SERVING SENIORS AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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, 2019 and 2018, 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 Consolidated 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 consolidated 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

2810 Camino Del Rio South, Suite 200, San Diego, California 92108-3820
619.294.7200, 619.294.7077 fax, www.leaf-cole.com, leafcole@leaf-cole.com

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Serving Seniors and Subsidiaries as of June 30, 2019 and 2018, 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.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2019, on our consideration of Serving Seniors and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Serving Seniors and Subsidiaries' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Serving Seniors and Subsidiaries' internal control over financial reporting and compliance.

Leaf & Cole LLP

San Diego, California
October 22, 2019

SERVING SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS

	2019	2018
Current Assets: (Notes 2, 4, 5, 6, 7, 8 and 9)		
Cash and cash equivalents	$ 383,995	$ 517,171
Investments	1,649,923	1,654,427
Grants receivable	485,821	252,426
Pledges receivable	187,248	83,086
Accounts receivable - related parties, net	180,074	129,067
Prepaid expenses and other	143,256	123,558
Total Current Assets	3,030,317	2,759,735
Noncurrent Assets: (Notes 2, 4, 5, 7, 9, 10, 11, 12 and 16)		
Pledges receivable, net	172,779	145,580
Notes receivable	12,499,734	12,499,734
Accrued interest receivable	1,604,750	1,463,214
Land, building and equipment, net	7,981,660	8,091,295
Investments in limited partnerships	499,878	502,673
Investments restricted for endowment	750,000	750,000
Beneficial interest in endowment funds	7,580	7,652
Total Noncurrent Assets	23,516,381	23,460,148
TOTAL ASSETS	$ 26,546,698	$ 26,219,883

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

SERVING SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2019 AND 2018

LIABILITIES AND NET ASSETS

		2019		2018
Current Liabilities: (Notes 2, 13, 14 and 18)				
Accounts payable	$	345,302	$	377,469
Payroll and related liabilities		198,601		155,137
Accrued vacation		171,901		168,951
Deferred revenue		-		8,620
Conditional promise		-		150,000
Total Current Liabilities		715,804		860,177
Noncurrent Liabilities: (Notes 2, 11 and 14)				
Notes payable		3,200,000		3,200,000
Accrued interest payable		1,605,109		1,463,214
Share of deficiency in limited partnerships		300		112,370
Total Noncurrent Liabilities		4,805,409		4,775,584
Total Liabilities		5,521,213		5,635,761
Commitments and Contigencies: (Notes 13 and 17)				
Net Assets: (Notes 2, 15, 16 and 18)				
Without donor restrictions		10,640,251		10,424,902
With donor restrictions		10,385,234		10,159,220
Total Net Assets		21,025,485		20,584,122
TOTAL LIABILITIES AND NET ASSETS	$	26,546,698	$	26,219,883

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, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Gains:						
Government grants	$ 4,076,798	$ 1,870	$ 4,078,668	$ 3,298,204	$ -	$ 3,298,204
Contributions	1,659,117	423,005	2,082,122	1,452,531	150,988	1,603,519
Housing	649,749	-	649,749	767,864	-	767,864
Investment income	381,184	251	381,435	301,151	469	301,620
Special events:						
Special events revenue	385,845	-	385,845	443,491	-	443,491
Less: Cost of direct benefits to donors	(19,100)	-	(19,100)	(14,400)	-	(14,400)
Special events revenue, net	366,745	-	366,745	429,091	-	429,091
Donations from seniors served	156,297	-	156,297	141,848	-	141,848
In-kind contributions	126,840	-	126,840	108,720	-	108,720
Other income	55,584	-	55,584	69,359	-	69,359
Rental Income	47,063	-	47,063	44,276	-	44,276
Net assets released from restrictions	199,112	(199,112)	-	173,029	(173,029)	-
Total Revenue, Support and Gains	7,718,489	226,014	7,944,503	6,786,073	(21,572)	6,764,501
Expenses:						
Program Services:						
Nutrition program	3,575,321	-	3,575,321	3,019,055	-	3,019,055
Health and social services	1,510,509	-	1,510,509	1,591,071	-	1,591,071
Housing development and facility support	1,068,995	-	1,068,995	870,444	-	870,444
Total Program Services	6,154,825	-	6,154,825	5,480,570	-	5,480,570
Supporting Services:						
Management and general	839,735	-	839,735	682,875	-	682,875
Fundraising	508,580	-	508,580	556,594	-	556,594
Total Supporting Services	1,348,315	-	1,348,315	1,239,469	-	1,239,469
Total Expenses	7,503,140	-	7,503,140	6,720,039	-	6,720,039
Change in Net Assets	215,349	226,014	441,363	66,034	(21,572)	44,462
Net Assets at Beginning of Year, as Restated (Note 18)	10,424,902	10,159,220	20,584,122	10,358,868	10,180,792	20,539,660
NET ASSETS AT END OF YEAR	$ 10,640,251	$ 10,385,234	$ 21,025,485	$ 10,424,902	$ 10,159,220	$ 20,584,122

