SERVING SENIORS AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Leaf & Cole, LLP
Certified Public Accountants

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

Independent Auditor's Report

To the Board of Directors
Serving Seniors and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Serving Seniors and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2018 and 2017 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Serving Seniors and Subsidiaries as of June 30, 2018 and 2017 and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Leaf & Cole LLP

San Diego, California
October 1, 2018

SERVING SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS

		2018		2017
Current Assets: (Notes 2, 3, 4, 5, 6 and 7)				
Cash and cash equivalents	$	517,171	$	397,545
Investments		1,654,427		1,561,554
Accounts receivable		-		1,500
Grants receivable		252,426		274,571
Pledges receivable		83,086		94,119
Accounts receivable - related parties, net		129,067		109,167
Prepaid expenses and other		123,558		146,432
Total Current Assets		2,759,735		2,584,888
Noncurrent Assets: (Notes 2, 3, 4, 6, 8, 9, 10, 11, 15 and 19)				
Pledges receivable, net		145,580		171,875
Notes receivable		12,499,734		12,499,734
Accrued interest receivable		1,463,214		1,329,344
Land, building and equipment, net		8,091,295		8,241,963
Investments in limited partnerships		502,673		496,837
Investments restricted for endowment		750,000		750,000
Beneficial interest in endowment funds		7,652		7,504
Total Noncurrent Assets		23,460,148		23,497,257
TOTAL ASSETS	$	26,219,883	$	26,082,145

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

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

LIABILITIES AND NET ASSETS

	2018	2017
Current Liabilities: (Notes 2 and 13)		
Accounts payable	$ 377,469	$ 398,869
Payroll and related liabilities	155,137	162,202
Accrued vacation	168,951	186,443
Deferred revenue	159,608	150,033
Conditional promise	150,000	150,000
Total Current Liabilities	1,011,165	1,047,547
Noncurrent Liabilities: (Notes 2, 10 and 13)		
Notes payable	3,200,000	3,200,000
Accrued interest payable	1,463,214	1,329,344
Share of deficiency in limited partnerships	112,370	112,008
Total Noncurrent Liabilities	4,775,584	4,641,352
Total Liabilities	5,786,749	5,688,899
Commitments and Contigencies: (Notes 12, 16, 17 and 18)		
Net Assets: (Notes 2, 14, 15 and 19)		
Unrestricted	10,230,759	10,188,218
Temporarily restricted	9,444,723	9,447,524
Permamently restricted	757,652	757,504
Total Net Assets	20,433,134	20,393,246
TOTAL LIABILITIES AND NET ASSETS	$ 26,219,883	$ 26,082,145

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, 2018 AND 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Support and Gains:								
Grant revenue	$ 4,195,630	$ -	$ -	$ 4,195,630	$ 3,975,826	$ -	$ -	$ 3,975,826
Housing	800,681	-	-	800,681	621,732	-	-	621,732
Contributions	700,482	-	-	700,482	478,929	-	-	478,929
Special events	443,491	-	-	443,491	504,615	-	-	504,615
Investment income	228,229	72,922	469	301,620	277,126	96,341	804	374,271
Donations from seniors served	141,848	-	-	141,848	138,560	-	-	138,560
In-kind contributions	108,720	-	-	108,720	105,480	-	-	105,480
Rental Income	44,276	-	-	44,276	43,730	-	-	43,730
Other income	36,542	-	-	36,542	23,992	-	-	23,992
United Way - grant and designations	1,037	-	-	1,037	1,840	-	-	1,840
Gain on sale of equipment	-	-	-	-	4,000	-	-	4,000
Net assets released from restrictions	76,044	(75,723)	(321)	-	95,211	(94,627)	(584)	-
Total Revenue, Support and Gains	6,776,980	(2,801)	148	6,774,327	6,271,041	1,714	220	6,272,975
Expenses:								
Program Services:								
Nutrition program	3,019,055	-	-	3,019,055	2,853,963	-	-	2,853,963
Health and social services	1,589,340	-	-	1,589,340	1,634,777	-	-	1,634,777
Housing development and facility support	858,190	-	-	858,190	958,475	-	-	958,475
Total Program Services	5,466,585	-	-	5,466,585	5,447,215	-	-	5,447,215
Supporting Services:								
Management and general	682,920	-	-	682,920	666,945	-	-	666,945
Fundraising	472,963	-	-	472,963	316,242	-	-	316,242
Total Supporting Services	1,155,883	-	-	1,155,883	983,187	-	-	983,187
Total Program and Supporting Services Expenses	6,622,468	-	-	6,622,468	6,430,402	-	-	6,430,402
Special Events	111,971	-	-	111,971	86,907	-	-	86,907
Total Expenses	6,734,439	-	-	6,734,439	6,517,309	-	-	6,517,309
Change in Net Assets Before Other Income	42,541	(2,801)	148	39,888	(246,268)	1,714	220	(244,334)
Other Income: (Note 18)								
Gain on unwind of tax credit financing	-	-	-	-	1,706,683	-	-	1,706,683
Total Other Income	-	-	-	-	1,706,683	-	-	1,706,683
Change in Net Assets	42,541	(2,801)	148	39,888	1,460,415	1,714	220	1,462,349
Net Assets at Beginning of Year (Note 19)	10,188,218	9,447,524	757,504	20,393,246	8,727,803	9,445,810	757,284	18,930,897
NET ASSETS AT END OF YEAR	$ 10,230,759	$ 9,444,723	$ 757,652	$ 20,433,134	$ 10,188,218	$ 9,447,524	$ 757,504	$ 20,393,246

