SENIOR COMMUNITY CENTERS OF SAN DIEGO

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2010

Leaf & Cole, LLP
Certified Public Accountants

SENIOR COMMUNITY CENTERS OF SAN DIEGO AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

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Independent Auditor's Report

To the Board of Directors
Senior Community Centers of San Diego and Subsidiaries
525 14th Street, Suite 200
San Diego, California 92101

We have audited the accompanying consolidated statement of financial position of Senior Community Centers of San Diego and Subsidiaries as of June 30, 2010, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Senior Community Centers of San Diego and Subsidiaries' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2009 consolidated financial statements and in our report dated October 1, 2009, we expressed an unqualified opinion on those consolidated financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Senior Community Centers of San Diego and Subsidiaries as of June 30, 2010, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 28, 2010, on our consideration of Senior Community Centers of San Diego and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations, 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 taken as a whole.

Leaf & Cole LLP
San Diego, California
September 28, 2010

SENIOR COMMUNITY CENTERS OF SAN DIEGO AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2009)

ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
Current Assets:					
Cash and cash equivalents	$ 935,072	$ 141,349	$ -	$ 1,076,421	$ 796,621
Investments	1,139,205	-	-	1,139,205	1,489,631
Grants receivable	597,921	-	-	597,921	636,042
Pledges receivable	138,856	8,627	-	147,483	402,668
Accrued interest receivable	28,223	-	-	28,223	-
Accounts receivable - related parties	55,058	-	-	55,058	40,830
Inventory	43,952	-	-	43,952	34,876
Prepaid expenses and other	9,501	-	-	9,501	38,104
Total Current Assets	2,947,788	149,976	-	3,097,764	3,438,772
Noncurrent Assets:					
Cash and cash equivalents restricted for endowment	-	-	96,038	96,038	177,345
Investments restricted for endowment	-	-	653,962	653,962	572,655
Pledges receivable, net	54,542	11,527	-	66,069	20,022
Notes receivable	8,300,000	9,105,000	-	17,405,000	12,305,000
Accrued interest receivable	581,092	-	-	581,092	497,246
Land, building and equipment, net	9,106,700	-	-	9,106,700	4,923,338
Other assets	127,813	-	-	127,813	12,124
Investments in limited partnerships	477,245	-	-	477,245	477,368
Beneficial interest in	-	-	-	-	-
San Diego Foundation	-	-	6,191	6,191	5,648
Total Noncurrent Assets	18,647,392	9,116,527	756,191	28,520,110	18,990,746
TOTAL ASSETS	$ 21,595,180	$ 9,266,503	$ 756,191	$ 31,617,874	$ 22,429,518

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

SENIOR COMMUNITY CENTERS OF SAN DIEGO AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2009)

LIABILITIES AND NET ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
Current Liabilities:					
Accounts payable	$ 351,869	$ -	$ -	$ 351,869	$ 213,626
Payroll and related liabilities	76,136	-	-	76,136	122,576
Accrued vacation	183,108	-	-	183,108	160,278
Deferred revenue	436,705	-	-	436,705	525,308
Accrued interest payable	6,360	-	-	6,360	9,625
Capital lease obligation	11,030	-	-	11,030	-
Notes payable	75,000	-	-	75,000	1,125,000
Total Current Liabilities	1,140,208	-	-	1,140,208	2,156,413
Noncurrent Liabilities:					
Notes payable	11,657,211	-	-	11,657,211	3,200,000
Capital lease obligation	41,110	-	-	41,110	-
Accrued interest payable	581,092	-	-	581,092	497,246
Total Noncurrent Liabilities	12,279,413	-	-	12,279,413	3,697,246
Total Liabilities	13,419,621	-	-	13,419,621	5,853,659
Net Assets	8,175,559	9,266,503	756,191	18,198,253	16,575,859
TOTAL LIABILITIES AND NET ASSETS	$ 21,595,180	$ 9,266,503	$ 756,191	$ 31,617,874	$ 22,429,518

