

Bay Aging

Consolidated Financial Statements

September 30, 2021



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BAY AGING

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Bay Aging
Urbanna, Virginia

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Bay Aging and Bay Aging Foundation (collectively, the "Organization"), which comprise the consolidated statement of financial position as of September 30, 2021, 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 Consolidated 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 Organization'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 Organization'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 consolidated 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 financial position of Bay Aging and Bay Aging Foundation as of September 30, 2021, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States. **Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental information on pages 24 through 29 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, activities, and cash flows of the Organization and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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. 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 24, 2022, on our consideration of the Organization'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 the Organization'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* in considering the Organization's internal control over financial reporting and compliance.

Report on 2020 Summarized Comparative Information

The 2020 summarized comparative information was derived from the 2020 consolidated financial statements of the Organization. The 2020 consolidated financial statements were audited by other auditors whose report dated March 16, 2021 expressed an unmodified opinion on those consolidated financial statements.



March 24, 2022
Glen Allen, Virginia

BAY AGING

Consolidated Statement of Financial Position September 30, 2021 (with Comparative Totals for 2020)

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 5,055,874	\$ 8,309,732
Accounts and grants receivable	5,979,133	1,888,974
Due from related organizations	100,793	78,111
Inventory	51,507	51,722
Prepaid expenses	<u>88,316</u>	<u>83,212</u>
 Total current assets	 11,275,623	 10,411,751
Investments	1,124,586	929,609
Cash surrender value of insurance	360,000	240,000
Property held for resale	231,063	231,063
Fixed assets, net of accumulated depreciation	12,749,161	12,125,556
Security deposits	<u>2,025</u>	<u>5,025</u>
 Total assets	 <u>\$ 25,742,458</u>	 <u>\$ 23,943,004</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,869,896	\$ 2,587,623
Deferred revenue	555,612	948,922
Loans payable (short-term)	<u>851,488</u>	<u>3,825,177</u>
 Total current liabilities	 4,276,996	 7,361,722
Loans payable (long-term)	<u>3,199,594</u>	<u>39,041</u>
 Total liabilities	 <u>7,476,590</u>	 <u>7,400,763</u>
Net assets:		
Without donor restrictions	17,900,784	16,179,794
With donor restrictions	<u>365,084</u>	<u>362,447</u>
 Total net assets	 <u>18,265,868</u>	 <u>16,542,241</u>
 Total liabilities and net assets	 <u>\$ 25,742,458</u>	 <u>\$ 23,943,004</u>

See accompanying notes to consolidated financial statements.

BAY AGING

Consolidated Statement of Activities Year Ended September 30, 2021 (with Comparative Totals for 2020)

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue, gains, and support:				
Contributions and grants	\$ 261,704	\$ -	\$ 261,704	\$ 209,625
Government grants	-	9,748,026	9,748,026	8,362,637
Interest and investment income, net	231,093	-	231,093	107,360
Program service fees	16,737,155	182,691	16,919,846	11,946,266
Gain on sale of fixed assets	-	-	-	22,223
Other revenues	142,902	25,989	168,891	342,285
Gain on PPP loan forgiveness	<u>1,262,500</u>	<u>-</u>	<u>1,262,500</u>	<u>-</u>
	18,635,354	9,956,706	28,592,060	20,990,396
Net assets released from restrictions	<u>9,954,069</u>	<u>(9,954,069)</u>	<u>-</u>	<u>-</u>
 Total revenue, gains, and support	<u>28,589,423</u>	<u>2,637</u>	<u>28,592,060</u>	<u>20,990,396</u>
Expenses:				
Program services	25,317,141	-	25,317,141	19,444,478
Supporting services:				
Management and general	1,521,360	-	1,521,360	1,508,462
Fundraising	<u>29,932</u>	<u>-</u>	<u>29,932</u>	<u>49,839</u>
 Total expenses	<u>26,868,433</u>	<u>-</u>	<u>26,868,433</u>	<u>21,002,779</u>
Change in net assets	1,720,990	2,637	1,723,627	(12,383)
Net assets, beginning of year	<u>16,179,794</u>	<u>362,447</u>	<u>16,542,241</u>	<u>16,554,624</u>
Net assets, end of year	<u>\$ 17,900,784</u>	<u>\$ 365,084</u>	<u>\$ 18,265,868</u>	<u>\$ 16,542,241</u>

See accompanying notes to consolidated financial statements.

BAY AGING

Consolidated Statement of Functional Expenses Year Ended September 30, 2021 (with Comparative Totals for 2020)

	2021			2020	
	Program Services	Supporting Services		Total	Total
		Management and General	Fundraising		
Salaries	\$ 6,733,800	\$ 963,568	\$ 13,345	\$ 7,710,713	\$ 6,573,405
Fringes	1,104,961	112,207	2,344	1,219,512	984,960
Worker's compensation insurance	111,866	1,330	3	113,199	87,844
Staff travel	84,451	336	-	84,787	81,589
Office supplies, printing, postage	69,715	33,682	1,005	104,402	74,510
Telephone	176,872	23,660	137	200,669	191,374
Rent and utilities	134,456	33,805	122	168,383	242,342
Insurance	181,563	16,398	-	197,961	194,532
Vehicle gasoline, operation and maintenance	686,675	48,059	143	734,877	517,662
Materials and storage	67,964	-	-	67,964	72,137
Contract labor	11,508,604	6,312	85	11,515,001	7,792,970
Professional services	102,401	52,175	1,200	155,776	166,992
Program supplies	232,594	4,654	752	238,000	255,127
Meals	812,839	-	-	812,839	917,770
Rent and mortgage relief	561,336	-	-	561,336	202,477
Partner payments - VAAACares	688,602	-	-	688,602	539,159
Other (1)	1,020,887	159,349	8,374	1,188,610	930,418
Donation to Daffodil Gardens - Phase II	-	-	-	-	100,000
Depreciation	<u>1,037,555</u>	<u>65,825</u>	<u>2,422</u>	<u>1,105,802</u>	<u>1,077,511</u>
Total expenses	<u>\$ 25,317,141</u>	<u>\$ 1,521,360</u>	<u>\$ 29,932</u>	<u>\$ 26,868,433</u>	<u>\$ 21,002,779</u>
(1) Other:					
Interest	56,555	3,588	132	60,275	5,603
All other expenses	<u>964,332</u>	<u>155,761</u>	<u>8,242</u>	<u>1,128,335</u>	<u>924,815</u>
Total other	<u>\$ 1,020,887</u>	<u>\$ 159,349</u>	<u>\$ 8,374</u>	<u>\$ 1,188,610</u>	<u>\$ 930,418</u>

