SERVING SENIORS AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016

Leaf & Cole, LLP
Certified Public Accountants

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CONSOLIDATED FINANCIAL STATEMENTS
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Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
Serving Seniors and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Serving Seniors and Subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2016, 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.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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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, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Serving Seniors and Subsidiaries' 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 22, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2016, on our consideration of Serving Seniors and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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
September 29, 2016

SERVING SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)

ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
Current Assets:					
Cash and cash equivalents	$ 398,040	$ 661	$ -	$ 398,701	$ 485,660
Investments	1,464,854	119,477	-	1,584,331	1,353,029
Accounts receivable	4,500	-	-	4,500	4,275
Grants receivable	247,294	-	-	247,294	605,018
Pledges receivable	104,252	-	-	104,252	103,675
Accrued interest receivable	13,880	-	-	13,880	13,880
Accounts receivable - related parties, net	84,167	-	-	84,167	62,958
Prepaid expenses and other	139,635	-	-	139,635	63,294
Notes receivable	5,100,000	-	-	5,100,000	-
Total Current Assets	7,556,622	120,138	-	7,676,760	2,691,789
Noncurrent Assets:					
Pledges receivable, net	-	220,672	-	220,672	271,162
Notes receivable	3,310,334	9,105,000	-	12,415,334	17,515,334
Accrued interest receivable	1,202,493	-	-	1,202,493	1,082,535
Donated property	-	-	-	-	565,000
Other assets, net	43,280	-	-	43,280	46,709
Land, building and equipment, net	8,396,474	-	-	8,396,474	8,020,374
Investments in limited partnerships	496,944	-	-	496,944	496,690
Investments restricted for endowment	-	-	750,000	750,000	750,000
Beneficial interest in endowment funds	-	-	7,284	7,284	7,397
Total Noncurrent Assets	13,449,525	9,325,672	757,284	23,532,481	28,755,201
TOTAL ASSETS	$ 21,006,147	$ 9,445,810	$ 757,284	$ 31,209,241	$ 31,446,990

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

SERVING SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)

LIABILITIES AND NET ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
Current Liabilities:					
Accounts payable	$ 337,527	$ -	$ -	$ 337,527	$ 367,748
Payroll and related liabilities	107,957	-	-	107,957	112,993
Accrued interest payable	18,972	-	-	18,972	18,972
Accrued vacation	219,025	-	-	219,025	197,795
Deferred revenue	70,418	-	-	70,418	292,883
Conditional promise	150,000	-	-	150,000	150,000
Notes payable	6,860,000	-	-	6,860,000	-
Total Current Liabilities	7,763,899	-	-	7,763,899	1,140,391
Noncurrent Liabilities:					
Notes payable	3,200,000	-	-	3,200,000	10,060,000
Accrued interest payable	1,202,493	-	-	1,202,493	1,082,535
Total Noncurrent Liabilities	4,402,493	-	-	4,402,493	11,142,535
Total Liabilities	12,166,392	-	-	12,166,392	12,282,926
Net Assets	8,839,755	9,445,810	757,284	19,042,849	19,164,064
TOTAL LIABILITIES AND NET ASSETS	$ 21,006,147	$ 9,445,810	$ 757,284	$ 31,209,241	$ 31,446,990

