SERVING SENIORS AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Leaf & Cole, LLP
Certified Public Accountants

SERVING SENIORS AND SUBSIDIARIES
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JUNE 30, 2023 AND 2022

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Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
Serving Seniors and Subsidiaries

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Serving Seniors and Subsidiaries (a Nonprofit Organization), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, 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.

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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Serving Seniors and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Serving Seniors and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Serving Seniors and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Change in Accounting Principle

As described in Note 2, Serving Seniors and Subsidiaries adopted accounting standards changes related to accounting for and disclosing leasing arrangements. Our opinion is not modified with respect to this matter.

Supplementary 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 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 December 4, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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
December 4, 2023

SERVING SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS

		2023		2022
Current Assets: (Notes 2, 4, 5, 6, 7, 8 and 9)				
Cash and cash equivalents	$	5,129,317	$	5,516,006
Investments		1,682,874		1,574,792
Grants receivable		2,030,986		1,319,364
Accounts receivable - related parties, net		198,300		127,010
Other receivable		14,931		485,508
Pledges receivable		192,105		712,665
Rent receivable		13,917		-
Accrued interest receivable		11,513		5,331,802
Prepaid expenses and other		291,375		231,005
Total Current Assets		9,565,318		15,298,152
Noncurrent Assets: (Notes 2, 4, 5, 10, 11, 12, 13, 18 and 19)				
Restricted reserves		430,152		-
Notes receivable, net		2,964,705		11,499,734
Land, building and equipment, net		27,569,854		8,386,288
Operating lease right-of-use asset, net		44,326		-
Investments in limited partnerships		270,846		501,477
Investments restricted for endowment		750,000		750,000
Beneficial interest in endowment funds		8,670		8,384
Total Noncurrent Assets		32,038,553		21,145,883
TOTAL ASSETS	$	41,603,871	$	36,444,035

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

SERVING SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2023 AND 2022

LIABILITIES AND NET ASSETS

	2023	2022
Current Liabilities: (Notes 2 and 19)		
Accounts payable	$ 273,704	$ 108,014
Payroll and related liabilities	132,954	84,079
Tenant security deposits	28,800	-
Accrued paid time off	262,537	274,309
Other liabilities	102,669	-
Deferred revenue	38,966	-
Current portion of operating lease liability	8,076	-
Current portion of mortgage payable	59,860	-
Total Current Liabilities	907,566	466,402
Noncurrent Liabilities: (Notes 2, 12, 15, 16 and 19)		
Notes payable	2,200,000	2,200,000
Operating lease liability, net of current portion	36,244	-
Mortgage payable, net of current portion	1,398,572	-
Accrued interest payable	9,070	-
Total Noncurrent Liabilities	3,643,886	2,200,000
Total Liabilities	4,551,452	2,666,402
Commitments and Contingencies: (Notes 14, 18, 19 and 20)		
Net Assets: (Notes 2, 17, 18 and 21)		
Without donor restrictions		
Undesignated	32,939,430	20,608,415
Board designated	2,369,890	2,908,708
Total Net Assets Without Donor Restrictions	35,309,320	23,517,123
With donor restrictions		
Purpose restrictions	471,094	50,902
Time restrictions	513,335	9,451,224
Perpetual in nature	758,670	758,384
Total Net Assets With Donor Restrictions	1,743,099	10,260,510
Total Net Assets	37,052,419	33,777,633
TOTAL LIABILITIES AND NET ASSETS	$ 41,603,871	$ 36,444,035

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, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Gains:						
Government grants	$ 8,662,733	$ -	$ 8,662,733	$ 8,655,919	$ -	$ 8,655,919
Contributions	1,090,206	1,121,021	2,211,227	2,826,644	661,594	3,488,238
Housing	1,690,514	-	1,690,514	700,540	-	700,540
Rental Income	653,401	-	653,401	43,622	-	43,622
In-kind contributions	610,200	-	610,200	651,600	-	651,600
Other income	136,316	-	136,316	46,600	-	46,600
Donations from seniors served	100,225	-	100,225	108,688	-	108,688
Laundry and vending income	1,831	-	1,831	-	-	-
Special events:						
Special events revenue	-	686,639	686,639	633,994	129,000	762,994
Less: Cost of direct benefits to donors	-	(70,000)	(70,000)	(59,500)	-	(59,500)
Special events revenue, net	-	616,639	616,639	574,494	129,000	703,494
Investment income (loss), net	3,432,788	100,926	3,533,714	(56,882)	(122,434)	(179,316)
Net assets released from restrictions	10,355,997	(10,355,997)	-	885,158	(885,158)	-
Total Revenue, Support and Gains	26,734,211	(8,517,411)	18,216,800	14,436,383	(216,998)	14,219,385
Expenses:						
Program Services:						
Nutrition program	8,109,062	-	8,109,062	7,829,007	-	7,829,007
Health and social services	2,655,278	-	2,655,278	1,876,045	-	1,876,045
Housing development and facility support	1,307,499	-	1,307,499	1,274,305	-	1,274,305
Rental real estate	955,399	-	955,399	-	-	-
Total Program Services	13,027,238	-	13,027,238	10,979,357	-	10,979,357
Supporting Services:						
Management and general	919,398	-	919,398	860,259	-	860,259
Fundraising	995,378	-	995,378	1,115,019	-	1,115,019
Total Supporting Services	1,914,776	-	1,914,776	1,975,278	-	1,975,278
Total Expenses	14,942,014	-	14,942,014	12,954,635	-	12,954,635
Change in Net Assets	11,792,197	(8,517,411)	3,274,786	1,481,748	(216,998)	1,264,750
Net Assets at Beginning of Year, As Restated (Note 21)	23,517,123	10,260,510	33,777,633	22,035,375	10,477,508	32,512,883
NET ASSETS AT END OF YEAR	$ 35,309,320	$ 1,743,099	$ 37,052,419	$ 23,517,123	$ 10,260,510	$ 33,777,633

