Bay Aging

Consolidated Financial Statements

September 30, 2022

Your Opportunity Advisors

4401 Dominion Boulevard
Glen Allen, Virginia 23060
Tel: 804.747.0000
www.keitercpa.com

BAY AGING

Table of Contents

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bay Aging
Urbanna, Virginia

Report on the Audit of the Consolidated Financial Statements

Opinion

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, 2022, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Correction of Previous Misstatement

As discussed in Note 20 to the consolidated financial statements, overstatements of amounts previously reported for deferred revenue and understatements of amounts previously reported as net assets with donor restrictions as of September 30, 2021, were discovered during the current year. Accordingly, amounts reported for deferred revenue and net assets with donor restrictions have been restated in the 2021 summarized comparative information now presented, and an adjustment has been made to net assets as of October 1, 2020, and September 30, 2021, to correct the misstatement. Our opinion is not modified with respect to that matter.

Certified Public
Accountants & Consultants
4401 Dominion Boulevard
Glen Allen, VA 23060
T:804.747.0000 F:804.747.3632

www.keitercpa.com

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 25 through 31 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 audits 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 23, 2023, 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 Summarized Comparative Information

We have previously audited the Organization's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 23 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived, except for the correction noted in the Correction of Previous Misstatement section of our report.

Keiter

March 23, 2023
Glen Allen, Virginia

BAY AGING

Consolidated Statement of Financial Position
September 30, 2022 (with Comparative Totals for 2021)

Assets	2022	2021 (as restated)
Current assets:		
Cash and cash equivalents	$ 7,568,279	$ 5,055,874
Accounts and grants receivable	4,759,131	5,979,133
Due from related organizations	61,599	100,793
Inventory	66,543	51,507
Prepaid expenses	33,823	88,316
Total current assets	12,489,375	11,275,623
Investments	918,486	1,124,586
Cash surrender value of insurance	331,656	360,000
Property held for resale	231,063	231,063
Fixed assets, net of accumulated depreciation	14,509,650	12,749,161
Security deposits	4,029	2,025
Total assets	$ 28,484,259	$ 25,742,458
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 3,397,157	$ 2,869,896
Deferred revenue	53,792	47,599
Loans payable (short-term)	994,559	851,488
Total current liabilities	4,445,508	3,768,983
Loans payable (long-term)	4,081,341	3,199,594
Total liabilities	8,526,849	6,968,577
Net assets:		
Without donor restrictions	19,096,405	17,900,784
With donor restrictions	861,005	873,097
Total net assets	19,957,410	18,773,881
Total liabilities and net assets	$ 28,484,259	$ 25,742,458

See accompanying notes to consolidated financial statements.

BAY AGING

Consolidated Statement of Activities
Year Ended September 30, 2022 (with Comparative Totals for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total (as restated)
Revenue, gains, and support:			.	
Contributions and grants	$ 258,151	$ -	$ 258,151	$ 261,704
Government grants	-	10,254,670	10,254,670	9,371,494
Interest and investment income, net	36,310	-	36,310	231,093
Program service fees	23,293,189	198,606	23,491,795	16,919,846
Gain on sale of fixed assets	-	15,086	15,086	-
Other revenues	86,720	21,034	107,754	142,591
In-kind contributions	869,799	-	869,799	26,300
Gain on PPP loan forgiveness	-	-	-	1,262,500
	24,544,169	10,489,396	35,033,565	28,215,528
Net assets released from restrictions	10,501,488	(10,501,488)	-	-
Total revenue, gains, and support	35,045,657	(12,092)	35,033,565	28,215,528
Expenses:				
Program services	31,859,412	-	31,859,412	25,317,141
Supporting services:				
Management and general	1,694,371	-	1,694,371	1,521,360
Fundraising	67,398	-	67,398	29,932
Total expenses	33,621,181	-	33,621,181	26,868,433
Investment loss, net	200,511	-	200,511	-
Loss on cash surrender value	28,344	-	28,344	-
Total expenses and losses	33,850,036	-	33,850,036	26,868,433
Change in net assets	1,195,621	(12,092)	1,183,529	1,347,095
Net assets, beginning of year	17,900,784	873,097	18,773,881	17,426,786
Net assets, end of year	$ 19,096,405	$ 861,005	$ 19,957,410	$ 18,773,881

See accompanying notes to consolidated financial statements.