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

SERVING SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
Revenue, Support and Gains:					
Grant revenue	$ 4,234,537	$ -	$ -	$ 4,234,537	$ 4,028,170
Housing	609,430	-	-	609,430	696,049
Contributions	607,094	-	-	607,094	738,421
Special events	538,453	-	-	538,453	514,537
Investment income	313,591	20,236	54	333,881	319,883
Donations from seniors served	166,850	-	-	166,850	166,539
Other income	120,947	-	-	120,947	94,041
In-kind contributions	100,440	-	-	100,440	507,520
Rental Income	11,124	-	-	11,124	-
Gain on sale of fixed asset	2,000	-	-	2,000	-
United Way - grant and designations	4,617	-	-	4,617	5,756
Net assets released from restrictions	94,861	(94,694)	(167)	-	-
Total Revenue, Support and Gains	6,803,944	(74,458)	(113)	6,729,373	7,070,916
Expenses:					
Program Services:					
Nutrition program	3,103,090	-	-	3,103,090	2,922,650
Health and social services	1,685,207	-	-	1,685,207	1,665,669
Housing	890,243	-	-	890,243	860,491
Total Program Services	5,678,540	-	-	5,678,540	5,448,810
Supporting Services:					
Management and general	612,843	-	-	612,843	513,837
Fundraising	446,951	-	-	446,951	360,393
Total Supporting Services	1,059,794	-	-	1,059,794	874,230
Total Program and Supporting Services Expenses	6,738,334	-	-	6,738,334	6,323,040
Special Events	112,254	-	-	112,254	136,142
Total Expenses	6,850,588	-	-	6,850,588	6,459,182
Change in Net Assets	(46,644)	(74,458)	(113)	(121,215)	611,734
Net Assets at Beginning of Year	8,886,399	9,520,268	757,397	19,164,064	18,552,330
NET ASSETS AT END OF YEAR	$ 8,839,755	$ 9,445,810	$ 757,284	$ 19,042,849	$ 19,164,064

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, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	Program Services				Supporting Services				
	Nutrition Program	Health and Social Services	Housing	Total Program Services	Management and General	Fundraising	Total Supporting Services	2016 Total	2015 Total
Personnel:									
Salaries	$ 884,162	$ 1,268,461	$ 204,552	$ 2,357,175	$ 359,239	$ 234,031	$ 593,270	$ 2,950,445	$ 2,782,302
Employee benefits	127,794	81,202	23,006	232,002	31,507	9,836	41,343	273,345	276,684
Payroll taxes	65,215	84,931	14,998	165,144	24,865	16,718	41,583	206,727	195,585
Total Personnel	1,077,171	1,434,594	242,556	2,754,321	415,611	260,585	676,196	3,430,517	3,254,571
Operating Expenses:									
Food costs	1,685,299	-	984	1,686,283	78	-	78	1,686,361	1,565,713
Interest expense	-	-	351,416	351,416	132	2,565	2,697	354,113	344,842
Occupancy and utilities	144,794	-	69,910	214,704	31	-	31	214,735	204,959
Depreciation and amortization	19,460	1,247	179,774	200,481	6,793	-	6,793	207,274	224,253
Other expense	20,055	14,781	5,936	40,772	73,641	87,217	160,858	201,630	151,201
Specific assistance	-	148,460	-	148,460	-	-	-	148,460	157,378
Repairs and maintenance	63,258	14,019	4,843	82,120	33,348	6,066	39,414	121,534	95,160
Mail house services	1,693	3,341	-	5,034	2,129	70,777	72,906	77,940	31,992
Supplies	32,599	19,268	1,738	53,605	16,143	4,118	20,261	73,866	52,815
Auto	49,732	-	-	49,732	125	-	125	49,857	56,001
Insurance	-	-	17,474	17,474	17,770	-	17,770	35,244	33,083
Public relations	-	22,763	-	22,763	-	10,799	10,799	33,562	42,009
Telephone	6,625	4,935	15,105	26,665	3,182	2,471	5,653	32,318	29,345
Professional fees	-	-	35	35	31,989	-	31,989	32,024	39,462
Travel, conferences and meetings	901	14,397	-	15,298	2,141	1,450	3,591	18,889	8,301
Consultants	-	5,900	-	5,900	6,378	831	7,209	13,109	13,692
Postage	425	71	-	496	3,094	72	3,166	3,662	2,517
Equipment	1,078	1,431	472	2,981	258	-	258	3,239	15,746
Total Operating Expenses	2,025,919	250,613	647,687	2,924,219	197,232	186,366	383,598	3,307,817	3,068,469
TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES	$ 3,103,090	$ 1,685,207	$ 890,243	$ 5,678,540	$ 612,843	$ 446,951	$ 1,059,794	$ 6,738,334	$ 6,323,040

