Aldersly and Subsidiary

Consolidated Financial Statements
and Supplementary Information

September 30, 2024

Aldersly and Subsidiary

Table of Contents
September 30, 2024

Independent Auditors' Report

To the Board of Directors of
Aldersly and Subsidiary

Opinion

We have audited the accompanying consolidated financial statements of Aldersly (a California not-for-profit organization) and Subsidiary (collectively the Organization), which comprise the consolidated statement of financial position as of September 30, 2024, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2024, and the changes in its net assets and its cash flows for the year 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). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Correction of an Error

As described in Note 13, the consolidated financial statements have been restated to correct an error. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the 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 consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

San Francisco, California
March 7, 2025, (except for footnote 13, which is dated October 6, 2025)

Aldersly and Subsidiary

Consolidated Statement of Financial Position, as Restated
September 30, 2024

Assets	
Current Assets	
Cash and cash equivalents	$ 7,702,440
Investments in marketable securities (Note 3)	10,502,927
Accounts receivable, residents, net	182,925
Prepaid expenses	704,324
Total current assets	19,092,616
Property and Equipment, Net (Note 4)	45,685,104
Assets Whose Use is Limited or Restricted (Note 5)	
Restricted cash equivalents	14,673,624
Fixed income securities	20,427,520
Equities	160,187
	35,261,331
Other Noncurrent Assets	
Long-term investments held for endowment (Note 3)	5,267,234
Restricted cash equivalents - resident deposits	2,797,467
	8,064,701
Total assets	$ 108,103,752
Liabilities and Net Assets	
Current Liabilities	
Accounts payable and accrued expenses	$ 432,868
Accrued interest	864,319
Accrued salaries and wages	333,905
Refunds payable	588,685
Deposit liability	2,705,849
Guaranteed refunds (Note 6)	482,025
Construction costs and retentions payable	6,022,845
Total current liabilities	11,430,496
Long-Term Liabilities	
Unearned entrance fees (Note 6)	3,094,914
Guaranteed refunds (Note 6)	870,403
Long-term debt, net of unamortized financing costs and net bond premium (Note 7)	58,837,970
Total long-term liabilities	62,803,287
Total liabilities	74,233,783
Net Assets	
Without donor restrictions	
Undesignated	27,928,912
Board designated (Note 8)	5,930,353
	33,859,265
With donor restrictions (Note 9)	10,704
Total net assets	33,869,969
Total liabilities and net assets	$ 108,103,752

See notes to consolidating financial statements

Aldersly and Subsidiary

Consolidated Statement of Activities, as Restated
Year Ended September 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Service Revenue and Support			
Service revenue:			
Independent living fees	$ 2,375,191	$ -	$ 2,375,191
Memory care living fees	1,662,166	-	1,662,166
Assisted living fees	2,479,875	-	2,479,875
Entrance fees amortization	1,608,026	-	1,608,026
Total revenue	8,125,258	-	8,125,258
Support:			
Donations, gifts and bequests	1,090,315	-	1,090,315
Net assets released from restrictions (Note 10)	-	-	-
Total revenue and support	9,215,573	-	9,215,573
Operating Expenses			
Program services	9,836,932	-	9,836,932
Management and general	1,721,582	-	1,721,582
Fundraising	254,484	-	254,484
Total expenses	11,812,998	-	11,812,998
Change in net assets before other revenues	(2,597,425)	-	(2,597,425)
Other Revenues			
Rental and other income, net	1,595	-	1,595
Investment gain, net	5,734,612	-	5,734,612
Loss on bond issuance	(139,685)	-	(139,685)
	5,596,522	-	5,596,522
Change in net assets	2,999,097	-	2,999,097
Net Assets, Beginning	30,860,168	10,704	30,870,872
Net Assets, Ending	$ 33,859,265	$ 10,704	$ 33,869,969