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			
	Nutrition Program	Health and Social Services	Housing Development & Facility Support	Total Program Services	Management and General	Fundraising	Total Supporting Services	2019 Total
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	1,159,023	1,201,108	379,325	2,739,456	491,001	353,747	844,748	3,584,204
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	2,416,298	309,401	689,670	3,415,369	348,734	154,833	503,567	3,918,936
TOTAL EXPENSES	$ 3,575,321	$ 1,510,509	$ 1,068,995	$ 6,154,825	$ 839,735	$ 508,580	$ 1,348,315	$ 7,503,140

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, 2018

	Program Services				Supporting Services			
	Nutrition Program	Health and Social Services	Housing Development & Facility Support	Total Program Services	Management and General	Fundraising	Total Supporting Services	2018 Total
Personnel:								
Salaries	$ 824,951	$ 1,059,842	$ 296,613	$ 2,181,406	$ 372,671	$ 351,891	$ 724,562	$ 2,905,968
Employee benefits	101,209	91,550	43,827	236,586	50,781	29,973	80,754	317,340
Payroll taxes	61,367	72,964	21,498	155,829	29,024	21,255	50,279	206,108
Total Personnel	987,527	1,224,356	361,938	2,573,821	452,476	403,119	855,595	3,429,416
Operating Expenses:								
Auto	85,775	-	1,043	86,818	1,003	-	1,003	87,821
Consultants	-	37,698	-	37,698	170	7,242	7,412	45,110
Depreciation	20,888	2,585	187,620	211,093	3,239	-	3,239	214,332
Equipment	5,930	26	13,220	19,176	12	-	12	19,188
Food costs	1,713,185	-	1,349	1,714,534	31	-	31	1,714,565
Insurance	-	1,105	14,836	15,941	29,691	-	29,691	45,632
Interest expense	-	-	133,869	133,869	2,060	601	2,661	136,530
Mail house services	2,791	5,485	-	8,276	5,481	13,690	19,171	27,447
Occupancy and utilities	160,186	25	72,508	232,719	-	-	-	232,719
Other expense	9,289	9,291	3,797	22,377	34,224	13,131	47,355	69,732
Professional fees	-	-	-	-	53,910	-	53,910	53,910
Repairs and maintenance	3,780	-	26,736	30,516	3,299	-	3,299	33,815
Special events	-	-	-	-	-	97,571	97,571	97,571
Specific assistance	-	177,545	-	177,545	-	22	22	177,567
Supplies and office	20,544	124,758	36,620	181,922	91,333	17,598	108,931	290,853
Telephone	9,160	4,919	16,908	30,987	5,931	3,620	9,551	40,538
Travel, conferences and meetings	-	3,278	-	3,278	15	-	15	3,293
Total Operating Expenses	2,031,528	366,715	508,506	2,906,749	230,399	153,475	383,874	3,290,623
TOTAL EXPENSES	$ 3,019,055	$ 1,591,071	$ 870,444	$ 5,480,570	$ 682,875	$ 556,594	$ 1,239,469	$ 6,720,039

