SENIOR COMMUNITY CENTERS OF SAN DIEGO

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012

Leaf & Cole, LLP
Certified Public Accountants

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CONSOLIDATED FINANCIAL STATEMENTS
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Independent Auditor's Report

To the Board of Directors
Senior Community Centers of San Diego and Subsidiaries

We have audited the accompanying consolidated statement of financial position of Senior Community Centers of San Diego and Subsidiaries as of June 30, 2012 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 Organization's 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 Senior Community Centers of San Diego and Subsidiaries' 2011 consolidated financial statements and in our report dated September 21, 2011, 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. 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, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Leaf & Cole LLP

San Diego, California
September 25, 2012

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SENIOR COMMUNITY CENTERS OF SAN DIEGO AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2011)

ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	2011 Total
Current Assets:					
Cash and cash equivalents	$ 301,214	$ 626,529	$ -	$ 927,743	$ 454,150
Investments	1,327,746	27,982	-	1,355,728	1,389,054
Grants receivable	540,876	-	-	540,876	562,671
Pledges receivable	72,478	250,000	-	322,478	141,382
Accrued interest receivable	13,880	-	-	13,880	13,880
Accounts receivable - related parties, net	78,632	-	-	78,632	55,658
Prepaid expenses and other	36,985	-	-	36,985	65,378
Total Current Assets	2,371,811	904,511	-	3,276,322	2,682,173
Noncurrent Assets:					
Investments restricted for endowment	-	-	750,000	750,000	750,000
Pledges receivable, net	-	194,724	-	194,724	-
Notes receivable	8,300,000	9,105,000	-	17,405,000	17,405,000
Accrued interest receivable	763,086	-	-	763,086	669,589
Land, building and equipment, net	8,589,156	-	-	8,589,156	8,876,950
Other assets, net	102,245	-	-	102,245	120,542
Investments in limited partnerships	497,357	-	-	497,357	477,091
Beneficial interest in San Diego Foundation	-	-	6,917	6,917	7,304
Total Noncurrent Assets	18,251,844	9,299,724	756,917	28,308,485	28,306,476
TOTAL ASSETS	$ 20,623,655	$ 10,204,235	$ 756,917	$ 31,584,807	$ 30,988,649

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, 2012
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2011)

LIABILITIES AND NET ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	2011 Total
Current Liabilities:					
Accounts payable	$ 123,835	$ -	$ -	$ 123,835	$ 38,269
Payroll and related liabilities	46,183	-	-	46,183	51,521
Accrued vacation	179,085	-	-	179,085	182,208
Deferred revenue	453,895	-	-	453,895	332,111
Accrued interest payable	5,588	-	-	5,588	5,858
Capital lease obligation, current portion	11,836	-	-	11,836	11,914
Notes payable, current portion	90,000	-	-	90,000	90,000
Total Current Liabilities	910,422	-	-	910,422	711,881
Noncurrent Liabilities:					
Notes payable, net of current portion	11,477,211	-	-	11,477,211	11,567,211
Capital lease obligation, net of current portion	16,324	-	-	16,324	29,196
Accrued interest payable	763,086	-	-	763,086	669,589
Total Noncurrent Liabilities	12,256,621	-	-	12,256,621	12,265,996
Total Liabilities	13,167,043	-	-	13,167,043	12,977,877
Net Assets	7,456,612	10,204,235	756,917	18,417,764	18,010,772
TOTAL LIABILITIES AND NET ASSETS	$ 20,623,655	$ 10,204,235	$ 756,917	$ 31,584,807	$ 30,988,649

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, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	2011 Total
Revenue, Support and Gains:					
Grant revenue	$ 3,723,970	$ -	$ -	$ 3,723,970	$ 3,586,714
Contributions	729,668	1,062,224	-	1,791,892	935,849
Investment income	286,719	7,402	(387)	293,734	594,532
Donations from seniors served	255,662	-	-	255,662	303,943
Housing	243,843	-	-	243,843	270,498
In-kind contributions	77,040	-	-	77,040	83,158
Other	10,356	-	-	10,356	82,355
Special events	10,000	-	-	10,000	-
United Way - grant and designations	9,880	-	-	9,880	9,133
(Loss) gain on disposal of property and equipment	(24,574)	-	-	(24,574)	1,820
Net assets released from restrictions	958	(958)	-	-	-
Total Revenue, Support and Gains	5,323,522	1,068,668	(387)	6,391,803	5,868,002
Expenses:					
Program Services:					
Nutrition program	3,291,173	-	-	3,291,173	3,553,300
Health and social services	971,368	-	-	971,368	1,017,451
Housing	631,027	-	-	631,027	522,456
Total Program Services	4,893,568	-	-	4,893,568	5,093,207
Supporting Services:					
Management and general	692,365	-	-	692,365	699,550
Fundraising	385,185	-	-	385,185	262,726
Total Supporting Services	1,077,550	-	-	1,077,550	962,276
Total Functional Expenses	5,971,118	-	-	5,971,118	6,055,483
Special Events	13,693	-	-	13,693	-
Total Expenses	5,984,811	-	-	5,984,811	6,055,483
Change in Net Assets	(661,289)	1,068,668	(387)	406,992	(187,481)
Net Assets at Beginning of Year	8,117,901	9,135,567	757,304	18,010,772	18,198,253
NET ASSETS AT END OF YEAR	$ 7,456,612	$ 10,204,235	$ 756,917	$ 18,417,764	$ 18,010,772

