

**Bay Aging Apartments Kilmarnock, Inc.  
Tartan Village I & Tartan Village II  
HUD Project No. 051-EE082  
& HUD Project No. 051-EE111**

Financial Statements

Year Ended March 31, 2023



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**BAY AGING APARTMENTS KILMARNOCK, INC.  
TARTAN VILLAGE I AND TARTAN VILLAGE II  
HUD PROJECT NO. 051-EE082 AND NO. 051-EE111**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Bay Aging Apartments Kilmarnock, Inc.  
Kilmarnock, Virginia

### Opinion

We have audited the accompanying financial statements of Bay Aging Apartments Kilmarnock, Inc., (the "Organization") which comprise the statement of financial position as of March 31, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bay Aging Apartments Kilmarnock, Inc. as of March 31, 2023, and the changes in its net assets and 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 Auditors Responsibilities for the Audit of the 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.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 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 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.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information identified in the table of contents, as well as the 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*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the

financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the above described supplemental information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the 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 October 7, 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 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.

A handwritten signature in black ink, appearing to read "Keita", with a stylized flourish at the end.

October 7, 2023  
Glen Allen, Virginia

**BAY AGING APARTMENTS KILMARNOCK, INC.  
TARTAN VILLAGE I AND TARTAN VILLAGE II  
HUD PROJECT NO. 051-EE082 AND NO. 051-EE111**

Statement of Financial Position  
March 31, 2023

		<u>Assets</u>	
<u>Current assets:</u>			
1120	Cash - operations		\$ 21,170
1130	Accounts receivable - tenant		577
1135	Accounts receivable - HUD		1,239
1190	Petty cash - miscellaneous current assets		200
1200	Prepaid expenses		<u>7,343</u>
1100T	Total current assets		<u>30,529</u>
 <u>Cash deposits held in trust:</u>			
1191	Tenant deposits held in trust		<u>13,806</u>
 <u>Deposits:</u>			
1310	Escrow deposits		12,795
1320	Replacement reserve		167,427
1340	Residual receipts reserve		<u>55,544</u>
1300T	Total deposits		<u>235,766</u>
 <u>Fixed Assets:</u>			
1410	Land		155,600
1420	Buildings		3,899,435
1440	Building equipment (portable)		749
1450	Furniture for project/tenant use		23,414
1465	Office furniture and equipment		4,067
1470	Maintenance equipment		<u>14,869</u>
1400T	Total fixed assets		4,098,134
1495	Accumulated depreciation		<u>(1,498,234)</u>
1400N	Net fixed assets		<u>2,599,900</u>
1000T	Total assets		<u><u>\$ 2,880,001</u></u>

See accompanying notes to financial statements.

**BAY AGING APARTMENTS KILMARNOCK, INC.  
TARTAN VILLAGE I AND TARTAN VILLAGE II  
HUD PROJECT NO. 051-EE082 AND NO. 051-EE111**

Statement of Financial Position, Continued  
March 31, 2023

<u>Liabilities and Net Assets</u>		
<u>Current liabilities:</u>		
2110	Accounts payable - operations	\$ 21,729
2123	Management fee payable	3,409
2150	Accrued property taxes	<u>3,225</u>
2122T	Total current liabilities	<u>28,363</u>
 <u>Deposit liabilities:</u>		
2191	Tenant deposits held in trust	<u>13,806</u>
2000T	Total liabilities	<u>42,169</u>
 <u>Net assets:</u>		
3131	Without donor restrictions	(1,101,354)
3133	With donor restrictions	<u>3,939,186</u>
3130	Total net assets	<u>2,837,832</u>
2033T	Total liabilities and net assets	<u>\$ 2,880,001</u>

See accompanying notes to financial statements.

**BAY AGING APARTMENTS KILMARNOCK, INC.  
TARTAN VILLAGE I AND TARTAN VILLAGE II  
HUD PROJECT NO. 051-EE082 AND NO. 051-EE111**