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

SERVING SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

		2016		2015
Cash Flows From Operating Activities:				
Change in net assets	$	(121,215)	$	611,734
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization		207,274		224,253
Net realized and unrealized losses (gains)		10,430		(9,698)
Investments in limited partnerships		(254)		104
Proceeds from sale of donated property		565,000		-
Donated property, net of conditional promise		-		(415,000)
Permanently restricted investment (income) loss		(54)		204
Permanently restricted distributions		167		192
(Increase) Decrease in:				
Accounts receivable		(225)		6,419
Grants receivable		357,724		(333,468)
Pledges receivable, net		49,913		35,863
Accrued interest receivable		(119,958)		(113,440)
Accounts receivable - related parties, net		(21,209)		1,042
Prepaid expenses and other		(76,341)		(23,620)
(Decrease) Increase in:				
Accounts payable		(30,221)		(121,694)
Payroll and related liabilities		(5,036)		16,589
Accrued vacation		21,230		(10,257)
Deferred revenue		(222,465)		97,371
Accrued interest payable		119,958		113,440
Net Cash Provided by Operating Activities		734,718		80,034
Cash Flows From Investing Activities:				
(Purchases) Sales of investments, net		(241,732)		286,354
Increase in notes receivable		-		(110,334)
Increase (Decrease) in other assets		130		(3,769)
Purchase of land, building and equipment, net		(580,075)		(110,359)
Change in beneficial interest in endowment funds		113		396
Net Cash (Used in) Provided by Investing Activities		(821,564)		62,288

(Continued)

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

SERVING SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	2016	2015
Cash Flows From Financing Activities:		
Payments on capital lease obligation	$ -	$ (2,422)
Permanently restricted investment income (loss)	54	(204)
Permanently restricted distributions	(167)	(192)
Net Cash Used in Financing Activities	(113)	(2,818)
Net (Decrease) Increase in Cash and Cash Equivalents	(86,959)	139,504
Cash and Cash Equivalents at Beginning of Year	485,660	346,156
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 398,701	$ 485,660
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 231,457	$ 230,848

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

Note 1 - Organization and Significant Accounting Policies:

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.

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 sells its NMTC to an investor - U.S. Bank. U.S. Bank receives the 39% tax credit over 7 years. West Senior Wellness Center was awarded this NMTC on August 19, 2009.

Note 1 - Organization and Significant Accounting Policies: (Continued)

Organization (Continued)

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

Nutrition Program

Serving Seniors provides seniors age 60 and above with over 2,400 hot meals each day, at ten centers. Serving Seniors also provides and delivers hot meals to approximately 450 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

- Health and social services cash management
- Benefits and entitlements coordination
- Coordination of referrals to community partners located at our facilities
- Health education
- Social activities civic engagement
- Fitness activities
- Volunteer opportunities
- Dental clinic

Housing

Serving Seniors operates a Homeless Prevention program providing Section 8 vouchers from the San Diego Housing Commission to seniors who are experiencing homelessness or at immediate risk of homelessness. Serving Seniors also own two supportive housing residences in which Serving Seniors provides meals and case management services to seniors who are having difficulty maintaining stable housing.

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.

Method of Accounting

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

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

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.

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.

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

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.

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 10).

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, 2016 and 2015.

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Capitalization and Depreciation

The Organization capitalizes all property and equipment in excess of $1,000 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 $203,975 and $220,954 for the years ended June 30, 2016 and 2015, 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.

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 2016 or 2015.

Donated Property

Donated property consisted of building and equipment donated to the Organization which was recorded at fair value based on the appraised value at the date of the donation and totaled $-0- and $565,000 at June 30, 2016 and 2015, respectively. The contribution includes a conditional promise of $150,000 which has not been met at June 30, 2016 and has been recorded as a liability in the consolidated statement of financial position. The Organization recorded an in-kind contribution of $-0- and $415,000 for the years ended June 30, 2016 and 2015, respectively.

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Other Assets and Amortization

Other assets include loan costs and deposits. Loan costs total $62,395 and $62,395, net of accumulated amortization of $24,985 and $21,686 at June 30, 2016 and 2015, respectively. The loan costs are being amortized over the life of the loans using the straight-line method. Amortization expense totaled $3,299 and $3,299 for the years ended June 30, 2016 and 2015, respectively.