See notes to consolidated financial statement

Aldersly and Subsidiary

Consolidated Statement of Functional Expenses
Year Ended September 30, 2024

	Program Services	Management and General	Fundraising	Total
Salaries	$ 3,484,820	$ 293,895	$ 74,118	$ 3,852,833
Payroll taxes and benefits	1,127,973	95,129	25,112	1,248,214
Total personnel costs	4,612,793	389,024	99,230	5,101,047
Consultants	4,807	11,661	-	16,468
Depreciation and amortization	854,205	84,536	3,937	942,678
Food	563,225	-	-	563,225
Insurance	338,677	23,632	1,691	364,000
Interest	1,307,489	91,247	6,730	1,405,466
IT, connection and phone	245,531	17,047	2,040	264,618
Laundry services	114,423	-	-	114,423
Maintenance and repairs	416,095	29,033	2,057	447,185
Management service expense	591,866	-	-	591,866
Marketing	-	771,141	134,741	905,882
Outside labor and professional services	98,835	339,166	-	438,001
Property taxes	122,651	8,516	-	131,167
Recruiting	13,079	15,032	412	28,523
Rental property expenses	-	64,454	-	64,454
Resident activities	89,373	-	-	89,373
Supplies	45,570	11,745	-	57,315
Training	3,285	8,057	-	11,342
Travel	1,315	5,847	2,220	9,382
Utilities	288,366	20,121	1,426	309,913
Other operating expenses	125,347	12,768	-	138,115
Bad debt recovery	-	(87,825)	-	(87,825)
	9,836,932	1,815,202	254,484	11,906,618
Less expenses included with other revenues on the consolidated statement of activities:				
Expenses related to net rental income	-	(93,620)	-	(93,620)
Total expenses by function	$ 9,836,932	$ 1,721,582	$ 254,484	$ 11,812,998

See notes to consolidated financial statements

Aldersly and Subsidiary

Consolidated Statement of Cash Flows, as Restated
Year Ended September 30, 2024

Cash Flows From Operating Activities	
Cash received from residents	$ 5,871,521
Cash received for entrance fees	685,506
Interest and dividends received net of management fees	1,798,453
Cash received from donors	1,225,430
Cash paid to suppliers and employees	(3,486,397)
Cash paid for interest	(2,853,301)
Cash paid for entrance fee refunds to residents	(404,596)
Net cash provided by operating activities	2,836,616
Cash Flows From Investing Activities	
Net proceeds from sales of investments	20,816,610
Net proceeds of assets held in trust	3,625,272
Capital expenditures	(23,006,055)
Net cash used in investing activities	1,435,827
Cash Flows From Financing Activities	
Bond payments	(5,255,000)
Net cash used in financing activities	(5,255,000)
Net decrease in cash, cash equivalents, and restricted cash equivalents	(982,557)
Cash, Cash Equivalents and Restricted Cash Equivalents, Beginning	26,156,088
Cash, Cash Equivalents and Restricted Cash Equivalents, Ending	$ 25,173,531
Reconciliation of End of Year Totals in the Consolidated Statement of Cash Flows Related to Captions in the Consolidated Statement of Financial Position	
Cash and cash equivalents	$ 7,702,440
Restricted cash - resident deposits	2,797,467
Restricted cash	14,673,624
	$ 25,173,531

See notes to consolidated financial statements

1. Description of Operations and Summary of Significant Accounting Policies

Founded in 1921 by Danish immigrants as a not-for-profit retirement community located in San Rafael, California, Aldersly today is a diverse and vibrant mix of residents from many cultural backgrounds. Aldersly is a continuing care retirement community that offers three lifestyle options - Independent Living, Assisted Living, Memory Care and Extended Care. Residents are able to seamlessly transition between care levels, as necessary.

In August 2014, Aldersly formed H.C. Andersen Properties, LLC, a wholly owned subsidiary, for the purpose of acquiring property.

A summary of significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows:

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Aldersly and its wholly owned subsidiary (collectively the Organization). Intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated in the United States of America for Not-for-Profit Organizations (U.S. GAAP).

Net Assets

The net assets of the Organization are reported as follows:

Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. Donations received and spent in accordance with donor-imposed stipulations in the same reporting period are also included in this classification. A portion of these net assets may be designated by the Board of Directors for specific purposes (refer to Note 8).

With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization or the passage of time as well as net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization. At September 30, 2024, the Organization did not have net assets with donor restrictions to be maintained in perpetuity.

Income Taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code, Section 23701d except as noted for the LLC. Accordingly, it has not provided for income taxes in these consolidated financial statements.

The LLC's net earnings (losses) are reported on the federal exempt organization tax return of its parent company. The LLC files a separate state tax return in California and is subject to an annual minimum franchise tax of $800.

Each year, management considers whether any material tax position the Organization has taken is more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions the Organization has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in these consolidated financial statements.