See accompanying notes to consolidated financial statements.

BAY AGING

Consolidated Statement of Cash Flows Year Ended September 30, 2021 (with Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,723,627	\$ (12,383)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,105,802	1,077,511
Net investment income reinvested	(194,999)	(33,220)
Gain on PPP loan forgiveness	(1,262,500)	-
Gain on sale of fixed assets	-	(22,223)
Change in operating assets and liabilities:		
Accounts and grants receivable	(4,090,159)	1,825,667
Due from related organizations	(22,682)	167,336
Inventory	215	7,601
Prepaid expenses	(5,104)	(40,290)
Security deposits	3,000	34,370
Accounts payable and accrued liabilities	282,273	187,822
Deferred revenue	(393,310)	587,942
	<u>(2,853,837)</u>	<u>3,780,133</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Purchase of fixed assets and construction in progress	(1,729,407)	(3,507,482)
Proceeds from sale of fixed assets	-	22,584
Sale of investments	941,487	316,083
Purchase of investments	(941,465)	(183,854)
Purchase of life insurance policy	(120,000)	(120,000)
	<u>(1,849,385)</u>	<u>(3,472,669)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Loan proceeds	4,057,079	3,795,510
Financing costs	-	(35,932)
Payment of VHDA advance	-	(70,000)
Principal payments on loans	(2,607,715)	(63,036)
	<u>1,449,364</u>	<u>3,626,542</u>
Net cash provided by financing activities		

See accompanying notes to consolidated financial statements.

BAY AGING

Consolidated Statement of Cash Flows, Continued
Year Ended September 30, 2021 (with Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Net change in cash and cash equivalents	\$ (3,253,858)	\$ 3,934,006
Cash and cash equivalents, beginning of year	<u>8,309,732</u>	<u>4,375,726</u>
Cash and cash equivalents, end of year	<u>\$ 5,055,874</u>	<u>\$ 8,309,732</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest (expensed)	<u>\$ 60,275</u>	<u>\$ 5,603</u>

See accompanying notes to consolidated financial statements.

BAY AGING

Notes to Consolidated Financial Statements

1. Nature of Operations:

Bay Aging 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 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.

Bay Aging Foundation (the "Foundation") was established in 2004 to support Bay Aging and to provide resources to provide better services 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.

2. Summary of Significant Accounting Policies:

Basis of Accounting: 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 ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

Basis of Consolidation: The accompanying consolidated financial statements include the accounts of Bay Aging and the Foundation (collectively, the "Organization"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation: The consolidated financial statements are presented in accordance with FASB guidance, which establishes standards for financial statements issued by nonprofit organizations. It requires that net assets and related revenues and expenses be classified in two classes of net assets — net assets without donor restrictions and net assets with donor restrictions, based upon the existence or absence of donor-imposed restrictions. A definition and description of each net asset class follows:

Net Assets Without Donor Restrictions – 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. There were no board-designated net assets as of September 30, 2021 and 2020.

BAY AGING

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Basis of Presentation, Continued:

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 operations, and the purposes specified in the Organization’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.

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.

Accounts and Grants Receivable: Accounts and grants receivable represent revenues earned, billed and unbilled, but not yet received, and appropriations earned but unpaid from the local government entities in the Organization’s service region as of the end of the fiscal year. The Organization uses the reserve method of accounting for doubtful accounts. The amount of doubtful accounts receivable was considered immaterial at September 30, 2021 and 2020, and no reserve was considered necessary. 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.

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

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. Investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that the value of investment securities reported on the consolidated financial statements could change in the near term.

Property Held for Sale: The Organization 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, Continued

2. Summary of Significant Accounting Policies, Continued:

Fixed Assets: Fixed assets are stated at cost (or fair market value at the date of donation for donated assets) and depreciated using a straight-line method over estimated useful lives which range from 5 to 30 years. The Organization capitalizes all expenditures for fixed assets in excess of \$1,000; 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.

Vacation and Sick Compensation Accrual: Accumulated unpaid vacation and sick pay is accrued when earned. The amount of such pay was \$533,165 as of September 30, 2021 and \$494,855 as of September 30, 2020, which is included in accounts payable and accrued expenses in the accompanying consolidated statement of financial position.

Program Service Fees: During 2014, the FASB issued a new standard for revenue recognition, Accounting Standards Update (“ASU”) 2014-09, which has been incorporated into FASB guidance as ASC 606. The standard defines a process for evaluating revenue recognition including 1) identify the contract, 2) identify separate performance obligations, 3) determine the transaction price, 4) allocate the transaction price to the performance obligations, and 5) recognize revenue when (or as) the the Organization satisfies a performance obligation. One of the key concepts in the standard is that revenue should be recognized when a customer has control over a good or service. The standard also requires an entity to enhance revenue recognition disclosures in the accounting policy note including both quantitative and qualitative information, significant judgments involved in the process, and the amount and timing of remaining performance obligations. The Organization has adopted the standard as of October 1, 2020 under the modified retrospective method. The adoption of this ASU did not have a significant impact on the Organization’s consolidated financial statements and no changes were required to previously reported revenues as a result of this adoption.