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

SERVING SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services				Supporting Services			
	Nutrition Program	Health and Social Services	Housing Development & Facility Support	Total Program Services	Management and General	Fundraising	Total Supporting Services	2018 Total
Personnel:								
Salaries	$ 824,952	$ 1,058,232	$ 285,146	$ 2,168,330	$ 372,671	$ 364,967	$ 737,638	$ 2,905,968
Employee benefits	101,209	91,550	43,827	236,586	50,781	29,973	80,754	317,340
Payroll taxes	61,367	72,842	20,689	154,898	29,024	22,186	51,210	206,108
Total Personnel	987,528	1,222,624	349,662	2,559,814	452,476	417,126	869,602	3,429,416
Operating Expenses:								
Food costs	1,713,185	-	1,349	1,714,534	31	-	31	1,714,565
Occupancy and utilities	162,110	25	72,508	234,643	2,825	-	2,825	237,468
Depreciation	20,888	2,585	187,620	211,093	3,239	-	3,239	214,332
Repairs and maintenance	38,102	43,499	40,107	121,708	44,811	9,757	54,568	176,276
Specific assistance	-	168,438	-	168,438	-	-	-	168,438
Supplies	3,437	87,412	32,213	123,062	40,886	4,145	45,031	168,093
Interest expense	-	-	133,869	133,869	2,060	601	2,661	136,530
Other expense	24,563	8,007	8,225	40,795	22,355	10,080	32,435	73,230
Auto	54,710	-	1,080	55,790	1,003	-	1,003	56,793
Professional fees	-	-	-	-	53,910	-	53,910	53,910
Insurance	-	1,105	14,836	15,941	29,691	-	29,691	45,632
Telephone	9,160	4,919	16,721	30,800	5,931	3,619	9,550	40,350
Public relations	-	26,991	-	26,991	-	6,748	6,748	33,739
Mail house services	2,791	5,485	-	8,276	5,481	13,690	19,171	27,447
Travel, conferences and meetings	868	7,543	-	8,411	14,025	4,141	18,166	26,577
Consultants	-	10,707	-	10,707	171	494	665	11,372
Postage	625	-	-	625	4,025	2,562	6,587	7,212
Equipment	1,088	-	-	1,088	-	-	-	1,088
Total Operating Expenses	2,031,527	366,716	508,528	2,906,771	230,444	55,837	286,281	3,193,052
TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES	$ 3,019,055	$ 1,589,340	$ 858,190	$ 5,466,585	$ 682,920	$ 472,963	$ 1,155,883	$ 6,622,468