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, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)

	Nutrition Program	Health and Social Services	Housing	Total Program Services	Management and General	Fundraising	Total Supporting Services	2012 Total	2011 Total
Expenses:									
Personnel:									
Salaries	$ 1,104,223	$ 555,380	$ 98,178	$ 1,757,781	$ 490,906	$ 242,974	$ 733,880	$ 2,491,661	$ 2,817,308
Employee benefits	168,597	35,394	6,393	210,384	41,431	13,758	55,189	265,573	256,316
Payroll taxes	84,397	40,886	8,747	134,030	27,761	14,978	42,739	176,769	197,739
Total Personnel	1,357,217	631,660	113,318	2,102,195	560,098	271,710	831,808	2,934,003	3,271,363
Operating:									
Food costs	1,361,488	360	-	1,361,848	295	14	309	1,362,157	1,124,083
Interest expense	395	-	397,348	397,743	27	-	27	397,770	397,225
Depreciation and amortization	295,379	-	-	295,379	-	-	-	295,379	341,554
Specific assistance	-	276,652	-	276,652	-	-	-	276,652	261,163
Occupancy and utilities	98,613	-	74,303	172,916	-	-	-	172,916	178,107
Mail house services	2,074	1,403	26	3,503	7,554	90,462	98,016	101,519	79,217
Consultants	2,197	28,474	8,931	39,602	53,493	6,411	59,904	99,506	81,490
Repairs and maintenance	40,840	6,284	9,712	56,836	22,348	4,796	27,144	83,980	68,113
Auto	60,281	-	1	60,282	1,374	162	1,536	61,818	38,288
Other expense	27,420	4,697	5,045	37,162	16,401	5,175	21,576	58,738	50,275
Professional fees	12,750	3,825	2,500	19,075	14,232	-	14,232	33,307	36,247
Telephone	5,804	2,328	15,570	23,702	1,284	3,209	4,493	28,195	30,668
Supplies	6,861	11,255	1,416	19,532	5,546	1,748	7,294	26,826	29,289
Insurance	16,809	-	2,444	19,253	2,966	-	2,966	22,219	38,868
Travel, conferences and meetings	33	1,030	-	1,063	5,050	989	6,039	7,102	6,496
Equipment	2,240	3,176	205	5,621	332	208	540	6,161	19,728
Postage	772	224	-	996	1,365	301	1,666	2,662	3,308
Bad debts	-	-	208	208	-	-	-	208	-
Total Operating	1,933,956	339,708	517,709	2,791,373	132,267	113,475	245,742	3,037,115	2,784,119
TOTAL FUNCTIONAL EXPENSES	$ 3,291,173	$ 971,368	$ 631,027	$ 4,893,568	$ 692,365	$ 385,185	$ 1,077,550	$ 5,971,118	$ 6,055,482

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, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 20111

	2012	2011
Cash Flows From Operating Activities:		
Change in net assets	$ 406,992	$ (187,481)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	295,379	341,554
Realized and unrealized (gains)/losses on investments	6,114	(297,216)
Investments in limited partnerships	(20,266)	154
(Gain) loss on disposal of property and equipment	24,575	(1,820)
(Increase) Decrease in:		
Grants receivable	21,795	35,250
Pledges receivable, net	(375,820)	72,170
Accounts receivable - related parties, net	(22,974)	(600)
Inventory	-	43,952
Prepaid expenses and other	28,393	(55,877)
Accrued interest receivable	(93,497)	(74,154)
Other assets	3,822	(7,204)
(Decrease) Increase in:		
Accounts payable	85,566	(33,818)
Payroll and related liabilities	(5,338)	(24,615)
Accrued vacation	(3,123)	(900)
Deferred revenue	121,784	(104,594)
Accrued interest payable	93,227	87,995
Net Cash Provided by (Used in) Operating Activities	566,629	(207,204)
Cash Flows From Investing Activities:		
Cash and cash equivalents restricted for endowment, net	-	96,038
Sales (purchase) of investments, net	27,599	(47,964)
Purchase of land, building and equipment, net	(17,685)	(377,111)
Net Cash Provided by (Used in) Investing Activities	9,914	(329,037)

