

**SERVING SENIORS AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**



Leaf & Cole, LLP  
*Certified Public Accountants*

**SERVING SENIORS AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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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, 2021 and 2020, 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.

To the Board of Directors  
Serving Seniors and Subsidiaries

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*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, 2021 and 2020, 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 26, 2021

**SERVING SENIORS AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2021 AND 2020**

	<b>ASSETS</b>	
	<u>2021</u>	<u>2020</u>
<b><u>Current Assets:</u></b> (Notes 2, 4, 5, 6, 7, 8 and 9)		
Cash and cash equivalents	\$ 4,234,474	\$ 2,562,893
Investments	1,549,891	1,226,274
Other receivable	752,588	-
Grants receivable	2,167,884	1,766,873
Pledges receivable	79,971	58,800
Accounts receivable - related parties, net	84,126	95,989
Prepaid expenses and other	227,783	223,551
Total Current Assets	<u>9,096,717</u>	<u>5,934,380</u>
<b><u>Noncurrent Assets:</u></b> (Notes 2, 4, 5, 8, 10, 11, 12, 13 and 17)		
Pledges receivable, net	25,000	49,256
Notes receivable, net	11,499,734	11,499,734
Land, building and equipment, net	8,069,526	8,156,781
Investments in limited partnerships	501,519	501,331
Investments restricted for endowment	750,000	750,000
Beneficial interest in endowment funds	9,073	7,316
Total Noncurrent Assets	<u>20,854,852</u>	<u>20,964,418</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 29,951,569</u></b>	<b><u>\$ 26,898,798</u></b>

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

**SERVING SENIORS AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**JUNE 30, 2021 AND 2020**

**LIABILITIES AND NET ASSETS**

	<u>2021</u>	<u>2020</u>
<b><u>Current Liabilities:</u></b> (Notes 2, 14, and 15)		
Accounts payable	\$ 249,729	\$ 994,250
Payroll and related liabilities	32,909	276,317
Accrued paid time off	257,359	216,707
Deferred revenue	-	699,200
Total Current Liabilities	<u>539,997</u>	<u>2,186,474</u>
<b><u>Noncurrent Liabilities:</u></b> (Notes 2, 12 and 15)		
Notes payable	2,200,000	2,200,000
Share of deficiency in limited partnerships	30,491	14,939
Total Noncurrent Liabilities	<u>2,230,491</u>	<u>2,214,939</u>
 Total Liabilities	 <u>2,770,488</u>	 <u>4,401,413</u>
<b><u>Commitments and Contingencies:</u></b> (Notes 14, 18, 19 and 20)		
<b><u>Net Assets:</u></b> (Notes 2, 16 and 17)		
Without donor restrictions	17,102,995	12,154,947
With donor restrictions		
Purpose restrictions	94,763	268,116
Time restriction	9,224,250	9,317,006
Perpetual in nature	759,073	757,316
Total Net Assets With Donor Restrictions	<u>10,078,086</u>	<u>10,342,438</u>
Total Net Assets	<u>27,181,081</u>	<u>22,497,385</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ <u>29,951,569</u></b>	 <b>\$ <u>26,898,798</u></b>