Program service fees represent a variety of fiscal management, home-based services, and transportation assistance programs offered to citizens and veterans in the communities serviced by the Organization and beyond. Revenue is recognized at a point in time when services are provided for each program. Economic factors may impact the nature, amount, and timing of revenue recognition.

The Organization receives third party reimbursements for services provided in its fiscal management, personal care, respite, case management, adult day services and transportation programs. Retroactive adjustments are reported in operations in the year of settlement. The difference in the adjustments and a contractual accrual adjustment is immaterial.

BAY AGING

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Program Services Fees, Continued: A contract asset is the Organization's right to consideration in exchange for goods or services the Organization has transferred to a client. Contract liabilities represent consideration received from a client before the Organization has transferred a good or service to the client. There were no contract assets or contract liabilities as of September 30, 2021 and September 30, 2020.

Contributions and Grants: 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 topic standards. Contributions received without conditions are reported as revenue within 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 consolidated 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.

In-Kind Contributions: In-kind contributions include donated services and supplies, which in order to be recognized in the consolidated financial statements of the Organization, must have either (a) created or enhanced a nonfinancial asset or (b) required specialized skills, was provided by individuals possessing those skills, and would typically need to be purchased if had not been contributed. Donated services and supplies meeting these criteria are recorded as an expense or capitalized if applicable, at their fair market value at the time of donation, with an equivalent amount recorded as donated services, supplies and/or equipment.

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 \$26,300 for 2021 and \$30,168 for 2020 and are included in other revenues in the accompanying consolidated statement of activities.

The Organization also received the benefit of a significant amount of volunteer time which has not been valued or reported in the consolidated financial statements since recognition criteria have not been met.

BAY AGING

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Income Taxes: Bay Aging and Bay Aging Foundation are qualifying non-profit organizations as defined under section 501(c)(3) of the Internal Revenue Code and the tax statutes of the Commonwealth of Virginia and are therefore exempt from federal and state income taxation.

Income Tax Uncertainties: The Organization follows FASB guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the consolidated financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. Management evaluated the Organization's tax position and concluded that the Organization had taken no uncertain tax positions that require adjustments to the consolidated financial statements to comply with the provisions of this guidance. The Organization is not currently under audit by any tax jurisdiction.

Financial Instruments: For cash and cash equivalents, receivables, fixed assets, accounts payable and accrued expenses, loans and notes payable, and other liabilities, the carrying amounts reported in the consolidated statement of financial position approximates 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 each year.

Use of Estimates: The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

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 current year presentation.

3. Cash and Cash Equivalents:

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. During 2021 and 2020, the Organization had amounts on deposit in excess of the insured limits.

BAY AGING

Notes to Consolidated Financial Statements, Continued

3. Cash and Cash Equivalents, Continued:

The following is the composition of cash and cash equivalents appearing in the consolidated statement of financial position at September 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,692,788	\$ 6,750,466
Certificates of Deposit	827,867	1,024,168
Money Market Funds	<u>535,219</u>	<u>535,098</u>
Total	<u>\$ 5,055,874</u>	<u>\$ 8,309,732</u>

4. Accounts and Grants Receivable:

Accounts and grants receivable consist of the following at September 30:

	<u>2021</u>	<u>2020</u>
Virginia Department of Rail and Public Transportation	\$ 508,569	\$ 125,641
Virginia Department of Housing and Community Development	204,107	120,324
Virginia Department of Aging and Rehabilitative Services	73,807	34,154
Virginia Department of Social Services	163,611	110,504
United Healthcare	269,363	89,312
Veteran's Administration	4,076,864	1,035,112
Others	<u>682,812</u>	<u>373,927</u>
Total	<u>\$ 5,979,133</u>	<u>\$ 1,888,974</u>

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

5. 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 related-party receivables of \$100,793 at September 30, 2021 and \$78,111 at September 30, 2020. The outstanding balance represents routine expenses reimbursed after year-end. Outstanding amounts related to project activity on Daffodil Gardens Phase II were paid in full during the year ended September 30, 2020.

BAY AGING

Notes to Consolidated Financial Statements, Continued

5. 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 of their respective fiscal years are reported below:

	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	3/31/2021	3/31/2021	3/31/2021	3/31/2021	3/31/2021
Assets	\$ 3,069,690	\$ 1,412,734	\$ 1,456,466	\$ 4,553,482	\$ 1,120,741
Liabilities	(36,408)	(26,232)	(20,327)	(57,499)	(9,695)
Net Assets	<u>\$ 3,033,282</u>	<u>\$ 1,386,502</u>	<u>\$ 1,436,139</u>	<u>\$ 4,495,983</u>	<u>\$ 1,111,046</u>
Operating Revenues	\$ 282,525	\$ 181,943	\$ 176,354	\$ 415,894	\$ 103,218
Operating Expenses	(330,891)	(196,370)	(218,156)	(519,027)	(138,493)
Other Revenues/ (Expenses)	<u>323</u>	<u>26</u>	<u>504</u>	<u>909</u>	<u>270</u>
Change in Net Assets	<u>\$ (48,043)</u>	<u>\$ (14,401)</u>	<u>\$ (41,298)</u>	<u>\$ (102,224)</u>	<u>\$ (35,005)</u>
	Bay Aging Apartments Colonial Beach	Bay Aging Apartments West Point	Bay Aging Apartments Gloucester	Bay Aging Apartments Montross	
Fiscal Year	9/30/2021	9/30/2021	9/30/2021	9/30/2021	
Assets	\$ 942,696	\$ 875,777	\$ 2,231,973	\$ 969,673	
Liabilities	(31,109)	(22,292)	(60,843)	(16,410)	
Net Assets	<u>\$ 911,587</u>	<u>\$ 853,485</u>	<u>\$ 2,171,130</u>	<u>\$ 953,263</u>	
Operating Revenues	\$ 251,562	\$ 204,136	\$ 404,741	\$ 171,649	
Operating Expenses	(266,800)	(201,100)	(434,237)	(186,864)	
Other Revenues/ (Expenses)	<u>9</u>	<u>72</u>	<u>224</u>	<u>186</u>	
Change in Net Assets	<u>\$ (15,229)</u>	<u>\$ 3,108</u>	<u>\$ (29,272)</u>	<u>\$ (15,029)</u>	