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, 2019 AND 2018

	2019	2018
Cash Flows From Operating Activities:		
Change in net assets	$ 441,363	$ 44,462
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	223,362	214,332
Net realized and unrealized gains	(64,565)	(100,678)
Income from investments in limited partnerships, net	(114,757)	(5,353)
Endowment investment income	(251)	(469)
Endowment restricted distributions	323	321
Forgiveness of conditional promise	(100,000)	-
(Increase) Decrease in:		
Accounts receivable	-	1,500
Grants receivable	(233,395)	22,145
Pledges receivable, net	(131,361)	37,328
Accounts receivable - related parties, net	(51,007)	(19,900)
Accrued interest receivable	(141,536)	(133,870)
Prepaid expenses and other	(19,698)	22,874
(Decrease) Increase in:		
Accounts payable	(86,400)	(31,526)
Payroll and related liabilities	43,464	(7,065)
Accrued vacation	2,950	(17,492)
Deferred revenue	(8,620)	5,001
Conditional promise	(50,000)	-
Accrued interest payable	141,895	133,870
Net Cash (Used In) Provided by Operating Activities	(148,233)	165,480
Cash Flows From Investing Activities:		
Sales of investments, net	69,069	7,805
Purchase of land, building and equipment, net	(59,494)	(53,538)
Change in beneficial interest in endowment funds	72	(148)
Net Cash Provided by (Used in) Investing Activities	9,647	(45,881)

(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, 2019 AND 2018

	2019	2018
Cash Flows From Financing Activities:		
Endowment investment income	$ 251	$ 469
Endowment distributions	(323)	(321)
Contributions to investments in limited partnerships	-	(121)
Distribution from investments in limited partnerships	5,482	-
Net Cash Provided by Financing Activities	5,410	27
Net (Decrease) Increase in Cash and Cash Equivalents	(133,176)	119,626
Cash and Cash Equivalents at Beginning of Year	517,171	397,545
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 383,995	$ 517,171
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 3,207	$ 2,020

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

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 became a sole member of 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.

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 or 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 or 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.

Note 1 - Organization: (Continued)

Senior Housing Corporation (Continued)

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 or 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 4,000 low-income seniors have access to a nutritious diet, providing 640,000 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 over 600 homebound seniors a day.

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.

Note 1 - Organization: (Continued)

Housing (Continued)

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 cash 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 850 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.

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.

Note 2 - Significant Accounting Policies:

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).

- 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.

Note 2 - Significant Accounting Policies: (Continued)

Fair Value Measurements (Continued)

- 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 includes 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, 2019 and 2018.

Capitalization and Depreciation

The Organization capitalizes all land, building and equipment in excess of $2,000 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 years
Vehicles	5 years
Leasehold improvements	5 - 31.5 years

Depreciation totaled $223,362 and $214,332 for the years ended June 30, 2019 and 2018, respectively.

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 2019 or 2018.

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 $171,901 and $168,951 at June 30, 2019 and 2018, 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 $485,821 and $252,426 at June 30, 2019 and 2018, 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.

Note 2 - Significant Accounting Policies: (Continued)

Revenue Recognition (Continued)

Contributions (Continued)

The Organization received a contribution that contained donor conditions. Since this contribution represents a conditional promise, it is not recorded as contribution revenue until the donor conditions are met. Funds received from the donor in advance of the conditions being met totaled $150,000 and were recorded as a conditional promise at June 30, 2018. The Organization recognized $100,000 as contribution revenue when donor conditions were met during the year ended June 30, 2019 and the remaining $50,000 was returned to the donor as of June 30, 2019.

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, 2019 and 2018, 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 $114,840 and $108,720 based on the excess of fair market value of all rental space over the rents paid for the years ended June 30, 2019 and 2018, respectively.

The Organization received a vehicle, which 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.

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.

Note 2 - Significant Accounting Policies: (Continued)

Income Taxes (Continued)

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, 2019, 2018, 2017 and 2016 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 August 2016, the FASB issued ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Organization has adopted this ASU as of and for the year ended June 30, 2019.

