

**Bay Aging Apartments Middlesex, Inc.  
Port Town Village II  
HUD Project No. 051-EE118**

**Financial Statements**

Year Ended March 31, 2024



4401 Dominion Boulevard  
Glen Allen, Virginia 23060  
Tel: 804.747.0000  
[www.keitercpa.com](http://www.keitercpa.com)

**BAY AGING APARTMENTS MIDDLESEX, INC.  
PORT TOWN VILLAGE II  
HUD PROJECT NO. 051-EE118**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Bay Aging Apartments Middlesex, Inc. (Port Town Village II)  
Urbanna, Virginia

### Opinion

We have audited the accompanying financial statements of Bay Aging Apartments Middlesex, Inc. (Port Town Village II), (the "Organization") which comprise the statement of financial position as of March 31, 2024, 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 Middlesex, Inc. (Port Town Village II) as of March 31, 2024, 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 Auditor's 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 opinions.

### 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 described 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

## **Supplementary Information, Continued**

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 is 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 September 26, 2024, 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.

September 26, 2024  
Glen Allen, Virginia

**BAY AGING APARTMENTS MIDDLESEX, INC.  
PORT TOWN VILLAGE II  
HUD PROJECT NO. 051-EE118**

Statement of Financial Position  
March 31, 2024

|   |   | <u>Assets</u> |                     |
|---|---|---------------|---------------------|
| <u>Current assets:</u>                  |   |               |                     |
| 1120                                    | Cash - operations                         |               | \$ 4,968            |
| 1130                                    | Accounts receivable - tenant              |               | 2,645               |
| 1140                                    | Accounts receivable - operations          |               | 1,927               |
| 1190                                    | Petty cash - miscellaneous current assets |               | 100                 |
| 1200                                    | Prepaid expenses                          |               | <u>2,578</u>        |
| 1100T                                   | Total current assets                      |               | <u>12,218</u>       |
| <br><u>Cash deposits held in trust:</u> |   |               |                     |
| 1191                                    | Tenant deposits held in trust             |               | <u>3,026</u>        |
| <br><u>Deposits:</u>                    |   |               |                     |
| 1310                                    | Escrow deposits                           |               | 6,584               |
| 1320                                    | Replacement reserve                       |               | 65,802              |
| 1340                                    | Residual receipts reserve                 |               | <u>11,216</u>       |
| 1300T                                   | Total deposits                            |               | <u>83,602</u>       |
| <br><u>Fixed Assets:</u>                |   |               |                     |
| 1410                                    | Land                                      |               | 70,500              |
| 1420                                    | Buildings                                 |               | 1,286,209           |
| 1450                                    | Furniture for project/tenant use          |               | 7,427               |
| 1465                                    | Office furniture and equipment            |               | 1,560               |
| 1470                                    | Maintenance equipment                     |               | <u>7,577</u>        |
| 1400T                                   | Total fixed assets                        |               | 1,373,273           |
| 1495                                    | Accumulated depreciation                  |               | <u>(432,885)</u>    |
| 1400N                                   | Net fixed assets                          |               | <u>940,388</u>      |
| 1000T                                   | Total assets                              |               | <u>\$ 1,039,234</u> |

See accompanying notes to financial statements.

**BAY AGING APARTMENTS MIDDLESEX, INC.  
PORT TOWN VILLAGE II  
HUD PROJECT NO. 051-EE118**

Statement of Financial Position, Continued  
March 31, 2024

| <u>Liabilities and Net Assets</u> |                                  |                     |
|-----------------------------------|----------------------------------|---------------------|
| <u>Current liabilities:</u>       |                                  |                     |
| 2110                              | Accounts payable - operations    | \$ 6,800            |
| 2123                              | Accrued management fee payable   | 514                 |
| 2150                              | Accrued property taxes           | <u>1,628</u>        |
| 2122T                             | Total current liabilities        | <u>8,942</u>        |
| <br>                              |                                  |                     |
| <u>Deposit liabilities:</u>       |                                  |                     |
| 2191                              | Tenant deposits held in trust    | <u>3,026</u>        |
| 2000T                             | Total liabilities                | <u>11,968</u>       |
| <br>                              |                                  |                     |
| <u>Net assets:</u>                |                                  |                     |
| 3131                              | Without donor restrictions       | (336,928)           |
| 3133                              | With donor restrictions          | <u>1,364,194</u>    |
| 3130                              | Total net assets                 | <u>1,027,266</u>    |
| 2033T                             | Total liabilities and net assets | <u>\$ 1,039,234</u> |

See accompanying notes to financial statements.