Included in the above operating expenses are costs and expenses reimbursed to Bay Aging for various management and other services provided. The amount of related fees and reimbursements received by the Organization was \$442,338 for 2021 and \$471,397 for 2020.

BAY AGING

Notes to Consolidated Financial Statements, Continued

5. Due from Related Organizations, Continued:

The Organization held several transactions with Daffodil Gardens Phase II, LLC (DG II) during the year ended September 30, 2020. With DG II's construction loan, Bay Aging's \$70,000 VDHA predevelopment loan, and \$205,252 in development expenses were reimbursed. Through the Foundation, a donation of \$100,000 was made to DG II. Chesapeake Bay Housing, Inc., a related entity, is the sole member of DG II and its corresponding management company, Daffodil Gardens Phase II Management, LLC.

6. Investments:

Investments consist of the following at September 30:

	2021		
	Fair Value	Cost Basis	Cumulative Gain (Loss)
Equities	\$ 808,806	\$ 646,072	\$ 162,734
Money market mutual funds	41,545	41,545	-
Mutual funds	57,661	33,990	23,671
Fixed income	216,574	217,147	(573)
Total	\$ 1,124,586	\$ 938,754	\$ 185,832
	2020		
	Fair Value	Cost Basis	Cumulative Gain
Publicly-held stock	\$ 400,441	\$ 213,113	\$ 187,328
Money market mutual funds	40,018	40,018	-
Mutual fund units	489,150	409,163	79,987
Total	\$ 929,609	\$ 662,294	\$ 267,315

7. Fair Value Measurements:

The Organization follows FASB guidance for fair value measurements. The provisions of the guidance provide a framework for measuring fair value under GAAP and defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

BAY AGING

Notes to Consolidated Financial Statements, Continued

7. Fair Value Measurements, Continued:

Such guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.
- Level 3 Inputs to the valuation methodology are unobservable for the instrument and significant to the fair value measurement.

Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization's consolidated financial assets measured at fair value on a recurring basis consisted of investments in the amount of \$1,124,586 at September 30, 2021 and \$929,609 at September 30, 2020, which was also the carrying value.

8. Fixed Assets:

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

	<u>2021</u>	<u>2020</u>
Land	\$ 849,880	\$ 724,610
Buildings	12,702,970	10,780,965
Furniture and equipment	1,705,145	1,544,200
Vehicles	5,888,938	5,235,054
Construction in progress	<u>46,089</u>	<u>1,178,786</u>
Total	21,193,022	19,463,615
Accumulated depreciation	<u>(8,443,861)</u>	<u>(7,338,059)</u>
Net fixed assets	<u>\$ 12,749,161</u>	<u>\$ 12,125,556</u>

Depreciation expense was \$1,105,802 for 2021 and \$1,077,511 for 2020.

BAY AGING

Notes to Consolidated Financial Statements, Continued

9. 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 is \$231,063 as of September 30, 2021 and 2020.

10. 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 13 for additional details of the IPR and HOME programs.

11. Loans Payable:

On November 24, 2009, Bay Aging obtained a loan from BB&T (now Truist) with an original balance of \$650,000. The loan has been re-financed several times with BB&T. The loan carries an interest rate of 3.99% payable in monthly installments of \$5,720 and has a maturity date of April 24, 2022. The loan is collateralized by real estate. The balance of this loan was \$39,215 as of September 30, 2021 and \$104,639 as of September 30, 2020.

Bay Aging also had a VHDA predevelopment loan outstanding related to Daffodil Gardens Phase II in the amount of \$70,000. The loan agreement for \$50,000 and subsequent addendum for \$20,000 carried at 1% interest rate. The agreement stipulated that payment of principal and accrued interest was due upon the sooner of 37 months after the agreement date or the closing of permanent financing for the project. The entire loan was paid in full during the year ended September 30, 2020.

On October 1, 2019, Bay Aging closed on the purchase of the Urbanna Professional Center (“UPC”) in the amount of \$1,650,000. Interim financing in the form of a construction loan for \$3,463,000 was obtained through Citizens and Farmers Bank for the purchase and renovation of the UPC. The construction loan carried an interest rate of 4.52% and had a maturity date of January 1, 2021. The balance on this loan was \$2,533,010 at September 30, 2020. During 2021, the interim financing was paid in full with permanent financing through the United States Department of Agriculture (“USDA”).

On November 13, 2020, Bay Aging obtained permanent financing of \$3,299,000 through the USDA bearing interest at 2.125% payable in monthly installments of \$10,277 and maturing in November 13, 2060. The loan is collateralized by the UPC. The balance of this loan was \$3,253,788 as of September 30, 2021.

