

SERVING SENIORS AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019



Leaf & Cole, LLP
Certified Public Accountants

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Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
Serving Seniors and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Serving Seniors and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Serving Seniors and Subsidiaries as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Leaf & Cole LLP

San Diego, California
October 27, 2020

SERVING SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	ASSETS	
	<u>2020</u>	<u>2019</u>
<u>Current Assets:</u> (Notes 2, 4, 5, 6, 7, 8 and 9)		
Cash and cash equivalents	\$ 2,562,893	\$ 383,995
Investments	1,226,274	1,649,923
Grants receivable	1,766,873	485,821
Pledges receivable	58,800	187,248
Accounts receivable - related parties, net	95,989	180,074
Prepaid expenses and other	223,551	143,256
Accrued interest receivable	-	1,604,750
Note receivable	-	1,000,000
Total Current Assets	<u>5,934,380</u>	<u>5,635,067</u>
<u>Noncurrent Assets:</u> (Notes 2, 4, 5, 7, 9, 10, 11, 12 and 16)		
Pledges receivable, net	49,256	172,779
Notes receivable, net	11,499,734	11,499,734
Land, building and equipment, net	8,156,781	7,981,660
Investments in limited partnerships	501,331	499,878
Investments restricted for endowment	750,000	750,000
Beneficial interest in endowment funds	7,316	7,580
Total Noncurrent Assets	<u>20,964,418</u>	<u>20,911,631</u>
TOTAL ASSETS	<u>\$ 26,898,798</u>	<u>\$ 26,546,698</u>

The accompanying notes are an integral part of the consolidated financial statements.

SERVING SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2020 AND 2019

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
<u>Current Liabilities:</u> (Notes 2, 13, 14 and 18)		
Accounts payable	\$ 994,250	\$ 345,302
Payroll and related liabilities	276,317	198,601
Accrued paid time off	216,707	171,901
Deferred revenue	699,200	-
Accrued interest payable	-	1,605,109
Notes payable	-	1,000,000
Total Current Liabilities	2,186,474	3,320,913
<u>Noncurrent Liabilities:</u> (Notes 2, 11 and 14)		
Notes payable	2,200,000	2,200,000
Share of deficiency in limited partnerships	14,939	300
Total Noncurrent Liabilities	2,214,939	2,200,300
 Total Liabilities	 4,401,413	 5,521,213
<u>Commitments and Contingencies:</u> (Notes 13, 17 and 18)		
<u>Net Assets:</u> (Notes 2, 15 and 16)		
Without donor restrictions	12,154,947	10,640,251
With donor restrictions		
Purpose restrictions	268,116	349,875
Time restriction	9,317,006	9,277,779
Perpetual in nature	757,316	757,580
Total With Donor Restriction	10,342,438	10,385,234
Total Net Assets	22,497,385	21,025,485
 TOTAL LIABILITIES AND NET ASSETS	 \$ 26,898,798	 \$ 26,546,698

The accompanying notes are an integral part of the consolidated financial statements.

SERVING SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Gains:						
Government grants	\$ 5,623,675	\$ -	\$ 5,623,675	\$ 4,076,798	\$ 1,870	\$ 4,078,668
Contributions	2,655,583	1,133,750	3,789,333	1,659,117	423,005	2,082,122
Housing	854,504	-	854,504	649,749	-	649,749
Special events:						
Special events revenue	154,810	162,750	317,560	385,845	-	385,845
Less: Cost of direct benefits to donors	-	-	-	(19,100)	-	(19,100)
Special events revenue, net	154,810	162,750	317,560	366,745	-	366,745
Investment income	182,530	66	182,596	381,184	251	381,435
Donations from seniors served	159,783	-	159,783	156,297	-	156,297
In-kind contributions	122,400	-	122,400	126,840	-	126,840
Other income	52,970	-	52,970	55,584	-	55,584
Rental Income	39,822	-	39,822	47,063	-	47,063
Net assets released from restrictions	1,339,362	(1,339,362)	-	199,112	(199,112)	-
Total Revenue, Support and Gains	<u>11,185,439</u>	<u>(42,796)</u>	<u>11,142,643</u>	<u>7,718,489</u>	<u>226,014</u>	<u>7,944,503</u>
Expenses:						
Program Services:						
Nutrition program	5,309,720	-	5,309,720	3,575,321	-	3,575,321
Health and social services	1,613,074	-	1,613,074	1,510,509	-	1,510,509
Housing development and facility support	982,096	-	982,096	1,068,995	-	1,068,995
Total Program Services	<u>7,904,890</u>	<u>-</u>	<u>7,904,890</u>	<u>6,154,825</u>	<u>-</u>	<u>6,154,825</u>
Supporting Services:						
Management and general	1,038,311	-	1,038,311	839,735	-	839,735
Fundraising	727,542	-	727,542	508,580	-	508,580
Total Supporting Services	<u>1,765,853</u>	<u>-</u>	<u>1,765,853</u>	<u>1,348,315</u>	<u>-</u>	<u>1,348,315</u>
Total Expenses	<u>9,670,743</u>	<u>-</u>	<u>9,670,743</u>	<u>7,503,140</u>	<u>-</u>	<u>7,503,140</u>
Change in Net Assets	1,514,696	(42,796)	1,471,900	215,349	226,014	441,363
Net Assets at Beginning of Year	<u>10,640,251</u>	<u>10,385,234</u>	<u>21,025,485</u>	<u>10,424,902</u>	<u>10,159,220</u>	<u>20,584,122</u>
NET ASSETS AT END OF YEAR	<u>\$ 12,154,947</u>	<u>\$ 10,342,438</u>	<u>\$ 22,497,385</u>	<u>\$ 10,640,251</u>	<u>\$ 10,385,234</u>	<u>\$ 21,025,485</u>

The accompanying notes are an integral part of the consolidated financial statements.

