

Choice in Aging
(a not-for-profit corporation)

Financial Statements
and
Independent Auditors' Report

For the Years Ended
June 30, 2024 and 2023



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June 30, 2024 and 2023

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Independent Auditors' Report

To the Board of Directors
Choice in Aging
Pleasant Hill, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Choice in Aging, a California nonprofit corporation, which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Choice in Aging as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Choice in Aging and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Choice in Aging's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment 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 Choice in Aging'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Choice in Aging'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 schedule of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 of America. In our opinion, the schedule of expenditures of federal and state 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 August 27, 2025, on our consideration of Choice in Aging's internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Choice in Aging's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Choice in Aging's internal control over financial reporting and compliance.

A stylized, handwritten-style signature of "BryMar" in black ink.

Cupertino, CA
August 27, 2025

Choice in Aging Statements of Financial Position

June 30, 2024 and 2023

	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,049,355	\$ 2,564,573
Investments	8,204,899	7,831,615
Accounts receivable, net	2,113,559	1,175,502
Grants and contributions receivable	20,001	-
Other receivables	-	802,545
Prepaid expenses	49,246	30,656
Total current assets	13,437,060	12,404,891
Endowment investments	339,011	301,738
Deferred rent receivable	27,073	35,356
Right-of-use assets	274,421	302,932
Property and equipment, net	4,103,042	4,302,826
Total assets	<u>\$ 18,180,607</u>	<u>\$ 17,347,743</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 436,278	\$ 284,633
Accrued payroll	351,932	335,183
Interest payable	52,354	45,274
Contract advances	514,684	239,306
Current portion of lease liabilities	92,655	68,406
Total current liabilities	1,447,903	972,802
Lease liabilities, net of current portion	181,766	234,526
Security deposits	29,700	46,626
Loan payable	236,000	236,000
Total liabilities	1,895,369	1,489,954
Net assets		
Without donor restrictions		
Undesignated	4,607,053	4,466,893
Board designated	3,048	3,046
Total net assets without donor restrictions	4,610,101	4,469,939
With donor restrictions	11,675,137	11,387,850
Total net assets	16,285,238	15,857,789
Total liabilities and net assets	<u>\$ 18,180,607</u>	<u>\$ 17,347,743</u>

See independent auditors' report and accompanying notes to the financial statements.

Choice in Aging

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2024

	Without donor restrictions	With donor restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 4,727,439	\$ 325,804	\$ 5,053,243
Contributions of nonfinancial assets	325,888	-	325,888
Special events income, net of direct expenses	210,385	-	210,385
Contract fees	2,160,578	-	2,160,578
Childcare fees	480,293	-	480,293
Total revenue and support	7,904,583	325,804	8,230,387
Net assets released from restrictions	75,790	(75,790)	-
Total revenue and support with net assets released from restrictions	7,980,373	250,014	8,230,387
EXPENSES			
Program services	6,565,226	-	6,565,226
General and administrative	1,839,560	-	1,839,560
Total expenses	8,404,786	-	8,404,786
OTHER INCOME (EXPENSES)			
Rental income	246,773	-	246,773
Interest and dividend income	490,313	14,575	504,888
Unrealized gain	1,117	21,581	22,698
Realized gain	12,830	1,117	13,947
MSSP overpayments	(159,642)	-	(159,642)
Miscellaneous expense	(26,816)	-	(26,816)
Total other income (expenses)	564,575	37,273	601,848
Total change in net assets	140,162	287,287	427,449
Net assets, beginning of year	4,469,939	11,387,850	15,857,789
Net assets, end of year	\$ 4,610,101	\$ 11,675,137	\$ 16,285,238

See independent auditors' report and accompanying notes to the financial statements.

Choice in Aging

Statement of Activities and Changes in Net Assets

For the Year Ended 2023

	Without donor restrictions	With donor restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 3,499,430	\$ 10,305,437	\$ 13,804,867
Contributions of nonfinancial assets	54,762	-	54,762
Special events income, net of direct expenses	184,217	-	184,217
Contract fees	1,286,548	-	1,286,548
Childcare fees	436,274	-	436,274
Total revenue and support	5,461,231	10,305,437	15,766,668
Net assets released from restrictions	1,126,093	(1,126,093)	-
Total revenue and support with net assets released from restrictions	6,587,324	9,179,344	15,766,668
EXPENSES			
Program services	5,164,118	-	5,164,118
Fundraising expenses	119,799	-	119,799
General and administrative	1,521,528	-	1,521,528
Total expenses	6,805,445	-	6,805,445
OTHER INCOME (EXPENSES)			
Rental income	285,017	-	285,017
Interest and dividend income	125,588	7,184	132,772
Unrealized loss	11,504	15,143	26,647
Realized gain	16,247	1,117	17,364
Employee retention credit	762,780	-	762,780
MSSP overpayments	(238,211)	-	(238,211)
IRS tax credit refunds	110,925	-	110,925
Miscellaneous income	5,564	-	5,564
Total other income (expenses)	1,079,414	23,444	1,102,858
Total change in net assets	861,293	9,202,788	10,064,081
Net assets, beginning of year, restated	3,608,646	2,185,062	5,793,708
Net assets, end of year	\$ 4,469,939	\$ 11,387,850	\$ 15,857,789

See independent auditors' report and accompanying notes to the financial statements.