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, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Support and Gains:</b>						
Government grants	\$ 9,850,680	\$ -	\$ 9,850,680	\$ 5,623,675	\$ -	\$ 5,623,675
Contributions	1,754,047	797,001	2,551,048	2,655,583	1,133,750	3,789,333
Other income	2,169,587	-	2,169,587	52,970	-	52,970
Housing	1,077,776	-	1,077,776	854,504	-	854,504
In-kind contributions	619,200	-	619,200	612,000	-	612,000
Investment income	375,442	2,091	377,533	182,530	66	182,596
Special events:						
Special events revenue	156,595	94,250	250,845	154,810	162,750	317,560
Less: Cost of direct benefits to donors	<u>(4,776)</u>	<u>-</u>	<u>(4,776)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Special events revenue, net	151,819	94,250	246,069	154,810	162,750	317,560
Donations from seniors served	161,153	-	161,153	159,783	-	159,783
Rental Income	43,442	-	43,442	39,822	-	39,822
Net assets released from restrictions	<u>1,157,694</u>	<u>(1,157,694)</u>	<u>-</u>	<u>1,339,362</u>	<u>(1,339,362)</u>	<u>-</u>
Total Revenue, Support and Gains	<u>17,360,840</u>	<u>(264,352)</u>	<u>17,096,488</u>	<u>11,675,039</u>	<u>(42,796)</u>	<u>11,632,243</u>
<b>Expenses:</b>						
<b>Program Services:</b>						
Nutrition program	8,913,610	-	8,913,610	5,799,320	-	5,799,320
Health and social services	1,383,602	-	1,383,602	1,613,074	-	1,613,074
Housing development and facility support	661,112	-	661,112	982,096	-	982,096
Total Program Services	<u>10,958,324</u>	<u>-</u>	<u>10,958,324</u>	<u>8,394,490</u>	<u>-</u>	<u>8,394,490</u>
<b>Supporting Services:</b>						
Management and general	830,165	-	830,165	1,038,311	-	1,038,311
Fundraising	624,303	-	624,303	727,542	-	727,542
Total Supporting Services	<u>1,454,468</u>	<u>-</u>	<u>1,454,468</u>	<u>1,765,853</u>	<u>-</u>	<u>1,765,853</u>
Total Expenses	<u>12,412,792</u>	<u>-</u>	<u>12,412,792</u>	<u>10,160,343</u>	<u>-</u>	<u>10,160,343</u>
Change in Net Assets	4,948,048	(264,352)	4,683,696	1,514,696	(42,796)	1,471,900
Net Assets at Beginning 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>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 17,102,995</u>	<u>\$ 10,078,086</u>	<u>\$ 27,181,081</u>	<u>\$ 12,154,947</u>	<u>\$ 10,342,438</u>	<u>\$ 22,497,385</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, 2021**