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, 2017

	Program Services				Supporting Services			
	Nutrition Program	Health and Social Services	Housing Development & Facility Support	Total Program Services	Management and General	Fundraising	Total Supporting Services	2017 Total
Personnel:								
Salaries	$ 735,439	$ 1,165,105	$ 348,133	$ 2,248,677	$ 377,958	$ 223,305	$ 601,263	$ 2,849,940
Employee benefits	89,990	84,846	45,212	220,048	84,337	13,947	98,284	318,332
Payroll taxes	55,187	81,647	26,467	163,301	26,922	15,279	42,201	205,502
Total Personnel	880,616	1,331,598	419,812	2,632,026	489,217	252,531	741,748	3,373,774
Operating Expenses:								
Food costs	1,687,030	1	286	1,687,317	-	112	112	1,687,429
Occupancy and utilities	153,025	9	73,708	226,742	-	-	-	226,742
Depreciation	12,611	2,584	186,982	202,177	4,943	-	4,943	207,120
Repairs and maintenance	36,538	34,339	45,973	116,850	43,016	5,585	48,601	165,451
Specific assistance	-	182,801	-	182,801	245	-	245	183,046
Supplies	3,193	24,278	29,137	56,608	18,150	9,287	27,437	84,045
Interest expense	-	-	159,021	159,021	123	5,170	5,293	164,314
Other expense	20,231	8,935	4,210	33,376	18,287	15,370	33,657	67,033
Auto	49,151	22	1,059	50,232	-	-	-	50,232
Professional fees	-	-	-	-	51,004	-	51,004	51,004
Insurance	-	-	20,518	20,518	15,901	-	15,901	36,419
Telephone	7,040	6,097	17,215	30,352	3,637	2,730	6,367	36,719
Public relations	-	24,133	-	24,133	-	6,033	6,033	30,166
Mail house services	3,554	8,622	63	12,239	2,580	14,222	16,802	29,041
Travel, conferences and meetings	47	8,793	-	8,840	2,297	1,399	3,696	12,536
Consultants	-	2,280	-	2,280	13,471	419	13,890	16,170
Postage	615	98	-	713	1,592	3,384	4,976	5,689
Equipment	312	187	491	990	2,482	-	2,482	3,472
Total Operating Expenses	1,973,347	303,179	538,663	2,815,189	177,728	63,711	241,439	3,056,628
TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES	$ 2,853,963	$ 1,634,777	$ 958,475	$ 5,447,215	$ 666,945	$ 316,242	$ 983,187	$ 6,430,402

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, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities:		
Change in net assets	$ 39,888	$ 1,462,349
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	214,332	207,670
Net realized and unrealized gains	(100,678)	(143,204)
(Income) loss from investments in limited partnerships	(5,353)	163
Gain on unwind of tax credit financing	-	(1,723,141)
Permanently restricted investment income	(469)	(804)
Permanently restricted distributions	321	584
(Increase) Decrease in:		
Accounts receivable	1,500	3,000
Grants receivable	22,145	(27,277)
Pledges receivable, net	37,328	58,930
Accounts receivable - related parties, net	(19,900)	(25,000)
Accrued interest receivable	(133,870)	(112,971)
Prepaid expenses and other	22,874	(6,797)
(Decrease) Increase in:		
Accounts payable	(31,526)	61,342
Payroll and related liabilities	(7,065)	54,245
Accrued vacation	(17,492)	(32,582)
Deferred revenue	9,575	79,615
Accrued interest payable	133,870	107,879
Net Cash Provided by (Used In) Operating Activities	165,480	(35,999)
Cash Flows From Investing Activities:		
Sales of investments, net	7,805	165,981
Increase in notes receivable	-	(84,400)
Decrease in other assets	-	5,871
Purchase of land, building and equipment, net	(53,538)	(52,609)
Change in beneficial interest in endowment funds	(148)	(220)
Net Cash (Used in) Provided by Investing Activities	(45,881)	34,623

(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, 2018 AND 2017

	2018	2017
Cash Flows From Financing Activities:		
Permanently restricted investment income	$ 469	$ 804
Permanently restricted distributions	(321)	(584)
Contribution to investment in limited partnership	(100)	-
Net Cash Provided by Financing Activities	48	220
Net Increase (Decrease) in Cash and Cash Equivalents	119,626	(1,156)
Cash and Cash Equivalents at Beginning of Year	397,545	398,701
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 517,171	$ 397,545
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ -	$ 50,592

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, formerly known as Senior Community Centers of San Diego, 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. Senior Housing Corporation has a .005% partnership interest in Market Square Manor Associates, LP. The Board of Directors of Senior Housing Corporation are elected by the Board of Directors of Serving Seniors.

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 .01% partnership interest in HDP Broadway, L.P.

Senior Housing Corporation became a sole member of WMSD MGP, LLC. WMSD MGP, LLC was formed as a limited liability company under the laws of the State of California on July 7, 2014. WMSD MGP, LLC was established for the purpose and intent of acquiring real property and providing and managing housing for low income persons. WMSD MGP, LLC has a 0.005% in Westminster Manor, L.P.

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

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

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 .01% partnership interest in HDP New Palace, L.P.

Note 1 - Organization: (Continued)

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. City Heights Senior Housing Corporation has a .005% partnership interest in City Heights Square, LP. The Board of Directors of City Heights Senior Housing Corporation are elected by the Board of Directors of Serving Seniors.

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.