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, 2023

	Program Services					Supporting Services				
	Nutrition Program	Health and Social Services	Housing Development & Facility Support	Rental Real Estate	Total Program Services	Management and General	Fundraising	Total Supporting Services	Eliminations	Total Expenses
Personnel:										
Salaries	$ 2,198,815	$ 1,371,835	$ 383,418	$ -	$ 3,954,068	$ 384,352	$ 433,394	$ 817,746	$ -	$ 4,771,814
Employee benefits	304,667	137,561	70,237	-	512,465	54,868	38,116	92,984	-	605,449
Payroll taxes	156,157	98,380	27,463	-	282,000	34,242	31,392	65,634	-	347,634
Total Personnel	2,659,639	1,607,776	481,118	-	4,748,533	473,462	502,902	976,364	-	5,724,897
Operating Expenses:										
Auto	487,460	-	5,665	-	493,125	-	-	-	-	493,125
Bad debts	-	-	-	-	-	172,831	-	172,831	-	172,831
Consultants	109,329	250,102	3,790	-	363,221	96,004	167,128	263,132	-	626,353
Depreciation	171,093	2,199	207,639	344,679	725,610	18,913	-	18,913	-	744,523
Equipment	43,550	83,004	57,933	-	184,487	1,861	-	1,861	-	186,348
Food costs	4,066,013	24,151	-	-	4,090,164	-	-	-	-	4,090,164
Insurance	-	1,104	31,400	-	32,504	29,020	-	29,020	-	61,524
Lease expense	4,897	157,469	181	-	162,547	1,803	1,330	3,133	-	165,680
Mail house services	2,825	8,871	1,289	-	12,985	1,528	78,149	79,677	-	92,662
Occupancy and utilities	366,147	54	352,489	-	718,690	51	92	143	-	718,833
Other expense	22,240	23,054	10,355	-	55,649	84,732	46,540	131,272	-	186,921
Professional fees	3,572	10,876	29,873	-	44,321	56,209	-	56,209	-	100,530
Property operation cost	-	-	-	928,258	928,258	-	-	-	(317,538)	610,720
Repairs and maintenance	9,272	31,920	90,186	-	131,378	-	-	-	-	131,378
Special events	-	-	-	-	-	-	153,231	153,231	-	153,231
Specific assistance	-	345,700	-	-	345,700	-	-	-	-	345,700
Supplies and office	133,182	83,219	24,109	-	240,510	117,039	43,445	160,484	-	400,994
Telephone	22,048	20,811	11,472	-	54,331	11,145	2,235	13,380	-	67,711
Travel, conferences and meetings	7,795	4,968	-	-	12,763	-	326	326	-	13,089
Total Operating Expenses	5,449,423	1,047,502	826,381	1,272,937	8,596,243	591,136	492,476	1,083,612	(317,538)	9,362,317
Less: Eliminations	-	-	-	(317,538)	(317,538)	-	-	-	317,538	-
TOTAL EXPENSES	$ 8,109,062	$ 2,655,278	$ 1,307,499	$ 955,399	$ 13,027,238	$ 1,064,598	$ 995,378	$ 2,059,976	$ -	$ 15,087,214

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, 2022

	Program Services				Supporting Services			
	Nutrition Program	Health and Social Services	Housing Development & Facility Support	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Personnel:								
Salaries	$ 1,841,389	$ 1,137,783	$ 413,724	$ 3,392,896	$ 455,961	$ 518,837	$ 974,798	$ 4,367,694
Employee benefits	291,998	123,771	75,380	491,149	71,857	45,137	116,994	608,143
Payroll taxes	131,694	78,538	29,689	239,921	31,990	37,883	69,873	309,794
Total Personnel	2,265,081	1,340,092	518,793	4,123,966	559,808	601,857	1,161,665	5,285,631
Operating Expenses:								
Auto	396,190	-	4,144	400,334	-	-	-	400,334
Consultants	58,799	16,774	18,321	93,894	34,697	147,552	182,249	276,143
Depreciation	115,515	614	187,624	303,753	17,660	-	17,660	321,413
Equipment	27,004	670	25,445	53,119	777	-	777	53,896
Food costs	4,395,719	-	-	4,395,719	-	-	-	4,395,719
Insurance	-	1,116	28,587	29,703	35,747	-	35,747	65,450
Interest expense	-	-	-	-	-	-	-	-
Mail house services	2,007	7,324	4,605	13,936	2,496	97,512	100,008	113,944
Occupancy and utilities	411,230	-	351,241	762,471	190	-	190	762,661
Other expense	21,154	23,190	7,680	52,024	50,057	41,846	91,903	143,927
Professional fees	441	-	24,904	25,345	45,892	-	45,892	71,237
Repairs and maintenance	91	50	56,000	56,141	-	-	-	56,141
Special events	-	-	-	-	-	180,804	180,804	180,804
Specific assistance	14,246	400,193	-	414,439	-	-	-	414,439
Supplies and office	105,638	64,240	37,288	207,166	92,460	42,636	135,096	342,262
Telephone	13,367	13,558	9,673	36,598	15,124	2,812	17,936	54,534
Travel, conferences and meetings	2,525	8,224	-	10,749	5,351	-	5,351	16,100
Total Operating Expenses	5,563,926	535,953	755,512	6,855,391	300,451	513,162	813,613	7,669,004
TOTAL EXPENSES	$ 7,829,007	$ 1,876,045	$ 1,274,305	$ 10,979,357	$ 860,259	$ 1,115,019	$ 1,975,278	$ 12,954,635