BAY AGING

Notes to Consolidated Financial Statements, Continued

11. Loans Payable, Continued:

On September 22, 2021, Bay Aging closed on the purchase of real estate in the amount of \$443,400. Financing in the form of a construction loan for \$1,114,000 was obtained through Citizens and Farmers Bank for the purchase and renovation of the real estate. The construction loan carries an interest rate of 4% and has a maturity date of December 22, 2022. The loan is collateralized by the related real estate. The balance on this loan was \$463,079 at September 30, 2021.

On August 27, 2021, Bay Aging closed on the purchase of real estate in the amount of \$285,000. Financing in the form of a construction loan for \$606,000 was obtained through Citizens and Farmers Bank for the purchase and renovation of the real estate. The construction loan carries an interest rate of 4% and has a maturity date of November 27, 2022. The loan is collateralized by the related real estate. The balance on this loan was \$295,000 at September 30, 2021.

Future maturities of the loans payable at September 30, 2021 are as follows:

Year Ending September 30:	Amount
2022	\$ 851,488
2023	55,875
2024	57,074
2025	58,298
2026	59,549
Thereafter	<u>2,968,798</u>
Total	<u>\$ 4,051,082</u>

In response to the economic instability caused by COVID-19, the Coronavirus Aid Relief, and Economic Security Act ("CARES Act") was passed by Congress and signed into law by the President on March 27, 2020. The Paycheck Protection Program ("PPP") was a component of the CARES Act and provided for a loan ("PPP Loan") to provide a direct incentive for employers to keep their employees on the payroll. A PPP Loan is eligible for full or partial forgiveness if the funds are used for qualifying costs including payroll, rent, mortgage interest, or utilities during the covered period, as further defined in the CARES Act.

BAY AGING

Notes to Consolidated Financial Statements, Continued

11. Loans Payable, Continued:

The Organization applied for and was approved for a PPP Loan in the amount of \$1,262,500 through Citizens & Farmers Bank. The loan was funded in 2020. The loan accrued interest at 1.0%, but payments were not required to begin until 10 months after the end of the covered period. The Organization was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements and incurring qualified costs. The PPP Loan was uncollateralized and was fully guaranteed by the Small Business Administration.

The Organization received notice of full loan forgiveness on April 4, 2021 and recognized \$1,262,500 as gain on PPP loan forgiveness in the accompanying 2021 consolidated statement of activities.

12. Net Assets with Donor Restrictions:

Net assets with donor restrictions are restricted to be used towards the following specificized purposes at September 30:

	2021	2020
Local gifts and grants	\$ 365,084	\$ 362,447
Total	\$ 365,084	\$ 362,447

Net assets with donor restrictions were released from grantor and other restrictions by incurring expenditures to satisfy the following restricted purposes for the years ended September 30:

	2021	2020
Aging programs	\$ 2,823,864	\$ 2,404,179
CNS (RSVP)	104,791	71,115
Virginia Department of Housing and Community Development programs	1,345,396	807,134
Transportation programs	4,421,408	3,233,325
Virginia Housing Development Authority	60,363	168,815
Community Services Block Grant	624,688	489,707
Other	573,559	1,607,659
Total	\$ 9,954,069	\$ 8,781,934

BAY AGING

Notes to Consolidated Financial Statements, Continued

13. 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 for the years ended September 30:

	<u>2021</u>	<u>2020</u>
Virginia Department of Aging and Rehabilitative Services	\$ 2,823,864	\$ 2,404,179
Virginia Department of Housing and Community Development	1,345,396	807,134
MCO revenues	1,775,753	1,361,556
Virginia Department of Rail and Public Transportation/ Virginia Department of Transportation	4,421,408	3,233,325
US Department of Veterans Affairs	12,090,873	9,377,683
All others	<u>6,134,766</u>	<u>3,806,519</u>
Total	<u>\$ 28,592,060</u>	<u>\$ 20,990,396</u>

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 expenses but are considered financial assistance for compliance reporting purposes. There were no funds expended under these programs in 2021. The amount of funds expended under these programs totaled \$40,000 in 2020. Interest in the amount of \$190 in 2021 and \$138 in 2020 was earned on program fund balances to be allocated to program activities in 2021 and 2020, respectively.

14. Retirement Plan:

All employees of the Organization are covered by a defined contribution benefit plan under section 403(b) of the Internal Revenue Code (the “Plan”). All employees who contribute to the Plan receive a safe harbor matching contribution in the amount of 100% of contributions up to the first 4% of their pay plus 50% of what they contributed, up to the next 2% of their pay. Employees have full and immediate vesting of plan assets. The Organization’s contribution was \$191,981 for 2021 and \$178,944 for 2020.

BAY AGING

Notes to Consolidated Financial Statements, Continued

15. Lease Commitments:

During 2020, the Organization leased office space and other facilities pursuant to various lease agreements. The leases were terminated in connection with the purchases of real estate during 2021 (see Note 11) and remaining office leases are on a month-to-month basis. Rent expense was \$107,593 for 2021 and \$188,220 for 2020.

16. Functional Allocation of Expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the transportation, housing, healthy living, management and general, and fundraising based on recording organizational expenses in department categories that align with these functions. 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, and The Administrative Staff of the Organization.

Examples of joint costs are: Shared space, Trash removal, and 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. 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. The provisional rate is used when determining the overhead applied to each Federal award.

Bay Aging's Indirect Cost Pool consists of salaries and fringes 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.

Direct and joint costs are allocated to the benefiting programs using cost pools. Costs will be allocated to all programs on an equitable basis regardless of any limits imposed by funding sources. Costs will be charged directly to benefiting programs, and remaining costs, such as costs pertaining to facilities, insurance, or utilities will be reasonably allocated based on square footage.

BAY AGING

Notes to Consolidated Financial Statements, Continued

17. Liquidity and Availability of Financial Assets:

The Organization 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. The Organization'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 the Organization that excess cash investments are properly managed and that these investments are consistent with the mission of the Organization.