Cash, Cash Equivalents and Restricted Cash

The Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. Restricted cash includes amounts held relating to assets whose use is limited or restricted for bond funds and resident deposits. The Organization classifies cash held in money market funds by investment custodians as short-term investments.

Accounts Receivable, Residents

Accounts receivable on resident accounts are reported net of an allowance for credit losses to represent the Organization's estimate of expected losses at the financial potion date. The Organization utilizes the aging method in determining its lifetime expected credit losses on its receivables. This method is used for calculating an estimate of losses based primarily on the Organization's historical loss experience. In determining its loss rates, the Organization evaluates information related to its historical losses, adjusted for current conditions, and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, historical collection rates and legal and regulatory requirements. At September 30, 2023, the Organization had an allowance for credit losses of $119,387.

Pledges Receivable

Pledges receivable consisting of unconditional promises to give are recorded at net realizable value. Pledges receivable that are expected to be received in future years are discounted to the anticipated present value of future cash flows using a discount rate. The Organization believes that all amounts are fully collectible at year end.

Investments

Investments in marketable equity and debt securities are presented in the consolidated financial statements at their fair values based on quoted market prices. Investment income, which consists of dividend and interest income and unrealized and realized gains (losses) on investments, is shown in the consolidated statement of activities net of investment management fees.

Fair Value Measurements

The Organization considers the use of market-based information over entity specific information in valuing its marketable investment securities using a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- Level 1 - inputs to the valuation methodology - quoted prices (unadjusted) for identical assets or liabilities in active markets.

- Level 2 - inputs to the valuation methodology - quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the investment.

- Level 3 - inputs to the valuation methodology - unobservable and significant to the fair value measurement.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., exit price) in an orderly transaction between market participants at the measurement date.

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Donated assets are recorded at fair market value at the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years. Maintenance, repairs, and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. The Organization capitalizes assets with a cost or donated value of $1,000 or more and an estimated useful life greater than one year. Gains or losses on dispositions of property and equipment are included in the consolidated statement of activities.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted represent assets held by trustees under an indenture agreement. These assets are presented in the consolidated financial statements at their fair value. The underlying investments are held in interest bearing and fixed income accounts.

Financing Costs

Deferred financing costs are amortized over the term of the related financing.

Deferred financing costs are presented in the consolidated statement of financial position as a direct deduction from the carrying amount of long-term debt (refer to Note 7). The amortization of deferred financing costs is included in interest expense on the consolidated statement of functional expenses. For the year ended September 30, 2024, the Organization did not have any deferred financial cost amortization.

Bond Premium

Bond premium, net of bond discounts, is amortized over the term of the related financing.

Net bond premium is presented in the consolidated statement of financial position as a direct increase to the carrying amount of long-term debt (refer to Note 7). The amortization of net bond premium is included in interest expense on the consolidated statement of functional expenses. For the year ended September 30, 2024, the amortization of net bond premium amounted to $57,604.

Leases

At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the noncancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method.

The Organization has made the following accounting policy elections with regard to its lease accounting:

- The Organization does not separate lease and nonlease components for all asset classes.

- When the rate implicit in the lease is not determinable, rather than use the Organization's incremental borrowing rate, the Organization elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes.

- The Organization does not apply the recognition requirements to all leases with an original term of 12 months or less, for which the Organization is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line bases over the lease term.

At September 30, 2024, there were no financing leases and the Organization's operating lease liabilities and right-of-use assets were immaterial to the consolidated financial statements.

Revenue Recognition

Resident Services

Revenues primarily result from fees charged to customers under continuing care retirement community (CCRC) resident contacts, non-CCRC resident contracts. Revenue recognition is evaluated under ASC No. 606 through the following five steps: (i) identification of the contract or contracts with a customer; (ii) identification of the performance obligations in the contract; (ii) determination of the transaction price; (iv) allocation of the transaction price in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

Net resident service revenues are reported at the amount that reflects the consideration the Organization expects to receive in exchange for the services provided. These amounts are due from residents, patients or third-party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. The performance obligation for resident contracts is to stand ready to provide a residence, resident services, and resident care based on the needed level of care. The performance obligation for patient contracts is to stand ready to provide routine nursing care as well as emergency care that may be required.