Statement of Activities  
Year Ended March 31, 2023

		Without Donor	With Donor	
		<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>
<u>Revenue:</u>				
<u>Rent revenues:</u>				
5120	Rent revenues - gross potential	\$ 142,117	\$ -	\$ 142,117
5121	Tenant assistance programs	154,625	-	154,625
5100T	Total rent revenue	<u>296,742</u>	-	<u>296,742</u>
<u>Vacancies:</u>				
5220	Apartments	2,426	-	2,426
5152N	Net rental revenue	<u>294,316</u>	-	<u>294,316</u>
<u>Financial revenue:</u>				
5430	Revenues from investments - residual receipts	73	-	73
5440	Revenues from investments - replacement reserve	235	-	235
5490	Revenues from investments - escrow	6	-	6
5900	Miscellaneous Revenue	146	-	146
5400T	Total financial revenue	<u>460</u>	-	<u>460</u>
5000T	Total revenue	<u>294,776</u>	-	<u>294,776</u>
<u>Expenses:</u>				
<u>Administrative:</u>				
6203	Conventions and meetings	482	-	482
6250	Other renting expenses	328	-	328
6311	Office expenses	12,319	-	12,319
6320	Management fee	30,909	-	30,909
6330	Manager or superintendent salaries	14,772	-	14,772
6350	Audit expense	18,000	-	18,000
6351	Bookkeeping fees/accounting services	23,644	-	23,644
6263T	Total administrative expenses	<u>100,454</u>	-	<u>100,454</u>
<u>Utilities</u>				
6450	Electricity	7,073	-	7,073
6451	Water	7,477	-	7,477
6453	Sewer	18,463	-	18,463
6400T	Total utilities expense	<u>33,013</u>	-	<u>33,013</u>

See accompanying notes to financial statements.



**BAY AGING APARTMENTS KILMARNOCK, INC.  
TARTAN VILLAGE I AND TARTAN VILLAGE II  
HUD PROJECT NO. 051-EE082 AND NO. 051-EE111**

Statement of Activities, Continued  
Year Ended March 31, 2023

		Without Donor Restrictions	With Donor Restrictions	Total
<u>Expenses, Continued:</u>				
<u>Operating and maintenance:</u>				
6515	Supplies	\$ 14,225	\$ -	\$ 14,225
6520	Contracts	62,510	-	62,510
6525	Garbage and trash removal	6,579	-	6,579
6546	Heating/cooling repairs and maintenance	12,087	-	12,087
6590A	Cable Service	716	-	716
6590	Miscellaneous operating and maintenance expenses	769	-	769
6500T	Total operating and maintenance expenses	<u>96,886</u>	<u>-</u>	<u>96,886</u>
<u>Depreciation:</u>				
6600	Depreciation expenses	<u>98,159</u>	<u>-</u>	<u>98,159</u>
<u>Taxes and insurance:</u>				
6710	Real estate taxes	12,902	-	12,902
6711	Payroll taxes (project's share)	1,383	-	1,383
6720	Property and liability insurance	17,698	-	17,698
6722	Workmen's compensation	72	-	72
6723	Health insurance and other employee benefits	4,138	-	4,138
6790	Miscellaneous taxes, licenses, permits and insurance	1,855	-	1,855
6700T	Total taxes and insurance	<u>38,048</u>	<u>-</u>	<u>38,048</u>
<u>Other expenses:</u>				
6900	Service coordinator	<u>13,368</u>	<u>-</u>	<u>13,368</u>
	Total expenses	<u>379,928</u>	<u>-</u>	<u>379,928</u>
5060N	Change in total net assets	(85,152)	-	(85,152)
S1100-050	Net assets, beginning of year	<u>(1,016,202)</u>	<u>3,939,186</u>	<u>2,922,984</u>
3130	Net assets, end of year	<u>\$ (1,101,354)</u>	<u>\$ 3,939,186</u>	<u>\$ 2,837,832</u>
S1000-010	Total mortgage principal payments required during the audit year.			<u>\$ -</u>
S1000-020	Total of 12 monthly deposits in the audit year into the Replacement Reserve account, as required by the Regulatory Agreement.			<u>\$ 15,900</u>
S1000-030	Replacement Reserves, or Residual receipts and Releases which are included as expense items on this Profit and Loss statement.			<u>\$ 14,696</u>
S1000-010	Project Improvement Reserve releases under Flexible Subsidy Program that are included as expense items on this Profit and Loss statement.			<u>\$ -</u>

See accompanying notes to financial statements.