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

SENIOR COMMUNITY CENTERS OF SAN DIEGO AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
Revenue, Support and Gains:					
Contributions	$ 1,955,085	$ 165,667	$ -	$ 2,120,752	$ 875,867
Grant revenue	3,480,164	-	-	3,480,164	6,175,268
Donations from seniors served	337,475	-	-	337,475	340,175
In-kind contributions	348,483	-	-	348,483	171,187
Housing	237,345	-	-	237,345	160,867
Other	84,194	-	-	84,194	33,150
Special events	14,082	-	-	14,082	26,774
United Way - grant and designations	11,629	-	-	11,629	14,185
Program revenue	4,806	-	-	4,806	4,906
Investment income (loss)	468,642	-	543	469,185	(23,597)
Net assets released from restrictions	216,802	(216,802)	-	-	-
Total Revenue, Support and Gains	7,158,707	(51,135)	543	7,108,115	7,778,782
Expenses:					
Program Services:					
Nutrition program	3,520,249	-	-	3,520,249	3,213,357
Health and social services	1,069,996	-	-	1,069,996	1,181,392
Housing	196,065	-	-	196,065	246,616
Total Program Services	4,786,310	-	-	4,786,310	4,641,365
Supporting Services:					
Management and general	403,315	-	-	403,315	159,364
Fundraising	264,307	-	-	264,307	351,352
Total Supporting Services	667,622	-	-	667,622	510,716
Total Functional Expenses	5,453,932	-	-	5,453,932	5,152,081
Special events	31,789	-	-	31,789	25,488
Total Expenses	5,485,721	-	-	5,485,721	5,177,569
Change in Net Assets	1,672,986	(51,135)	543	1,622,394	2,601,213
Net Assets at Beginning of Year	6,502,573	9,317,638	755,648	16,575,859	13,974,646
NET ASSETS AT END OF YEAR	$ 8,175,559	$ 9,266,503	$ 756,191	$ 18,198,253	$ 16,575,859

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

SENIOR COMMUNITY CENTERS OF SAN DIEGO AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)

	Nutrition Program	Health and Social Services	Housing	Total Program Services	Management and General	Fundraising	Total Supporting Services	2010 Total	2009 Total
Expenses:									
Personnel:									
Salaries	$ 1,378,662	$ 568,572	$ 13,503	$ 1,960,737	$ 252,657	$ 192,982	$ 445,639	$ 2,406,376	$ 2,310,930
Payroll taxes	138,792	45,337	1,151	185,280	21,082	16,967	38,049	223,329	205,264
Employee benefits	157,565	15,078	1,212	173,855	34,794	11,059	45,853	219,708	270,020
Total Personnel	1,675,019	628,987	15,866	2,319,872	308,533	221,008	529,541	2,849,413	2,786,214
Operating:									
Food costs	961,590	16,333	-	977,923	51	-	51	977,974	968,757
Occupancy and utilities	373,341	58,796	4,884	437,021	34,048	-	34,048	471,069	260,814
Specific assistance	65	263,986	-	264,051	-	-	-	264,051	265,713
Depreciation and amortization	197,024	-	12,063	209,087	17,518	-	17,518	226,605	126,065
Supplies	130,042	10,335	24	140,401	3,595	1,596	5,191	145,592	151,440
Interest expense	-	1,446	135,811	137,257	1,084	-	1,084	138,341	194,375
Mail house services	38,418	19,209	6,403	64,030	-	22,365	22,365	86,395	99,821
Consultants	712	36,873	8,964	46,549	2,105	693	2,798	49,347	61,732
Other expense	10,201	2,207	9,673	22,081	14,279	6,540	20,819	42,900	30,767
Auto	41,049	-	-	41,049	36	-	36	41,085	32,625
Equipment	22,393	9,086	-	31,479	5,882	1,701	7,583	39,062	17,009
Repairs and maintenance	20,605	952	-	21,557	5,274	4,876	10,150	31,707	34,618
Telephone	13,995	7,519	-	21,514	2,471	2,463	4,934	26,448	20,922
Insurance	15,724	3,931	1,937	21,592	702	-	702	22,294	19,805
Professional fees	11,671	3,318	-	14,989	4,821	-	4,821	19,810	50,329
Travel, conferences and meetings	4,500	5,815	360	10,675	1,192	1,941	3,133	13,808	23,609
Printing	2,356	1,025	-	3,381	1,401	607	2,008	5,389	3,596
Postage	1,544	178	80	1,802	323	517	840	2,642	3,870
Total Operating	1,845,230	441,009	180,199	2,466,438	94,782	43,299	138,081	2,604,519	2,365,867
TOTAL FUNCTIONAL EXPENSES	$ 3,520,249	$ 1,069,996	$ 196,065	$ 4,786,310	$ 403,315	$ 264,307	$ 667,622	$ 5,453,932	$ 5,152,081

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

SENIOR COMMUNITY CENTERS OF SAN DIEGO AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)