SERVING SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services				Supporting Services			2020 Total
	Nutrition Program	Health and Social Services	Housing Development & Facility Support	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Personnel:								
Salaries	\$ 1,329,614	\$ 1,141,983	\$ 362,171	\$ 2,833,768	\$ 578,923	\$ 342,552	\$ 921,475	\$ 3,755,243
Employee benefits	213,829	116,658	65,315	395,802	13,343	39,305	52,648	448,450
Payroll taxes	98,269	76,996	25,980	201,245	32,411	24,957	57,368	258,613
Total Personnel	<u>1,641,712</u>	<u>1,335,637</u>	<u>453,466</u>	<u>3,430,815</u>	<u>624,677</u>	<u>406,814</u>	<u>1,031,491</u>	<u>4,462,306</u>
Operating Expenses:								
Auto	176,038	20	1,255	177,313	4,885	-	4,885	182,198
Consultants	-	16,706	-	16,706	67,651	95,552	163,203	179,909
Depreciation	48,130	2,298	192,065	242,493	3,348	-	3,348	245,841
Equipment	48,741	477	10,130	59,348	115	513	628	59,976
Food costs	3,220,567	-	-	3,220,567	-	-	-	3,220,567
Insurance	-	1,105	34,698	35,803	16,687	-	16,687	52,490
Interest expense	-	-	90,069	90,069	538	-	538	90,607
Mail house services	9,767	4,970	105	14,842	2,806	143,139	145,945	160,787
Occupancy and utilities	38,729	-	89,216	127,945	122,638	-	122,638	250,583
Other expense	16,202	11,322	4,947	32,471	56,289	28,720	85,009	117,480
Professional fees	-	-	938	938	28,915	-	28,915	29,853
Repairs and maintenance	6,513	826	43,625	50,964	118	-	118	51,082
Special events	-	-	-	-	-	24,987	24,987	24,987
Specific assistance	923	198,729	-	199,652	-	-	-	199,652
Supplies and office	89,347	30,316	41,683	161,346	98,891	23,315	122,206	283,552
Telephone	13,051	8,722	19,899	41,672	8,129	4,225	12,354	54,026
Travel, conferences and meetings	-	1,946	-	1,946	2,624	277	2,901	4,847
Total Operating Expenses	<u>3,668,008</u>	<u>277,437</u>	<u>528,630</u>	<u>4,474,075</u>	<u>413,634</u>	<u>320,728</u>	<u>734,362</u>	<u>5,208,437</u>
TOTAL EXPENSES	<u>\$ 5,309,720</u>	<u>\$ 1,613,074</u>	<u>\$ 982,096</u>	<u>\$ 7,904,890</u>	<u>\$ 1,038,311</u>	<u>\$ 727,542</u>	<u>\$ 1,765,853</u>	<u>\$ 9,670,743</u>

The accompanying notes are an integral part of the consolidated financial statements.

SERVING SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services				Supporting Services			2019 Total
	Nutrition Program	Health and Social Services	Housing Development & Facility Support	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Personnel:								
Salaries	\$ 970,086	\$ 1,043,099	\$ 307,069	\$ 2,320,254	\$ 408,869	\$ 304,501	\$ 713,370	\$ 3,033,624
Employee benefits	116,545	88,246	49,993	254,784	53,337	26,254	79,591	334,375
Payroll taxes	72,392	69,763	22,263	164,418	28,795	22,992	51,787	216,205
Total Personnel	<u>1,159,023</u>	<u>1,201,108</u>	<u>379,325</u>	<u>2,739,456</u>	<u>491,001</u>	<u>353,747</u>	<u>844,748</u>	<u>3,584,204</u>
Operating Expenses:								
Auto	104,008	-	1,294	105,302	722	-	722	106,024
Consultants	-	30,779	-	30,779	133,040	12,085	145,125	175,904
Depreciation	28,642	3,978	189,092	221,712	1,650	-	1,650	223,362
Equipment	14,764	1,956	9,895	26,615	894	296	1,190	27,805
Food costs	2,061,501	260	189	2,061,950	169	-	169	2,062,119
Insurance	-	1,105	7,917	9,022	41,988	-	41,988	51,010
Interest expense	-	-	141,536	141,536	3,566	-	3,566	145,102
Mail house services	3,800	7,257	75	11,132	4,050	25,363	29,413	40,545
Occupancy and utilities	159,415	34	81,574	241,023	-	-	-	241,023
Other expense	4,166	6,913	5,179	16,258	26,761	12,201	38,962	55,220
Professional fees	-	-	1,353	1,353	33,487	-	33,487	34,840
Repairs and maintenance	3,796	10	186,930	190,736	113	-	113	190,849
Special events	-	-	-	-	-	84,414	84,414	84,414
Specific assistance	280	183,668	1,225	185,173	54	-	54	185,227
Supplies and office	25,734	59,782	48,077	133,593	94,682	16,427	111,109	244,702
Telephone	10,173	5,006	15,334	30,513	6,505	3,644	10,149	40,662
Travel, conferences and meetings	19	8,653	-	8,672	1,053	403	1,456	10,128
Total Operating Expenses	<u>2,416,298</u>	<u>309,401</u>	<u>689,670</u>	<u>3,415,369</u>	<u>348,734</u>	<u>154,833</u>	<u>503,567</u>	<u>3,918,936</u>
TOTAL EXPENSES	<u>\$ 3,575,321</u>	<u>\$ 1,510,509</u>	<u>\$ 1,068,995</u>	<u>\$ 6,154,825</u>	<u>\$ 839,735</u>	<u>\$ 508,580</u>	<u>\$ 1,348,315</u>	<u>\$ 7,503,140</u>

The accompanying notes are an integral part of the consolidated financial statements.