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, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities:		
Change in net assets	$ 3,274,786	$ 1,264,750
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	744,523	321,413
Bad debts	27,631	-
Amortization of right-of-use asset under operating lease	1,453	-
Amortization of debt issuance cost	3,755	-
Net unrealized losses (gains) on investments	(199,137)	288,459
Income from investments in limited partnerships, net	(7,466)	(34,074)
Income from acquisition of subsidiary	(3,232,328)	-
Loss on revaluation of subsidiary	231,006	-
Endowment investment loss (income)	(550)	348
Endowment restricted contributions	(101)	-
Endowment restricted distributions	365	341
(Increase) Decrease in:		
Grants receivable	(711,643)	848,520
Other receivable	486,884	267,080
Accounts receivable - related parties, net	(98,900)	(42,884)
Pledges receivable, net	520,560	(607,694)
Rent receivable	92,303	-
Accrued interest receivable	(228,729)	-
Prepaid expenses and other	(18,407)	(3,222)
(Decrease) Increase in:		
Accounts payable	108,751	(141,715)
Payroll and related liabilities	43,075	51,170
Tenant security deposits	1,000	-
Accrued paid time off	(11,772)	16,950
Other liabilities	71,502	-
Deferred revenue	14,177	-
Operating lease liability	(1,459)	-
Accrued interest payable	(164)	-
Net Cash Provided by Operating Activities	1,111,115	2,229,442
Cash Flows From Investing Activities:		
Purchase of land, building and equipment	(842,463)	(638,175)
Increase in notes receivable	(663,666)	-
Payments on notes receivable	9,295	-
(Purchase) sale of investments, net	91,055	(313,360)
Cash acquired from acquisition of subsidiary	36,856	-
Restricted reserve from acquisition of subsidiary	332,752	-
Purchase of subsidiary	(10,000)	-
Change in beneficial interest in endowment funds	(286)	689
Net Cash Used in Investing Activities	(1,046,457)	(950,846)

(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, 2023 AND 2022

	2023	2022
Cash Flows From Financing Activities:		
Payments on mortgage payable	$ (28,410)	$ -
Endowment investment income (loss)	550	(348)
Endowment distributions	(365)	(341)
Endowment contributions	101	-
Distributions from investments in limited partnerships	6,929	3,625
Net Cash (Used in) Provided by Financing Activities	(21,195)	2,936
Net Increase in Cash and Cash Equivalents and Restricted Cash	43,463	1,281,532
Cash and Cash Equivalents and Restricted Cash at Beginning of Year	5,516,006	4,234,474
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	$ 5,559,469	$ 5,516,006
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 45,761	$ -
Cash paid for amounts included in measurement of operating lease liability	$ 1,595	$ -
Supplemental Disclosure of Noncash Cash Flow Information:		
Operating lease right-of-use asset after ASC 842 implementation	$ 45,780	$ -

Supplemental Disclosure of Obtaining Control of Subsidiary:

During the period, the Organization obtained control of City Heights Square, L.P. The fair values of assets acquired and liabilities assumed were as follows:

Cash and cash equivalents	$ 36,856
Other receivable	16,307
Rent receivable	106,220
Prepaid expenses and other	41,963
Restricted reserves	332,752
Land, building and equipment, net	19,085,626
Accounts payable	(56,939)
Payroll and related liabilities	(5,800)
Tenant security deposits	(27,800)
Other liabilities	(31,167)
Deferred revenue	(24,789)
Notes payable	(9,189,400)
Mortgage payable	(1,483,087)
Accrued interest payable	(5,558,252)
Total fair values of assets acquired and liabilities assumed	$ 3,242,490
Fair value of 99.995% interest acquired	$ 3,242,328
Less: Income from acquisition of subsidiary	(3,232,328)
Cash paid to obtain control	$ 10,000

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 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. 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 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.

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.

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 of acquiring real property and provide and manage housing for low income persons. Mt. Etna Senior Housing, LLC has a 0.01% partnership interest in Messina CIC, L.P.

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. In 2020, HDP West Park Management, LLC changed to a Corporation. Senior Housing Corporation has a 21.0% interest in HDP West Park Management, LLC. HDP West Park Management, LLC has a 0.009% partnership interest in HDP West Park, L.P.

Senior Housing Corporation became a sole member of San Diego SHC Housing, LLC. San Diego SHC Housing, LLC was formed as a limited liability company under the laws of the State of California on May 11, 2021. San Diego SHC Housing, LLC was established for the purpose and intent of acquiring real property and provide and manage housing for low-income persons.

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 Square, L.P.

