SERVING SENIORS AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Leaf & Cole, LLP
Certified Public Accountants

SERVING SENIORS AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

TABLE OF CONTENTS

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

Independent Auditor's Report

To the Board of Directors
Serving Seniors and Subsidiaries

Report on the 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, 2022 and 2021, 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, 2022 and 2021, 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.

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

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.

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*, and is also not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2022, 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
October 25, 2022

SERVING SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

ASSETS

	2022	2021
Current Assets: (Notes 2, 4, 5, 6, 7, 8 and 9)		
Cash and cash equivalents	$ 5,516,006	$ 4,234,474
Investments	1,574,792	1,549,891
Other receivable	479,332	752,588
Grants receivable	1,319,364	2,167,884
Pledges receivable	712,665	79,971
Accounts receivable - related parties, net	127,010	84,126
Prepaid expenses and other	237,181	227,783
Total Current Assets	9,966,350	9,096,717
Noncurrent Assets: (Notes 2, 4, 5, 8, 10, 11, 12, 13 and 17)		
Pledges receivable	-	25,000
Notes receivable, net	11,499,734	11,499,734
Land, building and equipment, net	8,386,288	8,069,526
Investments in limited partnerships	501,477	501,519
Investments restricted for endowment	750,000	750,000
Beneficial interest in endowment funds	8,384	9,073
Total Noncurrent Assets	21,145,883	20,854,852
TOTAL ASSETS	$ 31,112,233	$ 29,951,569

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

SERVING SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2022 AND 2021

LIABILITIES AND NET ASSETS

	2022	2021
Current Liabilities: (Note 2)		
Accounts payable	$ 108,014	$ 249,729
Payroll and related liabilities	84,079	32,909
Accrued paid time off	274,309	257,359
Total Current Liabilities	466,402	539,997
Noncurrent Liabilities: (Notes 2, 12 and 15)		
Notes payable	2,200,000	2,200,000
Share of deficiency in limited partnerships	-	30,491
Total Noncurrent Liabilities	2,200,000	2,230,491
Total Liabilities	2,666,402	2,770,488
Commitments and Contingencies: (Notes 14, 18, 19 and 20)		
Net Assets: (Notes 2, 16, 17, and 21)		
Without donor restrictions		
Undesignated	15,288,207	14,552,181
Board designated	2,908,708	2,151,392
Total Net Assets Without Donor Restrictions	18,196,915	16,703,573
With donor restrictions		
Purpose restrictions	39,308	94,763
Time restrictions	9,451,224	9,623,672
Perpetual in nature	758,384	759,073
Total Net Assets With Donor Restrictions	10,248,916	10,477,508
Total Net Assets	28,445,831	27,181,081
TOTAL LIABILITIES AND NET ASSETS	$ 31,112,233	$ 29,951,569

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, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Gains:						
Government grants	$ 8,655,919	$ -	$ 8,655,919	$ 9,850,680	$ -	$ 9,850,680
Contributions	2,838,238	650,000	3,488,238	1,754,047	797,001	2,551,048
Housing	700,540	-	700,540	1,077,776	-	1,077,776
In-kind contributions	651,600	-	651,600	619,200	-	619,200
Special events:						
Special events revenue	633,994	129,000	762,994	156,595	94,250	250,845
Less: Cost of direct benefits to donors	(59,500)	-	(59,500)	(4,776)	-	(4,776)
Special events revenue, net	574,494	129,000	703,494	151,819	94,250	246,069
Other income	46,600	-	46,600	2,169,587	-	2,169,587
Investment income (loss), net	(56,882)	(122,434)	(179,316)	375,442	2,091	377,533
Donations from seniors served	108,688	-	108,688	161,153	-	161,153
Rental Income	43,622	-	43,622	43,442	-	43,442
Net assets released from restrictions	885,158	(885,158)	-	1,157,694	(1,157,694)	-
Total Revenue, Support and Gains	14,447,977	(228,592)	14,219,385	17,360,840	(264,352)	17,096,488
Expenses:						
Program Services:						
Nutrition program	7,829,007	-	7,829,007	8,913,610	-	8,913,610
Health and social services	1,876,045	-	1,876,045	1,383,602	-	1,383,602
Housing development and facility support	1,274,305	-	1,274,305	661,112	-	661,112
Total Program Services	10,979,357	-	10,979,357	10,958,324	-	10,958,324
Supporting Services:						
Management and general	860,259	-	860,259	830,165	-	830,165
Fundraising	1,115,019	-	1,115,019	624,303	-	624,303
Total Supporting Services	1,975,278	-	1,975,278	1,454,468	-	1,454,468
Total Expenses	12,954,635	-	12,954,635	12,412,792	-	12,412,792
Change in Net Assets	1,493,342	(228,592)	1,264,750	4,948,048	(264,352)	4,683,696
Net Assets at Beginning of Year	16,703,573	10,477,508	27,181,081	11,755,525	10,741,860	22,497,385
NET ASSETS AT END OF YEAR	$ 18,196,915	$ 10,248,916	$ 28,445,831	$ 16,703,573	$ 10,477,508	$ 27,181,081