West Senior Wellness Center was eligible for New Market Tax Credits (NMTC) because 60% of the people in its census tract are below the median income for San Diego County. NMTC's are awarded on a competitive basis by the Department of the Treasury to Certified Development Entities (CDE). Investors in the tax credits receive a 7-year stream of federal income tax credit benefits for making a qualified investment in a CDE. CDE utilizes this investment to provide capital to qualifying businesses in low-income communities. The goal is to increase access to and/or lower the cost of capital for businesses in low-income areas (e.g. lower interest rates, partial debt forgiveness, etc.) A Certified Development Entity (CDE) applies for and receives an allocation of NMTC from the U.S. Treasury. Our CDE is Clearinghouse NMTC and is based in Orange County. The CDE sold its NMTC to an investor - U.S. Bank. U.S. Bank received the 39% tax credit over 7 years. West Senior Wellness Center was awarded this NMTC on August 19, 2009 and the transaction was unwound during the year ended June 30, 2017 (see Note 18).

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

Nutrition Program

Serving Seniors provides seniors age 60 and above with over 665 hot meals each day, at nine centers. Serving Seniors also provides and delivers hot meals to approximately 868 home-bound seniors on a daily basis. The drivers of the home delivered meals notify Serving Seniors' social workers if any senior is in need of medical or social services.

Health and Social Services

- Supportive Services
- Clinical Social Services
- Nurse Case Management
- Special Assistance to Seniors
- Homeless Prevention including Temporary Housing
- Advocacy
- Lifelong Learning and Civic Engagement including Volunteering

Note 1 - Organization: (Continued)

Housing Development and Facility Support

Serving Seniors owns 350 units of affordable senior housing, which provide meals, social services and socialization opportunities for senior residents. The Organization is actively pursuing additional affordable housing projects. In addition the Organization provides facility maintenance for the Senior Center.

Note 2 - Significant Accounting Policies:

Consolidated Financial Statements

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

Accounting Method

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

Financial Statement Presentation

The consolidated financial statements present information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

- Unrestricted net assets – Net assets not subject to donor imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor imposed stipulations that will be met by actions of the Organization and/or the passage of time. When a donor stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets – Net assets subject to donor imposed stipulations requiring that they be maintained permanently by the Organization. The income from these assets is available for either general operations or specific programs as specified by the donor.

Note 2 - Significant Accounting Policies: (Continued)

Financial Statement Presentation

The FASB has issued reporting standards for endowments of not-for-profit Organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and enhanced disclosures for all endowment funds. The standards provide guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. The standards also require additional disclosures about endowments (both donor-restricted funds and board-designated funds) to enable users of consolidated financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies of its endowment funds.

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

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

- Investments in mutual funds are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.

- Beneficial interest in endowment funds held at 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 11).

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. Management believes that all accounts, grants and pledges receivable were fully collectible; therefore, no allowance for doubtful accounts, grants and pledges receivable was recorded at June 30, 2018 and 2017.

Capitalization and Depreciation

The Organization capitalizes all property and equipment in excess of $2,000 at cost, while donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support 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 restricted support. 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 temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

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

Depreciation totaled $214,332 and $207,120 for the years ended June 30, 2018 and 2017, 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 2018 or 2017.

Debt Issuance Costs

Debt issuance costs are incurred in order to obtain promissory notes payable. 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 mortgage interest expense and totaled $-0- and $550 for the years ended June 30, 2018 and 2017, respectively. The promissory notes payable were discharged during the year ended June 30, 2017 which resulted in the unamortized debt issuance costs being included as a component of the gain on unwind of tax credit financing.

Investments in Limited Partnerships

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

Compensated Absences

Accumulated unpaid vacation and other employee benefit amounts totaling $168,951 and $186,443 at June 30, 2018 and 2017, respectively, are accrued when incurred and included in accrued vacation.

Revenue Recognition

Grant 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 are recorded when revenue earned under a grant or contract exceeds the cash received. Deferred revenue is recorded when cash received under a grant exceeds the revenue earned. Deferred revenue from grants totaled $159,608 and $150,033 at June 30, 2018 and 2017, respectively.

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 unrestricted net assets if the restriction expires in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. 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

The Organization received a restricted contribution that contained donor conditions. Since this contribution represents a conditional promise, it is not recorded as contribution revenue until the donor conditions are met. Funds received from the donor in advance of the conditions being met totaled $150,000 and are recorded as a conditional promise at June 30, 2018 and 2017. These funds will subsequently be recognized as contribution revenue when donor conditions are met.

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, 2018 and 2017, 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 $108,720 and $105,480 based on the excess of fair market value of all rental space over the rents paid for the years ended June 30, 2018 and 2017, respectively.

Allocated Expenses

Expenses by function have been allocated among program and supporting services classifications on the basis of internal records and estimates made by the Organization's management.