SERVING SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 1,471,900	\$ 441,363
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	245,841	223,362
Net realized and unrealized gains	(27,374)	(64,565)
Loss/(income) from investments in limited partnerships, net	10,987	(114,757)
Endowment investment income	(66)	(251)
Endowment restricted distributions	330	323
Forgiveness of conditional promise	-	(100,000)
(Increase) Decrease in:		
Grants receivable	(1,281,052)	(233,395)
Pledges receivable, net	251,971	(131,361)
Accounts receivable - related parties, net	84,085	(51,007)
Accrued interest receivable	-	(141,536)
Prepaid expenses and other	(80,295)	(19,698)
(Decrease) Increase in:		
Accounts payable	663,531	(86,400)
Payroll and related liabilities	77,716	43,464
Accrued paid time off	44,806	2,950
Deferred revenue	699,200	(8,620)
Conditional promise	-	(50,000)
Accrued interest payable	(359)	141,895
Net Cash Provided by (Used In) Operating Activities	<u>2,161,221</u>	<u>(148,233)</u>
<u>Cash Flows From Investing Activities:</u>		
Sales of investments, net	451,023	69,069
Purchase of land, building and equipment, net	(435,545)	(59,494)
Change in beneficial interest in endowment funds	264	72
Net Cash Provided by Investing Activities	<u>15,742</u>	<u>9,647</u>

(Continued)

The accompanying notes are an integral part of the consolidated financial statements.

SERVING SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>Cash Flows From Financing Activities:</u>		
Endowment investment income	\$ 66	\$ 251
Endowment distributions	(330)	(323)
Distribution from investments in limited partnerships	2,199	5,482
Net Cash Provided by Financing Activities	<u>1,935</u>	<u>5,410</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 2,178,898	 (133,176)
Cash and Cash Equivalents at Beginning of Year	<u>383,995</u>	<u>517,171</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,562,893</u>	<u>\$ 383,995</u>
 <u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid for interest	<u>\$ 538</u>	<u>\$ 3,207</u>

The accompanying notes are an integral part of the consolidated financial statements.

SERVING SENIORS AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 1 - Organization:

The consolidated financial statements of the Organization include the following entities:

Serving Seniors

Serving Seniors, is a California Nonprofit Public Benefit Corporation. Its mission is to help seniors in poverty live healthy and fulfilling lives.

Senior Housing Corporation

Senior Housing Corporation was established in February 2000 to own, manage, support and develop housing for low and/or moderate income citizens and/or housing for mentally, physically or developmentally challenged persons. The Board of Directors of Senior Housing Corporation are elected by the Board of Directors of Serving Seniors. Senior Housing Corporation has a 0.005% partnership interest in Market Square Manor Associates, LP.

Senior Housing Corporation became a partner of HDP Broadway Management, LLC. HDP Broadway Management, LLC was formed as a limited liability company under the laws of the State of California on July 22, 2013. HDP Broadway Management, LLC was established for the purpose and intent of acquiring real property and providing and managing housing for low income persons. Senior Housing Corporation has a 21.0% partnership interest in HDP Broadway Management, LLC. HDP Broadway Management, LLC has a 0.01% partnership interest in HDP Broadway, L.P.

Senior Housing Corporation had a 21% interest in WMSD MGP, LLC. WMSD MGP, LLC was formed as a limited liability company under the laws of the State of California on July 7, 2014. WMSD MGP, LLC was established for the purpose and intent of acquiring real property and providing and managing housing for low income persons. WMSD MGP, LLC has a 0.005% partnership interest in Westminster Manor, L.P. As of September 30, 2019, Senior Housing Corporation has terminated its 21% membership in WMSD MGP, LLC.

Senior Housing Corporation became sole member of Fairmount SHC Housing, LLC. Fairmount SHC Housing, LLC was formed as a limited liability company under the laws of the State of California on March 16, 2017. Fairmount SHC Housing, LLC was established for the purpose and intent of acquiring real property and provide and manage housing for low income persons.

Senior Housing Corporation became sole member of Ramona SHC Housing, LLC. Ramona SHC Housing, LLC was formed as a limited liability company under the laws of the State of California on March 16, 2017. Ramona SHC Housing, LLC was established for the purpose and intent of acquiring real property provide and manage housing for low income persons. Ramona SHC Housing, LLC has a 0.51% partnership interest in Ramona Seniors CIC, L.P.

Senior Housing Corporation became a sole member of New Palace MGP SHC, LLC. New Palace MGP SHC, LLC was formed as a limited liability company under the laws of the State of California on July 21, 2017. New Palace MGP SHC, LLC was established for the purpose and intent of acquiring real property and providing and managing housing for low income persons. New Palace MGP SHC, LLC has a 21.0% partnership interest in HDP New Palace Management, LLC. HDP New Palace Management, LLC has a 0.01% partnership interest in HDP New Palace, L.P.

SERVING SENIORS AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 1 - Organization: (Continued)

Senior Housing Corporation (Continued)

New Palace MGP SHC, LLC has a 21.0% partnership interest in HDP Mariner's Village Management, LLC. HDP Mariner's Village Management, LLC has a 0.01% partnership interest in HDP Mariner's Village, L.P.

Senior Housing Corporation became sole member of Mt. Etna Senior Housing, LLC. Mt. Etna Senior Housing, LLC was formed as a limited liability company under the laws of the State of California on March 6, 2019. Mt. Etna Senior Housing, LLC was established for the purpose and intent of acquiring real property and provide and manage housing for low income persons.

Senior Housing Corporation became a partner of HDP West Park Management, LLC on April 8, 2019. HDP West Park Management, LLC was formed as a limited liability company under the laws of the State of California on October 5, 2017. HDP West Park Management, LLC was established for the purpose and intent of acquiring real property and providing and managing housing for low income persons. Senior Housing Corporation has a 21.0% partnership interest in HDP West Park Management, LLC. HDP West Park Management, LLC has a 0.009% partnership interest in HDP West Park, L.P.

City Heights Senior Housing Corporation

City Heights Senior Housing Corporation was established in September 2006 to own, manage, support and develop housing for low and/or moderate income senior citizens. The Board of Directors of City Heights Senior Housing Corporation are elected by the Board of Directors of Serving Seniors. City Heights Senior Housing Corporation has a 0.005% partnership interest in City Heights Square, LP.

West Senior Wellness Center

West Senior Wellness Center was established in June 2009 as a Nonprofit Public Benefit Corporation to perform the charitable functions of and carry out the charitable purposes of Serving Seniors. Serving Seniors is the sole member. The Board of Directors of West Senior Wellness Center are elected by the Board of Directors of Serving Seniors.