BAY AGING

Consolidated Statement of Functional Expenses
Year Ended September 30, 2022 (with Comparative Totals for 2021)

	2022				2021
		Supporting Services			
	Program Services	Management and General	Fundraising	Total	Total
Salaries	$ 8,233,123	$ 1,064,929	$ 38,919	$ 9,336,971	$ 7,710,713
Fringes	1,263,864	160,756	5,973	1,430,593	1,219,512
Worker's compensation insurance	138,011	1,060	92	139,163	113,199
Staff travel	166,970	4,370	111	171,451	84,787
Office supplies, printing, postage	82,123	28,268	2,223	112,614	104,402
Telephone	197,630	26,237	736	224,603	200,669
Rent and utilities	105,247	37,177	-	142,424	168,383
Insurance	187,744	31,810	-	219,554	197,961
Vehicle gasoline, operation and maintenance	960,549	48,143	260	1,008,952	734,877
Materials and storage	58,165	-	-	58,165	67,964
Contract labor	16,115,022	4,597	-	16,119,619	11,515,001
Professional services	205,842	41,102	3,550	250,494	155,776
Program supplies	127,136	9	540	127,685	238,000
Meals	651,801	-	-	651,801	812,839
Rent and mortgage relief	161,134	-	-	161,134	561,336
Partner payments - VAAACares	858,071	-	-	858,071	688,602
Interest	111,719	7,088	261	119,068	60,275
Other	1,137,268	169,166	12,170	1,318,604	1,128,335
Depreciation	1,097,993	69,659	2,563	1,170,215	1,105,802
Total expenses	$ 31,859,412	$ 1,694,371	$ 67,398	$ 33,621,181	$ 26,868,433

See accompanying notes to consolidated financial statements.

BAY AGING

Consolidated Statement of Cash Flows
Year Ended September 30, 2022 (with Comparative Totals for 2021)

	2022	2021 (as restated)
Cash flows from operating activities:		
Change in net assets	$ 1,183,529	$ 1,347,095
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,170,215	1,105,802
Net investment (income) loss	206,100	(194,977)
Gain on PPP loan forgiveness	-	(1,262,500)
Gain on sale of fixed assets	(15,086)	-
Loss on cash surrender value of life insurance	28,344	-
In-kind gain on acquisition of Mercer Property	(843,499)	-
Change in operating assets and liabilities:		
Accounts and grants receivable	1,220,002	(4,090,159)
Due from related organizations	39,194	(22,682)
Inventory	(15,036)	215
Prepaid expenses	54,493	(5,104)
Security deposits	(2,004)	3,000
Accounts payable and accrued liabilities	527,261	282,273
Deferred revenue	6,193	(16,778)
Net cash provided by (used in) operating activities	3,559,706	(2,853,815)
Cash flows from investing activities:		
Purchase of fixed assets and construction in progress	(1,092,304)	(1,729,407)
Proceeds from sale of fixed assets	15,086	-
Purchase of life insurance policy	-	(120,000)
Net cash used in investing activities	(1,077,218)	(1,849,407)
Cash flows from financing activities:		
Loan proceeds	144,033	4,057,079
Principal payments on loans	(114,116)	(2,607,715)
Net cash provided by financing activities	29,917	1,449,364
Net change in cash and cash equivalents	2,512,405	(3,253,858)
Cash and cash equivalents, beginning of year	5,055,874	8,309,732
Cash and cash equivalents, end of year	$ 7,568,279	$ 5,055,874
Supplemental disclosure of cash flow information:		
Cash paid for interest (expensed)	$ 119,068	$ 60,275
Supplemental disclosure of noncash transaction:		
Value of Mercer Property acquired via assumption of debt	$ 994,901	$ -

See accompanying 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, 2022 and 2021.

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 operates, 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, 2022 and 2021, 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, using the first-in, first-out method, 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.

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 deprecation in the year of acquisition and the remainder in the year of disposition.

Vacation Compensation Accrual: Accumulated unpaid vacation pay is accrued when earned. The amount of such pay was $620,990 as of September 30, 2022, and $533,165 as of September 30, 2021, which is included in accounts payable and accrued expenses in the accompanying consolidated statement of financial position.

Program Service Fees: The Organization recognizes revenue under 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 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.

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.

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. The Company recorded contract liabilities of $53,792 at September 30, 2022, and $47,599 at September 30, 2021, recognized as deferred revenue in the accompanying consolidated statement of financial position. There were no contract assets as of September 30, 2022 or September 30, 2021.

2. Summary of Significant Accounting Policies, Continued:

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.