	Program Services				Supporting Services			2021 Total
	Nutrition Program	Health and Social Services	Housing Development & Facility Support	Total Program Services	Management and General	Fundraising	Total Supporting Services	
<b>Personnel:</b>								
Salaries	\$ 2,298,111	\$ 839,117	\$ 194,453	\$ 3,331,681	\$ 456,039	\$ 353,392	\$ 809,431	\$ 4,141,112
Employee benefits	323,916	85,538	34,208	443,662	77,799	36,293	114,092	557,754
Payroll taxes	156,972	60,239	14,097	231,308	32,567	26,989	59,556	290,864
Total Personnel	<u>2,778,999</u>	<u>984,894</u>	<u>242,758</u>	<u>4,006,651</u>	<u>566,405</u>	<u>416,674</u>	<u>983,079</u>	<u>4,989,730</u>
<b>Operating Expenses:</b>								
Auto	264,447	-	973	265,420	-	-	-	265,420
Consultants	1,000	61,406	-	62,406	28,503	69,965	98,468	160,874
Depreciation	96,839	1,550	183,663	282,052	17,102	-	17,102	299,154
Equipment	37,639	260	11,861	49,760	1,086	-	1,086	50,846
Food costs	4,879,163	-	-	4,879,163	-	-	-	4,879,163
Insurance	19,138	1,105	36,837	57,080	7,657	-	7,657	64,737
Interest expense	-	-	-	-	148	-	148	148
Mail house services	6,755	6,722	69	13,546	3,635	79,135	82,770	96,316
Occupancy and utilities	595,507	-	113,246	708,753	395	-	395	709,148
Other expense	26,420	14,707	3,315	44,442	32,752	22,540	55,292	99,734
Professional fees	-	-	11,262	11,262	37,450	-	37,450	48,712
Repairs and maintenance	13,247	95	20,205	33,547	-	-	-	33,547
Special events	-	-	-	-	-	7,091	7,091	7,091
Specific assistance	10,786	245,915	-	256,701	-	-	-	256,701
Supplies and office	163,589	52,198	31,190	246,977	122,201	25,696	147,897	394,874
Telephone	20,081	14,014	5,733	39,828	12,612	3,202	15,814	55,642
Travel, conferences and meetings	-	736	-	736	219	-	219	955
Total Operating Expenses	<u>6,134,611</u>	<u>398,708</u>	<u>418,354</u>	<u>6,951,673</u>	<u>263,760</u>	<u>207,629</u>	<u>471,389</u>	<u>7,423,062</u>
<b>TOTAL EXPENSES</b>	<u>\$ 8,913,610</u>	<u>\$ 1,383,602</u>	<u>\$ 661,112</u>	<u>\$ 10,958,324</u>	<u>\$ 830,165</u>	<u>\$ 624,303</u>	<u>\$ 1,454,468</u>	<u>\$ 12,412,792</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	
<b>Personnel:</b>								
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>
<b>Operating Expenses:</b>								
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	528,329	-	89,216	617,545	122,638	-	122,638	740,183
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>4,157,608</u>	<u>277,437</u>	<u>528,630</u>	<u>4,963,675</u>	<u>413,634</u>	<u>320,728</u>	<u>734,362</u>	<u>5,698,037</u>
<b>TOTAL EXPENSES</b>	<u>\$ 5,799,320</u>	<u>\$ 1,613,074</u>	<u>\$ 982,096</u>	<u>\$ 8,394,490</u>	<u>\$ 1,038,311</u>	<u>\$ 727,542</u>	<u>\$ 1,765,853</u>	<u>\$ 10,160,343</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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Change in net assets	\$ 4,683,696	\$ 1,471,900
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation	299,154	245,841
Net realized and unrealized gains	(361,470)	(27,374)
(Income)/Loss from investments in limited partnerships, net	12,090	10,987
Endowment investment income	(2,091)	(66)
Endowment restricted distributions	334	330
<b>(Increase) Decrease in:</b>		
Other receivable	(752,588)	-
Grants receivable	(401,011)	(1,281,052)
Pledges receivable, net	3,085	251,971
Accounts receivable - related parties, net	11,863	84,085
Prepaid expenses and other	(4,232)	(80,295)
<b>(Decrease) Increase in:</b>		
Accounts payable	(717,014)	663,531
Payroll and related liabilities	(243,408)	77,716
Accrued paid time off	40,652	44,806
Deferred revenue	(699,200)	699,200
Accrued interest payable	-	(359)
Net Cash Provided by Operating Activities	1,869,860	2,161,221
<b><u>Cash Flows From Investing Activities:</u></b>		
Sales of investments, net	37,853	451,023
Purchase of land, building and equipment, net	(239,406)	(435,545)
Change in beneficial interest in endowment funds	(1,757)	264
Net Cash (Used in) Provided by Investing Activities	(203,310)	15,742

(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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b><u>Cash Flows From Financing Activities:</u></b>		
Endowment investment income	\$ 2,091	\$ 66
Endowment distributions	(334)	(330)
Distributions from investments in limited partnerships	3,274	2,199
Net Cash Provided by Financing Activities	<u>5,031</u>	<u>1,935</u>
 Net Increase in Cash and Cash Equivalents	 1,671,581	 2,178,898
Cash and Cash Equivalents at Beginning of Year	<u>2,562,893</u>	<u>383,995</u>
 <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	 <b>\$ <u>4,234,474</u></b>	 <b>\$ <u>2,562,893</u></b>
 <b><u>Supplemental Disclosure of Cash Flow Information:</u></b>		
Cash paid for interest	\$ <u>148</u>	\$ <u>538</u>
Land, building and equipment acquired with accounts payable	\$ <u>27,507</u>	\$ <u>14,583</u>

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

**SERVING SENIORS AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**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. Fairmount SHC Housing, LLC has a .01% interest in Fairmount Senior Housing CIC, L.P.

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, 2021 AND 2020**

**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 5,500 low-income seniors have access to a nutritious diet, providing 1.1 million congregate and home-delivered meals a year. Meals are served from 12 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, 2021 AND 2020**

**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 2,400 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, 2021 AND 2020**

**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, 2021 AND 2020**

**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 13).

**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 the other receivable and all grants and pledges receivable were fully collectible; therefore, no allowance for doubtful accounts, grants and pledges receivable was recorded at June 30, 2021 and 2020. As more fully described in Note 9, the allowance for doubtful accounts - related parties totaled \$1,716,280 and \$1,598,605 at June 30, 2021 and 2020, 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 \$299,154 and \$245,841 for the years ended June 30, 2021 and 2020, respectively.