Income Taxes

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

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, 2018, 2017, 2016 and 2015 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)

Concentration of Credit Risk

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

Cash and Cash Equivalents

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

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 1 , 2018, 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 - Fair Value Measurements:

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

	2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
Mutual Funds:				
Fixed income funds	$ 1,239,219	$ -	$ -	$ 1,239,219
Large cap equity funds	729,674	-	-	729,674
International securities funds	318,246	-	-	318,246
Real estate securities funds	117,288	-	-	117,288
Beneficial interest in endowment funds (Note 11)	-	-	7,652	7,652
	$ 2,404,427	$ -	$ 7,652	$ 2,412,079

Note 3 - Fair Value Measurements: (Continued)

	2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
Mutual Funds:				
Fixed income funds	$ 1,098,145	$ -	$ -	$ 1,098,145
Large cap equity funds	759,519	-	-	759,519
International securities funds	336,952	-	-	336,952
Real estate securities funds	116,938	-	-	116,938
Beneficial interest in endowment funds (Note 11)	-	-	7,504	7,504
	$ 2,311,554	$ -	$ 7,504	$ 2,319,058

The reconciliation for financial instruments measured at fair value on a recurring basis as significant unobservable inputs (Level 3) are included in the Notes 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:

2018				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	$ 7,652	Valuation of underlying assets as provided by San Diego Foundation	Base Price	N/A

2017				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	$ 7,504	Valuation of underlying assets as provided by San Diego Foundation	Base Price	N/A

Note 4 - Investments:

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

	2018	2017
Mutual Funds	$ 2,404,427	$ 2,311,554

Note 4 - Investments: (Continued)

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

	2018	2017
Investments - Current	$ 1,654,427	$ 1,561,554
Investments - Noncurrent	750,000	750,000
Total Investments	$ 2,404,427	$ 2,311,554

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

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest on notes receivable	$ 148,036	$ -	$ -	$ 148,036
Net realized and unrealized gains	53,877	52,154	469	106,500
Interest and dividend income	26,316	20,768	-	47,084
Total Investment Income	$ 228,229	$ 72,922	$ 469	$ 301,620

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest on notes receivable	$ 189,134	$ -	$ -	$ 189,134
Net realized and unrealized gains	66,507	76,534	804	143,845
Interest and dividend income	21,485	19,807	-	41,292
Total Investment Income	$ 277,126	$ 96,341	$ 804	$ 374,271

Note 5 - Grants Receivable:

Grants receivable consist of the following at June 30:

	2018	2017
County of San Diego - Aging and Independence Services	$ 240,271	$ 251,900
County of San Diego - Transitional Housing	12,155	-
City of San Diego - Low Income Senior Housing Improvements	-	20,931
County of San Diego - MOM Program	-	1,740
Total Grants Receivable	$ 252,426	$ 274,571

Note 6 - Pledges Receivable:

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

	2018	2017
Receivables due in less than one year	$ 83,086	$ 94,119
Receivables due in more than one year	150,000	200,000
Less: Discount to present value	(4,420)	(28,125)
Receivables due in more than one year, net	145,580	171,875
Pledges Receivable, Net	$ 228,666	$ 265,994

The pledges receivable have been discounted to their present value using a discount rate of 1.50% at June 30, 2018 and 2017, respectively.

Note 7 - Accounts Receivable - Related Parties:

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

	2018	2017
Market Square Manor Associates, L.P.	$ 1,466,268	$ 1,358,987
City Heights Square, L.P.	31,167	22,667
HDP Broadway, L.P.	9,200	9,200
Westminster Manor, L.P.	8,000	8,000
HDP New Palace, L.P.	1,500	-
Subtotal	1,516,135	1,398,854
Less: Allowance for doubtful accounts	(1,387,068)	(1,289,687)
Total Accounts Receivable - Related Parties, Net	$ 129,067	$ 109,167

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 $1,387,068 and $1,289,687 at June 30, 2018 and 2017, respectively. Management believes that the accounts receivable from City Heights Square, L.P., HDP Broadway, L.P., Westminster Manor, L.P., and HDP New Palace, L.P. are fully collectible, therefore no allowance for doubtful accounts has been established.