Contributions of Nonfinancial Assets: In September 2020, the FASB issued ASU 2020-07: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which aims to increase transparency through enhancements to presentation and disclosures. With the new ASU, organizations receiving contributions of nonfinancial assets are now required to present such contributions as a separate line item on the statement of activities. Previously these were allowed to be included in the contributions line item. This ASU also adds additional disclosure requirements for these gifts. The previous disclosure requirements were less detailed and primarily related only to contributed services. The new, more detailed requirements are for contributions of all nonfinancial assets, including both goods and services. These requirements include a disaggregation of the total amount of contributed nonfinancial assets recognized within the statement of activities by category and, for each category, information regarding the valuation methodology and whether the contributed nonfinancial assets were either monetized or used during the reporting period. The Organization has adopted the ASU using the retrospective approach as of October 1, 2020. These in-kind contributions are therefore separately stated on the consolidated statements of activities for the years ended September 30, 2022 and 2021 (see Note 14).

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.

2. Summary of Significant Accounting Policies, Continued:

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 approximate fair values because of the short maturities of those items and the variable 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. See Note 20 for information regarding a prior period adjustment in relation to a correction of an error in 2022.

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 2022 and 2021, the Organization had amounts on deposit in excess of the insured limits. 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.

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:

	2022	2021
Cash and cash equivalents	$ 6,192,823	$ 3,692,788
Certificates of deposit	837,308	827,867
Money market funds	538,148	535,219
Total	$ 7,568,279	$ 5,055,874

4. Accounts and Grants Receivable:

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

	2022	2021
Virginia Department of Rail and Public Transportation	$ 63,247	$ 508,569
Virginia Department of Housing and Community Development	517,628	204,107
Virginia Department of Aging and Rehabilitative Services	115,287	73,807
Virginia Department of Social Services	47,550	163,611
United Healthcare	363,373	269,363
Veteran's Administration	2,524,729	4,076,864
Others	1,127,317	682,812
Total	$ 4,759,131	$ 5,979,133

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 $61,599 at September 30, 2022 and $100,793 at September 30, 2021. The outstanding balance represents routine expenses reimbursed after year-end.

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	3/31/2022	3/31/2022	3/31/2022	3/31/2022	3/31/2022
Assets	$ 2,964,883	$ 1,394,026	$ 1,429,139	$ 4,486,544	$ 1,099,240
Liabilities	(41,899)	(34,734)	(20,143)	(72,816)	(10,986)
Net assets	$ 2,922,984	$ 1,359,292	$ 1,408,996	$ 4,413,728	$ 1,088,254
Operating revenues	$ 282,113	$ 184,082	$ 185,822	$ 449,281	$ 102,915
Operating expenses	(392,709)	(211,309)	(213,499)	(536,298)	(126,103)
Other revenues/ (expenses)	298	17	534	4,762	396
Change in net assets	$ (110,298)	$ (27,210)	$ (27,143)	$ (82,255)	$ (22,792)

	Bay Aging Apartments Colonial Beach	Bay Aging Apartments West Point	Bay Aging Apartments Gloucester	Bay Aging Apartments Montross
Fiscal year	9/30/2022	9/30/2022	9/30/2022	9/30/2022
Assets	$ 924,028	$ 874,171	$ 2,152,059	$ 948,886
Liabilities	(36,634)	(32,042)	(52,821)	(19,307)
Net assets	$ 887,394	$ 842,129	$ 2,099,238	$ 929,579
Operating revenues	$ 257,158	$ 209,144	$ 405,342	$ 176,032
Operating expenses	(281,858)	(220,590)	(477,253)	(199,902)
Other revenues/ (expenses)	507	90	19	186
Change in net assets	$ (24,193)	$ (11,356)	$ (71,892)	$ (23,684)

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 $461,028 for 2022 and $442,338 for 2021.

6. Investments:

Investments consist of the following at September 30:

	2022		
	Fair Value	Cost Basis	Cumulative Gain (Loss)
Equities	$ 624,034	$ 622,674	$ 1,360
Money market mutual funds	48,038	48,038	-
Mutual funds	49,283	49,166	117
Fixed income	197,131	210,574	(13,443)
Total	$ 918,486	$ 930,452	$ (11,966)

	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

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.

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.

7. Fair Value Measurements, Continued:

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 $918,486 at September 30, 2022, and $1,124,586 at September 30, 2021, which was also the carrying value.

8. Fixed Assets:

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

	2022	2021
Land	$ 980,680	$ 849,880
Buildings	14,543,093	12,702,970
Furniture and equipment	1,875,031	1,705,145
Vehicles	5,865,323	5,888,938
Construction in progress	410,876	46,089
Total	23,675,003	21,193,022
Accumulated depreciation	(9,165,353)	(8,443,861)
Net fixed assets	$ 14,509,650	$ 12,749,161

Depreciation expense was $1,170,215 for 2022 and $1,105,802 for 2021.