The following is a brief description of the Organization's programs:

Nutrition Program

Serving Seniors' Senior Nutrition Program ensures more than 8,000 low-income seniors have access to a nutritious diet, providing 1.0 million congregate and home-delivered meals a year. Meals are served from 11 congregate sites across San Diego County including our Gary & Mary West Senior Wellness Center, and delivered directly to homebound seniors each day.

SERVING SENIORS AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 1 - Organization: (Continued)

Housing

Serving Seniors provides robust senior housing programs that lift seniors out of homelessness and increase the stock of affordable senior housing in the region. The Transitional Housing Program helps homeless seniors get off the streets by providing transitional housing and supportive services as a direct stepping stone to permanent affordable housing. Case managers help clients apply for entitlements, save and budget their money, access health and community services, provide life skills training, and make regular in-unit check-ins.

Serving Seniors' affiliate entities Senior Housing Corporation and City Heights Senior Housing Corporation own 412 units of affordable senior housing. Serving Seniors provides meals, social services and socialization opportunities to senior residents.

Health and Social Services

Serving Seniors' team of nurses, social service case managers, and care navigators provides an array of integrated health and social services to address low-income seniors; wraparound wellness needs.

Case managers work one-on-one with clients to provide support for the complex, poverty-related issues that threaten their stability and well-being. For many clients without familial support, the case managers fill the role of a caring family member, providing a helping hand and a listening ear.

Enrichment and Activities

Serving Seniors' Lifelong Learning Program reduces social isolation among low-income seniors by providing more than 900 classes and activities a year to stimulate the mind, body, and spirit. Offered daily at Serving Seniors' Gary & Mary West Senior Wellness Center and partner sites across the county, activities include fitness classes, walking groups, health education, cultural enrichment, leadership training, creative writing workshops, arts and crafts, talent competitions, social activities, and much more.

Advocacy

Serving Seniors advocates on a local, state, and national level to mobilize meaningful policy change for older adults, and engages older adults in the civic process through leadership development and advocacy training.

Note 2 - Significant Accounting Policies:

Consolidated Financial Statements

The consolidated financial statements of the Organization include the accounts of Serving Seniors, Senior Housing Corporation, City Heights Senior Housing Corporation, and West Senior Wellness Center, which are collectively referred to as the "Organization". All material interorganization transactions have been eliminated in consolidation.

SERVING SENIORS AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

Accounting Method

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes thereon are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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 was restricted has been fulfilled, or both.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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. Accordingly, actual results could differ from those estimates.

Risks and Uncertainties

The Organization invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated statement of financial position.

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

SERVING SENIORS AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

Fair Value Measurements (Continued)

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

The Organization's consolidated statements of financial position include the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in mutual funds are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.
- Beneficial interest in endowment funds held by San Diego Foundation is considered a Level 3 asset which represents the fair value of the underlying assets as provided by San Diego Foundation (Note 12).

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. Management believes that all grants and pledges receivable were fully collectible; therefore, no allowance for doubtful accounts, grants and pledges receivable was recorded at June 30, 2020 and 2019. As more fully described in Note 8, the allowance for doubtful accounts - related parties totaled \$1,598,605 and \$1,489,739 at June 30, 2020 and 2019, respectively.

Capitalization and Depreciation

The Organization capitalizes all land, building and equipment in excess of \$5,000 at cost, while donations of property and equipment are recorded at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Buildings and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

Building	40 years
Furniture and equipment	5 - 7 years
Vehicles	5 years
Leasehold improvements	5 - 31.5 years

Depreciation totaled \$245,841 and \$223,362 for the years ended June 30, 2020 and 2019, respectively.

SERVING SENIORS AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

Capitalization and Depreciation (Continued)

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of land, buildings and equipment, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale and any resultant gain or loss is credited or charged to earnings.

Impairment of Land and Building

The Organization reviews its investment in land and building for impairment whenever events and changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2020 or 2019.

Investments in Limited Partnerships

The Organization owns general partner interest in limited partnerships accounted for on the equity method.

Compensated Absences

Accumulated paid time off and other employee benefit amounts totaling \$216,707 and \$171,901 at June 30, 2020 and 2019, respectively, are accrued when incurred and included in accrued paid time off.

Revenue Recognition

Grants

Grants revenue is recognized in the period in which the related work is performed in accordance with the terms of the grant or contract. Grants receivable is recorded when revenue earned under a grant exceeds the cash received. Grants receivable totaled \$1,766,873 and \$485,821 at June 30, 2020 and 2019, respectively.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

SERVING SENIORS AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

Revenue Recognition (Continued)

Housing

The Organization provides supportive services for residents of affordable low-income housing projects in connection with agreements of several partnerships. The Organization earns fees based upon the agreements and recognizes revenue when the services have been provided. The Organization also provides developmental and administrative services to partnerships having an interest in the affordable low-income housing industry. The Organization earns fees based upon the agreements and recognizes the revenue based upon the completion of each performance obligation as defined in those agreements.

Rental Income

Rental income attributable to a commercial lease is recorded when due from the occupant, generally upon the first day of each month. The lease is for a period of up to five years, with rental payments due monthly.

Donated Services and Materials

The Organization utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the consolidated financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the years ended June 30, 2020 and 2019, did not meet the requirements above; therefore no amounts were recognized in the consolidated financial statements.

The Organization occupied facilities under lease agreements at below the market rent values of \$122,400 and \$114,840 based on the excess of fair market value of all rental space over the rents paid for the years ended June 30, 2020 and 2019, respectively.

The Organization received a vehicle, which was sold and recognized at the sales price of \$12,000 for the year ended June 30, 2019.

Functional Allocation of Expenses

The consolidated statements of functional expenses present expenses by function and natural classification. The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by the Organization's management.

SERVING SENIORS AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

Income Taxes

Serving Seniors, Senior Housing Corporation, City Heights Senior Housing Corporation and West Senior Wellness Center are all public charities and are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization believes they have appropriate support for any tax position taken, and as such, do not have any uncertain tax positions that are material to the financial statements. These entities are not private foundations.