Net resident service revenues are primarily comprised of extended care, assisted living, memory care, and independent living revenue streams, which are primarily derived from providing housing, extended care, assisted living, and independent living services to residents or patients at a stated daily or monthly fee, net of any explicit or implicit price concessions. The Organization has determined that the services included in the stated daily or monthly fee for each level of care represents a series of distinct services that have the same timing and pattern of transfer. Therefore, the Organization considers the services provided to residents in each level of care to be one performance obligation which is satisfied over time as services are provided. As such, extended care, assisted living, memory care, and independent living revenues are recognized on a daily or month-to-month basis as services are rendered.

The two types of CCRC contracts that the Organization provides include Traditional and 50% Return of Capital (ROC). Both CCRC contracts allow the resident a ratable right of refund, as defined in the contracts, when a resident either passes away or moves out prior to 57 months of residency for Traditional contracts and four years for ROC contracts. 50% of an ROC resident's entrance fee is always guaranteed to be refunded upon death or move out. As CCRC residents typically do reside at the Organization's community for a period that exceeds these limits, the Organization considers 100% of a Traditional CCRC resident's entrance fee and 50% of an ROC resident's entrance fee to be nonrefundable.

The guaranteed refund component of entrance fees is not amortized to income and is classified as guaranteed refunds liability in the accompanying consolidated statement of financial position.

Revenue from nonrefundable entrance fees received are recognized through amortization of the nonrefundable entrance fee using the straight-line method over the estimated remaining life expectancies of the residents which approximates the period of time the goods and services under the agreements are expected to be transferred to residents. The unamortized portion of entrance fees are classified as deferred revenues from unearned entrance fees, a contract liability, in the accompanying consolidated statement of financial position until the performance obligations are satisfied.

Payment terms and conditions for the Organization's contracts vary by contract. Entrance fees for CCRC residents are generally due on or before the contract date of move in. Net resident service fee revenues for recurring and routine monthly services are generally billed monthly on the first of the month. Resident service revenues for ancillary services are generally billed monthly in arrears. Payment of monthly service fees by CCRC residents are to be made within 15 days from the first of the month. Payment of monthly service fees by non-CCRC residents are to be made within five days from the first of the month. Payment of daily service fees by Health Care Center patients are to be made within 10 days from the first of the month.

Contract costs include incremental costs of obtaining contracts that would not have been incurred if the contracts were not obtained and are recorded at cost. For the Organization, contract costs consist of sales commissions paid to sales personnel for obtaining new contracts. Contract costs are amortized over the estimate life expectancy of the residents using the straight-line method, which approximates the period of time that goods and services are expected to be transferred to residents. During the year ended September 30, 2024, contract costs were immaterial to the consolidated financial statements and therefore were not capitalized.

The Organization disaggregates revenue from contracts with customers by type of service as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors. During the year ended September 30, 2024, all resident services revenues were self-pay.

Contributions and Grants

Revenues from contribution and grant income are accounted for as nonreciprocal transactions. Unconditional contributions and grants received are recorded as revenue when promised. Conditional contributions and grants received are recorded as revenue when the underlying conditions have been satisfied by the Organization. Contributions and grants that are not restricted by the donor are reported as an increase in net assets without donor restrictions. Donor restricted contributions and grants are reported as an increase in net assets with donor restrictions. When a donor restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions.

Donated Services

The Organization receives various types of volunteer services. Contributed services are not recognized unless the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased. Donated services received do not meet the two recognition criteria described above. Accordingly, the value is not reflected in the consolidated financial statements.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services benefited. Payroll and employee benefits expense are allocated based on a percentage of time spent.

All other expenses related to more than one function are charged to programs and supporting services pro rata on the basis of square footage or other appropriate usage factors.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant accounting estimates in the Organization's consolidated financial statements include entrance fee amortization, functional allocation of expenses, depreciation expense, and fair value of investments. Actual results could differ from those estimates.

Performance Indicator

The Organization measure of operations is its changes in net assets from operating activities excluding revenues rental income, other income, and investment income. The statement of activities includes changes in net assets without donor restrictions as the performance indicator.

Obligation to Provide Future Services

The Organization periodically calculates the present value of the net cost of future service and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net obligation to provide future service and use of facilities (discounted at 3%) exceeds the deferred revenue from entrance fees, a liability is recorded with the corresponding charge to income. Deferred revenue from entrance fees exceeded the calculation of the present value of the net cost of future services for each organization. Therefore, an additional liability for an obligation to provide future services and use of facilities is not required as of September 30, 2024.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through the date the consolidated financial statements were available to be issued, March 7, 2025. Management has concluded that no events have occurred subsequent to September 30, 2024, that require consideration as adjustments to or disclosure in the Organization’s consolidated financial statements.