	2010	2009
Cash Flows From Operating Activities:		
Change in net assets	$ 1,622,394	$ 2,601,213
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	226,605	126,065
Realized and unrealized (gains) losses on investments	(123,354)	296,201
Investments in limited partnerships	123	145
Contributed assets	-	(587,694)
(Increase) Decrease in:		
Grants receivable	38,121	402,513
Pledges receivable	209,138	292,368
Accounts receivable - related parties	(14,228)	450,833
Inventory	(9,076)	2,468
Prepaid rent	-	3,506
Prepaid expenses and other	28,603	(9,803)
Accrued interest receivable	(112,069)	(78,182)
Other assets	2,993	2,129
(Decrease) Increase in:		
Accounts payable	138,243	5,669
Payroll and related liabilities	(46,440)	(18,832)
Accrued vacation	22,830	28,195
Deferred revenue	(88,603)	338,553
Accrued interest payable	80,581	87,807
Net Cash Provided by Operating Activities	1,975,861	3,943,154
Cash Flows From Investing Activities:		
Cash and cash equivalents restricted for endowment, net	81,307	(103,202)
(Purchase) sales of investments, net	391,930	(488,761)
Proceeds from note receivable	(5,100,000)	-
Purchase of land, building and equipment	(4,392,386)	(4,594,806)
Payments of other assets	(136,263)	(8,277)
Investments in limited partnership	-	(232,000)
Net Cash Used in Investing Activities	(9,155,412)	(5,427,046)

(Continued)

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

SENIOR COMMUNITY CENTERS OF SAN DIEGO AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)

	2010	2009
Cash Flows From Financing Activities:		
Proceeds from note payable	11,960,000	1,125,000
Payments on notes payable	(4,552,789)	-
Proceeds from capital lease obligation	59,681	-
Payments on capital lease obligation	(7,541)	-
Net Cash Provided by Financing Activities	7,459,351	1,125,000
Net Increase (Decrease) in Cash and Cash Equivalents	279,800	(358,892)
Cash and Cash Equivalents at Beginning of Year	796,621	1,155,513
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,076,421	$ 796,621

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 accounts of Senior Community Centers of San Diego and its subsidiaries, Senior Housing Corporation, City Heights Senior Housing Corporation and West Senior Wellness Center.

Senior Community Centers of San Diego

Senior Community Centers of San Diego ("Senior Community Centers") is a California Nonprofit Public Benefit Corporation. Its mission is to provide quality and compassionate services for the survival, health and independence of seniors living in poverty.

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 Senior Community Centers.

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 Senior Community Centers.

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 Senior Community Centers. Senior Community Centers is the sole member. The Board of Directors of West Senior Wellness Center are elected by the Board of Directors of Senior Community Centers.

West Senior Wellness Center was eligible for New Market Tax Credits (NMTC) because 60% of the people in its census track are below the median income for San Diego County. NMTCs 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

Senior Community Centers provides seniors age 60 and above with over 1,600 hot meals each day, at thirteen centers. Senior Community Centers also delivers hot meals to home-bound seniors. The drivers of the home delivered meals notify Senior Community Centers' social workers if any senior is in need of medical or social services.

Health and Social Services

- Medical consultation and assessment
- Mental health care
- Prescription medication assistance
- Medical referrals & coordination with other health providers
- Long-term care planning
- Substance abuse referrals
- Health education
- Benefits and entitlements coordination
- Homemaker services coordination
- Community resources
- Arrangement transportation
- Shopping assistance
- Socialization
- Money management
- Legal assistance
- Home safety
- Respite care coordination
- Housing assistance and referrals
- Assistance with Section 8 vouchers

Housing

Senior Community Centers provides direct housing services for homeless seniors through its Transitional Housing Program. Additionally, Senior Community Centers provides supportive housing services for residents of Potiker Family Senior Residence (formerly "Market Square Manor") and City Heights Square. These services include meals, social work, healthcare and activities.

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

Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements of the Organization include the accounts of Senior Community Centers, Senior Housing Corporation, City Heights Senior Housing Corporation, and West Senior Wellness Center. All material interorganization transactions have been eliminated.

Method of Accounting

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

In June 2009, the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification) was issued. The Codification is the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. The Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The implementation of this guidance did not have any impact on the consolidated financial position and consolidated results of operations.

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.

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 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

The Organization has adopted the fair value standards for financial assets and liabilities that are required to be measured at fair value on a recurring basis. The Fair Value Measurement 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). These standards do not change existing guidance as to whether or not an instrument is carried at fair value.