Choice in Aging Statement of Functional Expenses

For the Year Ended June 30, 2024

	Elderly Care				Total Program		General and	
	Pleasant Hill	Antioch	Napa/Solano	Preschool	Services	Fundraising	Administrative	Total
Personnel	\$ 2,652,203	\$ 442,457	\$ 642,148	\$ 316,114	\$ 4,052,922	\$ -	\$ 861,796	\$ 4,914,718
Contract services	647,598	31,655	214,327	-	893,580	-	261,232	1,154,812
Occupancy	142,894	62,808	32,463	25,970	264,135	76	139,289	403,500
Equipment rental and repairs	17,376	9,076	558	131	27,141	-	9,592	36,733
Supplies and materials	634,913	93,220	84,090	8,816	821,039	1,673	56,082	878,794
Communication	76,597	19,463	12,769	6,166	114,995	3,830	67,470	186,295
Client's transportation	8,024	-	-	-	8,024	-	-	8,024
Depreciation	-	14,793	-	208,065	222,858	-	49,006	271,864
Other	155,107	3,644	339	2,109	161,199	9,028	69,205	239,432
Nonfinancial expenses	-	-	-	-	-	-	325,888	325,888
Total gross expenses	4,334,712	677,116	986,694	567,371	6,565,893	14,607	1,839,560	8,420,060
Less special event expense	-	(667)	-	-	(667)	(14,607)	-	(15,274)
Total expenses	<u>\$ 4,334,712</u>	<u>\$ 676,449</u>	<u>\$ 986,694</u>	<u>\$ 567,371</u>	<u>\$ 6,565,226</u>	<u>\$ -</u>	<u>\$ 1,839,560</u>	<u>\$ 8,404,786</u>

See independent auditors' report and accompanying notes to the financial statements.

Choice in Aging Statement of Functional Expenses

For the Year Ended June 30, 2023

	Elderly Care				Total Program		General and	
	Pleasant	Antioch	Napa/Solano	Preschool	Services	Fundraising	Administrative	Total
	Hill							
Personnel	\$ 2,179,293	\$ 437,040	\$ 584,541	\$ 268,195	\$ 3,469,069	\$ -	\$ 961,417	\$ 4,430,486
Contract services	206,183	40,044	306,322	-	552,549	-	103,683	656,232
Occupancy	109,058	42,088	16,457	25,617	193,220	87	163,025	356,332
Equipment rental and repairs	19,446	11,668	766	-	31,880	-	9,612	41,492
Supplies and materials	148,077	61,098	45,570	5,821	260,566	2,000	79,794	342,360
Communication	66,152	14,608	9,456	4,507	94,723	1,485	40,214	136,422
Client's transportation	195,142	20,360	4,025	-	219,527	-	-	219,527
Depreciation	-	14,792	-	198,648	213,440	-	47,793	261,233
Other	139,689	945	-	-	140,634	70,702	115,990	327,326
Nonfinancial expenses	-	-	-	-	-	54,762	-	54,762
Total gross expenses	3,063,040	642,643	967,137	502,788	5,175,608	129,036	1,521,528	6,826,172
Less special event expense	(10,990)	(500)	-	-	(11,490)	(9,237)	-	(20,727)
Total expenses	<u>\$ 3,052,050</u>	<u>\$ 642,143</u>	<u>\$ 967,137</u>	<u>\$ 502,788</u>	<u>\$ 5,164,118</u>	<u>\$ 119,799</u>	<u>\$ 1,521,528</u>	<u>\$ 6,805,445</u>

See independent auditors' report and accompanying notes to the financial statements.

Choice in Aging Statements of Cash Flows

June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 427,449	\$ 10,064,081
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Unrealized gain on investments	(22,698)	(26,647)
Realized gain on investments	(13,947)	(17,364)
Depreciation	271,864	261,233
Straight-line rent adjustment	8,283	(35,356)
Stock donation	-	-
Bad debt	128,771	68,629
Contributions restricted to building project	(325,804)	(10,305,437)
(Increase) decrease in operating assets:		
Accounts receivable, net	(1,066,828)	490,915
Grants and contributions receivable	(20,001)	145,001
Other receivables	802,545	(802,545)
Prepaid expenses	(18,590)	(27,848)
Right-of-use assets	28,511	(302,932)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	151,645	(187,131)
Accrued payroll	16,749	21,066
Interest payable	7,080	7,080
Contract advances	275,378	235,055
Lease liabilities	(28,511)	302,932
Security deposits	(16,926)	-
Net cash provided by (used in) operating activities	604,970	(109,268)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(32,290)	-
Purchases of construction-in-progress	(39,790)	(1,063,859)
Proceeds from investments	66,632	135,205
Purchases of investments	(440,544)	(7,039,067)
Net cash provided by (used in) investing activities	(445,992)	(7,967,721)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted for building project	325,804	10,305,437
Borrowings on related-party loan payable	-	100,000
Repayments on related-party loan payable	-	(100,000)
Net cash provided by (used in) financing activities	325,804	10,305,437
Net increase (decrease) in cash and cash equivalents	484,782	2,228,448
Cash and cash equivalents, beginning of year	2,564,573	336,125
Cash and cash equivalents, end of year	\$ 3,049,355	\$ 2,564,573
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Operating cash flows from operating leases	\$ 79,784	\$ 65,075
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 43,281	\$ 366,106

See independent auditors' report and accompanying notes to the financial statements.

Choice in Aging

Notes to Financial Statements

June 30, 2024 and 2023

NOTE 1 - NATURE OF OPERATIONS

Choice in Aging (the Organization), a California-based nonprofit corporation was founded in 1949, and is located in Pleasant Hill, California. The Organization operates facilities in Pleasant Hill, Antioch and Napa/Solano and generates revenues primarily from Medi-Cal.

The Organization's programs and services include the following:

Elderly Care

- Adult Day Health Care (ADHC) – this program provides adult day health and Alzheimer's care services for frail disabled adults at the Mt. Diablo Center in Pleasant Hill and at the Bedford Center in Antioch.
- Multipurpose Senior Services Program (MSSP) – this government funded care management program helps keep frail seniors safely at home and out of skilled nursing facilities. Social workers and nurses work with seniors and their families to set up resources and services needed to allow them to live independently as possible at no cost to those eligible. The Organization offers this program at its Mt. Diablo Center in Pleasant Hill, serving Contra Costa County and its Fairfield location, serving Napa and Solano counties.
- California Community Transitions (CCT) – this program helps adults at the Bedford Center in Antioch who have been living in a skilled nursing facility for longer than 90 days and are covered by Medi-Cal transition back to their home or to community living with the assistance of a Transition Coordinator.
- The Prevention and Early Access For Seniors Program (PEAS) – this mental health case management program strives to identify older adults 60+ in Solano County that are struggling to find and or maintain a positive quality of life. This program provides intake, referral, brief and comprehensive case management, community-based psychotherapy, and education/outreach services to both professionals and the community addressing the high rates of depression, anxiety and isolation among seniors.
- Case Management - this line of service has different County payment sources (health plan and safety net sales tax) and serves older adults who are at risk of skilled nursing placement, homelessness or abuse. It provides system navigation and supports connections to services.