Deposits total $5,870 and $6,000 at June 30, 2016 and 2015, respectively.

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 $219,025 and $197,795 at June 30, 2016 and 2015, 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 $70,418 and $292,883 at June 30, 2016 and 2015, 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.

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. These funds will subsequently be recognized as contribution revenue when donor conditions are met.

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Donated Services and Materials

The Organization utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the consolidated financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the years ended June 30, 2016 and 2015, 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 $100,440 and $92,520 based on the excess of fair market value of all rental space over the rents paid for the years ended June 30, 2016 and 2015, respectively.

The Organization received donated property of $565,000, which includes a conditional promise of $150,000 during the year ended June 30, 2015. The Organization recorded an in-kind contribution of $-0- and $415,000 for the years ended June 30, 2016 and 2015, respectively. The donated property was sold during the year ended June 30, 2016.

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.

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, 2016, 2015, 2014, and 2013 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

Concentration of Credit Risk

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

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the consolidated statement 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.

Comparative Totals for June 30, 2015

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 29, 2016, the date the consolidated financial statements were available to be issued. The Organization's subsequent events have been disclosed in Note 17.

Note 2 - Fair Value Measurements:

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

	2016			
	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, 2016
Mutual Funds:				
Fixed income funds	$ 1,233,444	$ -	$ -	$ 1,233,444
Large cap equity funds	685,288	-	-	685,288
International securities funds	295,451	-	-	295,451
Real estate securities funds	120,148	-	-	120,148
Beneficial interest in endowment funds (Note 10)	-	-	7,284	7,284
	$ 2,334,331	$ -	$ 7,284	$ 2,341,615

Note 2 - Fair Value Measurements: (Continued)

	2015			
	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, 2015
Mutual Funds:				
Fixed income funds	$ 901,275	$ -	$ -	$ 901,275
Large cap equity funds	745,929	-	-	745,929
International securities funds	336,694	-	-	336,694
Real estate securities funds	119,311	-	-	119,311
Beneficial interest in endowment funds (Note 10)	-	-	7,397	7,397
	$ 2,103,209	$ -	$ 7,397	$ 2,110,606

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:

2016

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	$ 7,284	Valuation of underlying assets as provided by San Diego Foundation	Base Price	N/A

2015

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	$ 7,397	Valuation of underlying assets as provided by San Diego Foundation	Base Price	N/A

Note 3 - Investments:

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

	2016	2015
Mutual Funds	$ 2,334,331	$ 2,103,029

Note 3 - Investments: (Continued)

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

	2016	2015
Investments - Current	$ 1,584,331	$ 1,353,029
Investments - Noncurrent	750,000	750,000
Total Investments	$ 2,334,331	$ 2,103,029

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

	2016				2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Interest on notes receivable	$ 297,604	$ -	$ -	$ 297,604	$ 282,289
Interest and dividend income	23,513	23,140	-	46,653	28,100
Net realized and unrealized (losses) gains	(7,526)	(2,904)	54	(10,376)	9,494
Total Investment Income	$ 313,591	$ 20,236	$ 54	$ 333,881	$ 319,883

Note 4 - Grants Receivable:

Grants receivable consist of the following at June 30:

	2016	2015
County of San Diego - Aging and Independence Services	$ 229,979	$ 498,358
County of San Diego - Transitional Housing	12,065	4,345
County of San Diego - MOM Program	5,250	3,015
City of San Diego - Low Income Senior Housing Improvements	-	99,300
Total Grants Receivable	$ 247,294	$ 605,018

Note 5 - Pledges Receivable:

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

	2016	2015
Receivables due in less than one year	$ 104,252	$ 103,675
Receivables due in more than one year	250,750	302,750
Less: Discount to present value	(30,078)	(31,588)
Receivables due in more than one year, net	220,672	271,162
Pledges Receivable, Net	$ 324,924	$ 374,837

Note 5 - Pledges Receivable: (Continued)

The pledges receivable have been discounted to their present value using a discount rate of 0.82% to 1.50% at June 30, 2016 and 2015, respectively. Pledges receivable, net of discounts, from members of the board of directors totaled $7,500 and $-0- at June 30, 2016 and 2015, respectively.