**BAY AGING APARTMENTS MIDDLESEX, INC.  
PORT TOWN VILLAGE II  
HUD PROJECT NO. 051-EE118**

Statement of Activities  
Year Ended March 31, 2024

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total     |
|--|-------------------------------|----------------------------|-----------|
| Revenue:   |                               |                            |           |
| <u>Rent revenues:</u>                                    |                               |                            |           |
| 5120 Rent revenues - gross potential                     | \$ 42,148                     | \$ -                       | \$ 42,148 |
| 5121 Tenant assistance programs                          | 75,308                        | -                          | 75,308    |
| 5100T Total rent revenue                                 | 117,456                       | -                          | 117,456   |
| <u>Vacancies:</u>  |                               |                            |           |
| 5220 Apartments  | 913                           | -                          | 913       |
| 5152N Net rental revenue                                 | 116,543                       | -                          | 116,543   |
| <u>Financial revenue:</u>                                |                               |                            |           |
| 5410 Financial revenue - project operations              | 20                            | -                          | 20        |
| 5430 Revenues from investments - residual receipts       | 24                            | -                          | 24        |
| 5440 Revenues from investments - replacement reserve     | 193                           | -                          | 193       |
| 5490 Revenues from investments - miscellaneous           | 12                            | -                          | 12        |
| 5400T Total financial revenue                            | 249                           | -                          | 249       |
| 5990 Miscellaneous revenue                               | 140                           | -                          | 140       |
| 5000T Total revenue                                      | 116,932                       | -                          | 116,932   |
| <u>Expenses:</u>   |                               |                            |           |
| <u>Administrative:</u>                                   |                               |                            |           |
| 6203 Conventions & Meetings                              | 526                           | -                          | 526       |
| 6250 Other renting expenses                              | 57                            | -                          | 57        |
| 6311 Office expenses                                     | 5,215                         | -                          | 5,215     |
| 6320 Management fee                                      | 9,314                         | -                          | 9,314     |
| 6330 Manager or superintendent salaries                  | 10,778                        | -                          | 10,778    |
| 6350 Audit expense                                       | 9,270                         | -                          | 9,270     |
| 6351 Bookkeeping fees/accounting services                | 12,578                        | -                          | 12,578    |
| 6370 Bad Debts   | 178                           | -                          | 178       |
| 6390 Miscellaneous administrative expenses               | 5                             | -                          | 5         |
| 6263T Total administrative expenses                      | 47,921                        | -                          | 47,921    |
| <u>Utilities</u>   |                               |                            |           |
| 6450 Electricity   | 2,509                         | -                          | 2,509     |
| 6451 Water   | 3,218                         | -                          | 3,218     |
| 6453 Sewer   | 4,773                         | -                          | 4,773     |
| 6400T Total utilities expense                            | 10,500                        | -                          | 10,500    |
| <u>Operating and maintenance:</u>                        |                               |                            |           |
| 6515 Supplies  | 2,109                         | -                          | 2,109     |
| 6520 Contracts   | 19,016                        | -                          | 19,016    |
| 6525 Garbage and trash removal                           | 3,075                         | -                          | 3,075     |
| 6590 Miscellaneous operating and maintenance<br>expenses | 574                           | -                          | 574       |
| 6500T Total operating and maintenance expenses           | \$ 24,774                     | \$ -                       | \$ 24,774 |

See accompanying notes to financial statements.