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, 2022 and 2021.

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 was re-financed several times with BB&T. The loan carried an interest rate of 3.99% payable in monthly installments of $5,720 and had a maturity date of April 24, 2022. The loan was collateralized by real estate. The balance of this loan was $39,215 at September 30, 2021, before being paid in full and closed in 2022.

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. On November 13, 2020, the interim financing was paid in full, and Bay Aging obtained permanent financing of $3,299,000 through the United Stated Department of Agriculture. This loan bears interest at 2.125% payable in monthly installments of $10,277 and matures in November 13, 2060. The loan is collateralized by the UPC. The balance of this loan was $3,199,679 as of September 20, 2022, and $3,253,788 as of September 30, 2021.

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 had a maturity date of December 22, 2022, before being extended to June 1, 2023 subsequent to year end. The loan is collateralized by the related real estate. The balance on this loan was $607,112 at September 30, 2022, and $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 had a maturity date of November 27, 2022, before being extended to June 1, 2023 subsequent to year end. The loan is collateralized by the related real estate. The balance on this loan was $295,000 at September 30, 2022 and 2021.

On March 1, 2022, Bay Aging closed on the purchase of an additional housing complex with an assessed value of $1,838,400. The purchase was financed via the Organization acquiring the related indebtedness from the borrower, in the amount of $994,901, with the additional $843,499 of value exceeding the debt being recorded as an in-kind contribution. The assumed debt carries an interest rate of 3.5% with a maturity date of October 1, 2041. The loan is collateralized by the related housing complex. The balance on the loan was $974,109 at September 30, 2022.

11. Loans Payable, Continued:

Future maturities of the loans payable at September 30, 2022 are as follows:

Year Ending September 30:	Amount
2023	$ 994,559
2024	94,911
2025	97,482
2026	100,126
2027	102,847
Thereafter	3,685,975
Total	$ 5,075,900

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.

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 summarized comparative information.

12. Net Assets with Donor Restrictions:

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

	2022	2021 (as restated)
Local gifts and grants	$ 836,966	$ 873,097
Fixed asset purchases	24,039	-
Total	$ 861,005	$ 873,097

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:

	2022	2021
Aging programs	$ 2,665,992	$ 2,823,864
CNS (RSVP)	79,791	104,791
Virginia Department of Housing and Community Development programs	1,481,376	1,345,396
Transportation programs	3,809,605	4,421,408
Virginia Housing Development Authority	149,449	60,363
Community Services Block Grant	712,891	624,688
Local gifts and grants	1,253,523	349,205
Other	348,861	224,354
Total	$ 10,501,488	$ 9,954,069

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:

	2022	2021 (as restated)
Virginia Department of Aging and Rehabilitative Services	$ 2,665,992	$ 2,823,864
Virginia Department of Housing and Community Development	1,481,376	1,345,396
MCO revenues	2,857,247	1,775,753
Virginia Department of Rail and Public Transportation/ Virginia Department of Transportation	3,809,605	4,421,408
US Department of Veterans Affairs	16,313,670	12,090,873
All others	7,905,675	5,758,234
Total	$ 35,033,565	$ 28,215,528

The Organization has a contract with the Virginia Department of Housing and Community Development ("DHCD") to administer the IPR and HOME programs. The DCHD 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 2022 or 2021. Interest in the amount of $159 in 2022 and $190 in 2021 was earned on program fund balances to be allocated to program activities in future years.

14. Donated Services and Materials:

The Organization receives in-kind contributions of time and pro bono services from members of the community and volunteers related to program operations. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization recognizes in-kind contribution revenue and corresponding expense in an amount approximating the fair value at the time of the donation.

During 2022, the Organization received a significant contribution of real property for a new housing complex. The Organization assumed the existing indebtedness of the property, with the excess of the appraised value over the debt balance being recorded as in-kind contribution revenue.

14. Donated Services and Materials, Continued:

During 2022 and 2021, the Organization received donated rent and labor for its Senior Patrol program. These were valued at the standard market rates charged to cash-paying customers.