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 San Diego Foundation is considered a Level 3 asset which represents an approximation of the discounted future cash flow based on the fair value of the underlying assets.

Inventory

Inventory consists primarily of food and supplies used for the nutrition program. The inventory is valued at lower of cost (first-in, first-out) or market.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in 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 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Capitalization and Depreciation

Property and equipment are recorded at cost. 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
Leasehold improvements	5 - 31.5 years
Vehicles	5 years

Depreciation aggregated $209,024 and $123,306 for the years ended June 30, 2010 and 2009, 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 Buildings

The Organization reviews its investment in land and buildings 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 2010 or 2009.

Other Assets and Amortization

Other assets include loan costs totaling $136,263 and $8,077, net of accumulated amortization of $12,063 and $2,759 at June 30, 2010 and 2009, respectively. The loan costs are being amortized over the life of the loans using the straight-line method. Amortization expense totaled $17,581 and $2,759 for the years ended June 30, 2010 and 2009, respectively.

Compensated Absences

Accumulated unpaid vacation and other employee benefit amounts totaling $183,108 and $160,278 at June 30, 2010 and 2009, respectively, are accrued when incurred and included in accrued vacation.

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

Significant Accounting Policies (Continued)

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 from grants totaled $436,705 and $525,308 at June 30, 2010 and 2009, respectively.

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, 2010 and 2009, 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 market rent value of $138,771 and $138,919 based on the excess of fair market value of all rental space over the rents paid for the years ended June 30, 2010 and 2009, respectively. In addition, the Organization has recorded in-kind contributions totaling $209,712 and $32,268 and related expenses which have been included in services, utilities and legal expenses for the years ended June 30, 2010 and 2009, 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 Tax Status

Senior Community Centers, 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 Corporations are not private foundations.

The Organization uses a loss contingencies approach for evaluating uncertain tax positions and continually evaluates changes in tax law and new authoritative rulings.

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, 2009

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, 2009, 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 28, 2010, the date the consolidated financial statements were available to be issued.

Note 2 - Fair Value Measurements:

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

	2010			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2010
Mutual Funds	$ 1,793,167	$ -	$ -	$ 1,793,167
Beneficial Interest in San Diego Foundation (Note10)	-	-	6,191	6,191
	$ 1,793,167	$ -	$ 6,191	$ 1,799,358

Note 2 - Fair Value Measurements: (Continued)

	2009			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2009
Mutual Funds	$ 2,062,286	$ -	$ -	$ 2,062,286
Beneficial Interest in San Diego Foundation (Note10)	-	-	5,648	5,648
	$ 2,062,286	$ -	$ 5,648	$ 2,067,934

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.

Note 3 - Investments:

Senior Community Centers' investments are stated at fair value and consist of the following at June 30:

	2010	2009
Mutual Funds	$ 1,793,167	$ 2,062,286

The following schedule summarizes the investment income (loss) and its classification in the consolidated statement of activities for June 30:

	2010			
	Unrestricted	Permanently Restricted	Total	2009 Total
Interest and dividend income	$ 42,054	$ -	$ 42,054	$ 99,074
Net realized and unrealized gain/(loss)	123,354	-	123,354	(296,201)
Investment expense	-	-	-	(9,660)
Interest on notes receivable	303,234	-	303,234	184,750
San Diego Foundation	-	543	543	(1,560)
Total Investment Income (Loss)	$ 468,642	$ 543	$ 469,185	$ (23,597)

Note 4 - Grants Receivable:

Grants receivable consist of the following at June 30:

	2010	2009
County of San Diego - Aging and Independence Services	$ 556,010	$ 499,462
City of San Diego - Centre City Development Corporation	40,161	134,830
City of La Mesa - Community Development Block Grant	1,750	1,750
Total Grants Receivable	$ 597,921	$ 636,042

Management believes all grants receivable are fully collectible therefore no allowance for doubtful accounts has been established at June 30, 2010 and 2009.

Note 5 - Pledges Receivable:

Pledges receivable consist of contributions pledged for Senior Community Centers and Senior Housing Corporation. Pledges receivable consist of the following at June 30:

	2010	2009
Receivables due in less than one year	$ 147,483	$ 402,668
Receivables due in one to five years	71,666	21,833
Less: Discount to present value	(5,597)	(1,811)
Receivables due in more than one year, net	66,069	20,022
Pledges Receivable, Net	$ 213,552	$ 422,690

The pledges receivable have been discounted to their present value using a discount rate of 5.05%.