Preschool

- Choice In Learning – this preschool program held at the Choice in Learning preschool at the Mt. Diablo Center in Pleasant Hill educates children using Montessori techniques and materials.
- Young At Heart Intergenerational Program – this program engages curious preschoolers from the Choice in Learning Preschool with aging adults through traditional Montessori activities, singalongs and story time. The programs' aim is to create a special intergenerational bond; and for the adults, the potential to unlock buried memories.

Choice in Aging Notes to Financial Statements

June 30, 2024 and 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under the accrual basis of accounting, revenue and support are recorded when earned and expenses when incurred and accordingly reflect all significant receivables, payables and other liabilities.

Basis of presentation

The Organization presents information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions consist of net assets that are for use in general operations and are not subject to donor (or certain grantor) restrictions. The governing board has designated \$3,048 and \$3,046 from net assets without donor restrictions for the years ending June 30, 2024 and 2023, respectively.

Net assets with donor restrictions represent contributions whose use has imposed restrictions. The donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash and money market funds. For purposes of reporting cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of 90 days or less at the date of purchase to be cash equivalents. Cash and highly liquid financial instruments held for building projects are excluded from this definition.

Receivables

Accounts receivable consist of amounts due from rental fees and program fees related to contracts and early childhood programs. The Organization records accounts receivable net of an allowance for expected credit losses over the estimated life of the receivable. Credit losses are estimated based on aging, historical collection experience, current economic conditions and reasonable and supportable forecasts for future conditions. The Organization pools receivables based on revenue sources with similar risk characteristics. These pools include pre-school and daycare fees, program fees, and rental fees. Pooling is used to facilitate consistent application of credit loss methodologies and consideration of revenue-specific risk factors. The allowance for credit losses was \$128,772 and \$0 at June 30, 2024 and 2023, respectively.

Choice in Aging Notes to Financial Statements

June 30, 2024 and 2023

Grants and contributions receivable consist of funds granted that will be received within one year. Amounts are written off when deemed uncollectible. The allowance for uncollectible grants and contributions receivable was \$0 at June 30, 2024 and 2023.

In fiscal year 2023, the Organization recognized other receivables related to Employee Retention Credits (ERC) under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and subsequent amendments. The ERC is a refundable tax credit designed to encourage businesses to retain employees during periods of economic disruption caused by the COVID-19 pandemic.

The receivables related to ERC are recorded in accordance with the accounting guidance under Accounting Standards Codification (ASC) 450, *Contingencies*, and ASC 958-605, *Not-for-Profit Entities-Revenue Recognition*. The Organization recognized the receivables when it determined that it was probable the criteria for the ERC were met and the amounts were reasonably estimable. These criteria are (1) eligibility for the credit based on employee retention and other qualifying expenses, and (2) filing of appropriate payroll tax forms. As of June 30, 2024 and 2023 the receivables balance for the ERC is \$0 and \$802,545, respectively, which is included in current receivables on the statement of financial position.

The Organization's eligibility for the ERC and the amount of credit claimed are subject to potential review and examination by the Internal Revenue Service (IRS). Any adjustments resulting from such review could impact the receivables balance. When the Organization believes it has complied with all applicable regulations, there can be no assurance that the amounts recorded will be fully realized.

Prepaid expenses

Prepaid expenses consist of prepaid insurance and expenses that are paid in advance of when due and are expected to be realized within one year.

Property and equipment

Property and equipment exceeding \$5,000 are recorded at cost if purchased or at estimated fair market value at date of gift, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and equipment	3 – 27.5 years
Buildings and building improvements	4 – 40 years

Endowment investments

This account includes donor-restricted funds to function as endowments. It consists of highly liquid financial instruments restricted to build a permanent endowment that will grow and support the Organization's mission. The endowment funds are perpetual in nature, and other long-term purposes are excluded from this definition.

Accounts payable, accrued liabilities and accrued payroll

Accounts payable, accrued expenses and accrued payroll consist of amounts due for expenses incurred but not paid until the subsequent year as well as the accrual for wages and compensated absences.

Choice in Aging Notes to Financial Statements

June 30, 2024 and 2023

Security deposits

Security deposits consist of amounts held related to multiple tenant leases at its Newell property.

Leases

At the commencement date of the lease, the Organization recognizes a right-of-use asset, which is amortized over the life of the lease. The Organization elects not to recognize a lease liability or right-of-use asset for leases with an original lease term of 12 months or less.

Right-of-use assets

A contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Right-of-use assets are measured at cost, less accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are amortized on a straight-line basis over its lease term. Right-of-use assets are subject to evaluation of potential impairment.

Lease liabilities

At the commencement date of the lease, the Organization recognizes lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Organization uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term or a change in the in-substance fixed lease payments.

Revenue recognition

The Organization recognizes exchange revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The principles in ASU 2014-09 are applied using the following five steps: (i) identify the contract with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s) in the contract; and (v) recognize revenue when (or as) the Organization satisfies its performance obligation(s).

Choice in Aging Notes to Financial Statements

June 30, 2024 and 2023

Exchange revenue - In accordance with ASU 2014-09, the Organization recognizes exchange revenue upon the transfer of goods or services to a customer at an amount that reflects the expected consideration to be received in exchange for those goods or services. Management uses judgment in evaluation of the following criteria: 1) the client simultaneously receives and consumes the benefits provided by the performance of the service; 2) the performance creates or enhances an asset that is under control of the client; 3) the performance does not create an asset with an alternative use to the Organization; 4) the Organization has an enforceable right to payment; and 5) the Organization's primary form of revenue is fixed-price arrangements. Fixed-price arrangements consist of revenues in which the customer agrees to pay a fixed fee over a specified contract term or recurring time. The Organization measures progress toward satisfaction of the performance obligation as the fixed-price arrangement services are provided. Payments received in advance of the Organization satisfying its performance obligation are recorded within deferred revenues in the accompanying statements of financial position.