Note 2 - Significant Accounting Policies: (Continued)

Accounting Pronouncements Adopted (Continued)

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The change in accounting principle was adopted on a modified prospective basis in 2019. As a result, there was a cumulative-effect adjustment to net assets without donor restrictions and net assets with donor restrictions as of 2017. In comparison to the year ended June 30, 2018 and 2019, respectively, the effect of adopting the new accounting principles was an increase in contributions and a decrease in grant revenue by $150,988 and $146,414 in 2018 and 2017, respectively. (See Note 18).

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 22, 2019, 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, 2019:

Note 3 - Liquidity and Availability: (Continued)

Financial assets as year-end:	
Cash and cash equivalents	$ 383,995
Investment, net	2,399,923
Grants receivable	485,821
Pledges receivable, net	187,248
Accounts receivable - Related parties	180,074
Total financial assets	3,637,061
Less assets unavailable for general expenditures:	
Predevelopment costs for Fairmont Senior Housing	(77,291)
Investments restricted for endowment	(750,000)
Total financial assets for available to be used within one year	(827,291)
Financial assets available to meet cash needs for general expenditures within one year	$ 2,809,770

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.''

Note 4 - Fair Value Measurements:

The following table summarizes assets measured at fair value by classification within the fair value hierarchy 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)	Balance at June 30, 2019
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
	$ 2,399,923	$ -	$ 7,580	$ 2,407,503

Note 4 - Fair Value Measurements: (Continued)

	2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
Mutual Funds:				
Fixed income funds	$ 1,239,219	$ -	$ -	$ 1,239,219
Large cap equity funds	729,674	-	-	729,674
International securities funds	318,246	-	-	318,246
Real estate securities funds	117,288	-	-	117,288
Beneficial interest in endowment funds (Note 12)	-	-	7,652	7,652
	$ 2,404,427	$ -	$ 7,652	$ 2,412,079

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:

2019				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	$ 7,580	Valuation of underlying assets as provided by San Diego Foundation	Base Price	N/A

2018				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	$ 7,652	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:

	2019	2018
Mutual Funds	$ 2,399,923	$ 2,404,427

Note 5 - Investments: (Continued)

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

	2019	2018
Investments - Current	$ 1,649,923	$ 1,654,427
Investments - Noncurrent	750,000	750,000
Total Investments	$ 2,399,923	$ 2,404,427

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

	2019		
	Without Donor Restriction	With Donor Restriction	Total
Net realized and unrealized gains	$ 64,565	$ -	$ 64,565
Endowment investment income	114,757	251	115,008
Interest on notes receivable	147,075	-	147,075
Interest and dividend income	54,787	-	54,787
Total Investment Income	$ 381,184	$ 251	$ 381,435

	2018		
	Without Donor Restriction	With Donor Restriction	Total
Net realized and unrealized gains	$ 100,678	$ -	$ 100,678
Endowment investment income	5,353	469	5,822
Interest on notes receivable	148,036	-	148,036
Interest and dividend income	47,084	-	47,084
Total Investment Income	$ 301,151	$ 469	$ 301,620

Note 6 - Grants Receivable:

Grants receivable consist of the following at June 30:

	2019	2018
County of San Diego - Aging and Independence Services	$ 357,381	$ 240,271
City of Oceanside - Aging and Independence Services	97,159	-
County of San Diego - Transitional Housing	15,005	12,155
City of San Diego - Fresh Produce	9,962	-
City of Oceanside - Consulting Fees	6,224	-
County of San Diego - City of Oceanside - CDBG	90	-
Total Grants Receivable	$ 485,821	$ 252,426

Note 7 - Pledges Receivable:

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

	2019	2018
Receivables due in less than one year	$ 187,248	$ 83,086
Receivables due in more than one year	175,000	150,000
Less: Discount to present value	(2,221)	(4,420)
Receivables due in more than one year, net	172,779	145,580
Pledges Receivable, Net	$ 360,027	$ 228,666

The pledges receivable have been discounted to their present value using a discount rate of 1.5% at June 30, 2019 and 2018, 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:

	2019	2018
Market Square Manor Associates, L.P.	$ 1,545,839	$ 1,466,268
Fairmount Senior CIC, L.P.	77,291	-
City Heights Square, L.P.	15,583	31,167
Ramona Senior CIC, L.P.	14,000	-
Westminster Manor, L.P.	10,000	8,000
HDP Broadway, L.P.	4,600	9,200
HDP New Palace, L.P.	1,500	1,500
HDP West Park, L.P.	1,000	-
Subtotal	1,669,813	1,516,135
Less: Allowance for doubtful accounts	(1,489,739)	(1,387,068)
Total Accounts Receivable - Related Parties, Net	$ 180,074	$ 129,067

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

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 $1,489,739 and $1,387,068 at June 30, 2019 and 2018, 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. and HDP West Park, L.P. 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:

	2019	2018
Market Square Manor Associates, L.P., A California Limited Partnership, for costs related to the development of Potiker Family Senior Residence. The note accrues interest at 5.6% and is payable from the partnership's available funds. This note is secured by a deed of trust (See Note 14). The loan and accrued interest are due February, 2020. Accrued interest receivable totaled $1,604,750 and $1,463,214 at June 30, 2019 and 2018, respectively.	$ 1,000,000	$ 1,000,000
Senior Housing Corporation 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 $1,549,757 net of allowance of $1,549,757) and $-0- (Accrued interest receivable of $1,438,657, net of allowance of $1,438,657) at June 30, 2019 and 2018 respectively.	2,310,334	2,310,334
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 $4,096,598 net of allowance of $4,096,598) and $-0- (Accrued interest receivable of $3,746,606 net of allowance of $3,746,606 at June 30, 2019 and 2018, respectively.	9,189,400	9,189,400
Total Notes Payable	12,499,734	12,499,734
Less: Current Portion	-	-
Notes Receivable, Net of Current Portion	$ 12,499,734	$ 12,499,734

Note 10 - Land, Building and Equipment:

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

	2019	2018
Land	$ 2,500,000	$ 2,500,000
Building	6,823,822	6,823,822
Furniture and equipment	1,116,260	1,045,569
Vehicles	107,023	107,023
Leasehold improvements	93,653	50,617
Subtotal	10,640,758	10,527,031
Less: Accumulated depreciation	(2,659,098)	(2,435,736)
Land, Building and Equipment, Net	$ 7,981,660	$ 8,091,295

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:

	2019	2018
Market Square Manor Associates, L.P. (0.005%)	$ 265,313	$ 265,362
City Heights Square, L.P. (0.005%)	231,319	231,371
HDP Broadway, L.P. (0.01%)	2,767	5,840
HDP New Palace, L.P. (0.01%)	379	(300)
Ramona Seniors CIC, L.P. (0.51%)	100	100
Westminster Manor, L.P. (0.005%)	(300)	(112,070)
Total Investments in Limited Partnership	$ 499,578	$ 390,303

	2019	2018
Financial Statement Presentation:		
Investment in partnerships	$ 499,878	$ 502,673
Share of deficiency in partnerships	(300)	(112,370)
	$ 499,578	$ 390,303

Note 12 - Beneficial Interest in San Diego Foundation:

Serving Seniors 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 25% international equities, 30% domestic equities, 20% alternative investments, 17% fixed income, 6% real estate and 2% commodities.''

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

	2019	2018
Balance, Beginning of Year	$ 7,652	$ 7,504
Investment income	251	469
Distribution to the Organization	(323)	(321)
Total Beneficial Interest in Endowment Funds	$ 7,580	$ 7,652

Note 13 - Line-of-Credit:

Serving Seniors has an unsecured business line-of-credit agreement 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 (5.5% at June 30, 2019). The line-of-credit matures on January 31, 2020. There was a balance outstanding of $359 and $-0- at June 30, 2019 and 2018 included in accrued interest payable.