No provision or benefit for income taxes for the Limited Liability Companies have been included in these consolidated financial statements since taxable income (loss) passes through to, and is reportable by, the Member/ Partners individually.

Serving Seniors, Senior Housing Corporation, City Heights Senior Housing Corporation and West Senior Wellness Center's Returns of Organization Exempt from Income Tax for the years ended June 30, 2020, 2019, 2018 and 2017 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts and brokerage accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounting Pronouncements Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 outlines a single, comprehensive model for companies to use in accounting for revenue arising from contracts with customers. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. The change in accounting principle was adopted on the retrospective basis which resulted in no change to revenue previously reported and also had no effect on the revenue reported for the year ended June 30, 2020.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The adoption of ASU 2016-18 for the year ended June 30, 2020 had no effect on cash and cash equivalents for June 30, 2019 and 2018. Amounts generally described as restricted cash and restricted cash equivalents have been included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows.

SERVING SENIORS AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 27, 2020, the date the consolidated financial statements were available to be issued.

Reclassification

The Organization has reclassified certain prior year information to conform with the current year presentation.

Note 3 - Liquidity and Availability:

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. The Organization received contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing programs as well as the conduct of services undertaken to support those activities to be general expenditures.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year, are comprised of the following at June 30:

	<u>2020</u>	<u>2019</u>
Financial assets as year-end:		
Cash and cash equivalents	\$ 2,562,893	\$ 383,995
Investments	1,976,274	2,399,923
Grants receivable	1,766,873	485,821
Pledges receivable, net	58,800	187,248
Accounts receivable - Related parties, net	95,989	180,074
Total financial assets	<u>6,460,829</u>	<u>3,637,061</u>
Less assets unavailable for general expenditures:		
Investments restricted for endowment	<u>(750,000)</u>	<u>(750,000)</u>
Total financial assets for available to be used within one year	<u>(750,000)</u>	<u>(750,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,710,829</u>	<u>\$ 2,887,061</u>

In addition to financial assets available to meet general expenditures over the next 12 months the Organization has a line-of-credit agreement with available borrowings totaling \$750,000 as described in Note 13. In addition, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

SERVING SENIORS AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 4 - Fair Value Measurements:

The following table summarizes assets measured at fair value by classification within the fair value hierarchy at June 30:

	2020			Balance at June 30, 2020
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Mutual Funds:				
Fixed income funds	\$ 990,422	\$ -	\$ -	\$ 990,422
Large cap equity funds	624,242	-	-	624,242
International securities funds	291,326	-	-	291,326
Real estate securities funds	70,284	-	-	70,284
Beneficial interest in endowment funds (Note 12)	-	-	7,316	7,316
	<u>\$ 1,976,274</u>	<u>\$ -</u>	<u>\$ 7,316</u>	<u>\$ 1,983,590</u>
	2019			Balance at June 30, 2019
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Mutual Funds:				
Fixed income funds	\$ 1,204,067	\$ -	\$ -	\$ 1,204,067
Large cap equity funds	765,309	-	-	765,309
International securities funds	332,659	-	-	332,659
Real estate securities funds	97,888	-	-	97,888
Beneficial interest in endowment funds (Note 12)	-	-	7,580	7,580
	<u>\$ 2,399,923</u>	<u>\$ -</u>	<u>\$ 7,580</u>	<u>\$ 2,407,503</u>

The reconciliation for financial instruments measured at fair value on a recurring basis as significant unobservable inputs (Level 3) are included in Note 12 as indicated above.

The following table represents the Organization's Level 3 financial instrument, the valuation techniques used to measure the fair value of the financial instrument, and the significant unobservable inputs and the range of values for those inputs for the years ended June 30:

<u>Instrument</u>	<u>Fair Value</u>	<u>Principal Valuation Technique</u>	2020	
			<u>Unobservable Inputs</u>	<u>Significant Input Values</u>
Beneficial interest in endowment funds	\$ 7,316	Valuation of underlying assets as provided by San Diego Foundation	Base Price	N/A

SERVING SENIORS AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 4 - Fair Value Measurements: (Continued)

<u>Instrument</u>	<u>Fair Value</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Significant Input Values</u>
Beneficial interest in endowment funds	\$ 7,580	Valuation of underlying assets as provided by San Diego Foundation	Base Price	N/A

Note 5 - Investments:

Investments are stated at fair value and consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Mutual Funds	\$ <u>1,976,274</u>	\$ <u>2,399,923</u>

Investments are categorized in the statement of financial position as follows:

	<u>2020</u>	<u>2019</u>
Investments - Current	\$ 1,226,274	\$ 1,649,923
Investments - Restricted for endowment	750,000	750,000
Total Investments	\$ <u>1,976,274</u>	\$ <u>2,399,923</u>

The following schedule summarizes the investment income for the years ended June 30:

	2020		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Net realized and unrealized gains	\$ 27,374	\$ -	\$ 27,374
Loss from investments in Limited Partnerships, net	(10,987)	-	(10,987)
Endowment investment income	-	66	66
Interest on notes receivable	90,069	-	90,069
Interest and dividend income	76,074	-	76,074
Total Investment Income	\$ <u>182,530</u>	\$ <u>66</u>	\$ <u>182,596</u>
	2019		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Net realized and unrealized gains	\$ 64,565	\$ -	\$ 64,565
Income from investments in Limited Partnership, net	114,757	-	114,757
Endowment investment income	-	251	251
Interest on notes receivable	147,075	-	147,075
Interest and dividend income	54,787	-	54,787
Total Investment Income	\$ <u>381,184</u>	\$ <u>251</u>	\$ <u>381,435</u>

SERVING SENIORS AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 6 - Grants Receivable:

Grants receivable consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
County of San Diego - Aging and Independence Services	\$ 1,742,082	\$ 357,381
City of San Diego - CDBG	12,356	-
City of Oceanside - CDBG	8,864	90
County of San Diego - Transitional Housing	3,571	15,005
City of Oceanside - Aging and Independence Services	-	97,159
City of San Diego - Fresh Produce	-	9,962
City of Oceanside - Consulting Fees	-	6,224
Total Grants Receivable	<u>\$ 1,766,873</u>	<u>\$ 485,821</u>

Note 7 - Pledges Receivable:

Pledges receivable consist of contributions pledged for Serving Seniors. Pledges receivable consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Receivables due in less than one year	\$ <u>58,800</u>	\$ <u>187,248</u>
Receivables due in more than one year	50,000	175,000
Less: Discount to present value	<u>(744)</u>	<u>(2,221)</u>
Receivables due in more than one year, net	<u>49,256</u>	<u>172,779</u>
Pledges Receivable, Net	<u>\$ 108,056</u>	<u>\$ 360,027</u>

The pledges receivable have been discounted to their present value using a discount rate of 1.5% at June 30, 2020 and 2019, respectively.