**BAY AGING APARTMENTS MIDDLESEX, INC.  
PORT TOWN VILLAGE II  
HUD PROJECT NO. 051-EE118**

Statement of Activities, Continued  
Year Ended March 31, 2024

|                             |   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total        |
|-----------------------------|---|-------------------------------|----------------------------|--------------|
| <u>Expenses, Continued:</u> |   |                               |                            |              |
| <u>Depreciation:</u>        |   |                               |                            |              |
| 6600                        | Depreciation expenses   | \$ 32,720                     | \$ -                       | \$ 32,720    |
| <u>Taxes and insurance:</u> |   |                               |                            |              |
| 6710                        | Real estate taxes   | 6,585                         | -                          | 6,585        |
| 6711                        | Payroll taxes (project's share)   | 2,295                         | -                          | 2,295        |
| 6720                        | Property and liability insurance  | 4,317                         | -                          | 4,317        |
| 6722                        | Workmen's compensation  | 119                           | -                          | 119          |
| 6723                        | Health insurance and other employee benefits  | 1,682                         | -                          | 1,682        |
| 6790                        | Miscellaneous taxes, licenses, permits and insurance  | 364                           | -                          | 364          |
| 6700T                       | Total taxes and insurance   | 15,362                        | -                          | 15,362       |
| <u>Other expenses:</u>      |   |                               |                            |              |
| 6900                        | Service coordinator   | 8,594                         | -                          | 8,594        |
|                             | Total expenses  | 139,871                       | -                          | 139,871      |
| 5060N                       | Change in total net assets  | (22,939)                      | -                          | (22,939)     |
| S1100-050                   | Net assets, beginning of year   | (313,989)                     | 1,364,194                  | 1,050,205    |
| 3130                        | Net assets, end of year   | \$ (336,928)                  | \$ 1,364,194               | \$ 1,027,266 |
| S1000-010                   | Total mortgage principal payments required during the audit year.   |                               |                            | \$ -         |
| S1000-020                   | Total of 12 monthly deposits in the audit year into the Replacement Reserve account, as required by the Regulatory Agreement.             |                               |                            | \$ 6,600     |
| S1000-030                   | Replacement Reserves, or Residual receipts and Releases which are included as expense items on this Profit and Loss statement.            |                               |                            | \$ 12,192    |
| S1000-010                   | Project Improvement Reserve releases under Flexible Subsidy Program that are included as expense items on this Profit and Loss statement. |                               |                            | \$ -         |

See accompanying notes to financial statements.

**BAY AGING APARTMENTS MIDDLESEX, INC.  
PORT TOWN VILLAGE II  
HUD PROJECT NO. 051-EE118**

Statement of Cash Flows  
Year Ended March 31, 2024

Cash flows from operating activities:

Receipts:

|           |                          |                |
|-----------|--------------------------|----------------|
| S1200-010 | Rental receipts          | \$ 113,883     |
| S1200-020 | Interest receipts        | 249            |
| S1200-030 | Other operating receipts | 140            |
| S1200-040 | Total receipts           | <u>114,272</u> |

Disbursements:

|           |                                   |                |
|-----------|-----------------------------------|----------------|
| S1200-050 | Administrative                    | 17,025         |
| S1200-070 | Management fee                    | 9,569          |
| S1200-090 | Utilities                         | 10,500         |
| S1200-100 | Salaries and wages                | 23,356         |
| S1200-110 | Operating and maintenance         | 29,792         |
| S1200-120 | Real estate taxes                 | 6,513          |
| S1200-140 | Property insurance                | 4,317          |
| S1200-150 | Miscellaneous taxes and insurance | 364            |
| S1200-170 | Other operating expenses          | 12,690         |
| S1200-230 | Total disbursements               | <u>114,126</u> |

|           |  |            |
|-----------|--|------------|
| S1200-240 | Net cash provided by (used for) operating activities | <u>146</u> |
|-----------|--|------------|

Cash flows from investing activities:

|           |  |                 |
|-----------|--|-----------------|
| S1200-250 | Net deposits to reserve for replacement account      | 5,399           |
| S1200-255 | Net deposits from (to) other reserves                | (1,666)         |
| S1200-260 | Net deposits from (to) residual receipts account     | <u>(34)</u>     |
| S1200-350 | Net cash provided by (used for) investing activities | <u>3,699</u>    |
| S1200-470 | Net increase (decrease) in cash                      | 3,845           |
| S1200-480 | Cash at beginning of year                            | <u>1,123</u>    |
| S1200T    | Cash at end of year                                  | <u>\$ 4,968</u> |