Note 14 - Notes Payable:

Notes payable consist of the following at June 30:

	2019	2018
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 is secured by a deed of trust (See Note 9). Accrued interest payable totaled $1,604,750 and $1,463,214 at June 30, 2019 and 2018, respectively.	$ 1,000,000	$ 1,000,000

Note 14 - Notes Payable: (Continued)

	2019	2018
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 the 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 $1,777,848, net of allowance of $1,777,848) and $-0- (Accrued interest payable of $1,666,748, net of allowance of $1,666,748) at June 30, 2019 and 2018, respectively.	$ 2,200,000	$ 2,200,000
Total Notes Payable	3,200,000	3,200,000
Less: Current Portion	-	-
Notes Payable, Net of Current Portion	$ 3,200,000	$ 3,200,000

Future principal payments on notes payable are as follows:

Years Ended June 30	
2020	$ 1,000,000
2021	-
2022	-
2023	-
2024	-
Thereafter	2,200,000
	$ 3,200,000

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:

	2019	2018
Subject to Expenditure for Specified Purpose:		
Social case manager	$ 145,099	$ -
Alzheimer program	128,509	49,232
Nutrition	30,000	61,351
Nurse cash management	25,000	-
Pet pals	15,012	8,269
Senior emergency	4,385	6,215
Neighborhood redevelopment	1,870	14,916
Advocacy	-	6,069
Equipment	-	3,436
Transitional housing	-	1,500
Total Subject to Expenditure for Specified Purpose	349,875	150,988
Subject to the Passage of Time:		
City Heights grant	9,105,000	9,105,000
Long-term pledges	172,779	145,580
Total Subject to the Passage of Time	9,277,779	9,250,580
Perpetual in Nature:		
Endowments (Note 16)	757,580	757,652
Total Net Assets with Donor Restrictions	$ 10,385,234	$ 10,159,220

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:

	2019	2018
Purpose Restrictions Accomplished:		
Nutrition	$ 61,351	$ -
Alzheimer program	49,232	33,120
Neighborhood redevelopment	14,916	-
Pet pals	8,269	-
Senior emergency	6,215	740
Advocacy	6,069	51,564
Equipment	3,436	147
Transitional housing	1,500	-
Homeless prevention	-	36,353
Dental coordination team	-	14,486
Health education	-	10,000
Time Restrictions Fulfilled	47,801	26,295
Endowment Distributions	323	321
Total Net Assets Released From Restrictions	$ 199,112	$ 173,029

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:

- 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, 2019 and 2018.

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

Note 16 - 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 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:

- 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.

Note 16 - Endowment Net Assets: (Continued)

San Diego Foundation Managed Funds (Continued)

Endowment composition by type of fund at June 30:

	2019 With Donor Restrictions	2018 With Donor Restrictions
Web MD Health Preservation	$ 750,000	$ 750,000
Beneficial interest endowment funds - San Diego Foundation	7,580	7,652
Total Endowment Net Assets	$ 757,580	$ 757,652

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets at June 30, 2017	$ 170,649	$ 757,504	$ 928,153
Investment income and net realized and unrealized appreciation	72,922	469	73,391
Appropriation of endowment assets for expenditures	(49,428)	(321)	(49,749)
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	$ 209,027	$ 757,580	$ 966,607

Note 17 - Lease Obligations:

Serving Seniors leases office equipment through June, 2019. Equipment lease expense totaled $14,300 and $19,259 for the years ended June 30, 2019 and 2018, respectively, under this lease which is included in other expense in the consolidated statements of functional expenses.

Serving Seniors renews its lease for emergency lodging on an annual basis. Emergency lodging lease expense totaled $131,400 and $150,025 for the years ended June 30, 2019 and 2018, respectively, which is included in occupancy and utilities in the consolidated statements of functional expenses.

Note 18 - Prior Period Adjustment:

Certain adjustments resulting in an increase in net assets totaling $150,988 at June 30, 2018 and, an increase in change net assets for the year ended June 30, 2018 totaling 4,574, were made during the current year and are summarized as follows:

Net Assets at June 30, 2017, as Previously Reported	$ 20,393,246
Recognize deferred revenue reported at June 30, 2017 as net assets with donor restriction	146,414
Net Assets at June 30, 2017, as Restated	20,539,660
Change in Net Assets for the Year Ended June 30, 2018, as Previously Reported	39,888
Recognize deferred revenue reported at June 30, 2018 as net assets with donor restriction	150,988
Remove from revenue in 2918, deferred revenue reported at June 30, 2017 that was previously recognized as revenue in 2018	(146,414)
Change in Net Assets for the Year Ended June 30, 2018, as Restated	44,462
Net Assets at June 30, 2018, as Restated	$ 20,584,122

