\$ 225,427

Fees	Costs to NSIP Funds	Costs to GF T III State Matching Funds	Costs to GF Community Based Funds	Costs to GF Special Transportation Funds	Costs to GF				In-Kind	Total Costs
					Home Delivered Meals Funds	Costs to GF Supplemental Nutrition Funds	Costs to GF Ombudsman Funds	Costs to GF CCEVP Funds		
\$ -	\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,120
116	-	42,378	127,336	-	-	-	-	-	-	351,864
-	-	-	-	-	-	-	-	123,199	-	144,007
-	-	-	-	-	-	-	-	-	-	126,866
-	-	27,932	-	51,448	-	-	-	-	-	79,380
-	21,001	-	-	-	-	13,000	-	-	-	269,565
-	84,922	-	-	-	163,660	28,156	-	-	-	556,801
22,516	-	-	-	-	17,591	-	-	-	-	40,107
-	-	-	-	-	-	-	-	-	-	4,554
-	-	-	-	-	-	-	-	-	-	12,582
-	-	-	-	-	-	-	-	-	-	53,497
-	-	-	-	-	-	-	-	-	-	12,893
-	-	-	-	-	-	-	-	-	-	2,412
-	-	-	-	-	-	-	-	-	-	3,845
-	-	-	-	-	-	-	59,717	-	-	142,338
-	-	-	-	-	-	-	-	-	-	112,515
81,148	-	-	15,000	-	-	-	-	-	-	362,866
<u>\$ 103,780</u>	<u>\$ 105,923</u>	<u>\$ 90,310</u>	<u>\$ 142,336</u>	<u>\$ 51,448</u>	<u>\$ 181,251</u>	<u>\$ 41,156</u>	<u>\$ 59,717</u>	<u>\$ 123,199</u>	<u>\$ -</u>	<u>\$ 2,330,212</u>

BAY AGING
Virginia Department for Aging and Rehabilitative Services

Status of Inventories
Year Ended September 30, 2019

<u>Fund Source and Type of Inventory</u>	<u>Value on Hand at October 1, 2018</u>	<u>Net Changes During Year</u>	<u>Value on Hand at September 30, 2019</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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Title VII Ombudsman	-	-	-
Title VII Elder Abuse	-	-	-
Total	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

BAY AGING

Schedule of Government Grants
Year Ended September 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Aging programs	\$ -	\$ 2,294,215	\$ 2,294,215
Virginia Department of Housing and Community Development:			
Weatherization - DOE	-	154,207	154,207
Emergency home repair	-	9,442	9,442
Indoor plumbing program	-	28,000	28,000
LIHEAP	-	581,223	581,223
Homeless Program	-	68,475	68,475
Transportation:			
Virginia Department of Rail and Public Transportation	-	2,836,910	2,836,910
Virginia Housing Development Authority	-	94,124	94,124
Community Services Block Grant/TANF	-	481,861	481,861
ACTION - RSVP	-	71,830	71,830
Other grants	-	34,258	34,258
Local governments:			
Local match funds	-	986,314	986,314
Total Government Grants	<u>\$ -</u>	<u>\$ 7,640,859</u>	<u>\$ 7,640,859</u>

- Compliance -



**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, 2019, and the related consolidated statements of activities, functional expenses 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 11, 2020.

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 Faren Cox Associates

Charlottesville, Virginia
March 11, 2020



**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, 2019. 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, 2019.

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 a 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 Farnum Cox Associates

Charlottesville, Virginia
March 11, 2020

BAY AGING

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

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 Nutrition Discretionary Grants Limited Availability	10.579	Not Available	\$ 7,190
<u>Department of Housing and Urban Development:</u>			
Pass Through Payments:			
Virginia Housing Development Authority			
Housing Voucher Cluster:			
Section 8 Housing Choice Vouchers	14.871	46101	\$ 82,124
<u>Corporation for National and Community Service:</u>			
Direct Payments:			
Retired and Senior Volunteer Program	94.002	N/A	\$ 71,830
<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	42018 (112123)/ 42019 (114551)	\$ 437,435
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	42218 (112124)/42219 (114550)/ 42318 (112125)/42319 (114540)	514,793
Nutrition Services Incentive Program	93.053	42718 (112121)/ 42719 (114544)	105,923 \$ 1,058,151
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	42418 (112126)/ 42419 (114543)	17,136
Special Programs for the Aging - Title IV and Title II- Discretionary Projects (CPL)	93.048	V4A	7,570
National Family Caregiver Support, Title III, Part E	93.052	42518 (112127)/ 42519 (114541)	138,468
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	43719 (114549)	3,844
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	43618 (112327)/ 43619 (114471)	82,622
Centers for Medicare and Medicaid Services (CMS) Research, Medicare Enrollment Assistance Program (MIPPA)	93.071	44820 (114546)/ 44920 (114548)	49,806
State Health Insurance Assistance Program	93.324	44118	51,389
Evidence-Based Falls Prevention Programs Financed Solely by Prevention and Public Health Funds (PPHF)	93.761	45620 (112274)	3,360
Virginia Department of Housing and Community Development: Low-Income Home Energy Assistance	93.568	18-LI-15 & 19-LI-15	581,223
Virginia Department of Social Services:			
TANF Cluster:			
Temporary Assistance for Needy Families (TANF) State Programs	93.558	CVS-18-210-04/ CVS-19-063-04	190,916
Community Services Block Grant	93.569	CVS-18-210-04/ CVS-19-063-04	290,945
Total Department of Health and Human Services			\$ 2,475,430

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019 (Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>Department of Labor:</u>			
Pass Through Payments:			
Virginia Department of Aging and Rehabilitative Services:			
Senior Community Service Employment Program	17.235	43519 (114040)/ 115740	\$ 148,382
<u>Department of Energy:</u>			
Pass Through Payments:			
Virginia Department of Housing and Community Development:			
Weatherization Assistance for Low-Income Persons	81.042	18-WX-15 & 19-WX-15	\$ 154,207
<u>Department of Transportation:</u>			
Pass Through Payments:			
Virginia Department of Transportation			
Formula Grants for Rural Areas	20.509	42518-24; 42017-21; 42018-27; 42019-21; 42019-24; 42019-25; 42519-17	\$ 1,880,126
Transit Services Programs Cluster:			
New Freedom Program	20.521	44019-10; 44019-11	210,152
Total Department of Transportation			\$ 2,090,278
Total expenditures of federal awards			\$ 5,029,441

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Bay Aging under programs of the federal government for the year ended September 30, 2019. 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, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identification numbers are presented where 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

No awards were passed through to subrecipients.

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Schedule of Findings and Questioned Costs
Year Ended September 30, 2019

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>
20.521	New Freedom Program
93.044/93.045/93.053	Aging Cluster

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.