Note 8 - Notes Receivable:

Notes receivable consist of the following at June 30:

	2018	2017
Market Square Manor Associates, L.P., A California Limited Partnership, for costs related to the development of Potiker Family Senior Residence. The note accrues interest at 5.6% and is payable from the partnership's available funds. This note is secured by a deed of trust (See Note 13). Accrued interest receivable totaled $1,463,214 and $1,329,344 at June 30, 2018 and 2017, respectively.	$ 1,000,000	$ 1,000,000
Serving Seniors has a purchase money 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 13). Accrued interest receivable totaled $-0- (Accrued interest receivable of $1,438,657 net of allowance of $1,438,657) and $-0- (Accrued interest receivable of $1,327,557, net of allowance of $1,327,557) at June 30, 2018 and 2017 respectively.	2,310,334	2,310,334
Serving Seniors has a note receivable from City Heights Square, L.P., A California Limited Partnership, for advances not to exceed $9,189,400 related to the development of City Heights Square Senior Apartments. The note accrues interest at 3.0% per annum and is payable on February 15, 2061. Principal and interest payments are due on March 31st of each year after the project is placed in service based on available cash flow. This note is secured by a deed of trust. Accrued interest receivable totaled $-0- (Accrued interest receivable of $3,746,606 net of allowance of $3,746,606) and $-0- (Accrued interest receivable of $3,381,080 net of allowance of $3,381,080 at June 30, 2018 and 2017, respectively.	9,189,400	9,189,400
Total Notes Payable	12,499,734	12,499,734
Less: Current Portion	-	-
Notes Receivable, Net of Current Portion	$ 12,499,734	$ 12,499,734

Note 9 - Land, Building and Equipment:

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

	2018	2017
Land	$ 2,500,000	$ 2,500,000
Building	6,823,822	6,823,822
Furniture and equipment	1,045,569	981,905
Vehicles	107,023	107,023
Leasehold improvements	50,617	50,617
Subtotal	10,527,031	10,463,367
Less: Accumulated depreciation	(2,435,736)	(2,221,404)
Land, Building and Equipment, Net	$ 8,091,295	$ 8,241,963

Note 10 - Investments in Limited Partnerships:

Serving Seniors owns general partner interests in limited partnerships accounted for on the equity method. Senior Housing Corporation has a .005% interest in Market Square Manor, LP. City Heights Senior Housing Corporation has a .005% interest in City Heights Square, LP. Senior Housing Corporation, a sole member of WMSD MGP, LLC, has a .005% interest in Westminster Manor, L.P. Senior Housing Corporation has a 21% member interest in HDP Broadway Management, LLC, which has a .01% interest in HDP Broadway, L.P. Senior Housing Corporation has a 21% interest in New Palace MGP, LLC, which has a .01% interest in HDP New Palace, L.P. Senior Housing Corporation, a sole member of Ramona SHC Housing, LLC, has a .51% interest in Ramona Seniors CIC, L.P. The following are the balances in the Serving Seniors' capital accounts at June 30:

	2018	2017
Market Square Manor, L.P.	$ 265,362	$ 265,408
City Heights Square, L.P.	231,371	231,429
HDP Broadway, L.P.	5,840	-
Ramona Seniors CIC, L.P.	100	-
HDP New Palace, L.P.	(300)	-
Westminster Manor, L.P.	(112,070)	(112,008)
Total Investments in Limited Partnership	$ 390,303	$ 384,829

	2018	2017
Financial Statement Presentation:		
Investment in partnerships	$ 502,673	$ 496,837
Share of deficiency in partnerships	(112,370)	(112,008)
	$ 390,303	$ 384,829

Note 11 - Beneficial Interest in San Diego Foundation:

Serving Seniors has a beneficial interest in endowment funds held at San Diego Foundation, which are classified as permanently restricted for these investments that must be maintained in perpetuity. The beneficial interest in endowment funds held at San Diego Foundation is invested in a portfolio of equity and debt securities which is structured for long-term total return consisting of 24.7% domestic equities, 22.1% international equities, 20.9% alternative investments, 17.2% fixed income, 6.6% real estate, 5.3% global equities, 3.0% commodities and 0.2% cash.

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

	2018	2017
Balance, Beginning of Year	$ 7,504	$ 7,284
Investment income (loss)	469	804
Distribution to the Organization	(321)	(584)
Total Beneficial Interest in Endowment Funds	$ 7,652	$ 7,504

Note 12 - Line-of-Credit:

Serving Seniors has an unsecured business line-of-credit agreement with a financial institution, under which Serving Seniors is allowed to borrow up to $750,000. Advances under this agreement bear interest equal to the financial institution's prime rate (5.0% at June 30, 2018). The line-of-credit matures on January 31, 2019. There was no balance outstanding under this line-of-credit at June 30, 2018 and 2017.