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	2022 Total
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
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 STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

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

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, 2022 AND 2021

	2022	2021
Cash Flows From Operating Activities:		
Change in net assets	$ 1,264,750	$ 4,683,696
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	321,413	299,154
Net unrealized losses (gains)	288,459	(361,470)
(Income)/Loss from investments in limited partnerships, net	(34,074)	12,090
Endowment investment loss (income)	348	(2,091)
Endowment restricted distributions	341	334
(Increase) Decrease in:		
Other receivable	273,256	(752,588)
Grants receivable	848,520	(401,011)
Pledges receivable, net	(607,694)	3,085
Accounts receivable - related parties, net	(42,884)	11,863
Prepaid expenses and other	(9,398)	(4,232)
(Decrease) Increase in:		
Accounts payable	(141,715)	(717,014)
Payroll and related liabilities	51,170	(243,408)
Accrued paid time off	16,950	40,652
Deferred revenue	-	(699,200)
Net Cash Provided by Operating Activities	2,229,442	1,869,860
Cash Flows From Investing Activities:		
(Purchase) sale of investments, net	(313,360)	37,853
Purchase of land, building and equipment	(638,175)	(239,406)
Change in beneficial interest in endowment funds	689	(1,757)
Net Cash (Used in) Investing Activities	(950,846)	(203,310)

(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, 2022 AND 2021

	2022	2021
Cash Flows From Financing Activities:		
Endowment investment (loss) income	$ (348)	$ 2,091
Endowment distributions	(341)	(334)
Distributions from investments in limited partnerships	3,625	3,274
Net Cash Provided by Financing Activities	2,936	5,031
Net Increase in Cash and Cash Equivalents	1,281,532	1,671,581
Cash and Cash Equivalents at Beginning of Year	4,234,474	2,562,893
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 5,516,006	$ 4,234,474
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ -	$ 148
Land, building and equipment acquired with accounts payable	$ -	$ 27,507

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 Senior Housing Corporation has a 0.005% partnership interest in City Heights Square, LP.

West Senior Wellness Center

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

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

Nutrition Program

Serving Seniors' Senior Nutrition Program ensures almost 8,000 low-income seniors have access to a nutritious diet, providing 1.4 million congregate and home-delivered meals a year. Meals are served from numerous congregate sites across San Diego County including Gary & Mary West Senior Wellness Center, and delivered directly to homebound seniors each day.

Note 1 - Organization: (Continued)

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

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

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

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.

Note 2 - Significant Accounting Policies:

Consolidated Financial Statements

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

Note 2 - Significant Accounting Policies: (Continued)

Accounting Method

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

Financial Statement Presentation

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

- Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Estimates

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

Risks and Uncertainties

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

Fair Value Measurements

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

Note 2 - Significant Accounting Policies: (Continued)

Fair Value Measurements (Continued)

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

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

- Investments in mutual funds are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.
- Beneficial interest in endowment funds held by San Diego Foundation is considered a Level 3 asset which represents the fair value of the underlying assets as provided by San Diego Foundation (Note 13).

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. Management believes that the other receivable and all grants and pledges receivable were fully collectible; therefore, no allowance for doubtful accounts, grants and pledges receivable was recorded at June 30, 2022 and 2021. As more fully described in Note 9, the allowance for doubtful accounts - related parties totaled $1,839,740 and $1,716,280 at June 30, 2022 and 2021, respectively, while the allowance for doubtful accounts - interest on notes receivable totaled $7,214,706 and $6,678,622 at June 30, 2022 and 2021, 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 $321,413 and $299,154 for the years ended June 30, 2022 and 2021, respectively.