Pledges receivable, net of discount, from members of the board of directors were $61,433 and $385,677 at June 30, 2010 and 2009, respectively. Management believes all pledges receivable are collectible therefore no allowance for doubtful accounts has been established at June 30, 2010 and 2009.

Note 6 - Accounts Receivable - Related Parties:

Senior Community Centers has provided development, management, supporting, and other services with respect to projects in which the Senior Community Centers 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. Senior Community Centers 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:

	2010	2009
Market Square Manor Associates, L.P.	$ 629,504	$ 537,333
City Heights Square, L.P.	55,058	40,830
Subtotal	684,562	578,163
Less: Allowance for doubtful accounts	(629,504)	(537,333)
Total Accounts Receivable - Related Parties	$ 55,058	$ 40,830

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 $629,504 and $537,533 at June 30, 2010 and 2009, respectively. Management believes that the accounts receivable from City Heights Square, L.P. is fully collectible, therefore no allowance for doubtful accounts has been established.

Note 7 - Notes Receivable:

Notes receivable consist of the following at June 30:

	2010	2009
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 $581,092 and $497,246 at June 30, 2010 and 2009, respectively.	$ 1,000,000	$ 1,000,000
Senior Community Centers 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 $602,568, net of allowance of $602,568) and $-0- (Accrued interest receivable of $682,633, net of allowance of $682,633) at June 30, 2010 and 2009, respectively.	2,200,000	2,200,000
Senior Community Centers 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 $1,095,478, net of allowance of $1,095,478) and $-0- (Accrued interest receivable of $801,520, net of allowance of $801,520) at June 30, 2010 and 2009, respectively.	9,105,000	9,105,000

Note 7 - Notes Receivable: (Continued)

	2010	2009
Senior Community Centers 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 is due August 19, 2016. Level monthly payments of principal and interest commencing September 1, 2016, are 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 is due August 19, 2039. This note is secured by a deed of trust. Accrued interest receivable totaled $28,223 and $-0- at June 30, 2010 and 2009, respectively.	5,100,000	-
Total Notes Receivable	$ 17,405,000	$ 12,305,000

There are no scheduled principal payments on the notes receivable for the next five years.

Note 8 - Land, Building and Equipment:

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

	2010	2009
Land	$ 2,500,000	$ 2,500,000
Building	6,191,144	1,750,000
Furniture and equipment	1,043,104	776,999
Leasehold improvements	289,545	289,545
Vehicles	138,001	138,001
Construction in progress	-	314,864
Subtotal	10,161,794	5,769,409
Less: Accumulated depreciation	(1,055,094)	(846,071)
Land, Building and Equipment, Net	$ 9,106,700	$ 4,923,338

Note 9 - Investments in Limited Partnerships:

Senior Community Centers 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 Senior Community Centers' capital accounts at June 30:

	2010	2009
Market Square Manor, L.P.	$ 245,396	$ 245,466
City Heights Square, L.P.	231,849	231,902
Total Investments in Limited Partnership	$ 477,245	$ 477,368

Note 10 - Beneficial Interest in San Diego Foundation:

Senior Community Centers 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 San Diego Foundation is invested in a portfolio of equity and debt securities which is structured for long-term total return.

The activity in the Beneficial Interest in San Diego Foundation consisted of the following for the years ended June 30:

	2010	2009
Balance, Beginning of Year	$ 5,648	$ 7,208
Investment income (loss)	543	(1,560)
Distributions	-	-
Total Beneficial Interest in San Diego Foundation	$ 6,191	$ 5,648

Note 11 - Line-of-Credit:

During the year ended June 30, 2010, Senior Community Centers renewed an unsecured business line-of-credit agreement with a financial institution under which Senior Community Centers may borrow up to $500,000. Advances under this agreement bear interest at Wall Street Journal West Coast Edition Prime Rate plus 1.0% (4.25% at June 30, 2010). The line-of-credit matures February 28, 2011. There were no balances outstanding under this line-of-credit at June 30, 2010 or 2009.

Note 12 - Capital Lease Obligation:

Senior Community Centers entered into a capital lease in July 2009 for phone equipment, expiring August 2014. The lease requires monthly payments of $1,223 including interest imputed at 7.74% and is collateralized by the equipment. The phone equipment has a cost of $59,680 and accumulated depreciation of $10,941 at June 30, 2010.