Note 6 - 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:

	2016	2015
Market Square Manor Associates, L.P.	$ 1,262,321	$ 1,135,827
City Heights Square, L.P.	14,167	28,333
Westminster Manor, L.P.	4,000	1,625
Subtotal	1,280,488	1,165,785
Less: Allowance for doubtful accounts	(1,196,321)	(1,102,827)
Total Accounts Receivable - Related Parties, Net	$ 84,167	$ 62,958

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 $1,196,321 and $1,102,827 at June 30, 2016 and 2015, respectively. Management believes that the accounts receivable from City Heights Square, L.P. and Westminster Manor, L.P. are fully collectible, therefore no allowance for doubtful accounts has been established.

Note 7 - Notes Receivable:

Notes receivable consist of the following at June 30:

	2016	2015
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 12). Accrued interest receivable totaled $1,202,493 and $1,082,535 at June 30, 2016 and 2015, respectively.	$ 1,000,000	$ 1,000,000

Note 7 - Notes Receivable: (Continued)

	2016	2015
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 12). Accrued interest receivable totaled $-0- (Accrued interest receivable of $1,216,457 net of allowance of $1,216,457) and $-0- (Accrued interest receivable of $1,105,357, net of allowance of $1,105,357) at June 30, 2016 and 2015 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 $9,105,000 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 $3,050,529 net of allowance of $3,050,529) and $-0- (Accrued interest receivable of $2,698,817 net of allowance of $2,698,817 at June 30, 2016 and 2015, respectively.	9,105,000	9,105,000
Serving Seniors has a promissory note receivable from Wellness Center NMTC Investor, LLC, A Delaware Limited Liability Company, in the amount of $5,100,000 related to the development of the Gary and Mary West Senior Wellness Center. The note accrues interest at 3.2659% per annum through August 19, 2016, and 7.5799% thereafter. Interest only payments are payable monthly beginning September 1, 2009, through August 1, 2016. A partial principal payment of $1,800,000 was due August 19, 2016. Level monthly payments of principal and interest commencing September 1, 2016, were payable in an amount sufficient to fully repay the outstanding principal and interest over an amortization period of 23 years. A final payment of all unpaid principal and interest was due August 19, 2039. This note is secured by a deed of trust. Accrued interest receivable totaled $13,880 and $13,880 at June 30, 2016 and 2015, respectively. (See Note 17).	5,100,000	5,100,000
Total Notes Receivable	17,515,334	17,515,334
Less: Current Portion	(5,100,000)	-
Notes Receivable, Net of Current Portion	$ 12,415,334	$ 17,515,334

Note 7 - Notes Receivable: (Continued)

Future principal payments on notes receivable are as follows:

Years Ended June 30	
2017	$ 5,100,000
2018	-
2019	-
2020	1,000,000
2021	-
Thereafter	11,415,334
	$ 17,515,334

Note 8 - Land, Building and Equipment:

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

	2016	2015
Land	$ 2,500,000	$ 2,500,000
Building	6,823,822	6,203,756
Furniture and equipment	945,098	909,050
Vehicles	107,023	126,348
Leasehold improvements	50,617	50,617
Construction in progress	-	76,039
Subtotal	10,426,560	9,865,810
Less: Accumulated depreciation	(2,030,086)	(1,845,436)
Land, Building and Equipment, Net	$ 8,396,474	$ 8,020,374

Note 9 - 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. The following are the balances in the Serving Seniors' capital accounts at June 30:

	2016	2015
Market Square Manor, L.P.	$ 265,456	$ 265,140
City Heights Square, L.P.	231,488	231,550
Total Investments in Limited Partnership	$ 496,944	$ 496,690

Note 10 - 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 26% domestic equities, 28% international equities, 17% fixed income, 16% alternative investments, 8% real estate, 4% commodities and 1% 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:

	2016	2015
Balance, Beginning of Year	$ 7,397	$ 7,793
Investment income (loss)	54	(204)
Distribution to the Organization	(167)	(192)
Total Beneficial Interest in Endowment Funds	$ 7,284	$ 7,397

Note 11 - 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 (3.25% at June 30, 2016). The line-of-credit matures on January 31, 2017. There was no balance outstanding under this line-of-credit at June 30, 2016 and 2015.