In-kind contributions were recorded at the following values for the years ended September 30:

	2022	2021
Housing complex	$ 843,499	$ -
Rent	23,100	23,100
Labor	3,200	3,200
	$ 869,799	$ 26,300

15. Retirement Plan:

All employees of the Organization are covered by a defined contribution benefit plan under section 401(k) 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%, and 50% up to the next 2% of their pay. Employees have full and immediate vesting of plan assets. The Organization’s contribution was $208,366 for 2022 and $191,981 for 2021.

16. Lease Commitments:

In 2021, 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 $81,193 for 2022 and $107,593 for 2021.

17. 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.

17. Functional Allocation of Expenses, Continued:

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.

18. 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.

18. Liquidity and Availability of Financial Assets, Continued:

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.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position at September 30 comprise the following:

	2022	2021 (as restated)
Financial assets:		
Cash and cash equivalents	$ 7,568,279	$ 5,055,874
Accounts and grants receivable	4,759,131	5,979,133
Due from related organizations	61,599	100,793
Investments	918,486	1,124,586
Total financial assets	13,307,495	12,260,386
Less those unavailable for general expenditures within one year, due to:		
Net assets with donor restrictions	(861,005)	(873,097)
Total financial assets avialable to meet cash needs for general expenditure within one year	$ 12,446,490	$ 11,387,289

19. 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. 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, originally scheduled for April 2022 before being extended to April 2023.

20. Correction of Previous Misstatement:

During 2022, it was determined that the 2021 consolidated financial statements understated beginning and ending net assets with donor restrictions and overstated beginning and ending deferred revenue. Accordingly, the accompanying comparative totals from the 2021 consolidated financial statements have been restated to correct the misstatement. The restatement increased beginning net assets with donor restrictions by $893,498, decreased 2021 change in net assets with donor restrictions by $376,532, increased ending net assets with donor restrictions by $516,966, and decreased deferred revenue by $508,013.

21. Subsequent Events:

In preparing the consolidated financial statements, management of the Organization has evaluated events and transactions for potential recognition or through March 23, 2023, the date the consolidated financial statements were available to be issued, and has determined other than the debt extensions referenced in Note 11 and 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 two additional office buildings. Both purchases were funded by notes payable through the United States Department of Agriculture Rural Development Program, for total additional indebtedness of $1,730,000.

SUPPLEMENTAL INFORMATION

BAY AGING

Virginia Department of Aging and Rehabilitative Services
Status of Funds
Year Ended September 30, 2022

Fund	Unencumbered Funds on Hand at Beginning of Period	Total Funds Received During Period	Funds In Transit at September 30, 2022	Total Funds Available During Period	Accrued Costs to Contract Period	Unencumbered Funds on Hand at End of Period
Older Americans Act						
Title III-B	$ (16,795)	$ 450,490	$ -	$ 433,695	$ 433,695	$ -
Title III-C(1)	-	240,061	-	240,061	230,561	9,500
Title III-C(2)	(10,524)	339,611	-	329,087	329,087	-
Title III-D	2,271	27,382	-	29,653	29,078	575
Title III-E	80,142	91,084	-	171,226	138,567	32,659
Title VII-Elder Abuse	(101)	3,660	-	3,559	1,586	1,973
Title VII-Ombudsman	5,437	108,365	-	113,802	67,286	46,516
NSIP	-	98,000	-	98,000	98,000	-
CARES Act VII-Ombudsman	28,586	2,500	-	31,086	66,516	(35,430)
Supplemental Nutrition C2	-	119,836	-	119,836	119,836	-
American Rescue Plan (ARP) III-B	-	42,325	-	42,325	33,000	9,325
American Rescue Plan (ARP) III-C(2)	-	-	-	-	9,500	(9,500)
American Rescue Plan (ARP) III-D	-	2,460	-	2,460	1,200	1,260
American Rescue Plan (ARP) VII-Ombudsm	-	801	-	801	-	801
Expanding Public Health Workforce	-	-	-	-	23,143	(23,143)
Other Federal						
Title V-(PY 06/30/22 Award)	2,043	141,392	-	143,435	143,435	-
Title V-(PY 06/30/23 Award)	-	56,833	-	56,833	61,263	(4,430)
VICAP-(PY 03/31/22 Award)	3,469	44,135	-	47,604	47,604	-
VICAP-(PY 03/31/23 Award)	-	-	-	-	14,358	(14,358)
DMAS Ombudsman FY 22	-	17,262	-	17,262	29,000	(11,738)
MIPPA - Priority 2 - AAA	-	47,891	-	47,891	47,891	-
MIPPA - Priority 3 - ADRC	-	12,501	-	12,501	12,501	-
Falls Prevention Grant	(1,500)	1,500	-	-	1,400	(1,400)
General Funds						
OAA General-(PY 06/30/22)	-	87,124	-	87,124	87,124	-
Community Based-(PY 06/30/22)	-	137,330	-	137,330	137,330	-
Transportation-(PY 06/30/22)	-	49,560	-	49,560	49,560	-
Home Delivered Meals-(PY 06/30/22)	-	174,524	-	174,524	174,524	-
Supplemental Nutrition-(PY 06/30/22)	-	37,909	-	37,909	37,909	-
Ombudsman-(PY 06/30/22)	-	61,189	-	61,189	61,189	-
Care Coordination CCEVP-(PY 06/30/22)	-	123,199	-	123,199	123,199	-
Respite Care Initiative-(PY 06/30/22)	-	55,000	-	55,000	55,000	-
Senior Cool Care	(662)	2,339	-	1,677	1,800	(123)
GRAND TOTAL:	$ 92,366	$ 2,576,263	$ -	$ 2,668,629	$ 2,666,142	$ 2,487