**BAY AGING APARTMENTS KILMARNOCK, INC.  
TARTAN VILLAGE I AND TARTAN VILLAGE II  
HUD PROJECT NO. 051-EE082 AND NO. 051-EE111**

Statement of Cash Flows  
Year Ended March 31, 2023

Cash flows from operating activities:

Receipts:

S1200-010	Rental receipts	\$ 293,597
S1200-020	Interest receipts	460
S1200-040	Total receipts	294,057

Disbursements:

S1200-050	Administrative	32,205
S1200-070	Management fee	30,508
S1200-090	Utilities	33,013
S1200-100	Salaries and wages	38,416
S1200-110	Operating and maintenance	96,853
S1200-120	Real estate taxes	12,902
S1200-140	Property insurance	17,698
S1200-150	Miscellaneous taxes and insurance	1,855
S1200-170	Other operating expenses	18,961
S1200-230	Total disbursements	282,411

S1200-240	Net cash provided by (used for) operating activities	11,646
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Cash flows from investing activities:

S1200-250	Net deposits to reserve for replacement account	1,634
S1200-255	Net deposits from (to) other reserves	(6,762)
S1200-260	Net deposits from (to) residual receipts account	(6,369)

S1200-350	Net cash provided by (used for) investing activities	(11,497)
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S1200-470	Net increase (decrease) in cash	149
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S1200-480	Cash at beginning of year	21,021
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S1200T	Cash at end of year	\$ 21,170
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Reconciliation of change in net assets to net cash provided by operating activities:

3250	Change in net assets	\$ (85,152)
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Adjustments to reconcile change in net assets to net cash provided by operating activities:

6600	Depreciation expense	98,159
S1200-490	(Increase) decrease in tenant/member accounts receivable	(502)
S1200-520	(Increase) decrease in prepaid expenses	(1,076)
S1200-540	(Increase) decrease in accounts payable	(184)
S1200-560	(Increase) decrease in accrued liabilities	401

S1200-610	Net cash provided by operating activities	\$ 11,646
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See accompanying notes to financial statements.

**BAY AGING APARTMENTS KILMARNOCK, INC.  
TARTAN VILLAGE I AND TARTAN VILLAGE II  
HUD PROJECT NO. 051-EE082 AND NO. 051-EE111**

Notes to Financial Statements

**1. Nature of Operations:**

Bay Aging Apartments Kilmarnock, Inc., (“the Organization”) is a not-for-profit organization which is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the “Code”) and comparable state law. The Organization owns and operates Tartan Village I, a 22-unit residential facility for elderly adults, located in Kilmarnock, Virginia; as well as Tartan Village II, a 19-unit residential facility for elderly adults, also located in Kilmarnock, Virginia. Substantially all revenues result from tenant rentals and rental subsidies from the U.S. Department of Housing and Urban Development (“HUD”) Section 8 Housing Assistance Program. The Organization has been classified as a publicly supported organization under section 509(a) of the Code. The project is a Section 202 project under the National Affordable Housing Act. The Organization commenced operations on January 13, 2005, with Tartan Village I. Operations at Tartan Village II commenced in November 2010.

The Organization is managed by Bay Aging, whose President/CEO and Board of Directors also serve on the Board of Directors of the Organization.

**2. Summary of Significant Accounting Policies:**

**Basis of Accounting:** The accompanying 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 Boards (“FASB”) Accounting Standards Codification (“ASC”).

**Basis of Presentation:** The financial statements are presented in accordance with FASB guidance, which establishes standards for financial statements issued by not-for-profit organizations. It requires that net assets and related revenue 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*** – The portion of the net assets of the Organization that can be used subject only to the broad limits resulting from the nature of the Organization, the environment in which it operates, and the purposes specified in its articles of incorporation or bylaws. Net assets without donor restrictions generally result from rent revenues that are not subject to donor-imposed restrictions, and income from investing excess operating cash, reduced by expenses incurred in provide services and performing administrative functions.

***Net Assets With Donor Restrictions*** – The portion of the net assets of the organization that is subject to either donor-imposed time restrictions or donor-imposed purpose restrictions. 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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**BAY AGING APARTMENTS KILMARNOCK, INC.  
TARTAN VILLAGE I AND TARTAN VILLAGE II  
HUD PROJECT NO. 051-EE082 AND NO. 051-EE111**

Notes to Financial Statements, Continued

**2. Summary of Significant Accounting Policies, Continued:**

**Use of Estimates:** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that reflect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents:** The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less from the date of acquisition to be cash equivalents.

The Organization maintains its cash and cash equivalent balances in a large financial institution whose balances are fully insured by the Federal Deposit Insurance Corporation up to \$250,000.

**Accounts Receivable:** Accounts receivable consists of amounts due from tenants for rents and other charges, and amounts due from HUD for housing assistance payments and construction advances. Tenant receivables are considered to be delinquent when they are more than 30 days in arrears. The amount of doubtful accounts receivable was considered immaterial as management believes all amounts reported as receivables will be received. Receivables are written off when all efforts to collect the amounts are exhausted. Accounts receivable was \$1,314 as of April 1, 2022.