The Organization 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>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 5,055,874	\$ 8,309,732
Accounts and grants receivable	5,979,133	1,888,974
Due from related organizations	100,793	78,111
Investments	<u>1,124,586</u>	<u>929,609</u>
 Total financial assets	 12,260,386	 11,206,426
 Less those unavailable for general expenditures within one year, due to:		
Net assets with donor restrictions	<u>(365,084)</u>	<u>(362,447)</u>
 Total financial assets available to meet cash needs for general expenditure within one year	 <u>\$ 11,895,302</u>	 <u>\$ 10,843,979</u>

BAY AGING

Notes to Consolidated Financial Statements, Continued

18. 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.

The Organization is the guarantor on a tax credit bridge loan of Daffodil Gardens Phase II, LLC, a related party through common membership on the Board of Directors. The loan is to finance additional construction of low-income elderly housing. The loan amount is \$3,424,500 and accrues interest at a rate of 5.25%. The loan continues indefinitely until the earlier of construction completion and permanent financing closing, or maturity in April 2022.

19. Subsequent Events:

In preparing the consolidated financial statements, management of the Organization has evaluated events and transactions for potential recognition or through March 24, 2022, the date the consolidated financial statements were available to be issued, and has determined other than the item below, there are no subsequent events to disclose in the accompanying consolidated financial statements.

Subsequent to year end, the Organization closed on the purchase of an additional housing complex for a purchase price of \$994,901. The purchase was financed via the Organization acquiring the related indebtedness from the borrower, in the amount of the purchase price.

SUPPLEMENTAL INFORMATION

BAY AGING

Virginia Department of Aging and Rehabilitative Services Status of Funds Year Ended September 30, 2021

Fund	Unencumbered Funds on Hand at Beginning of Period	Total Funds Received During Period	Funds In Transit at September 30, 2021	Total Funds Available During Period	Accrued Costs to Contract Period	Unencumbered Funds on Hand at End of Period
Older Americans Act						
Title III-B	\$ 69,065	\$ 751,585	\$ -	\$ 820,650	\$ 837,445	\$ (16,795)
Title III-C(1)	23,132	181,390	-	204,522	204,522	-
Title III-C(2)	131,734	193,460	-	325,194	335,718	(10,524)
Title III-D	2,585	29,232	-	31,817	29,546	2,271
Title III-E	89,370	150,391	-	239,761	159,619	80,142
Title VII-Elder Abuse	603	2,999	-	3,602	3,703	(101)
Title VII-Ombudsman	(3,566)	44,763	-	41,197	35,760	5,437
NSIP	22,495	110,914	-	133,409	133,409	-
CARES Act III-C2	(13,470)	13,470	-	-	-	-
CARES Act III-E	(573)	573	-	-	-	-
CARES Act VII-Ombudsman	37,458	6,128	-	43,586	15,000	28,586
Other Federal						
Title V-(PY 06/30/21 Award)	4,763	109,032	-	113,795	113,795	-
Title V-(PY 06/30/22 Award)	-	42,392	-	42,392	40,349	2,043
VICAP-(PY 03/31/21 Award)	839	48,577	-	49,416	49,416	-
VICAP-(PY 03/31/22 Award)	-	24,623	-	24,623	21,154	3,469
DMAS Ombudsman FY 21	(4,187)	4,187	-	-	-	-
MIPPA - Priority 2 - AAA	-	13,717	-	13,717	13,717	-
MIPPA - Priority 3 - ADRC	-	37,924	-	37,924	37,924	-
Falls Prevention Grant	-	-	-	-	1,650	(1,650)
General Funds						
OAA General-(PY 06/30/21)	-	88,292	-	88,292	88,292	-
Community Based-(PY 06/30/21)	-	138,270	-	138,270	138,270	-
Transportation-(PY 06/30/21)	-	49,913	-	49,913	49,913	-
Home Delivered Meals-(PY 06/30/21)	-	175,780	-	175,780	175,780	-
Supplemental Nutrition-(PY 06/30/21)	-	38,516	-	38,516	38,516	-
Ombudsman-(PY 06/30/21)	-	121,505	-	121,505	121,505	-
Care Coordination CCEVP-(PY 06/30/21)	-	123,199	-	123,199	123,199	-
Respite Care Initiative-(PY 06/30/21)	-	55,000	-	55,000	55,000	-
Senior Cool Care	136	-	-	136	798	(662)
GRAND TOTAL:	\$ 360,384	\$ 2,555,832	\$ -	\$ 2,916,216	\$ 2,824,000	\$ 92,216

See report of independent accountants.

BAY AGING

Virginia Department of Aging and Rehabilitative Services
Costs by Program Activity
Year Ended September 30, 2021

	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
Title III (Except III-E),							
Older American Act Funds:							
Homemaker	\$ 22,290	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Personal care	351,703	-	-	-	-	-	-
Care Coordination Level 2	200,537	-	-	-	-	-	-
S.O.S.	-	-	-	-	-	-	-
Comm. Referral Info. & Assist	116,471	-	-	-	-	-	-
Transportation	3,032	-	-	-	-	-	-
Congregate Meals	-	180,906	-	-	-	-	-
Home Delivered Meals	-	-	320,652	-	-	-	-
Other "EB" Disease Prevention	-	-	-	29,546	-	-	-
Long-term Care Coordinating Activity	69,032	-	-	-	-	-	-
Outreach/Public Information & Education	40,601	-	-	-	-	-	-
Legal Assistance	897	-	-	-	-	-	-
Elder Abuse Prevention	-	-	-	-	-	3,703	-
LTC Ombudsman Program	-	-	-	-	-	-	35,760
Preparation and Administration	32,882	23,616	15,066	-	-	-	-
Title III-E,							
Older American Act Funds:							
Adult Day Care	-	-	-	-	159,619	-	-
Total	<u>\$ 837,445</u>	<u>\$ 204,522</u>	<u>\$ 335,718</u>	<u>\$ 29,546</u>	<u>\$ 159,619</u>	<u>\$ 3,703</u>	<u>\$ 35,760</u>

See report of independent accountants.