City Heights Square, L.P. was formed on April 1, 2005 for the purpose of acquiring, constructing, and operating a 151-unit multi-family apartment complex, known as City Heights Square Senior Apartments, located in San Diego, California. The Project rents all of the residential rental units to low-income tenants and operates in a manner intended to qualify for federal low-income housing tax credits ("Tax Credits") as provided for in Section 42 of the Internal Revenue Code ("IRC").

In 2022, the Investor and Administrative General Partner exited the City Heights Square, L.P. Serving Seniors has entered City Heights Square L.P. as Co-General Partner with a .005% share of the partnership. City Heights Senior Housing Corporation now assumes the shares of the Investor Limited Partnership – 99.989% share, Special Limited Partner - 0.001% and the Co-General Partner - .005% for a total partnership interest in City Heights Square, LP of 99.995%.

Pursuant to the Partnership Agreement, the term of the Partnership commenced as of March 25, 2005 and shall continue until December 2090, unless the Partnership is dissolved sooner.

Note 1 - Organization: (Continued)

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 almost 7,000 low-income seniors have access to a nutritious diet, providing over one million congregate and home-delivered meals a year. Meals are served from numerous congregate sites across San Diego County and delivered directly to homebound seniors each day.

Health and Social Services

Serving Seniors' team of health educators, social service case managers, and housing navigators provide an array of integrated health and social services that improve low-income seniors' health and well-being.

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.

Housing Development

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 partnered with the City of San Diego to open Seniors Landing Bridge Shelter, a non congregate shelter that provides temporary housing to older adults transitioning out of homelessness and into permanent housing.

Serving Seniors' affiliate entities Senior Housing Corporation and City Heights Senior Housing Corporation own 529 units of affordable senior housing. Serving Seniors provides meals, social services and socialization opportunities to senior residents across these sites.

Note 1 - Organization: (Continued)

Enrichment and Activities

Serving Seniors' Enrichment and Activities Program reduces social isolation among low-income seniors by providing more than 850 classes and activities a year to stimulate the mind and body. 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.

Rental Real Estate

Potiker City Heights Residence in City Heights offers 150 studios and one-bedroom apartments. Amenities include complete kitchens in each unit, central AC/heating, patio, storage, a dining room, community/TV room, underground parking, and on-site meals, nurses, and social workers.

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, City Heights Square, L.P., 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.

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.

Note 2 - Significant Accounting Policies: (Continued)

Financial Statement Presentation (Continued)

- 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.

- 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.

Note 2 - Significant Accounting Policies: (Continued)

Fair Value Measurements (Continued)

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, 2023 and 2022. As more fully described in Note 9, the allowance for doubtful accounts – accounts receivable - related parties totaled $1,972,536 and $1,839,740 at June 30, 2023 and 2022, respectively, while the allowance for doubtful accounts - interest on notes receivable totaled $2,010,365 and $1,882,904 at June 30, 2023 and 2022, respectively (Note 10).

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 $744,523 and $321,413 for the years ended June 30, 2023 and 2022, respectively.

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.

Note 2 - Significant Accounting Policies: (Continued)

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 2023 or 2022.

Debt Issuance Costs

Debt issuance costs are incurred in order to obtain financing for the Organization. Debt issuance costs are amortized on a straight-line basis over the term of the related loan, which approximates the interest method. Unamortized deferred financing costs are presented as a direct reduction from the carrying value of the related obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of property operation cost and totaled $3,755 for the year ended June 30, 2023.

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 $262,537 and $274,309 at June 30, 2023 and 2022, respectively, are accrued when incurred and included in accrued paid time off.

Tenant Security Deposits

Tenant security deposits are restricted to the extent of the security deposit liability totaling $28,800 and $-0- at June 30, 2023 and 2022, respectively.

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 $2,030,986 and $1,319,364 at June 30, 2023 and 2022, respectively.

Note 2 - Significant Accounting Policies: (Continued)

Revenue Recognition (Continued)

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.

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. Rental income attributable to residential leases is recorded when due from residents, generally upon the first day of each month. The Organization has elected to apply the short-term lease exception to all residential leases with a term of one-year or less.

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.

Laundry and Vending Income

Laundry and vending income is recorded when service is provided.

Note 2 - Significant Accounting Policies: (Continued)

Revenue Recognition (Continued)

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, 2023 and 2022, 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 $610,200 and $651,600 based on the excess of fair market value of all rental space over the rents paid for the years ended June 30, 2023 and 2022, respectively. The donated rent is valued at fair value of similar properties available in commercial real estate listings.

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 (the "Entities") 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 and Limited Partnerships have been included in these consolidated financial statements since taxable income (loss) passes through to, and is reportable by, the Member/Partners individually.

The Entities' Returns of Organization Exempt from Income Tax for the years ended June 30, 2023, 2022, 2021 and 2020 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

Note 2 - Significant Accounting Policies: (Continued)

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

Grants receivable includes $1,746,566 and $1,041,998 due from the County of San Diego at June 30, 2023 and 2022, respectively.

The Organization received $8,662,733 and $8,655,919 or 48% and 61% of its total revenue support and gains from three government agencies for senior nutrition/community enhancement for the years ended June 30, 2023 and 2022, respectively.

Leasing Activities

The Organization entered into an equipment lease (Note 19). Pursuant to the guidance for accounting for leases, the Organization accounts for the lease as operating lease.