Note 13 - Notes Payable:

Notes payable consist of the following at June 30:

	2018	2017
Serving Seniors received a subsidy in the loan amount of $1,000,000 from the Federal Home Loan Bank of San Francisco under the Affordable Housing Program (AHP). The loan must be paid back with interest at 5.6% within 15 years if Serving Seniors does not comply with the provisions of the AHP direct subsidy agreement. This loan is secured by a deed of trust (See Note 8). Accrued interest payable totaled $1,463,214 and $1,329,344 at June 30, 2018 and 2017, respectively.	$ 1,000,000	$ 1,000,000

(Continued)

Note 13 - Notes Payable: (Continued)

	2018	2017
Serving Seniors has entered into a Participation Agreement with the Redevelopment Agency of San Diego (Agency) and Market Square Manor Associates, LP (Partnership) whereby the Agency has conveyed title to land to the Organization with the understanding that the Partnership purchase the land for $2,592,000, of which $392,000 was paid by the Partnership to the Agency and the balance is evidenced by a purchase money note to the Serving Seniors. (See Note 8). Should Serving Seniors not comply with the terms of the Participation Agreement, Serving Seniors must pay back to the Agency an amount equal to the net present value of the anticipated future residual receipts, calculated on the basis of a 10% discount rate for the balance of the 55-year term of the agreement. This value is assumed to be equal to the purchase money note. Accrued interest payable was calculated at 5.05% which totaled $-0-. (Accrued interest payable of $1,666,748, net of allowance of $1,666,748) and $-0- (Accrued interest payable of $1,555,648, net of allowance of $1,555,648) at June 30, 2018 and 2017, respectively.	$ 2,200,000	$ 2,200,000
Total Notes Payable	3,200,000	3,200,000
Less: Current Portion	-	-
Notes Payable, Net of Current Portion	$ 3,200,000	$ 3,200,000

Future principal payments on notes payable are as follows:

Years Ended June 30	
2019	$ -
2020	1,000,000
2021	-
2022	-
2023	-
Thereafter	2,200,000
	$ 3,200,000

Note 14 - Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes at June 30:

	2018	2017
City Heights grant	$ 9,105,000	$ 9,105,000
Endowment earnings in excess of spending policy	194,143	170,649
For future periods	145,580	171,875
Total Temporarily Restricted Net Assets	$ 9,444,723	$ 9,447,524

Net assets totaling $75,723 and $94,627 were released from donor restrictions due to the satisfaction of purpose or time restrictions for the years ended June 30, 2018 and 2017, respectively.

Note 15 - 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 permanently restricted net assets (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 permanently restricted net assets is classified as temporarily restricted net assets 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

Note 15 - Endowment Net Assets: (Continued)

Web MD Health Preservation Endowment (Continued)

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Serving Seniors to retain as a fund of perpetual duration. There were no such deficiencies for the years ended June 30, 2018 and 2017.

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

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

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

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

San Diego Foundation Managed Funds

The beneficial interest in endowment funds of Serving Seniors held by San Diego Foundation (the "SDF") are managed in accordance with UPMIFA. The Foundation'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. Serving Seniors classifies permanently restricted net assets held by the Foundation as:

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

Note 15 - Endowment Net Assets: (Continued)

San Diego Foundation Managed Funds (Continued)

The Foundation has adopted investment and spending policies for endowment funds that:

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

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

Endowment composition by type of fund at June 30:

	2018		
	Temporarily Restricted	Permanently Restricted	Total June 30, 2018
Donor Restricted Endowment Funds:			
Web MD Health Preservation	$ 194,143	$ 750,000	$ 944,143
Beneficial interest endowment funds - San Diego Foundation	-	7,652	7,652
Total Donor Restricted Endowment Funds	$ 194,143	$ 757,652	$ 951,795

	2017		
	Temporarily Restricted	Permanently Restricted	Total June 30, 2018
Donor Restricted Endowment Funds:			
Web MD Health Preservation	$ 170,649	$ 750,000	$ 920,649
Beneficial interest endowment funds - San Diego Foundation	-	7,504	7,504
Total Donor Restricted Endowment Funds	$ 170,649	$ 757,504	$ 928,153

Note 15 - Endowment Net Assets: (Continued)

San Diego Foundation Managed Funds

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

	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets at June 30, 2016	$ 119,477	$ 757,284	$ 876,761
Investment income and net realized and unrealized appreciation	96,341	804	97,145
Appropriation of endowment assets for expenditures	(45,169)	(584)	(45,753)
Endowment Net Assets at June 30, 2017	170,649	757,504	928,153
Investment income and net realized and unrealized appreciation	72,922	469	73,391
Appropriation of endowment assets for expenditures	(49,428)	(321)	(49,749)
Endowment Net Assets at June 30, 2018	$ 194,143	$ 757,652	$ 951,795

Note 16 - Lease Obligations:

Serving Seniors leases office equipment through June, 2019. Equipment lease expense totaled $19,259 and $12,959 for the years ended June 30, 2018 and 2017, respectively, under this lease which is included in other expense in the consolidated statements of functional expenses.