BAY AGING

Virginia Department of Aging and Rehabilitative Services
 Costs by Program Activity, Continued
 Year Ended September 30, 2021

	Costs to Federal CARES ACT Title VII Ombudsman Funds		Voluntary Contributions	Costs to Other Non- Federal funds	Fees	Costs to NSIP Funds	Costs to G.F. OAA General Funds	Costs to G.F. Community Based Funds						
Title III (Except III-E), Older American Act Funds:														
Homemaker	\$	-	\$	-	\$	-	\$	30,500	\$	16,000				
Personal care	-	-	-	-	-	-	30,500	122,270	-	-				
Care Coordination Level 2 S.O.S.	-	-	-	1,733	-	-	-	-	-	-				
Comm. Referral Info. & Assist Transportation	-	-	-	-	-	-	27,292	-	-	-				
Congregate Meals	-	1,392	24,000	-	58,050	-	-	-	-	-				
Home Delivered Meals	-	23,295	36,396	-	75,359	-	-	-	-	-				
Other "EB" Disease Prevention Long-term Care Coordinating Activity	-	-	-	-	-	-	-	-	-	-				
Outreach/Public Information & Education	-	-	-	-	-	-	-	-	-	-				
Legal Assistance	-	-	-	-	-	-	-	-	-	-				
Elder Abuse Prevention	-	-	-	-	-	-	-	-	-	-				
LTC Ombudsman Program Preparation and Administration	15,000	-	51,000	-	-	-	-	-	-	-				
Title III-E, Older American Act Funds:														
Adult Day Care	-	-	53,304	26,493	-	-	-	-	-	-				
Total	\$	15,000	\$	24,687	\$	166,433	\$	26,493	\$	133,409	\$	88,292	\$	138,270

See report of independent accountants.

BAY AGING

Virginia Department of Aging and Rehabilitative Services
 Costs by Program Activity, Continued
 Year Ended September 30, 2021

	Costs to G.F. Special Transportation Funds	Costs to G.F. Home Delivered Meals Funds	Costs to G.F. Supplemental Nutrition Funds	Costs to G.F. Ombudsman Funds	Costs to G.F. CCEVP Funds	Total Title III & VII Costs
Title III (Except III-E), Older American Act Funds:						
Homemaker	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,790
Personal care	-	-	-	-	-	504,473
Care Coordination Level 2	-	-	-	-	-	200,537
S.O.S.	-	-	-	121,505	-	123,238
Comm. Referral Info. & Assist	-	-	-	-	-	116,471
Transportation	49,913	-	-	-	-	80,237
Congregate Meals	-	-	38,516	-	-	302,864
Home Delivered Meals	-	175,780	-	-	-	631,482
Other "EB" Disease Prevention	-	-	-	-	-	29,546
Long-term Care Coordinating Activity	-	-	-	-	-	69,032
Outreach/Public Information & Education	-	-	-	-	-	40,601
Legal Assistance	-	-	-	-	-	897
Elder Abuse Prevention	-	-	-	-	-	3,703
LTC Ombudsman Program	-	-	-	-	123,199	173,959
Preparation and Administration	-	-	-	-	-	122,564
Title III-E, Older American Act Funds:						
Adult Day Care	-	-	-	-	-	239,416
Total	<u>\$ 49,913</u>	<u>\$ 175,780</u>	<u>\$ 38,516</u>	<u>\$ 121,505</u>	<u>\$ 123,199</u>	<u>\$ 2,707,810</u>

See report of independent accountants.

BAY AGING

Virginia Department of Aging and Rehabilitative Services
 Status of Inventories
 Year Ended September 30, 2021

<u>Fund Source and Type of Inventory</u>	<u>Value on Hand October 1, 2020</u>	<u>Increase (Decrease) During Period</u>	<u>Value on hand September 30, 2021</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	-	-	-
 Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See report of independent accountants.

BAY AGING

Schedule of Government Grants Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Aging Programs	\$ -	\$ 2,823,864	\$ 2,823,864
Virginia Department of Housing and Community Development:			
Weatherization - DOE	-	234,207	234,207
Emergency home repair	-	2,600	2,600
LIHEAP	-	248,829	248,829
Homeless Program	-	859,760	859,760
Transportation:			
Virginia Department of Rail and Public Transportation	-	4,421,408	4,421,408
Virginia Housing Development Authority	-	60,363	60,363
Community Services Block Grant/TANF ACTION - RSVP	-	624,688	624,688
Other Grants	-	104,791	104,791
Local governments:			
Meals and Transit - Locality CARES Funding	-	6,309	6,309
Rent and Mortgage Relief - Gloucester	-	195,041	195,041
Local match funds	-	23,397	23,397
	-	142,769	142,769
Total Government Grants	<u>\$ -</u>	<u>\$ 9,748,026</u>	<u>\$ 9,748,026</u>

See report of independent accountants.