Note 12 - Notes Payable:

Notes payable consist of the following at June 30:

	2016	2015
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 7). Accrued interest payable totaled $1,202,493 and $1,082,535 at June 30, 2016 and 2015, respectively.	$ 1,000,000	$ 1,000,000

Note 12 - Notes Payable: (Continued)

	2016	2015
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 7) 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 $1,444,548, net of allowance of $1,444,548) and $-0- (Accrued interest payable of $1,333,449, net of allowance of $1,333,449) at June 30, 2016 and 2015, respectively.	$ 2,200,000	$ 2,200,000
West Senior Wellness Center has a promissory note payable with Clearinghouse NMTC (Sub 15), LLC, a California limited liability Company, for the development of the Gary and Mary West Senior Wellness Center in the original amount of $5,010,000. Interest on the note accrues at 3.3187% per annum. Interest only payments are payable monthly beginning September 1, 2009, through August 1, 2016. Principal and interest payments of $26,103 were payable monthly, plus a final payment of all unpaid principal and interest on August 19, 2039. The note is secured by a deed of trust. Accrued interest payable totaled $13,856 and $13,856 at June 30, 2016 and 2015, respectively. (See Note 17).	5,010,000	5,010,000
West Senior Wellness Center has a promissory note payable with Clearinghouse NMTC (Sub 15), LLC, a California limited liability Company, for the development of the Gary and Mary West Senior Wellness Center in the original amount of $1,850,000. Interest on the note accrues at 3.3187% per annum. Interest only payments are payable monthly beginning September 1, 2009 through August 1, 2016. A final payment of all unpaid principal and interest was due on August 19, 2016. The note is secured by a deed of trust. Accrued interest payable totaled $5,116 and $5,116 at June 30, 2016 and 2015, respectively. (See Note 17).	1,850,000	1,850,000
Total Notes Payable	10,060,000	10,060,000
Less: Current Portion	(6,860,000)	-
Notes Payable, Net of Current Portion	$ 3,200,000	$ 10,060,000

Note 12 - Notes Payable: (Continued)

Future principal payments on notes payable are as follows:

Years Ended June 30	
2017	$ 6,860,000
2018	-
2019	-
2020	1,000,000
2021	-
Thereafter	2,200,000
	$ 10,060,000

Note 13 - Temporarily Restricted Net Assets:

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

	2016	2015
City Heights grant	$ 9,105,000	$ 9,105,000
For future periods	220,672	271,162
Endowment earnings in excess of spending policy	119,477	143,445
Wheelchair grant	661	661
Total Temporarily Restricted Net Assets	$ 9,445,810	$ 9,520,268

Net assets totaling $94,694 were released from donor restrictions due to the satisfaction of purpose or time restrictions for the year ended June 30, 2016.

Note 14 - 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.

Note 14 - Endowment Net Assets: (Continued)

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

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, 2016 and 2015.

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).

Note 14 - Endowment Net Assets: (Continued)

Web MD Health Preservation Endowment (Continued)

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

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 laws

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:

	2016		
	Temporarily Restricted	Permanently Restricted	Total June 30, 2016
Donor Restricted Endowment Funds:			
Web MD Health Preservation	$ 119,477	$ 750,000	$ 869,477
Beneficial interest endowment funds - San Diego Foundation		7,284	7,284
Total Donor Restricted Endowment Funds	$ 119,477	$ 757,284	$ 876,761

Note 14 - Endowment Net Assets: (Continued)

San Diego Foundation Managed Funds (Continued)

	2015		
	Temporarily Restricted	Permanently Restricted	Total June 30, 2015
Donor Restricted Endowment Funds:			
Web MD Health Preservation	$ 143,445	$ 750,000	$ 893,445
Beneficial interest in endowment funds - San Diego Foundation	-	7,397	7,397
Total Donor Restricted Endowment Funds	$ 143,445	$ 757,397	$ 900,842