Contribution revenue - The Organization records contributions, including unconditional promises to give as revenue at their fair value in the period the contribution or pledge is received. All contributed support is recognized as revenue without donor restrictions when received or un-conditionally promised. The Organization reports gifts of cash and other assets as restricted support if such gifts are received with donor stipulations that limit the use of the donated assets. When such restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

Rental revenue – The Organization rents out space at its Newell property. Rental revenue is recognized straight-line over the period of the rental agreement.

Special events revenue - The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event - the exchange component, and a portion represents a contribution to the Organization. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The performance obligation is delivery of the event. The event fee is set by the Organization. FASB ASU 2014-09 requires allocation of the transaction price to the performance obligation(s). Accordingly, the Organization separately presents in its notes to financial statements, the exchange and contribution components of the gross proceeds from special events. For special event fees received before year-end for an event to occur after year-end, the Organization follows the American Institute of Certified Public Accountants (AICPA) guidance where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component. Special event fees collected by the Organization in advance of its delivery are initially recognized as deferred revenue and recognized as special event revenue after delivery of the event.

Choice in Aging Notes to Financial Statements

June 30, 2024 and 2023

MSSP overpayments

The Organization is periodically audited by the California Department of Aging (CDA) related to the MSSP program at its Contra Costa and Napa/Solano sites. The purpose of these audits is to evaluate the adherence to the program contracts. Throughout the term of the program contracts, the Organization submits costs to the CDA for reimbursement.

In the years ending June 30, 2024 and 2023, the CDA reported findings of overpayments to the Organization during the audited program years. In the years ending June 30, 2024 and 2023, the Organization accrued \$159,642 and \$0, respectively, as accrued liabilities and recognized \$159,642 and \$238,211, respectively, as expense.

The amounts recorded in the year ended June 30, 2024 relate to findings for the program audit years ending June 30, 2022 and June 30, 2023 for the Contra Costa site and June 30, 2021 through June 30, 2023 for the Napa/Solano site.

The amounts recorded in the year ended June 30, 2023 relate to findings for the program audit years ending June 30, 2020 and June 30, 2021 for the Contra Costa site and June 30, 2019 and June 30, 2020 for the Napa/Solano site.

Contributions of nonfinancial assets

The Organization records nonfinancial support including contributed assets, goods and professional services. Contributed professional services are recognized if the services received (a) create or enhance a non-financial asset or (b) require specialized skills, provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributions of fixed assets are recognized as nonfinancial asset donations at their fair market value. Contribution of goods are recognized at fair value at the date of donation. The amounts reflected in the accompanying financial statements as nonfinancial contributions are offset by like amounts included in expense.

Advertising expenses

There are expenses incurred to advertise the various program offerings. Advertising is expensed as incurred. Advertising expenses for the years ended June 30, 2024 and 2023 was \$3,044 and \$2,979, respectively.

Fair value of financial instruments

Financial instruments included in the Organization's statements of financial position as of June 30, 2024 and 2023, include cash and cash equivalents, accounts receivable, grants and contributions receivable, prepaid expenses, and accounts payable and accrued expenses, for which the carrying amounts represent a reasonable estimate of the corresponding fair values.

Functional expense allocations

The costs of providing the various program and supporting services have been summarized on a functional basis in the statements of activities and changes in net assets and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses applicable to more than one program are allocated based on usage, square footage and management's estimates.

Choice in Aging Notes to Financial Statements

June 30, 2024 and 2023

Accounting for uncertainty for income taxes

The Organization is exempt from Federal and State income taxes under Sections 501(c)(3) of the Internal Revenue Code (IRC) and 23701d of the California Revenue and Taxation Code, respectively. The Organization has no unrelated business income for the years ended June 30, 2024 and 2023. Accordingly, no provision is made for income taxes in these financial statements.

GAAP requires an organization to recognize the tax benefit or liability associated with a tax position taken for the tax return purposes when it is more likely than not the position will be sustained. The Organization does not believe there are any material uncertain tax positions and accordingly, they will not recognize any liability for unrecognized tax benefits. For the years ended June 30, 2024 and 2023, there were no tax related interest or penalties recorded or included in the financial statements. The Organization is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and the State of California.

Recent accounting standard

Credit losses — In June 2016, the FASB issued ASC 326, *Financial Instruments – Credit Losses*, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 are accounts receivable. The new standard was effective for the Organization on July 1, 2023. The Organization has implemented this standard and has reflected this on its financial statements and related disclosures using a retrospective approach. The net assets and changes in net assets are unchanged due to implementation.

NOTE 3 - GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable, to be collected within one year, as of June 30, 2024 and 2023 were \$20,001 and \$0, respectively.

NOTE 4 - INVESTMENTS

The Organization reports investments at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs.

The basis for the carrying value of investments is from information provided by broker managed accounts. Fair value measurements of investment instruments are based on open actively traded securities markets as reported by investment account broker statements.

Choice in Aging Notes to Financial Statements

June 30, 2024 and 2023

The three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Unobservable inputs that are supported by little to no market activity and that are significant to the fair value of the assets or liabilities.