SERVING SENIORS AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grants/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Agency or Pass-Through Number	Passed Through to Subrecipient	Federal Expenditures	Total
U.S. Department of Housing and Urban Development:					
Pass-Through Programs From:					
Community Development Block Grants/Entitlement Grants:	14.218				
City of San Diego - Roof Replacement		NCIP-FY18-005-00	$ -	$ 145,000	$ 145,000
City of San Diego - Fresh Produce		PS-FY19-022-01	-	43,061	43,061
City of Oceanside		19-D0329-4	-	6,840	6,840
Total Community Development Block Grants/ Entitlement Grants:			-	194,901	194,901
Section 8 Housing Choice Vouchers:	14.871				
San Diego Housing Commission		N/A	-	140,040	140,040
Total Pass-Through Programs			-	334,941	334,941
Total U.S. Department of Housing and Urban Development			-	334,941	334,941
U.S. Department of Health and Human Services:					
Pass-Through Programs From:					
Aging Cluster:					
Special Programs for the Aging, Title III, Part B, Grants dor Supportive Sevices and Senior Centers:	93.044				
City of Oceanside		559418	-	2,290	2,290
Special Programs for the Aging, Title III, Part C, Nutrition Services:	93.045				
County of San Diego		547777	-	2,375,726	2,375,726
City of Oceanside		559418	-	130,393	130,393
Nutrition Services Incentive Program:	93.053				
County of San Diego		547777	-	468,145	468,145
City of Oceanside		559418	-	18,047	18,047
Total Aging Cluster			-	2,994,601	2,994,601
Total Pass-Through Programs			-	2,994,601	2,994,601
Total U.S. Department of Health and Human Services			-	2,994,601	2,994,601
Total Expenditures of Federal Awards			$ -	$ 3,329,542	$ 3,329,542

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Serving Seniors and Subsidiaries under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Serving Seniors and Subsidiaries, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Serving Seniors and Subsidiaries.

Note 2 - Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Serving Seniors and Subsidiaries has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

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

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Directors
Serving Seniors and Subsidiaries

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Serving Seniors and Subsidiaries, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated October 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Serving Seniors and Subsidiaries' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Serving Seniors and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Serving Seniors and Subsidiaries' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

2810 Camino Del Rio South, Suite 200, San Diego, California 92108-3820
619.294.7200, 619.294.7077 fax, www.leaf-cole.com, leafcole@leaf-cole.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Serving Seniors and Subsidiaries' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Leaf & Cole LLP

San Diego, California
October 22, 2019

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

**Independent Auditor's Report on Compliance
for Each Major Program and on Internal Control Over
Compliance Required by the Uniform Guidance**

To the Board of Directors
Serving Seniors and Subsidiaries

Report on Compliance for Each Major Federal Program

We have audited Serving Seniors and Subsidiaries' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Serving Seniors and Subsidiaries' major federal programs for the year ended June 30, 2019. Serving Seniors and Subsidiaries' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Serving Seniors and Subsidiaries' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Serving Seniors and Subsidiaries' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Serving Seniors and Subsidiaries' compliance.

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Opinion on Each Major Federal Program

In our opinion, Serving Seniors and Subsidiaries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Serving Seniors and Subsidiaries is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Serving Seniors and Subsidiaries' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Serving Seniors and Subsidiaries' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Leaf & Cole LLP

San Diego, California
October 22, 2019

SERVING SENIORS AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Financial Statements

Type of auditor's report issued on whether the consolidated financial statements audited were prepared in accordance with U.S. GAAP	Unmodified			
Internal control over financial reporting:				
Material weaknesses identified?		Yes	X	No
Significant deficiencies identified?		Yes	X	No
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified			
Internal control over major programs:				
Material weaknesses identified?		Yes	X	No
Significant deficiencies identified?		Yes	X	No
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?		Yes	X	No

Identification of major programs:

CDFA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grants/ Entitlement Grants
Cluster (93.044, 93.045, 93.053)	Aging Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000			
Auditee qualified as low-risk auditee?	X	Yes		No

Section II - Financial Statement Findings:

None

Section III - Federal Award Findings and Questioned Costs:

None