The future minimum lease payments under the capital lease and the net present value of the future minimum lease payments are due as follows at June 30, 2010:

Years Ended June 30,	
2011	$ 14,680
2012	14,680
2013	14,680
2014	14,680
2015	2,445
Total Minimum Lease Payments	61,165
Less: Amount representing interest	(9,025)
Present value of net minimum lease payments	52,140
Less: Current portion	(11,030)
Capital Lease Obligation, Long-Term	$ 41,110

Note 13 - Notes Payable:

Notes payable consist of the following at June 30:

	2010	2009
Senior Community Centers had a trust deed note payable with Neptune Investments Ltd., LP, for the purchase of land and a building. Interest on the note accrued at 4% per annum with all principal and unpaid interest due on October 13, 2009. The note was secured by a deed of trust. Accrued interest payable totaled $-0- and $9,625 at June 30, 2010 and 2009, respectively.	$ -	$ 1,125,000
Senior Community Centers 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 Senior Community Centers 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 $581,092 and $497,246 at June 30, 2010 and 2009, respectively.	1,000,000	1,000,000
Senior Community Centers 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 Senior Community Centers. (See Note 7.) Should Senior Community Centers not comply with the terms of the Participation Agreement, Senior Community Centers 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 $777,949, net of allowance of $777,949) and $-0- (Accrued interest payable of $762,127, net of allowance of $762,127) at June 30, 2010 and 2009, respectively.	2,200,000	2,200,000

Note 13 - Notes Payable: (Continued)

	2010	2009
Senior Community Centers has a promissory note payable with U.S. Bank National Association, a national banking association, for the development of the Gary and Mary West Senior Wellness Center in the original amount of $1,800,000. Interest on the note accrues at an annual rate equal to 4.21% plus the one-month LIBOR rate quoted by Reuters Screen LIBOR01 Page. Interest only is payable monthly beginning September 1, 2009 through August 1, 2010. Interest is payable monthly beginning September 1, 2010. Principal is payable in monthly installments of $7,500 beginning September 1, 2010, plus a final payment of all unpaid principal and interest on August 19, 2016. The note is secured by a deed of trust. Accrued interest payable totaled $6,360 and $-0- at June 30, 2010 and 2009, respectively.	$ 1,672,211	$ -
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 are 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 $-0- and -0- at June 30, 2010 and 2009, respectively.	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 shall be due on August 19, 2016. The note is secured by a deed of trust. Accrued interest payable totaled $-0- and $-0- at June 30, 2010 and 2009, respectively.	1,850,000	-
Total Notes Payable	11,732,211	4,325,000
Less: Current Portion	(75,000)	(1,125,000)
Notes Payable, Long-Term	$ 11,657,211	$ 3,200,000

Note 13 - Notes Payable: (Continued)

Aggregate annual principal payments due on notes payable are as follows:

Years Ended June 30,	
2011	$ 75,000
2012	90,000
2013	90,000
2014	90,000
2015	90,000
Thereafter	11,297,211
	$ 11,732,211

Note 14 - Temporarily Restricted Net Assets:

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

	2010	2009
City Heights grant	$ 9,105,000	$ 9,105,000
Foundations	110,000	-
Pledges receivable	27,066	10,850
Wheelchair grant	10,637	-
Nutrition	7,000	-
Core operating support	6,800	-
Broadway replacement	-	201,788
Total Temporarily Restricted Net Assets	$ 9,266,503	$ 9,317,638

Net assets totaling $216,802 were released from donor restrictions due to the satisfaction of purpose or time restrictions for the year ended June 30, 2010.

Note 15 - Endowment Net Assets:

Senior Community Centers' 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. Senior Community Centers 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 Senior Community Centers, Senior Community Centers has interpreted the enacted version of the Uniform Prudent Management of Institutional Funds Act of 1006 (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, Senior Community Centers 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 Senior Community Centers in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Senior Community Centers 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 Senior Community Centers 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 Senior Community Centers
- The investment policies of Senior Community Centers

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 Senior Community Centers to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were $89,155 and $174,218 as of June 30, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred in the investment portfolio.

Senior Community Centers has adopted investment and spending policies for endowment funds that:

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

Note 15 - Endowment Net Assets: (Continued)

Web MD Health Preservation Endowment (Continued)

Senior Community Centers' endowment funds are invested in a diversified portfolio of mutual funds that are structured to satisfy its long-term rate-of-return objectives. Senior Community Centers 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).