**Fixed Assets:** Fixed assets which cost \$1,000 or more are capitalized. Depreciation is provided over the estimated useful lives of the assets using the straight-line method as follows:

Buildings	40 years
Furnishings	7 years

Depreciation expense for the year ended March 31, 2023 was \$98,159.

Real estate acquired or contracted with HUD capital advance funds are subject to liens to HUD for a period of 40 years or until HUD releases use restrictions.

**Revenue Recognition:** The units of the Organization's residential facility are generally leased to tenants under one year non-cancelable operating leases. Rental revenue is recognized when earned. Rental concessions are recognized when granted, which approximates a method of initially deferring such costs and amortizing them over the related lease term.

**BAY AGING APARTMENTS KILMARNOCK, INC.  
TARTAN VILLAGE I AND TARTAN VILLAGE II  
HUD PROJECT NO. 051-EE082 AND NO. 051-EE111**

Notes to Financial Statements, Continued

**2. Summary of Significant Accounting Policies, Continued:**

**Concentrations of Credit Risk:** The Organization's primary assets are 19-unit and 22-unit residential facilities. The Organization's operations are concentrated in the multifamily real estate market. In addition, the housing project operates in a heavily regulated environment. The operations of the housing project are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules, and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

**Income Taxes:** The Organization is a qualifying non-profit entity as defined under section 501(c)(3) of the Internal Revenue Code and the tax statutes of the Commonwealth of Virginia and is therefore exempt from federal and state income taxation.

**Income Tax Uncertainties:** Management has evaluated the effects of accounting guidance related to uncertain income tax positions and concluded that the Organization had no significant financial statement exposure to uncertain income tax positions at March 31, 2023. The Organization is not currently under audit by any tax jurisdictions.

**Adoption of New Accounting Standard:** In February 2016, the FASB issued ASU 2016-02 *Leases (Topic 842)*, which supersedes ASC 840 and creates a new topic, ASC 842. ASC 842 requires lessees to recognize a right-of-use asset and a lease liability on the statement of financial position for substantially all leases with a term of 12 months or greater. Leases are classified as either finance or operating, with classification affecting expense recognition in the Organization's operations. On April 1, 2022, the Organization adopted the provisions of ASC 842 – Leases, using the modified retrospective adoption method. The Organization does not have leases that qualify for such recognition under ASC 842; therefore, the accounting and disclosure requirements under ASC 842 for lessors did not have a material impact on the Organization.

**Subsequent Events:** Management has evaluated subsequent events through October 7, 2023, the date the financial statements were available for issuance, and has determined there are no subsequent events to be reported in the accompanying financial statements.

**BAY AGING APARTMENTS KILMARNOCK, INC.  
TARTAN VILLAGE I AND TARTAN VILLAGE II  
HUD PROJECT NO. 051-EE082 AND NO. 051-EE111**

Notes to Financial Statements, Continued

**3. Restricted Deposits:**

Under the regulatory agreement with HUD, the Organization is required to set aside amounts for the replacement of property and other project expenditures approved by HUD. HUD-restricted deposits, which were \$222,971 at March 31, 2023, are held in separate accounts and are generally not available for operating purposes. The use of the residual receipts and reserve for replacement accounts is contingent upon HUD's prior written approval.

**4. Capital Advance:**

Capital advance funds have been reported as net assets with donor restrictions. The capital advance does not have to be repaid as long as the constructed facilities are used for housing the elderly for 40 years, or other HUD approved use of the facilities. Failure to keep the facilities available for housing for eligible elderly persons or other HUD-approved uses would result in HUD billing the Organization for the entire capital advance plus interest from the date of the first funds advanced.

**5. Rental Income:**

Rental income consists of payments from tenants and HUD rental subsidies. Rent increases cannot be assessed without approval from HUD. In 2023, the Organization received \$154,625 in tenant rental assistance from the Section 8 Housing Assistance Program.

**6. Related Party Activities:**

Pursuant to a management agreement approved by HUD, the Organization is managed by Bay Aging. Bay Aging provides accounting and other related services to the Organization. All costs attributable to the operation of the residential facility that are paid by Bay Aging are charged to the Organization as incurred. Indirect cost allocations charged to the Organization by Bay Aging include site manager salary, accounting, and the service coordinator expenses. Bay Aging was paid \$74,747 for various operating and capital expenses. All transactions were consummated on terms equivalent to those that prevail in arm's-length transactions. The management fee is approved by HUD and was 9.89% for Tartan Village I and 11.00% for Tartan Village II for 2023. The Organization owed Bay Aging \$21,638 at March 31, 2023 for various operating expenses.