See independent auditor's report.

BAY AGING

Virginia Department of Aging and Rehabilitative Services
Costs by Program Activity
Year Ended September 30, 2022

	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	$ 8,182	$ -	$ -	$ -	$ -	$ -	$ -
Personal care	150,526	-	-	-	-	-	-
Care Coordination Level 2	93,297	-	-	-	-	-	-
Care Transitions	-	-	-	-	-	-	-
S.O.S.	-	-	-	-	-	-	-
Comm. Referral Info. & Assist	67,672	-	-	-	-	-	-
Transportation	3,010	-	-	-	-	-	-
Congregate Meals	-	190,394	-	-	-	-	-
Home Delivered Meals	-	-	302,713	-	-	-	-
Nutrition Counseling	-	7,480	7,480	-	-	-	-
Nutrition Education	-	1,787	1,787	-	-	-	-
Other "EB" Disease Prevention	-	-	-	29,078	-	-	-
Long-term Care Coordinating Activity	47,142	-	-	-	-	-	-
Outreach/Public Information & Education	26,278	-	-	-	-	-	-
Legal Assistance	5,087	-	-	-	-	-	-
Elder Abuse Prevention	-	-	-	-	-	997	-
LTC Ombudsman Program	-	-	-	-	-	589	67,286
Preparation and Administration	32,501	30,900	17,107	-	-	-	-
Public Health Workforce	-	-	-	-	-	-	-
Title III-E, Older American Act Funds:							
Adult Day Care	-	-	-	-	138,567	-	-
Total	$ 433,695	$ 230,561	$ 329,087	$ 29,078	$ 138,567	$ 1,586	$ 67,286

See independent auditor's report.

BAY AGING

Virginia Department of Aging and Rehabilitative Services
Costs by Program Activity, Continued
Year Ended September 30, 2022

	Costs to Federal CARES ACT Title VII Ombudsman Funds	Costs to Federal Supplemental Nutrition C2	Costs to Federal ARP III-B Funds	Costs to Federal ARP III C-2 Funds	Costs to Federal ARP III-D Funds	Costs to Federal Expanding Public Health Workforce	Voluntary Contributions
Title III (Except III-E), Older American Act Funds:							
Homemaker	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Personal care	-	-	10,000	-	-	-	-
Care Coordination Level 2	-	-	-	-	-	-	-
Care Transitions	-	-	-	-	-	-	-
S.O.S.	-	-	-	-	-	-	-
Comm. Referral Info. & Assist	-	-	10,000	-	-	-	-
Transportation	-	-	-	-	-	-	
Congregate Meals	-	-	-	-	-	-	3,648
Home Delivered Meals	-	119,836	-	9,500	-	-	27,547
Nutrition Counseling	-	-	-	-	-	-	-
Nutrition Education	-	-	-	-	-	-	-
Other "EB" Disease Prevention	-	-	-	-	1,200	-	-
Long-term Care Coordinating Activity	-	-	-	-	-	-	-
Outreach/Public Information & Education	-	-	13,000	-	-	-	-
Legal Assistance	-	-	-	-	-	-	-
Elder Abuse Prevention	-	-	-	-	-	-	-
LTC Ombudsman Program	66,516	-	-	-	-	-	-
Preparation and Administration	-	-	-	-	-	-	-
Public Health Workforce	-	-	-	-	-	23,143	-
Title III-E, Older American Act Funds:							
Adult Day Care	-	-	-	-	-	-	-
Total	$ 66,516	$ 119,836	$ 33,000	$ 9,500	$ 1,200	$ 23,143	$ 31,195

See independent auditor’s report.