2. Liquidity and Availability of Financial Assets

The Organization's primary source of revenue is revenue received from residents. The Organization considers contributions without donor restrictions to be available to meet cash needs for general expenditures. General operating expenditures include programmatic expenses, management and general expenses, and fundraising expenses that are expected to be paid in the subsequent year. In the event that a need arises to utilize board-designated net assets for liquidity purposes, the funds could be drawn upon through a board resolution.

The table below presents financial assets available to fund general operating expenditures within one year at September 30, 2024:

Cash and cash equivalents	$ 7,702,440
Investments in marketable securities	10,502,927
Accounts receivable, residents, net	13,634
	18,219,001
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(10,704)
Financial assets available to meet general operating expenditures within one year	$ 18,208,297

3. Investments and Fair Value Disclosures

The following are the major categories of assets measured at fair value on a recurring basis at September 30, 2024, using quoted prices in active markets for identical assets (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3):

	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents*	$ 654,490	$ -	$ -	$ -
U.S. corporate stocks	3,138,461	3,138,461	-	-
Equity funds	7,324,985	7,324,985	-	-
Fixed income funds	2,569,151	2,569,151	-	-
U.S. government obligations	1,724,634	-	1,724,634	-
Corporate bonds	222,640	-	222,640	-
Foreign corporate stocks	112,694	112,694	-	-
Foreign obligations	23,106	-	23,106	-
	15,770,161	13,145,291	1,970,380	-
Assets whose use is limited or restricted (refer to Note 5)				
Restricted cash equivalents*	14,735,503	-	-	-
Fixed income securities	20,427,520	-	20,427,520	-
Equity	160,187	160,187	-	-
	35,261,331	160,187	20,427,520	-
Total investments and restricted assets	$ 51,031,492	$ 13,305,478	$ 22,397,900	$ -

* Cash, cash equivalents and restricted cash equivalents are not included in Level 1, 2 or 3 of the fair value hierarchy

At September 30, 2024, investments are reflected in the consolidated statement of financial position as follows:

Current	$ 10,502,927
Long-term, held for endowment	5,267,234
Total	$ 15,770,161

The net investment income for the year ended September 30, 2024, includes $1,112,231 in gains from the Board Designated Endowment Fund (refer to Note 8).

4. Property and Equipment, Net

At September 30, 2024, property and equipment, net consisted of the following:

Land	$ 232,822
Buildings and improvements	27,341,482
Land improvements	256,334
Equipment	1,275,226
Furniture	413,498
Assisted living furniture	154,050
Vehicles	64,335
Residential real estate:	
Land	990,000
Buildings and improvements	919,742
	31,647,489
Less accumulated depreciation	(15,899,032)
	15,748,457
Construction in progress:	
Mission Avenue independent living project	29,465,474
Unit remodels	59,347
Total construction in progress	29,524,821
Total property and equipment, net	$ 45,273,278

As part of the construction in progress for the Mission Avenue independent living project, $6,022,845 is recorded in construction costs and retentions payable on the consolidated statement of financial position.

5. Assets Whose Use is Limited or Restricted

At September 30, 2024, assets with limited or restricted use consisted of the following:

	Debt Service Reserve	Project Fund	Replacement Reserve	Principal Fund	Interest Fund	Total
2023 bond funds	$ 1,096,139	$ 30,509,923	$ -	$ -	$ -	$ 31,606,062
2023A bond funds	-	-	-	-	1,963,793	1,963,793
2023B-1 bond funds	738,338	-	-	-	75,903	814,241
2023B-2 bond funds	226,568	-	-	-	118,032	344,600
2023C bond funds	282,358	-	-	-	250,277	532,635
Total	$ 2,345,395	$ 30,509,923	$ 5,134,110	$ 369	$ 2,408,992	$ 35,261,331

6. Unearned Entrance Fees and Guaranteed Refunds

Changes in unearned entrance fees and guaranteed refunds for the year ended September 30, 2024, were as follows:

	Unearned Entrance Fees	Guaranteed Refunds	Total
Balance at September 30, 2023	$ 4,417,827	$ 1,916,880	$ 6,334,707
Entrance fees received	689,708	117,738	807,446
	5,107,535	2,034,618	7,142,153
Less entrance fees amortization	(1,608,026)	-	(1,608,026)
Less entrance fees refunds	(404,596)	(682,190)	(1,086,786)
Balance at September 30, 2024	3,094,913	1,352,428	4,447,341
Less current portion	-	(482,025)	(482,025)
	$ 3,094,913	$ 870,403	$ 3,965,316

Continuing care retirement communities are required to report a liability recognizing an obligation to provide future services and the use of the facilities to current residents in excess of related anticipated revenues, when the present value of future net cash outflows plus depreciation to be charged related to the contracts exceeds unearned entrance fees.