Note 2 - Significant Accounting Policies: (Continued)

Capitalization and Depreciation (Continued)

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

Impairment of Land and Building

The Organization reviews its investment in land and building for impairment whenever events and changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2022 or 2021.

Investments/Share of Deficiency in Limited Partnerships

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

Compensated Absences

Accumulated paid time off and other employee benefit amounts totaling $274,309 and $257,359 at June 30, 2022 and 2021, respectively, are accrued when incurred and included in accrued paid time off.

Revenue Recognition

Grants

Grants revenue is recognized in the period in which the related work is performed in accordance with the terms of the grant or contract. Grants receivable is recorded when revenue earned under a grant exceeds the cash received. Grants receivable totaled $1,319,364 and $2,167,884 at June 30, 2022 and 2021, respectively.

Contributions

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

Note 2 - Significant Accounting Policies: (Continued)

Revenue Recognition (Continued)

Housing

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

Rental Income

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

Other Income

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

Donated Services and Materials

The Organization utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the consolidated financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the years ended June 30, 2022 and 2021, 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 $651,600 and $619,200 based on the excess of fair market value of all rental space over the rents paid for the years ended June 30, 2022 and 2021, 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.

Note 2 - Significant Accounting Policies: (Continued)

Income Taxes

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

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

Serving Seniors, Senior Housing Corporation, City Heights Senior Housing Corporation and West Senior Wellness Center's Returns of Organization Exempt from Income Tax for the years ended June 30, 2022, 2021, 2020 and 2019 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

Concentrations

Credit Risk

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

Accounts Receivable and Revenue

Other receivable consists exclusively of amounts due from the U.S. Department of the Treasury under the Employee Retention Tax Credit program. Grants receivable includes $1,215,287 and $2,150,300 due from the County of San Diego at June 30, 2021 and 2022, respectively.

The Organization received $8,655,918 and $11,946,054 or 61% and 70% of its total revenue support and gains from three government agencies for senior nutrition/community enhancement, Employee Retention Tax Credit and Payroll Protection Program for the years ended June 30, 2022 and 2021, respectively.

Cash and Cash Equivalents

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

Note 2 - Significant Accounting Policies: (Continued)

Accounting Pronouncements Adopted

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets (Topic 958).* ASU 2020-07 improves transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit entities. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. This standard is applied on a retrospective basis. The adoption had no effect on the 2022 consolidated financial statements.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 25, 2022, 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:

	2022	2021
Financial assets as year-end:		
Cash and cash equivalents	$ 5,516,006	$ 4,234,474
Investments	2,324,792	2,299,891
Grants receivable	1,319,364	2,167,884
Other receivable	479,332	752,588
Accounts receivable - Related parties, net	127,010	84,126
Pledges receivable	712,665	79,971
Total financial assets	10,479,169	9,618,934
Less assets unavailable for general expenditures:		
Investments restricted for endowment	(750,000)	(750,000)
Restricted by governing body requiring approval for disbursement	(2,908,708)	(2,151,392)
Total financial assets not available to be used within one year	(3,658,708)	(2,901,392)
Financial assets available to meet cash needs for general expenditures within one year	$ 6,820,461	$ 6,717,542

Note 3 - Liquidity and Availability: (Continued)

In addition to financial assets available to meet general expenditures over the next 12 months the Organization has a line-of-credit agreement with available borrowings totaling $1,000,000 as described in Note 14. In addition, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

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 16.

Note 4 - Fair Value Measurements:

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

	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

	2021			
	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, 2021
Mutual Funds:				
Fixed income funds	$ 1,053,891	$ -	$ -	$ 1,053,891
Large cap equity funds	792,794	-	-	792,794
International securities funds	356,505	-	-	356,505
Real estate securities funds	96,701	-	-	96,701
Beneficial interest in endowment funds (Note 13)	-	-	9,073	9,073
	$ 2,299,891	$ -	$ 9,073	$ 2,308,964

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.