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. In certain cases, where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

The Organization invests in fixed income securities, equity securities, and mutual funds. The investments are recognized at fair value as of June 30, 2024 and 2023, respectively:

	2024	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
Fixed income securities	\$ 7,092,262	\$ 7,092,262	\$ -	\$ -
Open end mutual funds	1,451,648	1,451,648	-	-
Less: endowment investments	(339,011)	(339,011)	-	-
Total investments	<u>\$ 8,204,899</u>	<u>\$ 8,204,899</u>	<u>\$ -</u>	<u>\$ -</u>

	2023	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
Equity securities	\$ 7,003,088	\$ 7,003,088	\$ -	\$ -
Open end mutual funds	1,130,265	1,130,265	-	-
Less: endowment investments	(301,738)	(301,738)	-	-
Total investments	<u>\$ 7,831,615</u>	<u>\$ 7,831,615</u>	<u>\$ -</u>	<u>\$ -</u>

Choice in Aging

Notes to Financial Statements

June 30, 2024 and 2023

NOTE 5 - PROPERTY AND EQUIPMENT

At June 30, the value of the property and equipment and related accumulated depreciation is as follows:

	2024	2023
Land	\$ 358,245	\$ 358,245
Construction in progress	1,528,334	1,488,544
Buildings and building improvements	5,402,544	5,370,254
Furniture and equipment	1,798,902	1,798,902
Less: accumulated depreciation	(4,984,983)	(4,713,119)
Total property and equipment	<u>\$ 4,103,042</u>	<u>\$ 4,302,826</u>

Depreciation expense for the years ended June 30, 2024 and 2023 was \$271,864 and \$261,233, respectively.

The Organization is building a new and replicable model of community care, the Aging in Place Campus (Campus), which will provide seniors with independent housing and services. This innovative care hub will include 81 units of affordable housing, as well as space for the Mt. Diablo Adult Day Health Center which will provide seniors with individual care plans and wraparound services on site. The Campus will also feature a Montessori preschool with intergenerational programming for children and seniors together. The Campus will be built in seven phases and funded one hundred percent by donations through a capital campaign. At June 30, 2024 and 2023, construction in progress was made up of predevelopment costs. There were no significant commitments as of June 30, 2024 and 2023. The Organization's portion of the building project is expected to be approximately \$33 million with an expected completion date of December 2028.

NOTE 6 - ENDOWMENT

Choice in Aging's endowment consists of one fund established to build a permanent endowment that will grow and support the Organization's mission. Its endowment includes donor-restricted funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of Choice in Aging has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Choice in Aging classifies as net assets with donor restriction (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Choice in Aging Notes to Financial Statements

June 30, 2024 and 2023

The portion of the donor-restricted endowment that is not classified as a perpetual endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by Choice in Aging in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Choice in Aging considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purpose of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of Choice in Aging, and (7) Choice in Aging's investment policies.

Net asset composition of the endowment at June 30, 2024 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted fund	\$ -	\$ 125,000	\$ 125,000
Accumulated investment gains	-	214,011	214,011
Total endowment investment	<u>\$ -</u>	<u>\$ 339,011</u>	<u>\$ 339,011</u>

Net asset composition of the endowment at June 30, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted fund	\$ -	\$ 125,000	\$ 125,000
Accumulated investment gains	-	176,738	176,738
Total endowment investment	<u>\$ -</u>	<u>\$ 301,738</u>	<u>\$ 301,738</u>

Investment Return Objectives, Risk Parameters and Strategies. Endowment funds are invested in accordance with the investment policy approved by the Board of Directors. The funds are invested to ensure current income and long-term growth of the fund, and to safeguard its principal. The investments shall be conservative and diversified, conform to socially responsible investments, and with minimal overhead. The majority of the funds are invested in indexed mutual funds that are shown in investments on the statement of financial position.

Spending Policy. It is Choice in Aging's policy to only use the income from its endowment funds for distribution. With the exception to the note above, this policy is consistent with Choice in Aging's objective of maintaining endowment funds for future use.

Choice in Aging

Notes to Financial Statements

June 30, 2024 and 2023

The changes in endowment net assets for the year ended June 30, 2024 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2023	\$ -	\$ 301,738	\$ 301,738
Investment return:			
Interest and dividend income	-	14,575	14,575
Net realized and unrealized gain	-	22,698	22,698
Endowment net assets, June 30, 2024	<u>\$ -</u>	<u>\$ 339,011</u>	<u>\$ 339,011</u>

The changes in endowment net assets for the year ended June 30, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2022	\$ -	\$ 278,294	\$ 278,294
Investment return:			
Interest and dividend income	-	7,184	7,184
Net realized and unrealized loss	-	16,260	16,260
Endowment net assets, June 30, 2023	<u>\$ -</u>	<u>\$ 301,738</u>	<u>\$ 301,738</u>

NOTE 7 - REDEVELOPMENT LOAN

On November 14, 2016, the City of Pleasant Hill (City) and the Organization entered into a predevelopment loan agreement. Under the loan agreement, the City provided the Organization \$236,000 to pay a portion of the predevelopment costs associated with the development of the Aging in Place Campus housing project. The loan bears simple interest at the rate of three percent (3%) per annum on the principal balance outstanding beginning at the end of the Organization's first fiscal year following the issuance of a certificate of occupancy for the housing project, the Organization will make annual payments of principal and interest to the City in an amount equal to the "residual receipts payment" as defined in the agreement. All principal and interest payments are due and payable in full upon the earlier of (i) the occurrence of any agreement default, (ii) the Organization's abandonment of the housing project, or (iii) fifty-five (55) years after the date of the agreement. This loan is classified as noncurrent as the Organization does not anticipate making any payments within one year.