Note 8 - Accounts Receivable - Related Parties:

Serving Seniors and its affiliate entities, Senior Housing Corporation and City Heights Senior Housing Corporation, have provided development, management, supporting, and other services with respect to projects in which Serving Seniors has a general partner interest. City Heights Senior Housing Corporation has provided development and supporting services to City Heights Square, L.P. and Senior Housing Corporation has provided incentive management services to Market Square Manor Associates, L.P. and Westminster Manor, L.P. Serving Seniors has the following receivables from these projects for funds that have been advanced in relation to development or for contracted services provided as follows at June 30:

SERVING SENIORS AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 8 - Accounts Receivable - Related Parties: (Continued)

	<u>2020</u>	<u>2019</u>
Market Square Manor Associates, L.P.	\$ 1,634,905	\$ 1,545,839
City Heights Square, L.P.	31,167	15,583
HDP Broadway, L.P.	12,236	4,600
Ramona Senior CIC, L.P.	7,000	14,000
HDP New Palace, L.P.	5,310	1,500
HDP West Park, L.P.	3,750	1,000
Mt. Etna Senior Housing, LLC	226	-
Fairmount Senior CIC, L.P.	-	77,291
Westminster Manor, L.P.	-	10,000
Subtotal	<u>1,694,594</u>	<u>1,669,813</u>
Less: Allowance for doubtful accounts	<u>(1,598,605)</u>	<u>(1,489,739)</u>
Total Accounts Receivable - Related Parties, Net	<u>\$ 95,989</u>	<u>\$ 180,074</u>

The accounts receivable from Market Square Manor Associates, L.P. is payable from available cash flow after all priority payments, as defined in the partnership agreement. Management has established an allowance for doubtful accounts totaling \$1,598,605 and \$1,489,739 at June 30, 2020 and 2019, respectively. Management believes that the accounts receivable from Fairmount Senior CIC, L.P., City Heights Square, L.P., Ramona Senior CIC, L.P., Westminster Manor, L.P., HDP Broadway, L.P., HDP New Palace, L.P., HDP West Park, L.P., and Mt. Etna Senior Housing, LLC are fully collectible, therefore no allowance for doubtful accounts has been established.

Note 9 - Notes Receivable:

Notes receivable consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Senior Housing Corporation has a note receivable from City Heights Square, L.P., A California Limited Partnership, for advances not to exceed \$9,189,400 related to the development of City Heights Square Senior Apartments. The note accrues interest at 3.0% per annum and is payable on February 15, 2061. Principal and interest payments are due on March 31st of each year after the project is placed in service based on available cash flow. This note is secured by a deed of trust. Accrued interest receivable totaled \$-0- (Accrued interest receivable of \$4,496,751 net of allowance of \$4,496,751) and \$-0- (Accrued interest receivable of \$4,096,598 net of allowance of \$4,096,598 at June 30, 2020 and 2019, respectively.	\$ 9,189,400	\$ 9,189,400

SERVING SENIORS AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 9 - Notes Receivable: (Continued)

	<u>2020</u>	<u>2019</u>
Senior Housing Corporation has a note receivable from Market Square Manor Associates, L.P., A California Limited Partnership, for the purchase of the land associated with the construction of Potiker Family Senior Residence. The note accrues interest at 5.05% per annum and is payable on December 6, 2056 (See Note 14). Accrued interest receivable totaled \$-0- (Accrued interest receivable of \$1,660,857 net of allowance of \$1,660,857) and \$-0- (Accrued interest receivable of \$1,549,757, net of allowance of \$1,549,757) at June 30, 2020 and 2019 respectively.	\$ 2,310,334	\$ 2,310,334
Senior Housing Corporation has a note receivable from Market Square Manor Associates, L.P., A California Limited Partnership, for costs related to the development of Potiker Family Senior Residence. The note accrued interest at 5.6% and was payable from the partnership's available funds. This note was secured by a deed of trust (See Note 14). The loan and accrued interest are due February, 2020. Accrued interest receivable totaled \$-0- and \$1,604,750 at June 30, 2020 and 2019, respectively.	-	1,000,000
Total Notes Payable	11,499,734	12,499,734
Less: Current Portion	-	(1,000,000)
Notes Receivable, Net of Current Portion	<u>\$ 11,499,734</u>	<u>\$ 11,499,734</u>

Note 10 - Land, Building and Equipment:

Land, building and equipment consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 2,500,000	\$ 2,500,000
Building	6,823,822	6,823,822
Furniture and equipment	1,210,702	1,116,260
Vehicles	334,318	107,023
Leasehold improvements	192,878	93,653
Subtotal	<u>11,061,720</u>	<u>10,640,758</u>
Less: Accumulated depreciation	<u>(2,904,939)</u>	<u>(2,659,098)</u>
Land, Building and Equipment, Net	<u>\$ 8,156,781</u>	<u>\$ 7,981,660</u>

SERVING SENIORS AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 11 - Investments in Limited Partnerships:

Serving Seniors' affiliate entities, Senior Housing Corporation and City Heights Senior Housing Corporation own general partner interests in limited partnerships accounted for on the equity method. The following are the balances in the affiliated entities' capital accounts at June 30:

	<u>2020</u>	<u>2019</u>
Market Square Manor Associates, L.P. (0.005%)	\$ 265,272	\$ 265,313
City Heights Square, L.P. (0.005%)	231,269	231,319
HDP Broadway, L.P. (21% of 0.01%)	3,199	2,767
HDP New Palace, L.P. (21% of 0.01%)	1,533	379
Ramona Seniors CIC, L.P. (0.51%)	58	100
Westminster Manor, L.P. (0.005%)	-	(300)
HDP West Park, L.P. (0.009%)	(14,939)	-
Total Investments in Limited Partnership	\$ 486,392	\$ 499,578
Financial Statement Presentation:		
Investment in partnerships	\$ 501,331	\$ 499,878
Share of deficiency in partnerships	(14,939)	(300)
	\$ 486,392	\$ 499,578

Note 12 - Beneficial Interest in San Diego Foundation:

The Organization has a beneficial interest in endowment funds held by San Diego Foundation, which are classified as with donor restrictions and must be maintained in perpetuity. The beneficial interest in endowment funds held by San Diego Foundation is invested in a portfolio of equity and debt securities which is structured for long-term total return consisting of 28% domestic equities, 28% international equities, 18% alternative investments, 20% fixed income and 6% real estate investments. The Organization receives distributions of earnings on an annual basis. The distributions are used to further the Organization's mission of providing the San Diego community with challenging and exciting music at a high artistic level. The Organization received \$330 and \$323 in distributions for the years ended June 30, 2020 and 2019, respectively.

The activity in the beneficial interest in endowment funds held by San Diego Foundation consisted of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Balance, Beginning of Year	\$ 7,580	\$ 7,652
Investment income	66	251
Distribution to the Organization	(330)	(323)
Total Beneficial Interest in Endowment Funds	\$ 7,316	\$ 7,580

SERVING SENIORS AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 13 - Line-of-Credit:

Serving Seniors has an business line-of-credit with a financial institution, under which Serving Seniors is allowed to borrow up to \$750,000. Advances under this agreement bear interest equal to the financial institution's prime rate (3.25% at June 30, 2020). The line-of-credit is secured by the accounts, inventory and equipment of the Organization and matures on January 31, 2021. There was a balance outstanding of \$-0- and \$359 at June 30, 2020 and 2019 included in accrued interest payable.

Note 14 - Notes Payable:

Notes payable consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Serving Seniors has entered into a Participation Agreement with the Civic San Diego, the successor to the Redevelopment Agency of San Diego (Agency) and Market Square Manor Associates, LP (Partnership) whereby the Agency has conveyed title to land to the Organization with the understanding that the Partnership purchase the land for \$2,592,000, of which \$392,000 was paid by the Partnership to the Agency and the balance is evidenced by a purchase money note to Serving Seniors. (See Note 9). Should Serving Seniors not comply with the terms of the Participation Agreement, Serving Seniors must pay back to the Agency an amount equal to the net present value of the anticipated future residual receipts, calculated on the basis of a 10% discount rate for the balance of the 55-year term of the agreement. This value is assumed to be equal to the purchase money note. Accrued interest payable was calculated at 5.05% which totaled \$-0-. (Accrued interest payable of \$1,888,940, net of allowance of \$1,888,940) and \$-0- (Accrued interest payable of \$1,777,848, net of allowance of \$1,777,848) at June 30, 2020 and 2019, respectively.	\$ 2,200,000	\$ 2,200,000

Serving Seniors received a subsidy in the loan amount of \$1,000,000 from the Federal Home Loan Bank of San Francisco under the Affordable Housing Program (AHP). The loan must be paid back with interest at 5.6% within 18 years if Serving Seniors does not comply with the provisions of the AHP direct subsidy agreement. The loan and any accrued interest are due February, 2020. This loan was secured by a deed of trust (See Note 9). Accrued interest payable totaled \$-0- and \$1,604,750 at June 30, 2020 and 2019, respectively. The loan was forgiven as of February 2020.

Total Notes Payable	-	1,000,000
	2,200,000	3,200,000
Less: Current Portion	-	(1,000,000)
Notes Payable, Net of Current Portion	\$ 2,200,000	\$ 2,200,000

SERVING SENIORS AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 14 - Notes Payable: (Continued)

Future principal payments on notes payable are as follows:

<u>Years Ended</u> <u>June 30</u>	
2021	\$ -
2022	-
2023	-
2024	-
2025	-
Thereafter	<u>2,200,000</u>
	<u>\$ 2,200,000</u>

Note 15 - Net Assets With Donor Restrictions:

Net assets with donor restrictions represent contributions and other inflows received by the Organization, which are limited in their use by the donor-imposed stipulations. Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specified Purpose:		
Social case manager	\$ 94,792	\$ 145,099
Alzheimer program	85,360	128,509
Nutrition program	45,000	30,000
Pet pals	42,964	15,012
Nurse cash management	-	25,000
Senior emergency	-	4,385
Neighborhood redevelopment	-	1,870
Total Subject to Expenditure for Specified Purpose	<u>268,116</u>	<u>349,875</u>
Subject to the Passage of Time:		
City Heights grant	9,105,000	9,105,000
Gala event	162,750	-
Long-term pledges	49,256	172,779
Total Subject to the Passage of Time	<u>9,317,006</u>	<u>9,277,779</u>
Perpetual in Nature:		
Endowments (Note 16)	757,316	757,580
Total Net Assets with Donor Restrictions	<u>\$ 10,342,438</u>	<u>\$ 10,385,234</u>

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Note 15 - Net Assets With Donor Restrictions: (Continued)

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors are as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Purpose Restrictions Accomplished:		
Nutrition program	\$ 515,000	\$ 61,351
Operations	300,000	-
Integrated health	250,000	-
Social cash manager	50,307	-
Alzheimer program	43,150	49,232
Nurse case management	25,000	-
Pet pals	15,797	8,269
Heart disease prevention	10,000	-
Senior emergency	4,385	6,215
Neighborhood redevelopment	1,870	14,916
Advocacy	-	6,069
Equipment	-	3,436
Transitional housing	-	1,500
Time Restrictions Fulfilled	123,523	47,801
Endowment Distributions	330	323
Total Net Assets Released From Restrictions	<u>\$ 1,339,362</u>	<u>\$ 199,112</u>

Note 16 - Endowment Net Assets:

Serving Seniors' endowment consists of two individual funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. Serving Seniors holds and manages one fund, with the other fund held and managed by the San Diego Foundation.