Note 4 - Fair Value Measurements: (Continued)

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:

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

2021

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	$ 9,073	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:

	2022	2021
Mutual Funds	$ 2,324,792	$ 2,299,891

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

	2022	2021
Investments - Current	$ 1,574,792	$ 1,549,891
Investments - Restricted for endowment	750,000	750,000
Total Investments	$ 2,324,792	$ 2,299,891

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

	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 5 - Investments: (Continued)

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

Note 6 - Other Receivable:

Serving Seniors applied for the Employee Retention Tax Credit (ERTC) for the year ended June 30, 2021. Serving Seniors recognized ERTC revenue of $-0- and $1,416,174 for the years ended June 30, 2022 and 2021, respectively, which is included in other income. Other receivable consisted of the following at June 30:

	2022	2021
Employee Retention Tax Credit	$ 479,332	$ 752,588

Note 7 - Grants Receivable:

Grants receivable consist of the following at June 30:

	2022	2021
County of San Diego - Aging and Independence Services	$ 1,041,998	$ 2,119,924
City of San Diego - Senior Center Facility Improvement	173,288	-
City of San Diego - Emergency COVID-19 Food Assistance	92,831	-
City of Oceanside - CDBG	7,704	9,627
City of San Diego - Transitional Housing	3,543	-
City of San Diego - Neighborhood Reinvestment	-	30,000
San Diego Housing Commission - Housing Stability Assistance Program	-	8,333
Total Grants Receivable	$ 1,319,364	$ 2,167,884

Note 8 - Pledges Receivable:

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

	2022	2021
Receivables due in less than one year	$ 712,665	$ 79,971
Receivables due in more than one year	-	25,000
Receivables due in more than one year, net	-	25,000
Pledges Receivable	$ 712,665	$ 104,971

Note 9 - Accounts Receivable - Related Parties:

Serving Seniors and its affiliate entities, Senior Housing Corporation and City Heights Senior Housing Corporation, have provided development, management, supporting, and other services with respect to projects in which Serving Seniors has a general partner interest. City Heights Senior Housing Corporation has provided development and supporting services to City Heights Square, L.P. and Senior Housing Corporation has provided incentive management services to Market Square Manor Associates, L.P. 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:

	2022	2021
Market Square Manor Associates, L.P.	$ 1,888,974	$ 1,752,580
Ramona Senior CIC, L.P.	32,409	4,733
City Heights Square, L.P.	31,167	31,167
HDP Broadway, L.P.	9,200	9,200
HDP Village North, LLC	2,500	-
HDP New Palace, L.P.	1,500	1,500
HDP West Park, L.P.	1,000	1,000
Mt. Etna Senior Housing, LLC	-	226
Subtotal	1,966,750	1,800,406
Less: Allowance for doubtful accounts	(1,839,740)	(1,716,280)
Total Accounts Receivable - Related Parties, Net	$ 127,010	$ 84,126

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 $1,839,740 and $1,716,280 at June 30, 2022 and 2021, respectively. Management believes that the accounts receivable from City Heights Square, L.P., Ramona Senior CIC, L.P., HDP Broadway, L.P., HDP New Palace, L.P., HDP West Park, L.P., HDP Village North, LLC and Mt. Etna Senior Housing, LLC are fully collectible, therefore no allowance for doubtful accounts has been established.

Note 10 - Notes Receivable:

Notes receivable consist of the following at June 30:

	2022	2021
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 $-0- (Accrued interest receivable of $5,331,802 net of allowance of $5,331,802) and $-0- (Accrued interest receivable of $4,906,818 net of allowance of $4,906,818 at June 30, 2022 and 2021, respectively.	$ 9,189,400	$ 9,189,400
Senior Housing Corporation has a note receivable from Market Square Manor Associates, L.P., A California Limited Partnership, for the purchase of the land associated with the construction of Potiker Family Senior Residence. The note accrues interest at 5.05% per annum and is payable on December 6, 2056 (See Note 15). Accrued interest receivable totaled $-0- (Accrued interest receivable of $1,882,904 net of allowance of $1,882,904) and $-0- (Accrued interest receivable of $1,771,804, net of allowance of $1,771,804) at June 30, 2022 and 2021 respectively.	2,310,334	2,310,334
Total Notes Receivable	$ 11,499,734	$ 11,499,734

Note 11 - Land, Building and Equipment:

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

	2022	2021
Land	$ 2,500,000	$ 2,500,000
Building	7,187,860	6,912,235
Furniture and equipment	1,311,625	1,234,562
Vehicles	670,475	384,988
Leasehold improvements	241,834	241,834
Subtotal	11,911,794	11,273,619
Less: Accumulated depreciation	(3,525,506)	(3,204,093)
Land, Building and Equipment, Net	$ 8,386,288	$ 8,069,526

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:

	2022	2021
Market Square Manor Associates, L.P. (0.005%)	$ 265,170	$ 265,223
City Heights Square, L.P. (0.005%)	231,168	231,216
HDP Broadway, L.P. (21% of 0.01%)	3,094	3,126
HDP New Palace, L.P. (21% of 0.01%)	1,980	1,918
Fairmont Senior Housing CIC, L.P. (0.01%)	50	-
Ramona Seniors CIC, L.P. (0.51%)	15	36
HDP West Park, L.P. (0.009%)	-	(30,491)
Total Investments in Limited Partnership	$ 501,477	$ 471,028

	2022	2021
Financial Statement Presentation:		
Investment in partnerships	$ 501,477	$ 501,519
Share of deficiency in partnerships	-	(30,491)
	$ 501,477	$ 471,028

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 26% alternative investments, and 9% 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 $341 and $334 in distributions for the years ended June 30, 2022 and 2021, 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:

	2022	2021
Balance, Beginning of Year	$ 9,073	$ 7,316
Investment (loss) income	(348)	2,091
Distribution to the Organization	(341)	(334)
Total Beneficial Interest in Endowment Funds	$ 8,384	$ 9,073

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 3.25% per year. The line-of-credit is secured by the accounts, inventory and equipment of the Organization and matures on December 21, 2022. There was no balance outstanding at June 30, 2022 and 2021.

Note 15 - Notes Payable:

Notes payable consist of the following at June 30:

	2022	2021
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 $2,110,995, net of allowance of $2,110,995) and $-0- (Accrued interest payable of $1,999,895, net of allowance of $1,999,895) at June 30, 2022 and 2021, 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	
2023	$ -
2024	-
2025	-
2026	-
2027	-
Thereafter	2,200,000
	$ 2,200,000

Note 16 - 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 $2,908,708 and $2,151,392 as of June 30, 2022 and 2021, respectively.

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:

	2022	2021
Subject to Expenditure for Specified Purpose:		
Nurse case management	$ 30,000	$ -
Pet pals	7,897	10,478
Nutrition program	1,411	1,703
Social case manager	-	45,082
Covid relief	-	37,500
Total Subject to Expenditure for Specified Purpose	39,308	94,763
Subject to the Passage of Time:		
City Heights grant	9,105,000	9,105,000
Endowments (Note 17)	217,224	399,422
Gala event	129,000	94,250
Long-term pledges	-	25,000
Total Subject to the Passage of Time	9,451,224	9,623,672
Perpetual in Nature:		
Endowments (Note 17)	758,384	759,073
Total Net Assets with Donor Restrictions	$ 10,248,916	$ 10,477,508

Note 16 - Net Assets: (Continued)

Net Assets With Donor Restrictions (Continued)

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

	2022	2021
Purpose Restrictions Accomplished:		
Operations	$ 250,000	$ 289,500
Integrated health	225,000	-
Covid PPE	67,500	-
Social cash manager	45,082	49,710
Emergency assistance	35,000	-
Nutrition program	30,290	213,298
Direct client assistance	30,000	-
Pet pals	12,582	42,486
Nurse case management	10,000	-
Telehealth program	-	235,000
Alzheimer program	-	85,360
Training	-	30,000
Time Restrictions Fulfilled	179,363	212,006
Endowment Distributions	341	334
Total Net Assets Released From Restrictions	$ 885,158	$ 1,157,694

Note 17- Endowment Net Assets:

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

Web MD Health Preservation Endowment

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

Note 17- Endowment Net Assets: (Continued)

Web MD Health Preservation Endowment (Continued)

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

Serving Seniors considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Serving Seniors has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Serving Seniors has no underwater endowment funds at June 30, 2022 and 2021.