Choice in Aging Notes to Financial Statements

June 30, 2024 and 2023

NOTE 8 - NET ASSETS

Donor-restricted net assets

Net assets with donor restrictions during the year ended June 30, 2024 consisted of the following:

	2023	Additions	Releases	2024
Tea room funds	\$ 235	\$ 550	\$ (785)	\$ -
Aging in place campus	10,948,359	158,541	-	11,106,900
COVID-19 mobile vaccine clinics	2,716	-	(2,716)	-
Purchase of oximeters	9,802	-	(9,802)	-
La Piana consulting	25,000	-	(25,000)	-
Emergency Assistance & Program Fund	-	21,889	(3,620)	18,269
Physical Therapy Fund	-	19,084	-	19,084
Bedford Block Party & Bazaar	-	40,740	(23,907)	16,833
Music Therapy	-	20,000	(9,960)	10,040
Sabbatical	-	65,000	-	65,000
Time restricted	100,000	-	-	100,000
Total net assets with donor restrictions, before endowment fund	11,086,112	325,804	(75,790)	11,336,126
Change in endowment fund	176,738	37,273	-	214,011
Perpetual endowment fund	125,000	-	-	125,000
Total endowment fund	301,738	37,273	-	339,011
Total net assets with donor restrictions	<u>\$ 11,387,850</u>	<u>\$ 363,077</u>	<u>\$ (75,790)</u>	<u>\$ 11,675,137</u>

Net assets with donor restrictions during the year ended June 30, 2023 consisted of the following:

	2022	Additions	Releases	2023
Tea room funds	\$ 235	\$ -	\$ -	\$ 235
Aging in place campus	1,669,015	10,305,437	(1,026,093)	10,948,359
COVID-19 mobile vaccine clinics	2,716	-	-	2,716
Purchase of oximeters	9,802	-	-	9,802
La Piana consulting	25,000	-	-	25,000
Nurse navigator	50,000	-	(50,000)	-
Time restricted	150,000	-	(50,000)	100,000
Total net assets with donor restrictions, before endowment fund	1,906,768	10,305,437	(1,126,093)	11,086,112
Change in endowment fund	153,294	23,444	-	176,738
Perpetual endowment fund	125,000	-	-	125,000
Total endowment fund	278,294	23,444	-	301,738
Total net assets with donor restrictions	<u>\$ 2,185,062</u>	<u>\$ 10,328,881</u>	<u>\$ (1,126,093)</u>	<u>\$ 11,387,850</u>

Choice in Aging Notes to Financial Statements

June 30, 2024 and 2023

Board designated net assets

The Board designated amounts for operating expenses and program expansion. Board designated net assets during the year ended June 30, 2024 consisted of the following:

	<u>2023</u>	<u>Additions</u>	<u>Releases</u>	<u>2024</u>
Education and scholarship	\$ 3,046	\$ 2	\$ -	\$ 3,048

Board designated net assets during the year ended June 30, 2023 consisted of the following:

	<u>2022</u>	<u>Additions</u>	<u>Releases</u>	<u>2023</u>
Education and scholarship	\$ 3,045	\$ 1	\$ -	\$ 3,046

NOTE 9 - LIQUIDITY AND AVAILABILITY

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

The Organization considers investment income without donor restrictions and contributions without donor restrictions to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, program expenses, and fundraising expenses to be paid in the subsequent year.

The Organization manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that mission fulfillment will continue to be met, ensuring the sustainability of the Organization.

The following table reflects the Organization's financial assets at June 30, 2024 and 2023, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include board-designated special projects fund that is intended to fund special board initiatives not considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also include net assets with donor restrictions greater than one year and special project outside of the Organization's core programs.

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 3,049,355	\$ 2,564,573
Investments	8,204,899	7,831,615
Accounts receivable	2,113,559	1,175,502
Less: board designated cash	(3,048)	(3,046)
Less: funds restricted for Aging in Place Campus	(11,106,900)	(10,948,359)
Total liquidity and availability	<u>\$ 2,257,865</u>	<u>\$ 620,285</u>

Choice in Aging Notes to Financial Statements

June 30, 2024 and 2023

NOTE 10 - RENTAL INCOME

The Organization leases its Newell property to multiple tenants. Lease revenue under these leases for the years ended June 30, 2024 and 2023, was \$246,773 and \$285,017, respectively. Rental income consists of monthly payments ranging from \$750 to \$4,477 plus common area operating expense charges ranging from \$0 to \$990 and various fixed annual escalating payments. Maturity dates of these leases range from October 2024 to June 2030. Under GAAP, rental payments are recognized on a straight-line basis over the term of the lease. The difference between the straight-line rent income and the required lease payment is reflected as a deferred rent receivable on the statement of financial position.

Minimum future rental income from the leases extending past June 30, 2024 is summarized as follows:

2025	\$	180,873
2026		183,170
2027		160,820
2028		144,855
2029		112,853
Thereafter		<u>67,992</u>
Present value of rental income	\$	<u>850,563</u>

NOTE 11 - LEASES

In August 2018, the Organization entered into an agreement for office space with an initial term of 24 months and monthly payments starting at \$1,363.23, increasing annually up to \$2,638. In July 2020, the Organization extended the lease for an additional 24-month period, ending March 2023.

In March 2023, the Organization entered into a lease agreement for office space with an initial term of 5 years and monthly payments of \$4,182 and annual increases up to \$4,707.

In May 2024, the Organization entered into a lease agreement for office space with an initial term of 2 years and monthly payments of \$1,510 plus common area operating expenses of \$202 with annual increases at 3.6%.

In September 2018, the Organization entered into an agreement for a postage machine with an initial term of 63 months and monthly payments of \$69. This lease was renewed in May 2023 with a term of 63 months and monthly payments of \$86.

In December 2020, the Organization entered into two agreements for copiers. One lease is for 63 months with monthly payments of \$1,926 while the other lease is for 48 months with monthly payments of \$113.

The Organization holds other rental agreements for equipment which are on month-to-month terms and not reported as right-of-use assets or operating lease liabilities.