The Organization determines if an arrangement is a lease at inception. An arrangement is a lease if the arrangement conveys a right to direct the use of and to obtain substantially all of the economic benefits from the use of an asset for a period of time in exchange for consideration.

Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Organization uses the risk-free rate in determining the present value of lease payments.

The operating lease right-of-use asset also includes any lease payments made and excludes lease incentives. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. The lease agreement does not contain any material residual value guarantees or material restrictive covenants. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Note 2 - Significant Accounting Policies: (Continued)

Cash and Cash Equivalents and Restricted Cash

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. The following is a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated statements of financial position that sum to the total in the consolidated statements of cash flows at June 30:

	2023	2022
Cash and cash equivalents	$ 5,129,317	$ 5,516,006
Restricted reserves	430,152	-
Total Cash and Cash Equivalents and Restricted Cash	$ 5,559,469	$ 5,516,006

Change in Accounting Principle

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification *("ASC") 842, Leases ("FASB ASC 842")* to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the statement of financial position by lessees and the disclosures of key information about leasing arrangements.

FASB ASC 842 was adopted July 1, 2022 with certain practical expedients available. The Organization adopted this guidance Accounting Standards Codification (ASC) 842 in 2023 using the effective date transition method which allows the Organization to apply the guidance for the current year presentation and not adjust the prior year numbers. The Organization elected the package of practical expedients that allows an entity to not reassess (i) whether any expired or existing contracts are or contain leases, (ii) lease classification for any expired or existing leases and (iii) initial direct costs for any expired or existing leases. The Organization did not elect to use hindsight for leases existing at the adoption date.

As a result of the adoption of FASB ASC 842 on July 1, 2022, an operating lease right-of-use asset of $45,780 and an operating lease liability of $45,780 were recorded.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 4, 2023, 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:

	2023	2022
Financial assets as year-end:		
Cash and cash equivalents	$ 5,129,317	$ 5,516,006
Investments	2,432,874	2,324,792
Grants receivable	2,030,986	1,319,364
Accounts receivable - related parties, net	198,300	127,010
Other receivable	14,931	485,508
Pledges receivable	192,105	712,665
Rent receivable	13,917	-
Total financial assets	10,012,430	10,485,345
Less assets unavailable for general expenditures:		
Investments restricted for endowment	(750,000)	(750,000)
Restricted by governing body requiring approval for disbursement	(2,369,890)	(2,908,708)
Total financial assets not available to be used within one year	(3,119,890)	(3,658,708)
Financial assets available to meet cash needs for general expenditures within one year	$ 6,892,540	$ 6,826,637

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.

The Organization's governing board has designated a portion of funds without donor restriction. These fund are subject to a spending policy and are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board of Directors as described in Note 17.

Note 4 - Fair Value Measurements:

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

	2023			
	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, 2023
Mutual Funds:				
Fixed income funds	$ 1,221,320	$ -	$ -	$ 1,221,320
Large cap equity funds	791,686	-	-	791,686
International securities funds	338,648	-	-	338,648
Real estate securities funds	81,220	-	-	81,220
Beneficial interest in endowment funds (Note 13)	-	-	8,670	8,670
	$ 2,432,874	$ -	$ 8,670	$ 2,441,544

	2022			
	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, 2022
Mutual Funds:				
Fixed income funds	$ 1,219,511	$ -	$ -	$ 1,219,511
Large cap equity funds	699,026	-	-	699,026
International securities funds	317,696	-	-	317,696
Real estate securities funds	88,559	-	-	88,559
Beneficial interest in endowment funds (Note 13)	-	-	8,384	8,384
	$ 2,324,792	$ -	$ 8,384	$ 2,333,176

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:

2023				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	$ 8,670	Valuation of underlying assets as provided by San Diego Foundation	Base Price	N/A

2022				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	$ 8,384	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:

	2023	2022
Mutual Funds	$ 2,432,874	$ 2,324,792

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

	2023	2022
Investments - Current	$ 1,682,874	$ 1,574,792
Investments - Restricted for endowment	750,000	750,000
Total Investments	$ 2,432,874	$ 2,324,792

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

	2023		
	Without Donor Restriction	With Donor Restriction	Total
Net unrealized gains	$ 118,401	$ 80,736	$ 199,137
Net realized gains (losses)	230	(988)	(758)
Income from investments in Limited Partnerships, net	7,466	-	7,466
Income from acquisition of subsidiary	3,232,328	-	3,232,328
Loss on revaluation of subsidiary	(231,006)	-	(231,006)
Endowment investment income	-	550	550
Interest and dividend income	305,369	20,628	325,997
Total Investment Income	$ 3,432,788	$ 100,926	$ 3,533,714

	2022		
	Without Donor Restriction	With Donor Restriction	Total
Net unrealized losses	$ (105,539)	$ (182,920)	$ (288,459)
Net realized gains	1,157	42,083	43,240
Income from investments in Limited Partnerships, net	34,074	-	34,074
Endowment investment loss	-	(348)	(348)
Interest and dividend income	13,426	18,751	32,177
Total Investment Losses	$ (56,882)	$ (122,434)	$ (179,316)

Note 6 - Other Receivable:

Other receivable represents outstanding commitments from donors for contributions that are yet to be received but are legally enforceable and measurable. The Organization reports a subsidy tenant receivable due from tenants under a subsidized housing program designed to assist low-income tenants. The government agency (Agency) agrees to pay a portion of the rent on behalf of the eligible tenants. The receivable is recognized when the Organization has provided the housing services but has not yet received the payment from the Agency. In addition, Serving Seniors applied for the Employee Retention Tax Credit (ERTC) for the year ended June 30, 2022.