**SERVING SENIORS AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**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 2021 or 2020.

**Investments/Share of Deficiency 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 \$257,359 and \$216,707 at June 30, 2021 and 2020, 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 \$2,167,884 and \$1,766,873 at June 30, 2021 and 2020, 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, 2021 AND 2020**

**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.

**Other Income**

Other income consists of commissions, rebates and fees for contracted services other than housing and is recognized as revenue when the services have been provided. For the year ended June 30, 2021, other income also includes the amounts recognized under the Employee Retention Credit and Payroll Protection Programs.

**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, 2021 and 2020, 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 \$619,200 and \$612,000 based on the excess of fair market value of all rental space over the rents paid for the years ended June 30, 2021 and 2020, respectively.

**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, 2021 AND 2020**

**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, 2021, 2020, 2019 and 2018 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

**Concentrations**

**Credit Risk**

The Organization maintains its cash and investments 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.

**Accounts Receivable and Revenue**

Other receivable consists exclusively of amounts due from the U.S. Department of the Treasury under the Employee Retention Tax Credit program. Grants receivable includes \$2,150,300 and \$1,749,222 due from the County of San Diego at June 30, 2021 and 2022, respectively.

The Organization received \$11,645,316 and \$5,225,879 or 68% and 45% of its total revenue support and gains from three government agencies for senior nutrition/community enhancement, Employee Retention Tax Credit and Payroll Protection Program for the years ended June 30, 2021 and 2020, respectively.

**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.

**SERVING SENIORS AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**Note 2 - Significant Accounting Policies: (Continued)**

**Accounting Pronouncements Adopted**

In August 2018, the FASB issued 2018-13, *Fair Value Measurement, Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. This standard removed, modified, and added additional disclosure requirements on fair value measurements, specifically surrounding: (a) the amount of and reasons for transfers between Level 1 and Level 2 investments, (b) the policy for timing of these transfers, (c) the valuation process for Level 3 fair value measurements, and (d) the changes in unrealized gains and losses for the period including earnings on Level 3 fair value measurements held at the end of the reporting period. The Organization has adopted this ASU for the year ended June 30, 2021. The adoption had no material effect on the 2021 financial statements.

**Subsequent Events**

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 26, 2021, 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>2021</u>	<u>2020</u>
Financial assets as year-end:		
Cash and cash equivalents	\$ 4,234,474	\$ 2,562,893
Investments	2,299,891	1,976,274
Grants receivable	2,167,884	1,766,873
Accounts receivable	752,588	-
Accounts receivable - Related parties, net	84,126	95,989
Pledges receivable	79,971	58,800
Total financial assets	<u>9,618,934</u>	<u>6,460,829</u>
Less assets unavailable for general expenditures:		
Investments restricted for endowment	<u>(750,000)</u>	<u>(750,000)</u>
Total financial assets not 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>\$ 8,868,934</u>	<u>\$ 5,710,829</u>

**SERVING SENIORS AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**Note 3 - Liquidity and Availability: (Continued)**

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 \$1,000,000 as described in Note 14. In addition, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

**Note 4 - Fair Value Measurements:**

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

	2021			Balance at June 30, 2021
	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	\$ 1,053,891	\$ -	\$ -	\$ 1,053,891
Large cap equity funds	792,794	-	-	792,794
International securities funds	356,505	-	-	356,505
Real estate securities funds	96,701	-	-	96,701
Beneficial interest in endowment funds (Note 13)	-	-	9,073	9,073
	<u>\$ 2,299,891</u>	<u>\$ -</u>	<u>\$ 9,073</u>	<u>\$ 2,308,964</u>
	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 13)	-	-	7,316	7,316
	<u>\$ 1,976,274</u>	<u>\$ -</u>	<u>\$ 7,316</u>	<u>\$ 1,983,590</u>

The reconciliation for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are included in Note 13 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>	2021	
			<u>Unobservable Inputs</u>	<u>Significant Input Values</u>
Beneficial interest in endowment funds	\$ 9,073	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, 2021 AND 2020**