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

	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets at June 30, 2014	$ 169,311	$ 757,793	$ 927,104
Investment income and net realized and unrealized appreciation (depreciation)	20,787	(204)	20,583
Appropriation of endowment assets for expenditures	(46,653)	(192)	(46,845)
Endowment Net Assets at June 30, 2015	143,445	757,397	900,842
Investment income and net realized and unrealized appreciation	20,236	54	20,290
Appropriation of endowment assets for expenditures	(44,204)	(167)	(44,371)
Endowment Net Assets at June 30, 2016	$ 119,477	$ 757,284	$ 876,761

Note 15 - Lease Obligations:

Serving Seniors leases office equipment through June, 2019. Equipment lease expense totaled $13,103 and $14,802 for the years ended June 30, 2016 and 2015, respectively, under this lease which is included in other expense in the consolidated statement of functional expenses.

Serving Seniors renews its lease for emergency lodging on an annual basis. Emergency lodging lease expense totaled $125,157 and $124,919 for the years ended June 30, 2016 and 2015, 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	
2017	$ 8,881
2018	8,881
2019	8,142
	$ 25,904

Note 16 - 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 will make monthly payments of $21,668 for the first seven years of the lease and $28,417 thereafter. The rental income and expense totaled $260,000 and $260,000, and has been eliminated in the consolidated financial statements for the years ended June 30, 2016 and 2015, respectively.

Note 17 - Subsequent Event:

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 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. Being in the best interest of Serving Seniors, as the sole member of the Fund, to exercise its right to appoint itself as the successor manager of the Fund, and it did so.

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, forgive the promissory notes, or otherwise cause the discharge of the promissory notes.

Note 17 - Subsequent Event: (Continued)

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.

SERVING SENIORS AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grants/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Passed Through to Subrecipient	Federal Expenditures
U.S. Department of Housing and Urban Development,			
Pass-Through Programs From:			
Section 8 Housing Choice Vouchers:	14.871		
San Diego Housing Commission		$ -	$ 120,900
Total Pass-Through Programs		-	120,900
Total U.S. Department of Housing and Urban Development		-	120,900
U.S. Department of Health and Human Services:			
Pass-Through Programs From:			
Aging Cluster:			
Special Programs for the Aging, Title III, Part C,			
Nutrition Services:	93.045		
County of San Diego		-	1,846,680
Nutrition Services Incentive Program:	93.053		
County of San Diego		-	473,524
Total Aging Cluster		-	2,320,204
Total Pass-Through Programs		-	2,320,204
Total U.S. Department of Health and Human Services		-	2,320,204
Total Expenditures of Federal Awards		$ -	$ 2,441,104

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, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Serving Seniors and Subsidiaries, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Serving Seniors and Subsidiaries.

Note 2 - Summary of Significant Accounting Policies:

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

Leaf & Cole, LLP
Certified Public Accountants
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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Directors
Serving Seniors and Subsidiaries

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Serving Seniors and Subsidiaries, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated September 29, 2016.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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
September 29, 2016

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

We have audited Serving Seniors and Subsidiaries' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Serving Seniors and Subsidiaries' major federal program for the year ended June 30, 2016. 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.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on the Major Federal Program

In our opinion, Serving Seniors and Subsidiaries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

Leaf & Cole LLP

San Diego, California
September 29, 2016

SERVING SENIORS AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?		Yes	X	No
Significant deficiencies identified not considered to be material weaknesses?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified			
Internal control over major programs:				
Material weakness(es) identified?		Yes	X	None reported
Significant deficiencies identified not considered to be material weakness(es)?		Yes	X	No
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?		Yes	X	No

Identification of major programs:

CDFA Numbers	Name of Federal Program or Cluster
Cluster (93.045, 93.053)	Aging Cluster

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

Section II - Financial Statement Findings:

None

Section III – Federal Award Findings and Questioned Costs:

None

SERVING SENIORS AND SUBSIDIARIES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

There were no prior audit findings for Serving Seniors and Subsidiaries relative to federal awards.