Reconciliation of change in net assets to net cash provided by operating activities:

|      |                      |             |
|------|----------------------|-------------|
| 3250 | Change in net assets | \$ (22,939) |
|------|----------------------|-------------|

Adjustments to reconcile change in net assets to net cash provided by operating activities:

|           |  |               |
|-----------|--|---------------|
| 6600      | Depreciation expense                                     | 32,720        |
| S1200-490 | (Increase) decrease in tenant/member accounts receivable | (733)         |
| S1200-500 | (Increase) decrease in accounts receivable - other       | (1,927)       |
| S1200-520 | (Increase) decrease in prepaid expenses                  | (1,774)       |
| S1200-540 | Increase (decrease) in accounts payable                  | (5,018)       |
| S1200-560 | Increase (decrease) in accrued liabilities               | <u>(183)</u>  |
| S1200-610 | Net cash provided by operating activities                | <u>\$ 146</u> |

See accompanying notes to financial statements.

**BAY AGING APARTMENTS MIDDLESEX, INC.  
PORT TOWN VILLAGE II  
HUD PROJECT NO. 051-EE118**

Notes to Financial Statements

**1. Nature of Operations:**

Bay Aging Apartments Middlesex, Inc. (Port Town Village II), (“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 Port Town Village II, a 12-unit residential facility for elderly adults, located in Urbanna, 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 in May 2011.

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 MIDDLESEX, INC.  
PORT TOWN VILLAGE II  
HUD PROJECT NO. 051-EE118**

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 \$1,912 as of April 1, 2023.

**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, 2024 was \$32,720.

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 MIDDLESEX, INC.  
PORT TOWN VILLAGE II  
HUD PROJECT NO. 051-EE118**

Notes to Financial Statements, Continued

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

**Concentrations of Credit Risk:** The Organization's primary asset is a 12-unit residential facility. 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, 2024. The Organization is not currently under audit by any tax jurisdictions.

**Subsequent Events:** Management has evaluated subsequent events through September 26, 2024, 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 MIDDLESEX, INC.  
PORT TOWN VILLAGE II  
HUD PROJECT NO. 051-EE118**

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 \$77,018 at March 31, 2024, 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 2024, the Organization received \$75,308 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 \$63,854 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 7.59% for 2024. The Organization owed Bay Aging \$5,160 at March 31, 2024 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 MIDDLESEX, INC.  
PORT TOWN VILLAGE II  
HUD PROJECT NO. 051-EE118**

Notes to Financial Statements, Continued

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

The following summarizes the functional allocation of expenses:

|  | Program<br>Services | Supporting Services     |             | Total             |
|--|---------------------|-------------------------|-------------|-------------------|
|  |                     | Management<br>& General | Fundraising |                   |
| Administrative expenses:               |                     |                         |             |                   |
| Management fees                        | \$ -                | \$ 9,314                | \$ -        | \$ 9,314          |
| Audit expense                          | -                   | 9,270                   | -           | 9,270             |
| Bookkeeping fees                       | -                   | 12,578                  | -           | 12,578            |
| Manager and superintendent<br>salaries | -                   | 10,778                  | -           | 10,778            |
| Bad Debts                              | -                   | 178                     | -           | 178               |
| Other                                  | -                   | 5,803                   | -           | 5,803             |
| Total administrative expenses          | <u>-</u>            | <u>47,921</u>           | <u>-</u>    | <u>47,921</u>     |
| Utilities                              | 10,500              | -                       | -           | 10,500            |
| Operating and maintenance              | 24,774              | -                       | -           | 24,774            |
| Depreciation expenses                  | 32,720              | -                       | -           | 32,720            |
| Taxes and insurance                    | 11,266              | 4,096                   | -           | 15,362            |
| Service coordinator                    | 8,594               | -                       | -           | 8,594             |
| Total expenses                         | <u>\$ 87,854</u>    | <u>\$ 52,017</u>        | <u>\$ -</u> | <u>\$ 139,871</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, 2024:

|                                  |                 |
|----------------------------------|-----------------|
| Cash and cash equivalents        | \$ 5,068        |
| Accounts receivable - tenant     | 2,645           |
| Accounts receivable - operations | <u>1,927</u>    |
| Total                            | <u>\$ 9,640</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 MIDDLESEX, INC.  
PORT TOWN VILLAGE II  
HUD PROJECT NO. 051-EE118**