(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, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)

	2012	2011
Cash Flows From Financing Activities:		
Payments on notes payable	(90,000)	(75,000)
Payments on capital lease obligation	(12,950)	(11,030)
Net Cash Used in Financing Activities	(102,950)	(86,030)
Net Increase (Decrease) in Cash and Cash Equivalents	473,593	(622,271)
Cash and Cash Equivalents at Beginning of Year	454,150	1,076,421
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 927,743	$ 454,150

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:

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 end senior poverty and hunger through innovative solutions.

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. 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

Senior Community Centers provides seniors age 60 and above with over 1,900 hot meals each day, at ten 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, health care 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 accounting principles generally accepted in the United States of America (GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

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

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)

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.

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.

Allowance for Doubtful Accounts

Management believes that all grants and pledges receivable were fully collectible; therefore, no allowance for doubtful accounts was recorded as of June 30, 2012 and 2011.

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

Significant Accounting Policies (Continued)

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in 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.

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 aggregated $280,904 and $327,079 for the years ended June 30, 2012 and 2011, 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 2012 or 2011.

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

Significant Accounting Policies (Continued)

Other Assets and Amortization

Other assets include loan costs totaling $136,263, net of accumulated amortization of $41,013 and $26,538 at June 30, 2012 and 2011, respectively. The loan costs are being amortized over the life of the loans using the straight-line method. Amortization expense totaled $14,475 and $14,475 for the years ended June 30, 2012 and 2011, respectively.

Compensated Absences

Accumulated unpaid vacation and other employee benefit amounts totaling $179,085 and $182,208 at June 30, 2012 and 2011, 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 from grants totaled $453,895 and $332,111 at June 30, 2012 and 2011, 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, 2012 and 2011, 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 $77,040 and $83,158 based on the excess of fair market value of all rental space over the rents paid for the years ended June 30, 2012 and 2011, 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.

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

Significant Accounting Policies (Continued)

Income Taxes

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. These entities are not private foundations.

Senior Community Centers, 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, 2012, 2011, 2010, and 2009 are subject to examination by the Internal Revenue Service and State taxing authorities, generally the 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.

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, 2011

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, 2011, 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 25, 2012, the date the consolidated financial statements were available to be issued.

Reclassification

The Organization has reclassified certain prior year information to conform with the current year presentation.

Note 2 - Fair Value Measurements:

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

	2012			
	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, 2012
Mutual Funds:				
Fixed income funds	$ 1,003,020	$ -	$ -	$ 1,003,020
Large cap equity funds	718,607	-	-	718,607
International securities funds	265,346	-	-	265,346
Real estate securities funds	118,755	-	-	118,755
Total Mutual Funds	2,105,728	-	-	2,105,728
Beneficial interest in San Diego Foundation (Note 10)	-	-	6,917	6,917
	$ 2,105,728	$ -	$ 6,917	$ 2,112,645

	2011			
	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, 2011
Mutual Funds:				
Fixed income funds	$ 1,025,411	$ -	$ -	$ 1,025,411
Large cap equity funds	705,204	-	-	705,204
International securities funds	299,358	-	-	299,358
Real estate securities funds	109,081	-	-	109,081
Total Mutual Funds	2,139,054	-	-	2,139,054
Beneficial interest in San Diego Foundation (Note 10)	-	-	7,304	7,304
	$ 2,139,054	$ -	$ 7,304	$ 2,146,358

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:

	2012	2011
Mutual Funds	$ 2,105,728	$ 2,139,054

The following schedule summarizes the investment income and its classification in the consolidated statement of activities for the years ended June 30:

	2012				2011
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Interest and dividend income	$ 19,344	$ 17,670	$ -	$ 37,014	$ 38,832
Net realized and unrealized gain (loss)	4,541	(10,268)	-	(5,727)	297,216
Interest on notes receivable	262,834	-	-	262,834	257,371
San Diego Foundation	-	-	(387)	(387)	1,113
Total Investment Income	$ 286,719	$ 7,402	$ (387)	$ 293,734	$ 594,532

Note 4 - Grants Receivable:

Grants receivable consist of the following at June 30:

	2012	2011
County of San Diego - Aging and Independence Services	$ 409,669	$ 407,676
City of San Diego - Centre City Development Corporation	129,732	127,245
City of La Mesa - Community Development Block Grant	1,475	1,750
City of San Diego - Community Development Block Grant	-	26,000
Total Grants Receivable	$ 540,876	$ 562,671

Note 5 - Pledges Receivable:

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

	2012	2011
Receivables due in less than one year	$ 322,478	$ 141,382
Receivables due in one to five years	200,000	-
Less: Discount to present value	(5,276)	-
Receivables due in more than one year, net	194,724	-
Pledges Receivable, Net	$ 517,202	$ 141,382

The pledges receivable have been discounted to their present value using a discount rate of 0.82%.

Pledges receivable, net of discount, from members of the board of directors totaled $8,577 and $40,682 at June 30, 2012 and 2011, respectively.

Note 6 - Accounts Receivable - Related Parties:

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

	2012	2011
Market Square Manor Associates, L.P.	$ 822,665	$ 727,778
City Heights Square, L.P.	78,632	55,658
Subtotal	901,297	783,436
Less: Allowance for doubtful accounts	(822,665)	(727,778)
Total Accounts Receivable - Related Parties, Net	$ 78,632	$ 55,658

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 $822,665 and $727,778 at June 30, 2012 and 2011, 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:

	2012	2011
Market Square Manor Associates, L.P., A California Limited Partnership, for costs related to the development of Potiker Family Senior Residence. The note accrues interest at 5.6% and is payable from the partnership's available funds. This note is secured by a deed of trust (See Note 13). Accrued interest receivable totaled $763,086 and $669,589 at June 30, 2012 and 2011, 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 13). Accrued interest receivable totaled $-0- (Accrued interest receivable of $824,768, net of allowance of $824,768) and $-0- (Accrued interest receivable of $713,668, net of allowance of $713,668) at June 30, 2012 and 2011 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 $1,684,090 net of allowance of $1,684,090) and $-0- (Accrued interest receivable of $1,364,758, net of allowance of $1,364,758) at June 30, 2012 and 2011, respectively.	9,105,000	9,105,000

Note 7 - Notes Receivable: (Continued)

	2012	2011
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 $13,880 and $13,880 at June 30, 2012 and 2011, respectively.	$ 5,100,000	$ 5,100,000
Total Notes Receivable	$ 17,405,000	$ 17,405,000

Future principal payments on notes receivable are as follows:

Years Ended June 30	
2013	$ -
2014	-
2015	-
2016	-
2017	1,800,000
Thereafter	15,605,000
	$ 17,405,000

Note 8 - Land, Building and Equipment:

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

	2012	2011
Land	$ 2,500,000	$ 2,500,000
Building	6,203,756	6,194,921
Furniture and equipment	859,381	1,136,656
Vehicles	97,832	97,832
Leasehold improvements	55,847	110,106
Subtotal	9,716,816	10,039,515
Less: Accumulated depreciation	(1,127,660)	(1,162,565)
Land, Building and Equipment, Net	$ 8,589,156	$ 8,876,950

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:

	2012	2011
Market Square Manor, L.P.	$ 265,623	$ 245,301
City Heights Square, L.P.	231,734	231,790
Total Investments in Limited Partnership	$ 497,357	$ 477,091

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 consisting of 29% domestic equities, 27% international equities, 18% alternative investments, 15% domestic fixed income, 6% real estate and 5% international fixed income.

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

	2012	2011
Balance, Beginning of Year	$ 7,304	$ 6,191
Investment income (loss)	(387)	1,113
Total Beneficial Interest in San Diego Foundation	$ 6,917	$ 7,304

Note 11 - Line-of-Credit:

Senior Community Centers had an unsecured business line-of-credit agreement with a financial institution during the year ended June 30, 2012 and 2011, under which Senior Community Centers was allowed to borrow up to $750,000. Advances under this agreement bore interest at Wall Street Journal West Coast Edition Prime Rate plus 1.0% (4.25% at June 30, 2011). The line-of-credit matured on February 28, 2012. Senior Community Centers did not renew the line-of-credit as of June 30, 2012. There were no balances outstanding under this line-of-credit at June 30, 2012 or 2011.

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 $55,499 and accumulated depreciation of $32,374 at June 30, 2012.