Each year, 5% of the June 30th portfolio balance in excess of $750,000 can be distributed to be used in support of operational programs of the Senior Community Centers. It is anticipated that the distribution is paid out in a lump sum during the fiscal first quarter. Changes to the 5% rule may be approved by the majority vote of the Board of Senior Community Centers.

San Diego Foundation Managed Funds

The endowment funds of Senior Community Centers held by San Diego Foundation (the "Foundation") 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 Senior Community Centers to retain as a fund of perpetual duration. Senior Community Centers classifies permanently restricted net assets held by the Foundation as:

- The original value of gifts donated to the fund
- The original value of Senior Community Centers 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

The Foundation's endowment funds are invested in a portfolio of equity and debt securities, which is structured for long-term total return. To provide diversification and to moderate risk, the investments are divided into carefully defined asset classes. Funding available for each asset classification is invested by professional money managers hired by the Foundation through a competitive process. The investment performance of each money manager is monitored by an independent consultant hired by the Foundation.

Note 15 - Endowment Net Assets: (Continued)

San Diego Foundation Managed Funds (Continued)

The Foundation's spending policy is to disburse 5% annually, based upon endowment principal market value over the last 36 months. These calculations are made on a monthly basis. If the market value of the endowment principal of any fund, at the end of each month, is less than the initial value of all contributions made to the endowment principal, then distributions will be limited to interest and dividends received. Given the recent market declines, many of the Foundation's endowment funds distributions will be limited to income received, which is approximately 2.5% of the endowment principal.

Endowment composition by type of fund as of June 30:

	2010		
	Unrestricted	Permanently Restricted	Total June 30, 2010
Donor Restricted Endowment Funds:			
San Diego Foundation	$ -	$ 6,191	$ 6,191
Web MD Health Preservation	(89,155)	750,000	660,845
Total Donor Restricted Endowment Funds	$ (89,155)	$ 756,191	$ 667,036

	2009		
	Unrestricted	Permanently Restricted	Total June 30, 2009
Donor Restricted Endowment Funds:			
San Diego Foundation	$ -	$ 5,648	$ 5,648
Web MD Health Preservation	(174,218)	750,000	575,782
Total Donor Restricted Endowment Funds	$ (174,218)	$ 755,648	$ 581,430

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

	Unrestricted	Permanently Restricted	Total
Endowment Net Assets at June 30, 2008	$ (52,811)	$ 757,208	$ 704,397
Investment income and net realized and unrealized depreciation	(121,407)	(1,560)	(122,967)
Endowment Net Assets at June 30, 2009	(174,218)	755,648	581,430
Investment income and net realized and unrealized depreciation	85,063	543	85,606
Endowment Net Assets at June 30, 2010	$ (89,155)	$ 756,191	$ 667,036

Note 16 - Retirement Plan:

Senior Community Centers has a 403(b) retirement plan for all eligible employees. The Plan required Senior Community Centers to contribute 3% of each eligible employee's annual salary. Senior Community Centers limited matching to the first 4% of participant's compensation that the employee elected to contribute, with a .25% match for each 1% of employee contribution. Effective January 1, 2009, Senior Community Centers amended the Plan to allow employer contributions in an amount to be determined from year to year at the Senior Community Centers' discretion, which will be allocated to the individual accounts of qualifying participants in the ratio that each qualifying participant's compensation for the plan year bears to the total compensation of all qualifying participants for the plan year. The employer contributions to the Plan totaled $-0- and $65,875 for the years ended June 30, 2010 and 2009, respectively.

Note 17 - Lease Obligations:

In August 2008, Senior Community Centers entered into a 64 month noncancellable lease for its office equipment. Equipment expense totaled $17,473 and $12,876 for the years ended June 30, 2010 and 2009, respectively, under this lease which is included in equipment in the consolidated statement of functional expenses.

Every year, Senior Community Centers renews its lease for emergency lodging. Emergency lodging expense under this lease totaled $241,500 and $252,036 for the years ended June 30, 2010 and 2009, respectively, which is included in occupancy and utilities in the consolidated statement of functional expenses.

The following is a schedule by year of future minimum lease payments under the leases at June 30, 2010:

Years Ended June 30,	
2011	$ 254,148
2012	52,898
2013	12,648
2014	2,108
	$ 321,802

Note 18 - Related Party Transactions:

In August 2009, Senior Community Centers 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. Senior Community Centers 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 $216,667, and has been eliminated in consolidation for the year ended June 30, 2010.