7. Long-Term Debt

At September 30, 2024, long-term debt consisted of the following:

In May 2023, the CSCDA issued Revenue Refunding Bonds series 2023A, 2023B-1, 2023B-2 and 2023C on behalf of the Organization at an aggregate purchase price of $62,218,701. The purchase amount reflects $61,300,000 of aggregate par amounts plus an original issue premium of $1,531,701 and less an aggregate purchase discount of $613,000. The bond proceeds were used to fund future capital projects and establish debt service and interest funds. The Bonds bear interest rates ranging from 3.75% to 5.50% with effective interest rates ranging from 4.08% to 4.50% and mature at various dates through May 15, 2053. The bonds are collateralized by a deed of trust on the real property, certain personal property and a security interest in the gross revenues of the Organization. The Organization is required to comply with certain debt covenants, including the maintenance of certain financial ratios.	$ 61,300,000
Less unamortized financing costs	(3,754,751)
Add unamortized bond premium, net of unamortized bond discount	1,292,721
Long-term debt	$ 58,837,970

At September 30, 2024, future maturities of long-term debt were as follows:

Years ending September 30:	
2027	5,790,000
2028	25,680,000
2029	635,000
2030	665,000
2031	700,000
Thereafter	27,830,000
Total	$ 61,300,000

8. Net Assets Without Donor Restrictions, Board Designated

Board Designated for Endowment

Certain gifts and realized and unrealized gains or losses on these gifts have been internally designated by the Board of Directors to be maintained similar to an endowment fund. Dissolution of this designation requires three quarters vote of the full Board. The Organization does not have any donor restricted endowment funds.

The Board of Directors adopted a spending policy for the board designated endowment fund with an objective of allocating 3% of the fund balance annually (based on the rolling average of the 12 preceding quarters' balances) to fund various projects at the discretion of management.

The investment objective is to provide liquidity for debt service, operations, projects, and capital needs as required. The asset allocations are set up to maintain approximately 35% of the assets in fixed income investments with the remaining assets in equities with large market capitalization and a high level of liquidity.

Board Designated for Care Fund

The Board designated Care Fund was established to provide assistance to residents who have developed a financial need due to unforeseen or uncontrollable circumstances. The Board of Directors has established a set of guidelines to be used in considering applications for hardship assistance each year.

Board Designated for Master Plan

The Board designated Master Plan Fund was established to provide partial funding for various facilities renovations at Aldersly. The Master Plan is part of the Organization's strategic planning for long-term success of the Organization. The Board of Directors has not yet determined the full cost of the project and will be designating additional funds as necessary in the future to cover anticipated costs.

For the year ended September 30, 2024, changes in Board designated net assets were as follows:

	Endowment	Care Fund	Master Plan	Total
Balance, September 30, 2023	$ 4,155,003	$ 188,174	$ 765,302	$ 5,108,479
Investment gain, net	1,112,231	-	-	1,112,231
Appropriations	(290,357)	(290,357)	-	(580,714)
Contributions	-	290,357	-	290,357
Balance, September 30, 2024	$ 4,976,877	$ 188,174	$ 765,302	$ 5,930,353

9. Net Assets With Donor Restrictions

For the year ended September 30, 2024, there were no releases from net assets with donor restrictions. Net assets with donor restrictions at September 30, 2024 consisted of the following:

Subject to expenditure for specified purpose:	
Music Fund	$ 10,079
Staff Appreciation Fund	625
Total	$ 10,704

10. Retirement Plan

The Organization has an Internal Revenue Code section 401(k) retirement plan (the Plan). Plan participants may elect to defer a portion of their compensation (up to the maximum allowed by law) and have such salary deferrals contributed to their plan accounts. The Organization matches up to 4% of the employee's salary. For the year ended September 30, 2024, employer matching contributions to the Plan were $51,354. The Plan also provides for discretionary employer profit sharing contributions to the Plan. There were no discretionary contributions made for the year ended September 30, 2024.