Choice in Aging Notes to Financial Statements

June 30, 2024 and 2023

Below are the carrying amounts of right-of-use operating assets recognized and the movements during the period:

	Office Leases	Copiers	Postage Equipment	Total
June 30, 2022	\$ 22,155	\$ 88,138	\$ 5,998	\$ 116,291
New lease	249,049	-	-	249,049
Amortization	<u>(37,470)</u>	<u>(24,145)</u>	<u>(793)</u>	<u>(62,408)</u>
June 30, 2023	233,734	63,993	5,205	302,932
New lease	43,281	-	-	43,281
Amortization	<u>(46,557)</u>	<u>(24,248)</u>	<u>(987)</u>	<u>(71,792)</u>
June 30, 2024	<u><u>\$ 230,458</u></u>	<u><u>\$ 39,745</u></u>	<u><u>\$ 4,218</u></u>	<u><u>\$ 274,421</u></u>

Below are the carrying amounts of operating lease liabilities and the movements during the period:

	2024	2023
July 1	\$ 302,932	\$ 117,058
New lease	43,281	249,049
Payments	<u>(71,792)</u>	<u>(63,175)</u>
June 30	274,421	302,932
Less: current portion of lease liability	<u>(92,655)</u>	<u>(68,406)</u>
Non-current portion of lease liability	<u><u>\$ 181,766</u></u>	<u><u>\$ 234,526</u></u>

The table below reconciles the fixed components of the undiscounted cash flows for each of the first five years and the total remaining years to the operating lease liabilities recorded on the statement of financial position as of June 30, 2024. Amounts due for the 12 months ending June 30 are as follows:

	Operating Leases
2025	\$ 100,036
2026	89,291
2027	56,283
2028	43,395
2029	173
Thereafter	<u>-</u>
Total lease payments	289,178
Less: interest	<u>(14,757)</u>
Present value of lease liabilities	<u><u>\$ 274,421</u></u>

Choice in Aging Notes to Financial Statements

June 30, 2024 and 2023

The weighted average remaining lease term and the weighted average discount rate of operating leases at June 30, 2024 and 2023, are as follows:

	2024	2023
Weighted-average remaining lease term - operating leases	3.17 years	4.31 years
Weighted-average discount rate - operating leases	3.26%	2.86%

NOTE 12 - CONTRIBUTIONS OF NONFINANCIAL ASSETS

During the years ended June 30, 2024 and 2023, the Organization recognized within the statement of activities and changes in net assets nonfinancial contributions including the following:

	2024	2023
Supplies	\$ 32,364	\$ 10,517
Silent auction gifts	50,883	44,245
Legal services	242,641	-
Total contributions of nonfinancial assets	\$ 325,888	\$ 54,762

Supplies

The contributed supplies recognized are primarily comprised of various food and drink items to be provided to attendees during fundraising events. Contributed supplies are valued and reported at the estimated fair value based on the cost or resale value.

Silent auction gifts

The contributed silent auction gifts recognized are comprised of various items to be auctioned during fundraising events. Contributed silent auction gifts are valued and reported at the estimated fair value based on the cost or resale value.

Legal services

The contributed legal services recognized are services provided by personnel at a law firm on a pro-bono basis to the Organization. Contributed legal services are valued and reported at the estimated fair value based on the billable rates of personnel providing services.

All contributed nonfinancial assets were utilized during the period. None of the contributions included donor-imposed restrictions.

Choice in Aging Notes to Financial Statements

June 30, 2024 and 2023

NOTE 13 - FUNCTIONAL EXPENSES

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include contract services, occupancy, equipment rental and repair, supplies and materials, and communication which are allocated on a square footage basis, as well as certain personnel costs which are allocated based on estimates of time and effort.

NOTE 14 - RETIREMENT PLAN

The Organization sponsors a defined contribution retirement plan which qualifies under section 403(b) of the IRC. Under the terms of the plan, contributions are invested at the discretion of the plan participant in an investment vehicle comprised of various funds. The Organization does not contribute to the plan.

NOTE 15 - RELATED PARTY

The Board of Directors and employees donated \$53,246 and \$12,807 during the years ended June 30, 2024 and 2023, respectively.

NOTE 16 - CONCENTRATION OF RISK

Financial instruments that potentially subject the Organization to credit risk consist primarily of cash, and receivables. The Organization maintains cash with commercial banks and other major financial institutions. At times, cash balances may be in excess of the Federal Deposit Insurance (FDIC) limit of \$250,000. As of June 30, 2024 and 2023, there was \$1,178,980 and \$2,202,544, respectively, exceeding the FDIC limit.

The credit risk associated with receivables is mitigated by the fact that the receivables are due from Organization members, local donors and governments.

For the years ended June 30, 2024 and 2023, there were two and one contributors, respectively, that provided more than 10% of support and revenue, excluding in-kind contributions. For the years ended June 30, 2024 and 2023, there were three and four contributors, respectively, that had ending balances of more than 10% in accounts receivable.

Choice in Aging Notes to Financial Statements

June 30, 2024 and 2023

NOTE 17 - COMMITMENTS AND CONTINGENCIES

In 2025, the U.S. federal government proposed significant budget cuts aimed at reducing federal spending, resulting in uncertain economic conditions. These cuts primarily target mandatory spending programs that many not-for-profit organizations benefit from. The potential impacts of these budget cuts on the Organization include, but are not limited to, reduction in federal grants and contracts, increased demand for services, and operational adjustments. Management is actively monitoring the situation and evaluating potential strategies to address these uncertainties. However, the ultimate impact of the federal budget cuts on the Organization's financial position and operations cannot be fully determined at this time.

The Organization is subject to potential audits by the IRS regarding the eligibility and amount of the ERC claimed. Any adjustments resulting from such audits could impact the financial statements.

The Organization is subject to audits by the California Department of Aging (CDA) regarding the MSSP site locations. Any adjustments resulting from such audits could impact the financial statements.

NOTE 18 - RECLASSIFICATION

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported net assets.

NOTE 19 - SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before the date the financial statements were available to be issued. The Organization recognizes in the financial statements, the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued.

Subsequent events have been evaluated through the date of the independent auditors' report, which is the date the financial statements were approved by the Organization and available to be issued.

In February 2025, the Organization entered into a lease agreement for office space with a term of 24 months and monthly payments starting at \$2,250.

In March 2025, the CDA issued reports for program audit years ending June 30, 2022 and June 30, 2023 for the Contra Costa site and June 30, 2021 through June 30, 2023 for the Napa/Solano site.

No other subsequent events require disclosure or recognition.