SENIOR COMMUNITY CENTERS OF SAN DIEGO AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grants/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services,		
Administration Aging:		
Pass-Through Programs From:		
County of San Diego - Aging and Independent Services:		
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	$ 1,656,929
Nutrition Services Incentive Program	93.053	319,201
Aging Congregate Nutrition Services for States	93.707	132,814
Aging Home - Delivered Nutrition Services for States	93.705	65,335
Total Pass-Through Program		2,174,279
Total U.S. Department of Health and Human Services		2,174,279
U.S. Department of Housing and Urban Development,		
Officeof Community Planning and Development:		
Pass-Through Programs From:		
City of La Mesa - Community Development Department:		
Community Development Block Grant/Entitlement Grants	14.218	7,000
Total Pass-Through Program		7,000
Total U.S. Department of Housing and Urban Development		7,000
Total Expenditures of Federal Awards		$ 2,181,279

Note: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

L&C

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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
Senior Community Centers of San Diego

We have audited the financial statements of Senior Community Centers of San Diego as of and for the year ended June 30, 2010, and have issued our report thereon dated September 28, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Senior Community Centers of San Diego's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Senior Community Centers of San Diego's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Senior Community Centers of San Diego's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Senior Community Centers of San Diego's financial statements are free of 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.

This report is intended solely for the information and use of management, the Audit Committee, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Leaf & Cole LLP
San Diego, California
September 28, 2010

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

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Michael S. Schreibman, C.P.A
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Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Board of Directors
Senior Community Centers of San Diego

Compliance

We have audited Senior Community Centers of San Diego's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Senior Community Centers of San Diego's major federal programs for the year ended June 30, 2010. Senior Community Centers of San Diego's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Senior Community Centers of San Diego's management. Our responsibility is to express an opinion on Senior Community Centers of San Diego's compliance based on our audit.

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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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 Senior Community Centers of San Diego's 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. Our audit does not provide a legal determination of Senior Community Centers of San Diego's compliance with those requirements.

In our opinion, Senior Community Centers of San Diego complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

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Internal Control Over Compliance

Management of Senior Community Centers of San Diego is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Senior Community Centers of San Diego's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Senior Community Centers of San Diego's 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Senior Community Centers of San Diego's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Senior Community Centers of San Diego's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the audit committee, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Leaf & Cole LLP
San Diego, California
September 28, 2010

SENIOR COMMUNITY CENTERS OF SAN DIEGO AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued:	Unqualified			
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:	Unqualified			
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 Circular A-133, Section .510(a)?	____	Yes	X	No

Identification of major programs: U.S. Department of Housing and Urban Development

CDFA Number(s)	Name of Federal Program or Cluster
93.045	Special Programs for the Aging, title III, Part C, Nutrition Services
93.053	Nutrition Services Incentive Program
93.707	Aging Congregate Nutrition Services for States

Dollar threshold used to distinguish between Type A and Type B programs: $ 300,000

Auditee qualified as low-risk auditee?	X	Yes	____	No

SENIOR COMMUNITY CENTERS OF SAN DIEGO AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

Section II - Financial Statement Findings:

None

Section III – Federal Award Findings and Questioned Costs:

None

SENIOR COMMUNITY CENTERS OF SAN DIEGO AND SUBSIDIARIES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

There were no prior audit findings for Senior Community Centers of San Diego and Subsidiaries relative to federal awards.

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September 28, 2010

Mr. Paul Downey
Senior Community Centers of San Diego and Subsidiaries
525 14th Street, Suite 200
San Diego, California 92101

Dear Mr. Downey:

Enclosed are the audited financial statements for Senior Community Centers of San Diego and Subsidiaries for the year ended June 30, 2010. Following are the filing requirements for these reports.

1. Federal Audit Clearinghouse:

   The single audit reporting package is required to be submitted electronically through the Federal Audit Clearinghouse Internet Data Entry System. We have entered the Form SF-SAC and uploaded the complete single audit package as required. The submission must still be certified by both the auditee and the auditor. Upon receipt of the e-mail from the Federal Audit Clearinghouse we will certify as the auditor.

   You will receive an e-mail from the Federal Audit Clearinghouse with instructions as to how you enter your signature codes online to certify the submission. The Federal Audit Clearinghouse will send e-mails to the auditee and auditor to confirm the receipt of the Form SF-SAC and single audit reporting package. Please print the e-mail and retain for your records.

Very truly yours,

LEAF & COLE, LLP

Steven W. Northcote

Enclosures

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