11. Contingencies and Commitments

Contingencies

The Organization is a party to certain claims in the normal course of business. While the result of these proceedings cannot be predicted with certainty, management believes that the final outcome of these matters will not have a material adverse effect on the consolidated financial statements.

The senior living services industry is subject to numerous laws, regulations and administrative directives of federal, state and local governments and agencies. Compliance with these laws, regulations and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance; however, the possible future financial effects of this matter, if any, cannot be known with certainty.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, cash equivalents and restricted cash.

Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts (currently $250,000 per depositor). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position. Investments are insured up to the limit set by the Securities Investor Protection Corporation (SIPC).

Commitments

At September 30, 2024, the Organization has approximately $765,000 in net assets designated by the Board for construction commitments to the Master Plan (refer to Note 8).

Geographic Concentration

The Organization has one location in San Rafael, California.

12. Consulting Services

Life Care Services (LCS), an unrelated consulting company, provides consulting services to the community in accordance with the terms of a five-year contract expiring November 1, 2029. The monthly consulting fee is calculated based upon specific terms of the agreement. The agreement also provides for an annual bonus incentive calculated based upon any excess of actual annual operating revenue over budgeted operating revenue. The agreement is cancelable by either party upon six months' written notice (60 days' notice with cause). The Organization at times may utilize LCS for services outside the scope of the agreement and is billed extra for these services. During the year ended September 30, 2024, LCS charged the Organization approximately $239,885 consulting fees.

13. Correction of Errors

Subsequent to the issuance of the audited consolidated financial statements for the year ended September 30, 2024, the Organization identified an error related to the presentation of its long-term debt. The error resulted from the inclusion of the 2015 Bond and related restricted assets, which should have been removed upon extinguishment of the debt in a prior period. In addition, the previously issued consolidated financial statements incorrectly disclosed noncompliance with certain debt covenants for which the Organization obtained a waiver.

The error involved (1) failure to remove the 2015 Bond liability from the statement of financial position, (2) inclusion of assets whose use was limited or restricted in connection with the 2015 bond, (3) the misclassification of restricted cash related to construction costs as a noncurrent asset, and (4) disclosure of debt covenant violations that were waived.

The consolidated financial statements and relevant footnote disclosures for the year ended September 30, 2024, have been restated to correct this error. The following table summarizes the impact of the correction on the previously reported amounts:

As of September 30, 2024	As Previously Reported	Adjustment	As Restated
Cash and cash equivalents	$ 1,679,595	$ 6,022,845	$ 7,702,440
Restricted cash equivalents	$ 20,758,348	($ 6,084,724)	$ 14,673,624
Fixed income securities	$ 25,551,978	($ 5,124,458)	$ 20,427,520
Equities	$ 163,535	($ 3,348)	$ 160,187
Long-term debt	$ 63,672,970	($ 4,835,000)	$ 58,837,970
Net assets, ending	$ 34,009,654	($ 139,685)	$ 33,869,969
Change in net assets	$ 3,138,782	($ 139,685)	$ 2,999,097

The adjustment reflects the recognition of a loss on extinguishment of debt of $139,685.

Note 7 was corrected to remove a disclosure of covenant violations and its related waiver that was made in error.

Certain supplementary schedules accompanying these consolidated financial statements have been revised to reflect the corrections described in this note.