Serving Seniors renews its lease for emergency lodging on an annual basis. Emergency lodging lease expense totaled $150,025 and $143,808 for the years ended June 30, 2018 and 2017, respectively, which is included in occupancy and utilities in the consolidated statement of functional expenses.

Future minimum lease payments under the leases are as follows:

Years Ended June 30	
2019	$ 8,881

Note 17 - Related Party Transactions:

In August 2009, Serving Seniors entered into an agreement with West Senior Wellness Center for the rental of the property located at 1525 4th Avenue, San Diego, California, through December 31, 2034. Serving Seniors was to make monthly payments of $21,668 for the first seven years of the lease and $28,417 thereafter. This agreement was terminated in conjunction with the unwinding of the tax credit financing on August 24, 2016 (See Note 18). The rental income and expense totaled $-0- and $43,333, and has been eliminated in the consolidated financial statements for the years ended June 30, 2018 and 2017, respectively.

Note 18 - Gain on Unwind of Tax Credit Financing:

On August 19, 2009, the West Senior Wellness Center borrowed $6,860,000 from Sub 15 as part of a Qualified Low Income Community Investment to partially fund the cost of developing the Gary and Mary West Senior Wellness Center, which financing structure took advantage of the availability of New Market Tax Credits for the project (the 2009 NMTC Financing).

West Senior Wellness Center financing was evidenced by two promissory notes, one in the principal amount of $1,850,000, and one in the principal amount of $5,010,000. The outstanding principal balance of the two notes was $6,860,000.

The 2009 NMTC Financing reached the end of the seven year tax credit compliance period on August 19, 2016. As such, the 2009 NMTC Financing was “unwound” on August 24, 2016.

Wellness Center NMTC Investor, LLC, (the Fund), owns 99.99% of the membership interests in Sub 15. USB NMTC Fund 2009-3, (USB Fund), the tax credit investor in the 2009 NMTC Financing, owns all the membership interests in the Fund.

As part of the 2009 NMTC Financing, Serving Seniors granted to USB Fund the right to require Serving Seniors to purchase all of USB Fund’s membership interest in the Fund for $1,000, pursuant to a Put/Call Option Agreement dated August 19, 2009. As part of the “unwind” process, USB Fund exercised the Put on August 24, 2016, and upon the consummation of such purchase of $1,000 resulting from such exercise, Serving Seniors became the sole member of the Fund.

With the consummation of the Put, the then manager of the fund, Clearinghouse Community Development Financial Institution, resigned as manager of the Fund. As the sole member of the Fund, Serving Seniors exercised its right to appoint itself as the successor manager of the Fund.

Sub 15 redeemed the interest of the Fund in Sub 15 in exchange for a distribution of the promissory notes. As a result of such redemption, the Fund held the promissory notes as of August 26, 2016. To facilitate the dissolution of the Fund, Serving Seniors caused the Fund to transfer the promissory notes to the corporation and forgive the promissory notes.

Serving Seniors had a promissory note receivable from the Fund in the amount of $5,100,000 related to the development of the Gary and Mary West Senior Wellness Center. To facilitate the dissolution of the Fund, Serving Seniors forgave the promissory note receivable from the Fund.

After the foregoing transactions, the Fund had little or no assets or liabilities, and, at such time as was determined by the authorized officers of Serving Seniors, was dissolved with all remaining assets distributed to Serving Seniors.

Note 18 - Gain on Unwind of Tax Credit Financing: (Continued)

The gain on unwind of tax credit financing follows

Discharge of promissory notes payable	$ 6,860,000
Forgiveness of promissory note receivable	(5,100,000)
Unamortized debt issuance costs	(36,859)
Subtotal	1,723,141
Legal fees incurred and paid	(15,458)
Purchase of USB Fund's membership interest	(1,000)
Gain on Unwind of Tax Credit Financing	$ 1,706,683

Note 19 - Prior Period Adjustment:

Certain adjustments resulting in a decrease in net assets totaling $112,008 at June 30, 2017 and a decrease in change unrestricted net assets for the year ended June 30, 2017 totaling $56, respectively, were made during the current year and are summarized as follows:

Net Assets at June 30, 2016, as Previously Reported	$ 19,042,849
Record investment in Westminster Manor, L.P.	(111,952)
Net Assets at June 30, 2016, as Restated	18,930,897
Change in Net Assets for the Year Ended June 30, 2017, as Previously Reported	1,462,405
Record change in investment in Westminster Manor, L.P.	(56)
Change in Net Assets for the Year Ended June 30, 2017, as Restated	1,462,349
Net Assets at June 30, 2017, as Restated	$ 20,393,246