Other receivable consisted of the following at June 30:

	2023	2022
Other contributions receivable	$ 8,977	$ 6,176
Subsidy tenant receivable	5,954	-
Employee Retention Tax Credit	-	479,332
	$ 14,931	$ 485,508

Note 7 - Grants Receivable:

Grants receivable consist of the following at June 30:

	2023	2022
County of San Diego - Aging and Independence Services	$ 1,746,565	$ 1,041,998
City of San Diego – Bridge Senior Shelter	254,838	-
City of San Diego - Transitional Housing	21,042	3,543
City of Oceanside - CDBG	8,541	7,704
City of San Diego - Senior Center Facility Improvement	-	173,288
City of San Diego - Emergency COVID-19 Food Assistance	-	92,831
Total Grants Receivable	$ 2,030,986	$ 1,319,364

Note 8 - Pledges Receivable:

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

	2023	2022
Pledges receivable due in less than one year	$ 192,105	$ 712,665

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. Senior Housing Corporation has provided incentive management services to Market Square Manor Associates, 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:

	2023	2022
Market Square Manor Associates, L.P.	$ 2,117,736	$ 1,888,974
Harris Family Senior Housing	25,000	-
HDP Broadway, L.P.	9,200	9,200
Ramona Senior CIC, L.P.	9,067	32,409
Mid-City Family Housing CIC, L.P.	3,333	-
HDP New Palace, L.P.	3,000	1,500
HDP Village North, LLC	2,500	2,500
HDP West Park, L.P.	1,000	1,000
City Heights Square, L.P.	-	31,167
Subtotal	2,170,836	1,966,750
Less: Allowance for doubtful accounts	(1,972,536)	(1,839,740)
Total Accounts Receivable - Related Parties, Net	$ 198,300	$ 127,010

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 $1,972,536 and $1,839,740 at June 30, 2023 and 2022, respectively. Management believes that all other accounts receivable from related parties 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:

	2023	2022
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 $2,010,365 net of allowance of $2,010,365) and $-0- (Accrued interest receivable of $1,882,904, net of allowance of $1,882,904) at June 30, 2023 and 2022, respectively.	$ 2,310,334	$ 2,310,334

Note 10 - Notes Receivable: (Continued)

	2023	2022
Serving Seniors has a note receivable from Market Square Manor Associates, L.P., A California Limited Partnership, for the advance made to payoff and discharge a note held by Citibank. The loan closing fee of $7,135 is reimbursable from Market Square Manor Associates, L.P. The note accrues interest at 7.15% per annum and is payable on June 15, 2034. Accrued interest totaled $11,513 and $-0- at June 30, 2023 and 2022, respectively.	$ 654,371	$ -
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% compounded 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 $5,767,438 and $5,331,802 at June 30, 2023 and 2022, respectively. Both the note receivable and the related accrued interest are eliminated in consolidation at June 30, 2023.	-	9,189,400
Total Notes Receivable	$ 2,964,705	$ 11,499,734

Note 11 - Land, Building and Equipment:

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

	2023	2022
Land	$ 6,114,657	$ 2,500,000
Building	31,888,724	7,187,860
Furniture and equipment	3,943,813	1,311,625
Vehicles	1,168,027	670,475
Leasehold improvements	1,313,682	241,834
Subtotal	44,428,903	11,911,794
Less: Accumulated depreciation	(16,859,049)	(3,525,506)
Land, Building and Equipment, Net	$ 27,569,854	$ 8,386,288

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:

	2023	2022
Market Square Manor Associates, L.P. (0.005%)	$ 265,268	$ 265,170
HDP Broadway, L.P. (0.002%)	3,094	3,094
HDP Mariner's Village, L.P. (0.002%)	1,575	-
HDP New Palace, L.P. (0.002%)	826	1,980
Ramona Seniors CIC, L.P. (0.005%)	83	15
Fairmont Senior Housing CIC, L.P. (0.01%)	-	50
City Heights Square, L.P. (0.005%)	-	231,168
Total Investments in Limited Partnership	$ 270,846	$ 501,477

In December 2022, Serving Seniors acquired full ownership of City Heights Square, L.P., holding a 0.005% partnership share as a Co-General Partner and a 99.995% share through its affiliate, City Heights Senior Housing Corporation, also a Co-General Partner. Consequently, this investment was no longer recorded using the equity method of accounting.

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 40% global equities, 15% hedge funds, 10% fixed income 25% alternative investments, and 10% 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 $365 and $341 in distributions for the years ended June 30, 2023 and 2022, 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:

	2023	2022
Balance, Beginning of Year	$ 8,384	$ 9,073
Investment income (loss)	550	(348)
Contribution	101	-
Distribution	(365)	(341)
Total Beneficial Interest in Endowment Funds	$ 8,670	$ 8,384

Note 14 - Line-of-Credit:

Serving Seniors has a business line-of-credit with a financial institution, under which Serving Seniors is allowed to borrow up to $1,000,000. Advances under this agreement bear interest equal to the financial institution's prime rate subject to change from time-to-time based on the changes in the rate as published in the Wall Street Journal. Under no circumstances will the interest on the note be less than 4.75% per year. The line-of-credit is secured by the accounts, inventory and equipment of the Organization and matures on December 21, 2023. There was no balance outstanding at June 30, 2023 and 2022.