BAY AGING

Virginia Department of Aging and Rehabilitative Services
Costs by Program Activity, Continued
Year Ended September 30, 2022

	Costs to Other Non-Federal funds	Fees	DMAS Ombudsman	Costs to NSIP Funds	Costs to G.F. OAA General Funds	Costs to G.F. Community Based Funds	Costs to G.F. Transportation Funds
Title III (Except III-E), Older American Act Funds:							
Homemaker	$ -	$ -	$ -	$ -	$ 30,062	$ 19,000	$ -
Personal care	14,575	-	-	-	30,062	118,330	-
Care Coordination Level 2	-	-	-	-	-	-	-
Care Transitions	-	-	-	-	-	-	-
S.O.S.	-	-	-	-	-	-	-
Comm. Referral Info. & Assist	10,000	-	-	-	-	-	-
Transportation		-	-	-	27,000	-	49,560
Congregate Meals	26,000	-	-	33,000	-	-	-
Home Delivered Meals	44,035	-	-	65,000	-	-	-
Nutrition Counseling	-	-	-	-	-	-	-
Nutrition Education	-	-	-	-	-	-	-
Other "EB" Disease Prevention	-	-	-	-	-	-	-
Long-term Care Coordinating Activity	-	-	-	-	-	-	-
Outreach/Public Information & Education	10,000	-	-	-	-	-	-
Legal Assistance	-	-	-	-	-	-	-
Elder Abuse Prevention	-	-	-	-	-	-	-
LTC Ombudsman Program	-	-	29,000	-	-	-	-
Preparation and Administration	26,996	-	-	-	-	-	-
Public Health Workforce	-	-	-	-	-	-	-
Title III-E, Older American Act Funds:							
Adult Day Care	-	-	-	-	-	-	-
Total	$ 131,606	$ -	$ 29,000	$ 98,000	$ 87,124	$ 137,330	$ 49,560

See independent auditor’s report.

BAY AGING

Virginia Department of Aging and Rehabilitative Services
Costs by Program Activity, Continued
Year Ended September 30, 2022

	Costs to G.F. Home Delivered Meals Funds	Costs to G.F. Supplemental Nutrition Funds	Costs to G.F. CCEVP Funds	Costs to G.F. Ombudsman Funds	Total Title III & VII Costs
Title III (Except III-E), Older American Act Funds:					
Homemaker	$ -	$ -	$ -	$ -	$ 57,244
Personal care	-	-	-	-	323,493
Care Coordination Level 2	-	-	2,832	-	96,129
Care Transitions	-	-	28,777		28,777
S.O.S.	-	-	91,590	-	91,590
Comm. Referral Info. & Assist	-	-	-	-	87,672
Transportation	-	-	-	-	79,570
Congregate Meals	-	12,048	-	-	265,090
Home Delivered Meals	174,524	25,861	-	-	769,016
Nutrition Counseling	-	-	-	-	14,960
Nutrition Education	-	-	-	-	3,574
Other "EB" Disease Prevention	-	-	-	-	30,278
Long-term Care Coordinating Activity	-	-	-	-	47,142
Outreach/Public Information & Education	-	-	-	-	49,278
Legal Assistance	-	-	-	-	5,087
Elder Abuse Prevention	-	-	-	-	997
LTC Ombudsman Program	-	-	-	61,189	224,580
Preparation and Administration	-	-	-	-	107,504
Public Health Workforce	-	-	-	-	23,143
Title III-E, Older American Act Funds:					
Adult Day Care	-	-	-	-	138,567
Total	$ 174,524	$ 37,909	$ 123,199	$ 61,189	$ 2,443,691

See independent auditor’s report.

BAY AGING

Virginia Department of Aging and Rehabilitative Services
Status of Inventories
Year Ended September 30, 2022

Fund Source and Type of Inventory	Value on Hand October 1, 2021	Increase (Decrease) During Period	Value on hand September 30, 2022
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	$ -	$ -	$ -

See independent auditor’s report.

BAY AGING

Schedule of Government Grants
Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Aging Programs	$ -	$ 2,665,992	$ 2,665,992
Virginia Department of Housing and Community Development:			
Weatherization - DOE	-	188,699	188,699
Emergency home repair	-	21,433	21,433
Lead hazard reduction	-	10,750	10,750
LIHEAP	-	755,447	755,447
Homeless Program	-	505,047	505,047
Transportation:			
Virginia Department of Rail and Public Transportation	-	3,809,605	3,809,605
Virginia Housing Development Authority	-	149,449	149,449
Community Services Block Grant/TANF	-	712,891	712,891
ACTION - RSVP	-	79,791	79,791
Other Grants	-	241,713	241,713
Local governments:			
Local match funds	-	1,113,853	1,113,853
Total government grants	$ -	$ 10,254,670	$ 10,254,670

See independent auditor's report.