**7. Functional Allocation of Expenses:**

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

**BAY AGING APARTMENTS KILMARNOCK, INC.  
TARTAN VILLAGE I AND TARTAN VILLAGE II  
HUD PROJECT NO. 051-EE082 AND NO. 051-EE111**

Notes to Financial Statements, Continued

**7. Functional Allocation of Expenses, Continued:**

The following summarizes the functional allocation of expenses:

	Program Services	Supporting Services		Total
		Management & General	Fundraising	
Administrative expenses:				
Management fees	\$ -	\$ 30,909	\$ -	\$ 30,909
Audit expense	-	18,000	-	18,000
Bookkeeping fees	-	23,644	-	23,644
Manager and superintendent salaries	-	14,772	-	14,772
Other	-	13,129	-	13,129
Total administrative expenses	<u>-</u>	<u>100,454</u>	<u>-</u>	<u>100,454</u>
Utilities	33,013	-	-	33,013
Operating and maintenance	96,886	-	-	96,886
Depreciation expenses	98,159	-	-	98,159
Taxes and insurance	32,455	5,593	-	38,048
Service coordinator	<u>13,368</u>	<u>-</u>	<u>-</u>	<u>13,368</u>
Total expenses	<u>\$ 273,881</u>	<u>\$ 106,047</u>	<u>\$ -</u>	<u>\$ 379,928</u>

**8. Liquidity and Availability of Financial Assets:**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position comprises the following at March 31, 2023:

Cash and cash equivalents	\$ 21,370
Accounts receivable - tenant	577
Accounts receivable - HUD	<u>1,239</u>
Total	<u>\$ 23,186</u>

In addition to financial assets available to meet general expenditures over the year, the Organization operates with a balanced budget and anticipates covering its general expenditures by collecting sufficient program income and other revenues and by utilizing donor restricted resources from current and prior years' donations, as needed.

**SUPPLEMENTAL INFORMATION**



**BAY AGING APARTMENTS KILMARNOCK, INC.  
TARTAN VILLAGE I AND TARTAN VILLAGE II  
HUD PROJECT NO. 051-EE082 AND NO. 051-EE111**

Supplemental Information Required by HUD  
Year Ended March 31, 2023

**Computation of Surplus Cash, Distributions, and Residual Receipts**

Cash - Accounts # 1120 & # 1191	\$	34,976
Accounts receivable - HUD		1,239
Accounts payable - current		(21,729)
Accrued management fee payable		(3,409)
Tenants deposits held in trust		(13,806)
Surplus cash (deficiency)	\$	<u>(2,729)</u>

**Schedule of Activity - Reserve for Replacements**

Balance, beginning of year	\$	169,061
Monthly deposits		15,900
Other deposits		24,152
Authorized withdrawals		(41,921)
Interest income		235
Balance, end of year	\$	<u>167,427</u>

**Schedule of Activity - Residual Receipts**

Balance, beginning of year	\$	49,175
Monthly deposits		6,296
Interest income		73
Balance, end of year	\$	<u>55,544</u>

**Schedule of Changes in Fixed Assets**

	Balance 04/01/2022	Additions	Deletions	Balance 03/31/2023
1410 Land	\$ 155,600	\$ -	\$ -	\$ 155,600
1420 Buildings	3,899,435	-	-	3,899,435
1440 Building equipment	749	-	-	749
1450 Furniture for project / tenant use	23,414	-	-	23,414
1465 Office furniture and equipment	4,067	-	-	4,067
1470 Maintenance equipment	14,869	-	-	14,869
1400T Total	4,098,134	-	-	4,098,134
1495 Accumulated depreciation	1,400,075	98,159	-	1,498,234
1400N Net book value	<u>\$2,698,059</u>	<u>\$ (98,159)</u>	<u>\$ -</u>	<u>\$2,599,900</u>

See Independent Auditor's Report.