Aldersly and Subsidiary

Consolidating Statement of Financial Position, as Restated
September 30, 2024

	Aldersly	H.C. Andersen Properties LLC	Eliminations	Consolidated
Assets				
Current Assets				
Cash and cash equivalents	$ 7,525,108	$ 177,332	$ -	$ 7,702,440
Investments in marketable securities (Note 3)	10,502,927	-	-	10,502,927
Accounts receivable, residents, net	182,925	-	-	182,925
Prepaid expenses	704,324	-	-	704,324
Total current assets	18,915,284	177,332	-	19,092,616
Property and Equipment, Net (Note 4)	43,996,897	1,688,207	-	45,685,104
Assets Whose Use is Limited or Restricted (Note 5)				
Restricted cash equivalents	14,673,624	-	-	14,673,624
Fixed income securities	20,427,520	-	-	20,427,520
Equities	160,187	-	-	160,187
	35,261,331	-	-	35,261,331
Other Noncurrent Assets				
Investment in subsidiary	1,858,562	-	(1,858,562)	-
Long-term investments held for endowment (Note 3)	5,267,234	-	-	5,267,234
Investments in residential real estate, net (Note 5)	-	-	-	-
Restricted cash equivalents - resident deposits	2,797,467	-	-	2,797,467
	9,923,263	-	(1,858,562)	8,064,701
Total assets	$ 108,096,775	$ 1,865,539	$ (1,858,562)	$ 108,103,752
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	$ 425,891	$ 6,977	$ -	$ 432,868
Accrued interest	864,319	-	-	864,319
Accrued salaries and wages	333,905	-	-	333,905
Refunds payable	588,685	-	-	588,685
Deposit liability	2,705,849	-	-	2,705,849
Construction costs and retentions payable	6,022,845	-	-	6,022,845
Guaranteed refunds (Note 6)	482,025	-	-	482,025
Total current liabilities	11,423,519	6,977	-	11,430,496
Long-Term Liabilities				
Unearned entrance fees (Note 6)	3,094,914	-	-	3,094,914
Guaranteed refunds (Note 6)	870,403	-	-	870,403
Long-term debt, net of unamortized financing costs and net bond premium (Note 7)	58,837,970	-	-	58,837,970
Total long-term liabilities	62,803,287	-	-	62,803,287
Total liabilities	74,226,806	6,977	-	74,233,783
Net Assets				
Without donor restrictions				
Undesignated	27,928,912	1,858,562	(1,858,562)	27,928,912
Board designated (Note 8)	5,930,353	-	-	5,930,353
	33,859,265	1,858,562	(1,858,562)	33,859,265
With donor restrictions (Note 9)	10,704	-	-	10,704
Total net assets	33,869,969	1,858,562	(1,858,562)	33,869,969
Total liabilities and net assets	$ 108,096,775	$ 1,865,539	$ (1,858,562)	$ 108,103,752

Aldersly and Subsidiary

Consolidating Statement of Activities, as Restated
Year ended September 30, 2024

	Aldersly	H.C. Andersen Properties LLC	Eliminations	Consolidated
Service Revenue and Support				
Service revenue:				
Independent living fees	$ 2,375,191	$ -	$ -	$ 2,375,191
Memory care living fees	1,662,166	-	-	1,662,166
Assisted living fees	2,479,875	-	-	2,479,875
Entrance fees amortization	1,608,026	-	-	1,608,026
Total service revenue	8,125,258	-	-	8,125,258
Support:				
Donations, gifts and bequests	1,090,315	-	-	1,090,315
Total revenue and support	9,215,573	-	-	9,215,573
Operating Expenses				
Program services	9,836,932	-	-	9,836,932
Management and general	1,721,582	-	-	1,721,582
Fundraising	254,484	-	-	254,484
Total expenses	11,812,998	-	-	11,812,998
Change in net assets before other revenues	(2,597,425)	-	-	(2,597,425)
Other Revenues				
Rental and other income (loss), net	11,951	(10,356)	-	1,595
Equity in earnings	(10,356)	-	10,356	-
Investment gain, net	5,734,612	-	-	5,734,612
Loss on bond issuance	(139,685)	-	-	(139,685)
	5,596,522	(10,356)	10,356	5,596,522
Change in net assets	2,999,097	(10,356)	10,356	2,999,097
Net Assets, Beginning	30,870,872	1,868,918	(1,868,918)	30,870,872
Net Assets, Ending	$ 33,869,969	$ 1,858,562	$ (1,858,562)	$ 33,869,969

Aldersly and Subsidiary

Computation of Current Ratio, as Restated
Year Ended September 30, 2024

Current Ratio

Current assets	$ 18,915,284
Current liabilities	$ 11,423,519
Current ratio	1.66

Aldersly and Subsidiary

Computation of Days Cash on Hand, as Restated
Year Ended September 30, 2024

Unrestricted Cash and Investments	
Cash and cash equivalents	$ 7,702,440
Investments	15,770,161
Less net assets with donor restrictions	(10,704)
Total unrestricted cash and investments	23,461,897
Cash Operating Expenses	
Total operating expenses	11,812,998
Less depreciation and amortization	(942,678)
Add recovery of provision for uncollectible accounts	87,825
Less financing fee amortization	(137,436)
Add bond premium amortization	57,604
Total cash operating expenses	10,878,313
Number of Days in The Period	365
Daily cash expenses	$ 29,804
Days Cash On Hand	787