**Note 4 - Fair Value Measurements: (Continued)**

2020				
<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	\$ 7,316	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>2021</u>	<u>2020</u>
Mutual Funds	\$ <u>2,299,891</u>	\$ <u>1,976,274</u>

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

	<u>2021</u>	<u>2020</u>
Investments - Current	\$ 1,549,891	\$ 1,226,274
Investments - Restricted for endowment	<u>750,000</u>	<u>750,000</u>
Total Investments	\$ <u>2,299,891</u>	\$ <u>1,976,274</u>

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

	<u>2021</u>		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Net realized and unrealized gains	\$ 361,470	\$ -	\$ 361,470
Loss from investments in Limited Partnerships, net	(12,090)	-	(12,090)
Endowment investment income	-	2,091	2,091
Interest and dividend income	<u>26,062</u>	<u>-</u>	<u>26,062</u>
Total Investment Income	\$ <u>375,442</u>	\$ <u>2,091</u>	\$ <u>377,533</u>

	<u>2020</u>		
	<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	<u>76,074</u>	<u>-</u>	<u>76,074</u>
Total Investment Income	\$ <u>182,530</u>	\$ <u>66</u>	\$ <u>182,596</u>

**SERVING SENIORS AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**Note 6 - Other Receivable:**

Serving Seniors applied for the Employee Retention Tax Credit (ERTC) for the year ended June 30, 2021. Serving Seniors recognized revenue of \$1,416,174 from the ERTC for the year ended June 30, 2021 which is included in other income. Other receivable consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Employee Retention Tax Credit	\$ <u>752,588</u>	\$ <u>-</u>

**Note 7 - Grants Receivable:**

Grants receivable consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
County of San Diego - Aging and Independence Services	\$ 2,115,676	\$ 1,742,082
Community Enhancement Program	30,000	-
City of Oceanside - CDBG	9,627	8,864
San Diego Housing Commission - Housing Stability Assistance Program	8,333	-
County of San Diego - Transitional Housing	4,248	3,571
City of San Diego - CDBG	-	12,356
Total Grants Receivable	\$ <u>2,167,884</u>	\$ <u>1,766,873</u>

**Note 8 - Pledges Receivable:**

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

	<u>2021</u>	<u>2020</u>
Receivables due in less than one year	\$ <u>79,971</u>	\$ <u>58,800</u>
Receivables due in more than one year	25,000	50,000
Less: Discount to present value	<u>-</u>	<u>(744)</u>
Receivables due in more than one year, net	<u>25,000</u>	<u>49,256</u>
Pledges Receivable, Net	\$ <u>104,971</u>	\$ <u>108,056</u>

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

**SERVING SENIORS AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**Note 9 - 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:

	<u>2021</u>	<u>2020</u>
Market Square Manor Associates, L.P.	\$ 1,752,580	\$ 1,634,905
City Heights Square, L.P.	31,167	31,167
HDP Broadway, L.P.	9,200	12,236
Ramona Senior CIC, L.P.	4,733	7,000
HDP New Palace, L.P.	1,500	5,310
HDP West Park, L.P.	1,000	3,750
Mt. Etna Senior Housing, LLC	226	226
Subtotal	<u>1,800,406</u>	<u>1,694,594</u>
Less: Allowance for doubtful accounts	<u>(1,716,280)</u>	<u>(1,598,605)</u>
Total Accounts Receivable - Related Parties, Net	<u>\$ 84,126</u>	<u>\$ 95,989</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 \$1,716,280 and \$1,598,605 at June 30, 2021 and 2020, respectively. Management believes that the accounts receivable from City Heights Square, L.P., Ramona Senior CIC, L.P., 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 10 - Notes Receivable:**

Notes receivable consist of the following at June 30:

	<u>2021</u>	<u>2020</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 \$4,906,818 net of allowance of \$4,906,818) and \$-0- (Accrued interest receivable of \$4,496,751 net of allowance of \$4,496,751 at June 30, 2021 and 2020, respectively.	\$ 9,189,400	\$ 9,189,400