Supplementary Information



**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**

Independent Auditors' Report

To the Board of Directors
Choice in Aging
Pleasant Hill, California

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Choice in Aging, a California nonprofit corporation, (the Organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report dated August 27, 2025.

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 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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "BryMar".

Cupertino, CA
August 27, 2025



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Independent Auditors' Report

To the Board of Directors
Choice in Aging
Pleasant Hill, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Choice in Aging'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 each of the Organization's major federal programs for the year ended June 30, 2024. The Organization's major federal programs are identified in the summary of 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Responsibility 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a 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 program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and 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 stylized, handwritten-style signature of "BryMar" in black ink.

Cupertino, CA
August 27, 2025

Choice in Aging

Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Contract/Grant Identifying Number	State Expenditures	Federal Expenditures
U.S. Department of Health and Human Services					
Passed Through Contra Costa County					
Aging Cluster					
Title III, Part B - Adult Day Care/Adult Day Health Care (OAA)	93.044	**	40-464-0	\$ -	\$ 79,623
Title III, Part B - Adult Day Care/Adult Day Health Care (ARPA)	93.044	**	40-463-0	-	71,027
Total Aging Cluster				-	150,650
Title III, Part E - Family Caregiver Support (OAA)	93.052	**	40-535-0	-	46,060
Passed Through California Department of Aging					
Medicaid Cluster					
Medical Assistance Program (MSSP Contra Costa County)	93.778	**	MS-2223-47	284,338	284,338
Medical Assistance Program (MSSP Napa/Solano County)	93.778	**	MS-2223-56	511,005	511,005
Total Medicare Cluster				795,343	795,343 *
Passed Through US Aging					
Title IV - Special Programs for Aging & Title II Discretionary Projects	93.048	**	**	-	25,920
Passed Through California Department of Health Care Services					
Money Follows the Person (CCT)	93.791	**	22-20215	195,707	195,707
Elder Abuse Prevention Interventions Program	93.747	Not applicable	40-526-0	-	48,548
Consolidated Appropriations Act - Congressional Directives	93.493	Not applicable	90CFPC0005-01-02	-	290,836
Total U.S. Department of Health and Human Services				991,050	1,553,064
U.S. Department of Housing and Urban Development					
Passed Through City of Antioch					
CDBG-Entitlement/Special Purpose Grants Cluster					
Community Development Block Grants/Entitlement Grants	14.218	**	**	-	10,000
Total CDBG-Entitlement/Special Purpose Grants Cluster				-	10,000
Total U.S. Department of Housing and Urban Development				-	10,000
U.S. Department of Agriculture					
Passed Through California Department of Social Services					
Child and Adult Food Care Program (CACFP)	10.558	**	15559	-	57,004
Total U.S. Department of Agriculture				-	57,004
U.S. Department of Transportation					
Passed Through California Department of Transportation					
Transit Services Programs Cluster					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	147567713	64SO21-01755	-	44,615
Total Transit Services Program Cluster				-	44,615
Total U.S. Department of Transportation				-	44,615
Total Expenditures of State and Federal Awards				\$ 991,050	\$ 1,664,683

* Tested as a major program

** Information not available

Note 1: Basis of Presentation

The above schedule of expenditures of federal awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2: Summary of Significant Accounting Policies

Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

Choice in Aging elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Choice in Aging
Schedule of Findings and Questioned Costs**

For the Year Ended June 30, 2024

Section 1 – Summary of Auditor's Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP Unmodified

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs

- Material weaknesses identified? No
- Significant deficiencies identified? None reported

Types of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a) No

Identification of major federal programs:

<u>Federal Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>	
93.778	Medicaid Cluster	\$ 795,343
Dollar threshold used to distinguish between type A and type B program		\$ 750,000
Auditee qualified as low-risk auditee?		No

**Choice in Aging
Schedule of Findings and Questioned Costs**

For the Year Ended June 30, 2024

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Awards Findings and Questioned Costs

No matters were reported.

Choice in Aging Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2024

Section IV – Summary Schedule of Prior Audit Findings

Prior year finding number: 2023-01 Improper Reconciliations – Material Weakness

Fiscal year in Which the Finding Initially Occurred: 2021

Condition: The auditors identified misstatements in several statement of financial position accounts at June 30, 2023, because the accounts did not reconcile to the supporting documentation.

Recommendation: The auditors recommended management design and implement a monthly and a year-end internal control activity to reconcile and review all statement of financial position accounts to ensure financial activity is complete and accurately stated. To strengthen the oversight of the reconciliation process, the auditors recommended creating a monthly general ledger reconciliation checklist listing accounts to be reconciled. The personnel responsible for the reconciliation process should sign and date the checklist. Someone other than the reconciler, such as a Finance Director or the CEO, should review the reconciliations and sign and date the checklist as evidence of timely review. These checklists should be maintained until the annual audit is completed.

Current Status: Corrected

Prior year finding number: 2023-02 Improper Payroll Controls – Significant Deficiency

Fiscal year in Which the Finding Initially Occurred: 2023

Condition: The auditors identified numerous inconsistencies in controls related to payroll processes.

Recommendation: The auditors recommended management design and implement a monthly and a year-end internal control activity to review that payroll information has been properly recorded and approved. To strengthen the oversight of the payroll process, we recommend creating a monthly payroll process checklist listing each step to be performed. The personnel responsible for the process should sign and date the checklist. Someone other than the checklist preparer, such as the CEO, should review the information and sign and date the checklist as evidence of timely review. These checklists should be maintained until the annual audit is completed.

Current Status: Corrected

Prior year finding number: 2023-03 Allowable Costs: Payroll – Significant Deficiency in Internal Control over Compliance

Fiscal year in Which the Finding Initially Occurred: 2023

Condition: The auditors identified two inconsistencies in controls related to payroll processes.

Recommendation: The auditors recommended management implement a termination checklist that the payroll administrator completes for each terminated employee before the next payroll is processed. The deactivation of employee record in the payroll system should be one of the steps on the checklist. Additionally, we recommend that all pay raise letters have proper documented approval before being processed in the payroll system.

Current Status: Corrected