BAY AGING

Schedule of Expenditures of Federal Awards Year Ended September 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
<u>Department of Housing and Urban Development</u>				
Pass Through Payments:				
Virginia Housing Development Authority: Section 8 Housing Choice Vouchers	14.871	Not Available	\$ 60,363	\$ -
<u>Corporation for National and Community Service</u>				
Direct Payments:				
Retired Senior Volunteer Program	94.002	N/A	104,791	-
<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	114551/116344 114550/116343	\$ 837,445	-
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	114540/116342	540,240	-
Nutrition Services Incentive Program	93.053	114544/116345	133,409	1,511,094
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	116335	39,463	-
COVID-19 - Special Programs for the Aging - Title VII, Chapter 2 - LTC Ombudsman Services for Older Individuals	93.042	117229	15,000	-
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	114543/116341	29,546	-
Special Programs for the Aging - Title IV and Title II - Discretionary Projects (CPL)	93.048	V4A	5,367	-
National Family Caregiver Support, Title III, Part E	93.052	114541/116340	159,619	-
Medicare Enrollment Assistance Program (MIPPA)	93.071	114547/114548	51,641	-
State Health Insurance Assistance Program	93.324	ARS44118/ 117058(220)	70,571	-
Virginia Department of Housing and Community Development: Low-Income Home Energy Assistance	93.568	20-LI-15 & 21-LI-15	248,829	-
Virginia Department of Social Services: Temporary Assistance For Needy Families (TANF)	93.558	CVS-19-063-04	202,823	-
Community Services Block Grant	93.569	CVS-19-063-04	\$ 264,745	-
COVID-19 - Community Services Block Grant	93.569	Not Available	157,120	421,865
Total Department of Health and Human Services			2,755,818	
<u>Department of Labor</u>				
Pass Through Payments:				
Virginia Department of Aging and Rehabilitative Services Senior Community Service Employment Program	17.235	115740/117330	\$ 154,143	-
<u>Department of Energy</u>				
Pass Through Payments:				
Virginia Department of Housing and Community Development Weatherization Assistance for Low-Income Persons	81.042	20-WX-15/ 21-WX-15	234,207	-

See report of independent accountants.

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Schedule of Expenditures of Federal Awards, Continued Year Ended September 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
<u>Department of Transportation</u>				
Pass Through Payments:				
Virginia Department of Transportation				
Formula Grants for Rural Areas and Tribal Transit Program	20.509	42020-21/42020-22 42020-23/42020-26 42520-17/42019-26 42019-25	\$ 599,924	-
COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program	20.509	Not Available	<u>3,521,619</u>	\$ 4,121,543
Federal Microtransit	20.530	46020-21	<u>17,094</u>	-
Total Department of Transportation			<u>4,138,637</u>	-
<u>Department of Treasury</u>				
Direct Payments:				
COVID-19 - Coronavirus Relief Fund	21.019	Not Available	3,690	-
Pass Through Payments:				
Virginia Department of Housing and Community Development				
COVID-19 - Coronavirus Relief Fund	21.019	20-RMFP-005	859,760	43,740
Essex County, Virginia:				
COVID-19 - Coronavirus Relief Fund	21.019	SLT0022	12,581	-
Gloucester County, Virginia:				
COVID-19 - Coronavirus Relief Fund	21.019	SLT0022	155,747	-
King and Queen County, Virginia:				
COVID-19 - Coronavirus Relief Fund	21.019	SLT0022	20,199	-
Lancaster County, Virginia:				
COVID-19 - Coronavirus Relief Fund	21.019	SLT0022	20,941	-
Middlesex County, Virginia:				
COVID-19 - Coronavirus Relief Fund	21.019	SLT0022	15,768	-
Northumberland County, Virginia:				
COVID-19 - Coronavirus Relief Fund	21.019	SLT0022	14,286	-
Richmond County, Virginia:				
COVID-19 - Coronavirus Relief Fund	21.019	SLT0022	942	-
Westmoreland County, Virginia:				
COVID-19 - Coronavirus Relief Fund	21.019	SLT0022	<u>23,985</u>	<u>1,127,899</u>
Total Department of Treasury			<u>1,127,899</u>	-
Total expenditures of federal awards			<u>\$ 8,575,858</u>	

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Bay Aging (the "Organization") under programs of the federal government for the year ended September 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFS) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, results of operations, or cash flows of the Organization.

2. 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.

3. Indirect Cost Rate:

The Organization has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

See report of independent accountants.

**INDEPENDENT AUDITOR'S 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 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, (the "Organization") which comprise the consolidated statement of financial position as of September 30, 2021, 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 __, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 the Organization's consolidated 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 consolidated financial statements. 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.

A handwritten signature in black ink, appearing to read "Keita", with a long, sweeping horizontal stroke extending to the right.

March 24, 2022
Glen Allen, Virginia

**INDEPENDENT AUDITOR'S 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 (the "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 the Organization's major federal programs for the year ended September 30, 2021. The Organization's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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; 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 the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion of Each Major Federal Program

In our opinion, the Organization 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, 2021.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the Organization'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 the Organization'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.

Purpose of this Report

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 purposes.



March 24, 2022
Glen Allen, Virginia

BAY AGING

Schedule of Findings and Questioned Costs
Year Ended September 30, 2021

A. SUMMARY OF AUDIT RESULTS:

- (1) Unmodified opinion on the basic consolidated financial statements.
- (2) No material weaknesses or significant deficiencies in internal control were disclosed during the audit.
- (3) No noncompliance which is material to the consolidated financial statements was disclosed by the audit.
- (4) No material weaknesses or significant deficiencies relating to the audit of the major federal award programs were disclosed by the audit.
- (5) Unmodified opinion on compliance for major programs.
- (6) No audit findings were disclosed by the audit.
- (7) Major Programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA #</u>	<u>Expenditures</u>
Formula Grants for Rural Areas and Tribal Transit Program	20.509	\$ 4,121,543
COVID-19 - Coronavirus Relief Fund	21.019	<u>1,127,899</u>
		<u>\$ 5,249,442</u>

- (8) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (9) The auditee did qualify as a low risk auditee.

B. FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS:

None

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:

None

D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:

None

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Corrective Action Plan
Year Ended September 30, 2021

Not Applicable