Note 15 - Notes Payable:

Notes payable consist of the following at June 30:

	2023	2022
Serving Seniors has entered into a Participation Agreement with 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 $2,222,400, net of allowance of $2,222,400) and $-0- (Accrued interest payable of $2,110,995, net of allowance of $2,110,995) at June 30, 2023 and 2022, respectively.	$ 2,200,000	$ 2,200,000
Total Notes Payable	$ 2,200,000	$ 2,200,000

Future principal payments on notes payable are as follows:

Years Ended June 30	
2024	$ -
2025	-
2026	-
2027	-
2028	-
Thereafter	2,200,000
	$ 2,200,000

Note 16 – Mortgage Payable:

Mortgage payable consists of the following at June 30:

	2023	2022
City Heights Square, L.P. has signed a promissory note with Red Mortgage Capital, Inc. (rebranded as Lument Capital in 2020) in the amount of $2,100,000. The note bears simple interest at a rate 6.95% per annum and requires monthly principal and interest payments of $13,901 payable in full on September 1, 2026. Accrued interest payable totaled $9,070 at June 30, 2023.	$ 1,565,956	$ -
Total Mortgage Payable	1,565,956	-
Less: Unamortized debt issuance costs	(107,524)	-
Mortgage Payable, net	$ 1,458,432	$ -

Future principal payments on mortgage payable are as follows:

Years Ended June 30	
2024	$ 59,860
2025	64,155
2026	68,759
2027	1,373,182
Total	$ 1,565,956

Debt issuance costs total $225,279 less accumulated amortization of $117,755 at June 30, 2023.

Note 17 - Net Assets:

Board Designated Net Assets

The Organization's governing board has designated a portion of its resources without donor restrictions for general operations. Board designated net assets totaled $2,369,890 and $2,908,708 as of June 30, 2023 and 2022, respectively.

Note 17 - Net Assets: (Continued)

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:

	2023	2022
Subject to Expenditure for Specified Purpose:		
Health and social services	$ 379,510	$ 49,491
Wellness Center	59,260	-
Enrichment and activities	30,000	-
Nutrition programs	2,324	1,411
Total Subject to Expenditure for Specified Purpose	471,094	50,902
Subject to the Passage of Time:		
Endowments (Note 18)	268,758	217,224
Gala event	244,577	129,000
City Heights grant	-	9,105,000
Total Subject to the Passage of Time	513,335	9,451,224
Perpetual in Nature:		
Endowments (Note 18)	758,670	758,384
Total Net Assets with Donor Restrictions	$ 1,743,099	$ 10,260,510

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:

	2023	2022
Purpose Restrictions Accomplished:		
Wellness Center	$ 394,740	$ 475,000
Health and social services	276,898	200,164
Nutrition programs	29,091	30,290
Time Restrictions Fulfilled	9,654,903	179,363
Endowment Distributions	365	341
Total Net Assets Released From Restrictions	$ 10,355,997	$ 885,158

Note 18- 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, 2023 and 2022.

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 18- 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
- 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.

Endowment composition by type of fund at June 30:

	2023 Permanently Restricted	2022 Permanently Restricted
Web MD Health Preservation	$ 750,000	$ 750,000
Beneficial interest in endowment funds - San Diego Foundation	8,670	8,384
Total Endowment Net Assets	$ 758,670	$ 758,384

Note 18- Endowment Net Assets: (Continued)

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

	Time Restricted	Permanently Restricted	Total
Endowment Net Assets at June 30, 2021	$ 399,422	$ 759,073	$ 1,158,495
Investment loss	(122,086)	(348)	(122,434)
Appropriation of endowment assets for expenditures	(60,112)	(341)	(60,453)
Endowment Net Assets at June 30, 2022	217,224	758,384	975,608
Investment income	100,376	550	100,926
Contributions	-	101	101
Appropriation of endowment assets for expenditures	(48,842)	(365)	(49,207)
Endowment Net Assets at June 30, 2023	$ 268,758	$ 758,670	$ 1,027,428

Note 19 - Leasing Activities:

Serving Seniors leases office equipment through August 2028 with an option to purchase the equipment for its fair market value, renew the agreement, or return the equipment.

The following summarizes the line items in the consolidated statement of financial position which include amounts for the operating lease as of June 30, 2023:

Operating lease right-of-use asset, net	$ 44,326
Current portion of operating lease liability	$ 8,076
Operating lease liability, net of current portion	36,244
Total operating lease liability	$ 44,320

The following summarizes the weighted average remaining lease term and discount rate as of June 30, 2023:

Weighted average remaining lease term	62 months
Weighted average discount rate	3.67%

Note 19 - Leasing Activities: (Continued)

The following is a schedule of the future minimum lease payments under the operating lease:

Years Ended June 30		
2024	$	9,572
2025		9,572
2026		9,572
2027		9,572
2028		9,572
Thereafter		798
Total Lease Payments		48,658
Less: Discount		(4,338)
Total	$	44,320

In addition to the office equipment, Serving Seniors also has office and equipment leases which did not qualify under ASC 842. The following summarizes the line items in the consolidated statement of functional expenses which include the components of lease expense for the year ended June 30, 2023:

Operating lease cost:		
Amortization of right-of-use asset	$	1,453
Short-term lease cost		164,227
Total lease expense	$	165,680

Note 20 - 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 $86,501 and $86,321 for the years ended June 30, 2023 and 2022, respectively and are included in employee benefits.