**BAY AGING APARTMENTS KILMARNOCK, INC.  
TARTAN VILLAGE I AND TARTAN VILLAGE II  
HUD PROJECT NO. 051-EE082 AND NO. 051-EE111**

Management Agent Certification  
Year Ended March 31, 2023

We hereby certify that we have read the accompanying financial statements and other supplemental information of Bay Aging Apartments Kilmarnock, Inc., and, to the best of our knowledge and belief, the same is complete and accurate

Bay Aging:

By: 

Title: President

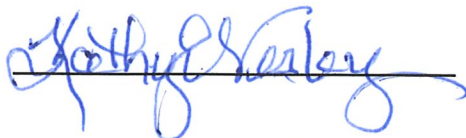
Date: 10-07-2023

Employer Identification Number: 54-1085032

**BAY AGING APARTMENTS KILMARNOCK, INC.  
TARTAN VILLAGE I AND TARTAN VILLAGE II  
HUD PROJECT NO. 051-EE082 AND NO. 051-EE111**

Borrower's Certification  
Year Ended March 31, 2023

We hereby certify that we have examined the accompanying financial statements and supplemental information of Bay Aging Apartments Kilmarnock, Inc. and, to the best of our knowledge and belief, the same is complete and accurate.

By: <u></u>	By: <u>William D Smith</u>
Title: <u>President</u>	Title: <u>Deputy CFO</u>
Date: <u>10-07-2023</u>	Date: <u>10-7-2023</u>

Employer Identification Number: 75-2985080

**BAY AGING APARTMENTS KILMARNOCK, INC.  
TARTAN VILLAGE I AND TARTAN VILLAGE II  
HUD PROJECT NO. 051-EE082 AND NO. 051-EE111**

Auditor Information  
Year Ended March 31, 2023

Lead Auditor	Richard W. Lewis, CPA Keiter 4401 Dominion Boulevard Glen Allen, Virginia 23060 (804) 747-0000
Federal Employer ID Number:	54-1631262
Firm Virginia State Licensing Number:	131975

**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 of  
Bay Aging Apartments Kilmarnock, Inc.  
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 financial statements of Bay Aging Apartments Kilmarnock, Inc. (the “Organization”), which comprise the statement of financial position as of March 31, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 7, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization’s internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the 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 or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instance 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 "Keiteu", with a stylized, cursive script.

October 7, 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 Apartments Kilmarnock, Inc.  
Urbanna, Virginia

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Bay Aging Apartments Kilmarnock, Inc.’s (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 the Organization’s major federal program for the year ended March 31, 2023. The Organization’s major federal program is 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 its major federal program for the year ended March 31, 2023.

***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 requirements 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.

## ***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.



October 7, 2023  
Glen Allen, Virginia

**BAY AGING APARTMENTS KILMARNOCK, INC.  
TARTAN VILLAGE I AND TARTAN VILLAGE II  
HUD PROJECT NO. 051-EE082 AND NO. 051-EE111**

Schedule of Expenditures of Federal Awards  
Year Ended March 31, 2023

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identify Number</b>	<b>Total Federal Expenditures</b>
<u>Department of Housing and Urban Development</u>			
Direct payments:			
Supportive Housing for the Elderly	14.157	N/A	\$ 3,939,186
Section 8 Project-Based Cluster:			
Section 8 Housing Assistance Payments Program	14.195	N/A	<u>154,625</u>
Total expenditures of federal awards			<u>\$ 4,093,811</u>

See Independent Auditor's Report.

**BAY AGING APARTMENTS KILMARNOCK, INC.  
TARTAN VILLAGE I AND TARTAN VILLAGE II  
HUD PROJECT NO. 051-EE082 AND NO. 051-EE111**

Notes to Schedule of Expenditures of Federal Awards  
Year Ended March 31, 2023

**1. Basis of Presentation:**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Bay Aging Apartments Kilmarnock, Inc. (the "Organization") under the programs of the federal government for the year ended March 31, 2023. 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 in operations, or cash flows of the Organization.

**2. Summary of Significant Accounting Policies:**

Expenditures reported on this schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as a reimbursement.

**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.

**BAY AGING APARTMENTS KILMARNOCK, INC.  
TARTAN VILLAGE I AND TARTAN VILLAGE II  
HUD PROJECT NO. 051-EE082 AND NO. 051-EE111**

Schedule of Findings and Questioned Costs  
Year Ended March 31, 2023

A. SUMMARY OF AUDIT RESULTS:

- (1) Unmodified opinion on the basic 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 financial statements was disclosed by the audit.
- (4) No material weaknesses or significant deficiencies relating to the audit of the major federal award program 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>
Supportive Housing for the Elderly	14.157
- (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 APARTMENTS KILMARNOCK, INC.  
TARTAN VILLAGE I AND TARTAN VILLAGE II  
HUD PROJECT NO. 051-EE082 AND NO. 051-EE111**

Corrective Action Plan  
Year Ended March 31, 2023

Not Applicable