Supplemental Information Required by HUD  
Year Ended March 31, 2024

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

|                                  |    |              |
|----------------------------------|----|--------------|
| Cash - Accounts # 1120 & # 1191  | \$ | 7,994        |
| Accounts receivable - operations |    | 1,927        |
| Accounts payable - current       |    | (6,800)      |
| Accrued management fee payable   |    | (514)        |
| Tenants deposits held in trust   |    | (3,026)      |
| Surplus cash (deficiency)        | \$ | <u>(419)</u> |

**Schedule of Activity - Reserve for Replacements**

|                            |    |               |
|----------------------------|----|---------------|
| Balance, beginning of year | \$ | 71,201        |
| Monthly deposits           |    | 6,600         |
| Authorized withdrawals     |    | (12,192)      |
| Interest income            |    | 193           |
| Balance, end of year       | \$ | <u>65,802</u> |

**Schedule of Activity - Residual Receipts**

|                            |    |               |
|----------------------------|----|---------------|
| Balance, beginning of year | \$ | 11,182        |
| Deposits                   |    | 10            |
| Interest income            |    | 24            |
| Balance, end of year       | \$ | <u>11,216</u> |

**Schedule of Changes in Fixed Assets**

|       |                                    | Balance           |                   |             | Balance           |
|-------|------------------------------------|-------------------|-------------------|-------------|-------------------|
|       |                                    | 04/01/2023        | Additions         | Deletions   | 03/31/2024        |
| 1410  | Land                               | \$ 70,500         | \$ -              | \$ -        | \$ 70,500         |
| 1420  | Buildings                          | 1,286,209         | -                 | -           | 1,286,209         |
| 1450  | Furniture for project / tenant use | 7,427             | -                 | -           | 7,427             |
| 1465  | Office furniture and equipment     | 1,560             | -                 | -           | 1,560             |
| 1470  | Maintenance equipment              | 7,577             | -                 | -           | 7,577             |
|       |                                    | <u>1,373,273</u>  | <u>-</u>          | <u>-</u>    | <u>1,373,273</u>  |
| 1400T | Total                              | 1,373,273         | -                 | -           | 1,373,273         |
| 1495  | Accumulated depreciation           | 400,165           | 32,720            | -           | 432,885           |
|       |                                    | <u>400,165</u>    | <u>32,720</u>     | <u>-</u>    | <u>432,885</u>    |
| 1400N | Net book value                     | \$ 973,108        | \$(32,720)        | \$ -        | \$ 940,388        |
|       |                                    | <u>\$ 973,108</u> | <u>\$(32,720)</u> | <u>\$ -</u> | <u>\$ 940,388</u> |

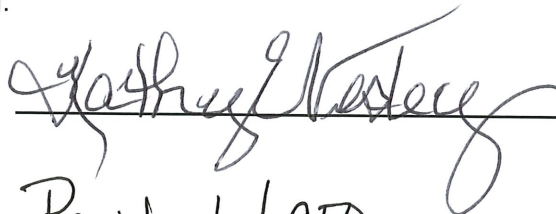
See Independent Auditor's Report.