**SERVING SENIORS AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**Note 10 - Notes Receivable: (Continued)**

	<u>2021</u>	<u>2020</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 15). Accrued interest receivable totaled \$-0- (Accrued interest receivable of \$1,771,804 net of allowance of \$1,771,804) and \$-0- (Accrued interest receivable of \$1,660,857, net of allowance of \$1,660,857) at June 30, 2021 and 2020 respectively.		
Total Notes Receivable	\$ 2,310,334	\$ 2,310,334
	\$ 11,499,734	\$ 11,499,734

**Note 11 - Land, Building and Equipment:**

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

	<u>2021</u>	<u>2020</u>
Land	\$ 2,500,000	\$ 2,500,000
Building	6,912,235	6,823,822
Furniture and equipment	1,234,562	1,210,702
Vehicles	384,988	334,318
Leasehold improvements	241,834	192,878
Subtotal	11,273,619	11,061,720
Less: Accumulated depreciation	(3,204,093)	(2,904,939)
Land, Building and Equipment, Net	\$ 8,069,526	\$ 8,156,781

**Note 12 - 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>2021</u>	<u>2020</u>
Market Square Manor Associates, L.P. (0.005%)	\$ 265,223	\$ 265,272
City Heights Square, L.P. (0.005%)	231,216	231,269
HDP Broadway, L.P. (21% of 0.01%)	3,126	3,199
HDP New Palace, L.P. (21% of 0.01%)	1,918	1,533
Ramona Seniors CIC, L.P. (0.51%)	36	58
HDP West Park, L.P. (0.009%)	(30,491)	(14,939)
Total Investments in Limited Partnership	\$ 471,028	\$ 486,392

**SERVING SENIORS AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**Note 12 - Investments in Limited Partnerships: (Continued)**

	<u>2021</u>	<u>2020</u>
Financial Statement Presentation:		
Investment in partnerships	\$ 501,519	\$ 501,331
Share of deficiency in partnerships	<u>(30,491)</u>	<u>(14,939)</u>
	<u>\$ 471,028</u>	<u>\$ 486,392</u>

**Note 13 - 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 48% international equities, 14% hedge funds, 14% fixed income 12% alternative investments, and 12% 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 \$334 and \$330 in distributions for the years ended June 30, 2021 and 2020, 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>2021</u>	<u>2020</u>
Balance, Beginning of Year	\$ 7,316	\$ 7,580
Investment income	2,091	66
Distribution to the Organization	<u>(334)</u>	<u>(330)</u>
Total Beneficial Interest in Endowment Funds	<u>\$ 9,073</u>	<u>\$ 7,316</u>

**Note 14 - Line-of-Credit:**

Serving Seniors has an business line-of-credit with financial institution, under which Serving Seniors is allowed to borrow up to \$1,000,000 and \$750,000 during the year ended June 30, 2021 and 2020, respectively. Advances under this agreement bear interest equal to the financial institution's prime rate (4.5% at June 30, 2021). 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 \$-0- at June 30, 2021 and 2020.

**SERVING SENIORS AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**Note 15 - Notes Payable:**

Notes payable consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
<p>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 10). 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 \$1,999,895, net of allowance of \$1,999,895) and \$-0- (Accrued interest payable of \$1,888,940, net of allowance of \$1,888,940) at June 30, 2021 and 2020, respectively.</p>		
Total Notes Payable	\$ <u>2,200,000</u>	\$ <u>2,200,000</u>

Future principal payments on notes payable are as follows:

<u>Years Ended</u> <u>June 30</u>	
2022	\$ -
2023	-
2024	-
2025	-
2026	-
Thereafter	2,200,000
	<u>\$ 2,200,000</u>

**SERVING SENIORS AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**Note 16 - 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>2021</u>	<u>2020</u>
<b>Subject to Expenditure for Specified Purpose:</b>		
Social case manager	\$ 45,082	\$ 94,792
Covid relief	37,500	-
Pet pals	10,478	42,964
Nutrition program	1,703	45,000
Alzheimer program	-	85,360
Total Subject to Expenditure for Specified Purpose	<u>94,763</u>	<u>268,116</u>
<b>Subject to the Passage of Time:</b>		
City Heights grant	9,105,000	9,105,000
Gala event	94,250	162,750
Long-term pledges	25,000	49,256
Total Subject to the Passage of Time	<u>9,224,250</u>	<u>9,317,006</u>
<b>Perpetual in Nature:</b>		
Endowments (Note 16)	759,073	757,316
Total Net Assets with Donor Restrictions	<u>\$ 10,078,086</u>	<u>\$ 10,342,438</u>