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

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

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

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

Note 17 - Endowment Net Assets: (Continued)

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:

	2022 Permanently Restricted	2021 Permanently Restricted
Web MD Health Preservation	$ 750,000	$ 750,000
Beneficial interest endowment funds - San Diego Foundation	8,384	9,073
Total Endowment Net Assets	$ 758,384	$ 759,073

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

	Time Restricted	Permanently Restricted	Total
Endowment Net Assets at June 30, 2020	$ 196,512	$ 757,316	$ 953,828
Investment income	258,100	2,091	260,191
Appropriation of endowment assets for expenditures	(55,190)	(334)	(55,524)
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

Note 18 - Lease Obligations:

Serving Seniors leases office equipment through April 2024. Equipment lease expense totaled $43,604 and $75,609 for the years ended June 30, 2022 and 2021, respectively, under these leases which is included in supplies and office in the consolidated statements of functional expenses.

Serving Seniors renews its lease for emergency lodging on an annual basis. Emergency lodging lease expense totaled $226,020 and $192,975 for the years ended June 30, 2022 and 2021, respectively, which is included in specific assistance in the consolidated statements of functional expenses.

Note 19 - Pension Plan:

403(b) Pension Plan

Serving Seniors sponsors a 403(b) pension plan covering substantially all of its employees. Each employee's total contribution may not exceed the maximum allowable under current regulations. The Organization matches the first 3% of eligible compensation contributed by the employee. The Organization also pays all administrative costs of this plan. All beneficiaries of the 403(b) plan are responsible for their own plan investment decisions. Matching contributions under this plan totaled $86,321 and $76,314 for the years ended June 30, 2022 and 2021, respectively and are included in employee benefits.

Note 20 - Coronavirus Pandemic Contingency:

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

SERVING SENIORS AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grants/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Agency or Pass-Through Number	Passed Through to Subrecipient	Federal Expenditure	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 - Senior Center Facility Improvement		NCIP-FY22-003-0	$ -	$ 250,406	$ 250,406
City of San Diego - CDBG Emergency COVID-19 Food Assistance		PS-FY21-010-01	-	147,070	147,070
City of San Diego - CDBG Transitional Housing		PS-FY22-003-01	-	46,957	46,957
City of Oceanside - Senior Nutrition Program		21-D0706-4	-	31,904	31,904
Total Community Development Block Grants/ Entitlement Grants:			-	476,337	476,337
Section 8 Housing Choice Vouchers:	14.871				
San Diego Housing Commission		N/A	-	168,000	168,000
Total Pass-Through Programs			-	644,337	644,337
Total U.S. Department of Housing and Urban Development			-	644,337	644,337
U.S. Department of the Treasury:					
Pass-Through Programs From:					
Emergency Rental Assistance Program:	21.023				
San Diego Housing Commission - Housing Stability Assistance		RAD-21-12	-	16,667	16,667
Total Emergency Rental Assistance Program			-	16,667	16,667
Total Pass-Through Programs			-	16,667	16,667
Total U.S. Department of the Treasury			-	16,667	16,667
U.S. Department of Health and Human Services:					
Pass-Through Programs From:					
Aging Cluster:					
Special Programs for the Aging, Title III, Part B,					
Grants for Supportive Services and Senior Centers:	93.044				
County of San Diego		561766	-	789,798	789,798
Special Programs for the Aging, Title III, Part C,					
Nutrition Services:	93.045				
County of San Diego		561766	-	5,141,230	5,141,230
Nutrition Services Incentive Program:	93.053				
County of San Diego		561766	-	576,970	576,970
Total Aging Cluster			-	6,507,998	6,507,998
National Family Caregiver Support, Title III, Part E:	93.052				
County of San Diego		561766	-	246,400	246,400
Total Pass-Through Programs			-	6,754,398	6,754,398
Total U.S. Department of Health and Human Services			-	6,754,398	6,754,398
Total Expenditures of Federal Awards			$ -	$ 7,415,402	$ 7,415,402

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, 2022. 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.

SERVING SENIORS AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022, 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 October 25, 2022.

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.

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

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
October 25, 2022

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

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

To the Board of Directors
Serving Seniors and Subsidiaries

Report on Compliance for the Major Federal Program

Opinion on Major 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 program for the year ended June 20, 2022. Serving Seniors and Subsidiaries' major federal program is 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 its major federal program for the year ended June 20, 2022.

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 the major federal program. 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.

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

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 of the major federal program 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
October 25, 2022

SERVING SENIORS AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

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

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