**BAY AGING APARTMENTS MIDDLESEX, INC.  
PORT TOWN VILLAGE II  
HUD PROJECT NO. 051-EE118**

Management Agent Certification  
Year Ended March 31, 2024

We hereby certify that we have read the accompanying financial statements and other supplemental information of Bay Aging Apartments Middlesex, Inc. (Port Town Village II), and, to the best of our knowledge and belief, the same is complete and accurate

Bay Aging:

By: 

Title: President / CEO

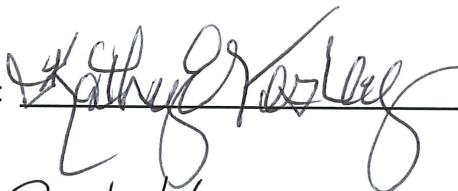

Date: September 26, 2024

Employer Identification Number: 54-1085032

**BAY AGING APARTMENTS MIDDLESEX, INC.  
PORT TOWN VILLAGE II  
HUD PROJECT NO. 051-EE118**

Borrower's Certification  
Year Ended March 31, 2024

We hereby certify that we have examined the accompanying financial statements and supplemental information of Bay Aging Apartments Middlesex, Inc. (Port Town Village II) and, to the best of our knowledge and belief, the same is complete and accurate.

By:  By: 

Title: President / CEO Title: Finance Director - Housing

Date: September 26, 2024 Date: September 26, 2024

Employer Identification Number: 73-1676722

**BAY AGING APARTMENTS MIDDLESEX, INC.  
PORT TOWN VILLAGE II  
HUD PROJECT NO. 051-EE118**

Auditor Information  
Year Ended March 31, 2024

|                                       |  |
|---------------------------------------|--|
| Lead Auditor                          | Richard W. Lewis, CPA<br>Keiter<br>4401 Dominion Boulevard<br>Glen Allen, Virginia 23060<br>(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 Middlesex, Inc. (Port Town Village II)  
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 Middlesex, Inc. (Port Town Village II) (the “Organization”), which comprise the statement of financial position as of March 31, 2024, 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 September 26, 2024.

**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 and 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 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 "Keita", with a stylized flourish at the end.

September 26, 2024  
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 Middlesex, Inc. (Port Town Village II)  
Urbanna, Virginia

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

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

We have audited Bay Aging Apartments Middlesex, Inc.'s (Port Town Village II) (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, 2024. 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, 2024.

***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.

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

September 26, 2024  
Glen Allen, Virginia

**BAY AGING APARTMENTS MIDDLESEX, INC.  
PORT TOWN VILLAGE II  
HUD PROJECT NO. 051-EE118**

Schedule of Expenditures of Federal Awards  
Year Ended March 31, 2024

| <b>Federal Grantor/Pass-Through Grantor/Program<br/>Title</b> | <b>Federal CFDA<br/>Number</b> | <b>Pass-Through<br/>Entity Identify<br/>Number</b> | <b>Total Federal<br/>Expenditures</b> |
|---|--------------------------------|--|---------------------------------------|
| <u>Department of Housing and Urban Development</u>            |                                |  |                                       |
| Direct payments:  |                                |  |                                       |
| Supportive Housing for the Elderly                            | 14.157                         | N/A  | \$ 1,364,194                          |
| Section 8 Project-Based Cluster:                              |                                |  |                                       |
| Section 8 Housing Assistance Payments Program                 | 14.195                         | N/A  | <u>75,308</u>                         |
| Total expenditures of federal awards                          |                                |  | <u>\$ 1,439,502</u>                   |

See Independent Auditor's Report.

**BAY AGING APARTMENTS MIDDLESEX, INC.  
PORT TOWN VILLAGE II  
HUD PROJECT NO. 051-EE118**

Notes to Schedule of Expenditures of Federal Awards  
Year Ended March 31, 2024

**1. Basis of Presentation:**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Bay Aging Apartments Middlesex, Inc.'s (Port Town Village II) (the "Organization") under the programs of the federal government for the year ended March 31, 2024. 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 minimis indirect cost rate as allowed under the Uniform Guidance.

See Independent Auditor's Report.

**BAY AGING APARTMENTS MIDDLESEX, INC.  
PORT TOWN VILLAGE II  
HUD PROJECT NO. 051-EE118**

Schedule of Findings and Questioned Costs  
Year Ended March 31, 2024

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 MIDDLESEX, INC.  
PORT TOWN VILLAGE II  
HUD PROJECT NO. 051-EE118**

Corrective Action Plan  
Year Ended March 31, 2024

Not Applicable