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>2021</u>	<u>2020</u>
<b>Purpose Restrictions Accomplished:</b>		
Operations	\$ 289,500	\$ 300,000
Telehealth program	235,000	-
Nutrition program	213,298	515,000
Alzheimer program	85,360	43,150
Social cash manager	49,710	50,307
Pet pals	42,486	15,797
Training	30,000	-
Integrated health	-	250,000
Nurse case management	-	25,000
Heart disease prevention	-	10,000
Senior emergency	-	4,385
Neighborhood redevelopment	-	1,870
<b>Time Restrictions Fulfilled</b>	212,006	123,523
<b>Endowment Distributions</b>	334	330
Total Net Assets Released From Restrictions	<u>\$ 1,157,694</u>	<u>\$ 1,339,362</u>

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**Note 17- 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:

- 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, 2021 and 2020.

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 AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**Note 17 - Endowment Net Assets: (Continued)**

**Web MD Health Preservation Endowment (Continued)**

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 31<sup>st</sup> 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:

- 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
- Less: Distributions from the fund in accordance with the spending policy

SDF endowment funds are invested in a portfolio of equity and debt securities which is structured for long-term total return. To provide diversification and to moderate risk, the investments are divided into carefully defined asset classes. Funding available for each asset classification is invested by professional money managers hired by SDF through a competitive process. The investment performance of each money manager is monitored by an independent consultant hired by SDF.

SDF's 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. If the market value of the Endowment Principal of any fund, at the end of each month, is less than the initial value of all contributions made to the Endowment Principal, then distributions will be limited to interest and dividends received.

**SERVING SENIORS AND SUBSIDIARIES**  
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**Note 17 - Endowment Net Assets: (Continued)**

**San Diego Foundation Managed Funds (Continued)**

Endowment composition by type of fund at June 30:

	<u>2021</u> With Donor <u>Restrictions</u>	<u>2020</u> With Donor <u>Restrictions</u>
Web MD Health Preservation	\$ 750,000	\$ 750,000
Beneficial interest endowment funds - San Diego Foundation	9,073	7,316
Total Endowment Net Assets	<u>\$ 759,073</u>	<u>\$ 757,316</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, 2019	\$ 209,027	\$ 757,580	\$ 966,607
Investment income and net realized and unrealized appreciation	38,714	66	38,780
Appropriation of endowment assets for expenditures	<u>(51,229)</u>	<u>(330)</u>	<u>(51,559)</u>
Endowment Net Assets at June 30, 2020	196,512	757,316	953,828
Investment income and net realized and unrealized appreciation	258,100	2,091	260,191
Appropriation of endowment assets for expenditures	<u>(55,190)</u>	<u>(334)</u>	<u>(55,524)</u>
Endowment Net Assets at June 30, 2021	<u>\$ 399,422</u>	<u>\$ 759,073</u>	<u>\$ 1,158,495</u>

**Note 18 - Lease Obligations:**

Serving Seniors leases office equipment through April 2024. Equipment lease expense totaled \$75,609 and \$43,776 for the years ended June 30, 2021 and 2020, respectively, under these leases 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 \$192,975 and \$161,650 for the years ended June 30, 2021 and 2020, respectively, which is included in occupancy and utilities in the consolidated statements of functional expenses.

**Note 19 - Pension Plan:**

**403(b) Pension Plan**

Serving Seniors sponsors a 403(b) pension plan covering substantially all of its employees. Each employee's total contribution may not exceed the maximum allowable under current regulations. The Organization matches the first 3% of eligible compensation contributed by the employee. The Organization also pays all administrative costs of this plan. All beneficiaries of the 403(b) plan are responsible for their own plan investment decisions. Matching contributions under this plan totaled \$76,314 and \$71,832 for the years ended June 30, 2021 and 2020, respectively and are included in employee benefits.

**SERVING SENIORS AND SUBSIDIARIES**  
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**Note 20 - Coronavirus Pandemic Contingency:**

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Organization is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization's donors, customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.