Note 21 - Prior Period Adjustments:

Certain adjustments resulting in an increase in net assets at June 30, 2021 were made during the current year, which resulted in a restatement of previously reported amounts and are summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Consolidated Statement of Financial Position:			
Net Assets at June 30, 2021, as Previously Reported	$ 16,703,573	$ 10,477,508	$ 27,181,081
To adjust allowance for bad debts on interest	5,331,802	-	5,331,802
Net Assets at June 30, 2021, as Restated	$ 22,035,375	$ 10,477,508	$ 32,512,883
Consolidated Statement of Activities:			
Change in net assets, for the year ended June 30, 2022, as Previously Reported	$ 1,493,342	$ (228,592)	$ 1,264,750
To reclassify contributions with purpose restriction	(11,594)	11,594	-
Change in net assets, for the year ended June 30, 2022, as Restated	$ 1,481,748	$ (216,998)	$ 1,264,750

Certain adjustments resulting in a decrease in the income from acquisition of subsidiary were made during the current year, which resulted in a restatement of previously reported amounts and are summarized as follows:

City Heights Square, L.P.	Without Donor Restrictions
Statement of Financial Position:	
Net Assets at December 31, 2022, as Previously Reported	$ 3,313,883
To adjust interest on note payable	(86,320)
To adjust interest on mortgage payable	1,386
To adjust accrued monitoring fee	13,541
Net Assets at December 31, 2022, as Restated	$ 3,242,490

SERVING SENIORS AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grants/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing 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:					
CDBG - Entitlement Grants Cluster:					
Community Development Block Grants/Entitlement Grants:	14.218				
City of San Diego - CDBG Transitional Housing		B-22MC-06-0542	$ -	$ 65,000	$ 65,000
City of Oceanside - Senior Nutrition Program		B-22MC-06-0547	-	30,787	30,787
Total Community Development Block Grants/ Entitlement Grants:			-	95,787	95,787
Housing Voucher Cluster:					
Section 8 Housing Choice Vouchers:	14.871				
San Diego Housing Commission		CA063EC0006	-	168,000	168,000
Total Pass-Through Programs			-	263,787	263,787
Total U.S. Department of Housing and Urban Development			-	263,787	263,787
U.S. Department of the Treasury:					
Pass-Through Programs From:					
Coronavirus State and Local Fiscal Recovery Funds	21.027				
County of San Diego		SLFRP0148	-	883,740	883,740
Total Pass-Through Programs			-	883,740	883,740
Total U.S. Department of the Treasury			-	883,740	883,740
U.S. Department of Health and Human Services:					
Pass-Through Programs From:					
Aging Cluster:					
Special Programs for the Aging, Title III, Part C, Nutrition Services:	93.045				
County of San Diego		2201CAOACM/OAHD; 2102CAHDC6	-	5,811,484	5,811,484
Nutrition Services Incentive Program:	93.053				
County of San Diego		2201CAOANS	-	463,495	463,495
Total Aging Cluster			-	6,274,979	6,274,979
Total Pass-Through Programs			-	6,274,979	6,274,979
Total U.S. Department of Health and Human Services			-	6,274,979	6,274,979
Total Expenditures of Federal Awards			$ -	$ 7,422,506	$ 7,422,506

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, 2023. 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. Pass through entity identifying numbers are presented where available.

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 consolidated financial statements of Serving Seniors and Subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements, and have issued our report thereon dated December 4, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Serving Seniors and Subsidiaries' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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 consolidated 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 or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Serving Seniors and Subsidiaries' consolidated 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Leaf & Cole LLP

San Diego, California
December 4, 2023

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

Independent Auditor's Report on Compliance
For Each of the Major Programs 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 of the Major Federal Programs

Opinion on Each Federal Program

We have audited Serving Seniors and Subsidiaries' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Serving Seniors and Subsidiaries' major federal programs for the year ended June 30, 2023. 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.

In our opinion, Serving Seniors and Subsidiaries complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2023.

Basis for Opinion on Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Serving Seniors and Subsidiaries and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each of the major federal programs. Our audit does not provide a legal determination of Serving Seniors and Subsidiaries' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Serving Seniors and Subsidiaries' federal programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Serving Seniors and Subsidiaries' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Serving Seniors and Subsidiaries' compliance with the requirements for each of the major federal programs as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Serving Seniors and Subsidiaries' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Serving Seniors and Subsidiaries' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Serving Seniors and Subsidiaries' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Leaf & Cole LLP

San Diego, California
December 4, 2023

SERVING SENIORS AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

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 the consolidated 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:

Assistance Listing Number	Name of Federal Program or Cluster
	Aging Cluster:
93.045	Nutrition Services
93.053	Nutrition Services Incentive Program
21.027	Coronavirus State and Local Fiscal Recovery Funds

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 - Consolidated Financial Statement Findings:

None

Section III - Federal Award Findings and Questioned Costs:

None

SERVING SENIORS AND SUBSIDIARIES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

There were no findings or questioned costs for Serving Seniors and Subsidiaries relative to federal awards for the year ended June 30, 2022.