BAY AGING

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-through Entity Identifying Number		Total Federal Expenditures	Passed Through to Subrecipients
Department of Agriculture					
Pass Through Payments:					
Virginia Department of Aging and Rehabilitative Services:					
Child and Adult Care Food Program	93.053	114551/116344 114550/116343		$ 98,000	$ -
Department of Housing and Urban Development					
Pass Through Payments:					
Virginia Housing Development Authority:					
Section 8 Housing Choice Vouchers	14.871	Not Available		128,291	-
Federal Rapid Rehousing	14.231	20-LI-15 & 21-LI-15		21,158	-
Total Department of Housing and Urban Development				149,449	
Corporation for National and Community Service					
Direct Payments:					
Retired Senior Volunteer Program	94.002	N/A		79,791	-
Department of Health and Human Services					
Direct Payments:					
Special Programs for the Aging - Title IV and Title II - Discretionary Projects (CPL)	93.048	N/A		177,412	
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	$ 433,695		-
COVID-19 - Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	114551/116344 114550/116343	33,000		
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	114540/116342	679,484		
COVID-19 - Special programs for the Aging - Title III, Part C - Nutrition Services	93.045	114540/116342	9,500	1,155,679	-
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	116335		68,872	-
COVID-19 - Special Programs for the Aging - Title VII, Chapter 2 - LTC Ombudsman Services for Older Individuals	93.042	117229		66,516	-
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	114543/116341		29,078	-
COVID-19 - Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	114543/116341		1,200	
Special Programs for the Aging - Title IV and Title II - Discretionary Projects (CPL)	93.048	V4A		11,230	-
National Family Caregiver Support, Title III, Part E	93.052	114541/116340		138,567	-
Medicare Enrollment Assistance Program (MIPPA)	93.071	114547/114548		60,392	-
State Health Insurance Assistance Program	93.324	ARS44118/ 117058(220)		61,962	-
Virginia Department of Housing and Community Development:					
Low-Income Home Energy Assistance	93.568	20-LI-15 & 21-LI-15		762,892	-
Virginia Department of Social Services:					
Temporary Assistance For Needy Families (TANF)	93.558	CVS-19-063-04		207,719	-
Community Services Block Grant	93.569	CVS-19-063-04	$ 266,931		-
COVID-19 - Community Services Block Grant	93.569	Not Available	238,241	505,172	-
Total Department of Health and Human Services				3,246,691	

See independent auditor's report.

BAY AGING

Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-through Entity Identifying Number		Total Federal Expenditures	Passed Through to Subrecipients
Department of Labor					
Pass Through Payments:					
Virginia Department of Aging and Rehabilitative Services					
Senior Community Service Employment Program	17.235	115740/117330		$ 204,698	$ -
Department of Energy					
Pass Through Payments:					
Virginia Department of Housing and Community Development					
Weatherization Assistance for Low-Income Persons	81.042	20-WX-15/ 21-WX-15		181,254	-
Department of Transportation					
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	1,791,486		-
COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program	20.509	Not Available	707,271	2,498,757	-
Federal Microtransit	20.530	46020-21		54,624	-
Total Department of Transportation				2,553,381	
Total expenditures of federal awards				$ 6,513,264	$ -

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, 2022. 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 independent auditor’s report.

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, 2022, 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 23, 2023.

Report on 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.

Report on 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.

Keiter

March 23, 2023
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

Opinion on Each Major Federal Program

We have audited Bay Aging (the "Organization"), compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirement referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Certified Public
Accountants & Consultants
4401 Dominion Boulevard
Glen Allen, VA 23060
T:804.747.0000 F:804.747.3632

www.keitercpa.com

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Keiter

March 23, 2023
Glen Allen, Virginia

BAY AGING

Schedule of Findings and Questioned Costs
Year Ended September 30, 2022

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:

Name of Federal Program or Cluster	Assistance Listing #	Expenditures
Formula Grants for Rural Areas and Tribal Transit Program	20.509	$ 2,498,757
Low-Income Home Energy Assistance	93.568	762,892
		$ 3,261,649

(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

BAY AGING

Corrective Action Plan
Year Ended September 30, 2022

Not Applicable