The future minimum lease payments under the capital lease and the net present value of the future minimum lease payments are due as follows:

Years Ended June 30	
2013	$ 13,456
2014	14,680
2015	2,446
Total Minimum Lease Payments	30,582
Less: Amount representing interest	(2,422)
Present value of net minimum lease payments	28,160
Less: Current portion	(11,836)
Capital Lease Obligation, Long-Term	$ 16,324

Note 13 - Notes Payable:

Notes payable consist of the following at June 30:

	2012	2011
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 $763,086 and $669,589 at June 30, 2012 and 2011, respectively.	$ 1,000,000	$ 1,000,000

Note 13 - Notes Payable: (Continued)

	2012	2011
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 $1,000,149, net of allowance of $1,000,149) and $-0- (Accrued interest payable of $889,049, net of allowance of $889,049) at June 30, 2012 and 2011, respectively.	$ 2,200,000	$ 2,200,000
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. Beginning September 1, 2010, monthly principal payments of $7,500 along with interest payments on the unpaid balance are due. Final payment of all unpaid principal and interest is due on August 19, 2016. The note is secured by a deed of trust. Accrued interest payable totaled $5,588 and $5,858 at June 30, 2012 and 2011, respectively.	1,507,211	1,597,211

Note 13 - Notes Payable: (Continued)

	2012	2011
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, 2012 and 2011, respectively.	$ 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 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, 2012 and 2011, respectively.	1,850,000	1,850,000
Total Notes Payable	11,567,211	11,657,211
Less: Current Portion	(90,000)	(90,000)
Notes Payable, Long-Term	$ 11,477,211	$ 11,567,211

Future principal payments on notes payable are as follows:

Years Ended June 30	
2013	$ 90,000
2014	90,000
2015	90,000
2016	90,000
2017	3,119,365
Thereafter	8,087,846
	$ 11,567,211

Note 14 - Temporarily Restricted Net Assets:

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

	2012	2011
City Heights grant	$ 9,105,000	$ 9,105,000
Debt reduction	867,500	-
For future periods	194,724	-
Endowment earnings in excess of spending policy	30,282	22,880
Wheelchair grant	6,729	7,687
Total Temporarily Restricted Net Assets	$ 10,204,235	$ 9,135,567

Net assets totaling $958 were released from donor restrictions due to the satisfaction of purpose or time restrictions for the year ended June 30, 2012.

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 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, 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

Note 15 - Endowment Net Assets: (Continued)

Web MD Health Preservation Endowment (Continued)

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Senior Community Centers to retain as a fund of perpetual duration. There were no such deficiencies for the years ended June 30, 2012 and 2011.

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

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 December 31st 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 first calendar 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

Note 15 - Endowment Net Assets: (Continued)

San Diego Foundation Managed Funds (Continued)

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

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

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:

	2012		
	Temporarily Restricted	Permanently Restricted	Total June 30, 2012
Donor Restricted Endowment Funds:			
San Diego Foundation	$ -	$ 6,917	$ 6,917
Web MD Health Preservation	30,282	750,000	780,282
Total Donor Restricted Endowment Funds	$ 30,282	$ 756,917	$ 787,199

	2011		
	Temporarily Restricted	Permanently Restricted	Total June 30, 2011
Donor Restricted Endowment Funds:			
San Diego Foundation	$ -	$ 7,304	$ 7,304
Web MD Health Preservation	22,880	750,000	772,880
Total Donor Restricted Endowment Funds	$ 22,880	$ 757,304	$ 780,184

Note 15 - Endowment Net Assets: (Continued)

San Diego Foundation Managed Funds (Continued)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets at June 30, 2010	$ (89,155)	$ -	$ 756,191	$ 667,036
Investment income and net realized and unrealized appreciation	89,155	63,880	1,113	154,148
Appropriation of endowment assets for expenditures	-	(41,000)	-	(41,000)
Endowment Net Assets at June 30, 2011	-	22,880	757,304	780,184
Investment income and net realized and unrealized appreciation	-	7,402	(387)	7,015
Appropriation of endowment assets for expenditures	-	-	-	-
Endowment Net Assets at June 30, 2012	$ -	$ 30,282	$ 756,917	$ 787,199

Note 16 - Lease Obligations:

Senior Community Centers leases office equipment through August, 2013. Equipment lease expense totaled $16,023 and $18,536 for the years ended June 30, 2012 and 2011, respectively, under this lease which is included in equipment in the consolidated statement of functional expenses.

Senior Community Centers renews its lease for emergency lodging on an annual basis. Emergency lodging lease expense totaled $265,524 and $255,510 for the years ended June 30, 2012 and 2011, 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	
2013	$ 126,009
2014	13,608
	$ 139,617

Note 17 - 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 $260,016 and $260,013, and has been eliminated in consolidation for the years ended June 30, 2012 and 2011, respectively.