Web MD Health Preservation Endowment

In regards to the Web MD Health Preservation Endowment funds held and managed by Serving Seniors, Serving Seniors has interpreted the enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (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, Serving Seniors classifies as donor restricted net assets of a perpetual nature (1) the original value of gifts donated to the permanent endowment (2) the original value of subsequent gifts donated to the permanent endowment (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instruments at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in donor restricted net assets of a perpetual nature is classified as donor restricted net assets with time restrictions until those amounts are appropriated for expenditure by Serving Seniors in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Serving Seniors considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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Note 16 - Endowment Net Assets: (Continued)

Web MD Health Preservation Endowment (Continued)

- The duration and preservation of the fund
- The purposes of Serving Seniors and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of Serving Seniors
- The investment policies of Serving Seniors

Serving Seniors considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Serving Seniors has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Serving Seniors has no underwater endowment funds at June 30, 2020 and 2019.

Serving Seniors has adopted investment and spending policies for endowment funds that:

- Protect the invested assets
- Preserve spending capacity of the fund income
- Maintain a diversified portfolio of assets that meet investment return objectives while keeping risk at a moderate level
- Comply with applicable laws

Serving Seniors' endowment funds are invested in a diversified portfolio of mutual funds that are structured to satisfy its long-term rate-of-return objectives. Serving Seniors relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Serving Seniors is entitled to withdraw the lesser of five percent of the December 31st market value or any surplus above the original corpus of \$750,000 to be used in support of operational programs. It is anticipated that the distribution is paid out in a lump sum during the first calendar quarter. Changes to the 5% rule may be approved by the majority vote of the Board of Serving Seniors.

San Diego Foundation Managed Funds

The beneficial interest in endowment funds of Serving Seniors held by San Diego Foundation (the "SDF") are managed in accordance with UPMIFA. SDF's objective is to maintain the purchasing power (real value) of the endowment funds. However, from time to time, the fair value of the assets in the endowment fund may fall below the level that the donors require Serving Seniors to retain as a fund of perpetual duration. Donor restricted net assets of perpetual nature held by SDF are comprised of the following:

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Note 16 - Endowment Net Assets: (Continued)

San Diego Foundation Managed Funds (Continued)

- The original value of gifts donated to the fund
- The original value of Serving Seniors funds transferred to the fund
- The original value of subsequent gifts donated to the fund
- Investment income and realized and unrealized gains and losses on investments
- Distributions from the fund in accordance with the spending policy

Serving Seniors has adopted investment and spending policies for endowment funds that:

- Protect the invested assets
- Preserve spending capacity of the fund income
- Maintain a diversified portfolio of assets that meet investment return objectives while keeping risk at a level commensurate with that of the median fund in comparable foundations
- Comply with applicable law

Serving Seniors' endowment funds held by SDF are invested in a portfolio of cash, equity and debt securities that is structured to satisfy its long-term rate-of-return objectives. SDF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). SDF spending policy is to disburse 5% annually, based upon endowment principal market value over the last 36 months. These calculations are made on a monthly basis.

Endowment composition by type of fund at June 30:

	<u>2020</u> With Donor Restrictions	<u>2019</u> With Donor Restrictions
Web MD Health Preservation	\$ 750,000	\$ 750,000
Beneficial interest endowment funds - San Diego Foundation	7,316	7,580
Total Endowment Net Assets	<u>\$ 757,316</u>	<u>\$ 757,580</u>

Changes in endowment net assets for the years ended June 30:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Endowment Net Assets at June 30, 2018	\$ 194,143	\$ 757,652	\$ 951,795
Investment income and net realized and unrealized appreciation	59,562	251	59,813
Appropriation of endowment assets for expenditures	(44,678)	(323)	(45,001)
Endowment Net Assets at June 30, 2019	<u>209,027</u>	<u>757,580</u>	<u>966,607</u>
Investment income and net realized and unrealized appreciation	38,714	66	38,780
Appropriation of endowment assets for expenditures	(51,229)	(330)	(51,559)
Endowment Net Assets at June 30, 2020	<u>\$ 196,512</u>	<u>\$ 757,316</u>	<u>\$ 953,828</u>

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Note 17 - Lease Obligations:

Serving Seniors leases office equipment through June, 2020. Equipment lease expense totaled \$43,776 and \$14,300 for the years ended June 30, 2020 and 2019, respectively, under this lease which is included in supplies and office in the consolidated statements of functional expenses.

Serving Seniors renews its lease for emergency lodging on an annual basis. Emergency lodging lease expense totaled \$161,650 and \$131,400 for the years ended June 30, 2020 and 2019, respectively, which is included in occupancy and utilities in the consolidated statements of functional expenses.

Note 18 - Contingencies:

Coronavirus Pandemic Contingency:

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared states of emergency and issued shelter in place orders. It is anticipated that these conditions will continue for some time. The potential impacts to the Organization include disruptions or restrictions on our employee's ability to work and reduction in contributions from fundraising activities. These conditions may have an impact on operating costs. The future effects of these issues are unknown.

Payroll Protection Program Loan

In April 2020, the Organization received a loan totaling \$679,200 from the U.S. Small Business Administration, under the CARES Act Paycheck Protection Program ("PPP"). The loan is forgivable to the extent that the Organization meets the terms and conditions of the PPP. Any portion of the loan that is not forgiven bears interest at 1% and is due in April 2022. The amount received totaling \$679,200 has been included in deferred revenue at June 30, 2020. The Organization expects to satisfy the terms and conditions of forgiveness of the PPP and will recognize the amount received as revenue during the year ended June 30, 2021 when forgiveness has been granted by the lender.