SENIOR COMMUNITY CENTERS OF SAN DIEGO

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013

Leaf & Cole, LLP
Certified Public Accountants

SENIOR COMMUNITY CENTERS OF SAN DIEGO AND SUBSIDIARIES
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Independent Auditor's Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Senior Community Centers of San Diego and Subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Senior Community Centers of San Diego and Subsidiaries as of June 30, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Senior Community Centers of San Diego and Subsidiaries' 2012 consolidated financial statements, and our report dated September 25, 2012, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Senior Community Centers of San Diego and Subsidiaries' internal control over financial reporting and compliance.

Leaf & Cole LLP

San Diego, California
September 23, 2013

SENIOR COMMUNITY CENTERS OF SAN DIEGO AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2012)

ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
Current Assets:					
Cash and cash equivalents	$ 52,337	$ 9,957	$ -	$ 62,294	$ 927,743
Investments	1,385,949	77,276	-	1,463,225	1,355,728
Grants receivable	511,747	-	-	511,747	540,876
Pledges receivable	93,469	-	-	93,469	322,478
Accrued interest receivable	13,880	-	-	13,880	13,880
Accounts receivable - related parties, net	72,064	-	-	72,064	78,632
Prepaid expenses and other	44,887	-	-	44,887	36,985
Total Current Assets	2,174,333	87,233	-	2,261,566	3,276,322
Noncurrent Assets:					
Investments restricted for endowment	-	-	750,000	750,000	750,000
Pledges receivable, net	-	373,407	-	373,407	194,724
Notes receivable	8,300,000	9,105,000	-	17,405,000	17,405,000
Accrued interest receivable	861,819	-	-	861,819	763,086
Land, building and equipment, net	8,363,062	-	-	8,363,062	8,589,156
Donated property	98,000	-	-	98,000	-
Other assets, net	51,591	-	-	51,591	102,245
Investments in limited partnerships	497,266	-	-	497,266	497,357
Beneficial interest in San Diego Foundation	-	-	6,987	6,987	6,917
Total Noncurrent Assets	18,171,738	9,478,407	756,987	28,407,132	28,308,485
TOTAL ASSETS	$ 20,346,071	$ 9,565,640	$ 756,987	$ 30,668,698	$ 31,584,807

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, 2013
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2012)

LIABILITIES AND NET ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
Current Liabilities:					
Accounts payable	$ 291,625	$ -	$ -	$ 291,625	$ 123,835
Payroll and related liabilities	61,168	-	-	61,168	46,183
Accrued vacation	185,278	-	-	185,278	179,085
Line of credit	205,984	-	-	205,984	-
Deferred revenue	190,073	-	-	190,073	453,895
Accrued interest payable	18,972	-	-	18,972	5,588
Capital lease obligation, current portion	13,903	-	-	13,903	11,836
Notes payable, current portion	-	-	-	-	90,000
Total Current Liabilities	967,003	-	-	967,003	910,422
Noncurrent Liabilities:					
Notes payable, net of current portion	10,060,000	-	-	10,060,000	11,477,211
Capital lease obligation, net of current portion	2,422	-	-	2,422	16,324
Accrued interest payable	861,819	-	-	861,819	763,086
Total Noncurrent Liabilities	10,924,241	-	-	10,924,241	12,256,621
Total Liabilities	11,891,244	-	-	11,891,244	13,167,043
Net Assets	8,454,827	9,565,640	756,987	18,777,454	18,417,764
TOTAL LIABILITIES AND NET ASSETS	$ 20,346,071	$ 9,565,640	$ 756,987	$ 30,668,698	$ 31,584,807

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, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
Revenue, Support and Gains:					
Grant revenue	$ 3,721,285	$ -	$ -	$ 3,721,285	$ 3,723,970
Contributions	842,351	711,748	-	1,554,099	1,791,892
Investment income	366,065	93,011	206	459,282	293,734
Housing	291,721	-	-	291,721	243,843
Donations from seniors served	212,574	-	-	212,574	255,662
Special events	211,258	-	-	211,258	10,000
In-kind contributions	82,800	-	-	82,800	77,040
Other	25,118	-	-	25,118	10,356
United Way - grant and designations	7,213	-	-	7,213	9,880
Loss on disposal of property and equipment	-	-	-	-	(24,574)
Net assets released from restrictions	1,443,490	(1,443,354)	(136)	-	-
Total Revenue, Support and Gains	7,203,875	(638,595)	70	6,565,350	6,391,803
Expenses:					
Program Services:					
Nutrition program	2,812,951	-	-	2,812,951	3,291,173
Health and social services	964,624	-	-	964,624	971,368
Housing	863,897	-	-	863,897	631,027
Total Program Services	4,641,472	-	-	4,641,472	4,893,568
Supporting Services:					
Management and general	980,164	-	-	980,164	692,365
Fundraising	474,675	-	-	474,675	385,185
Total Supporting Services	1,454,839	-	-	1,454,839	1,077,550
Total Functional Expenses	6,096,311	-	-	6,096,311	5,971,118
Special Events	109,349	-	-	109,349	13,693
Total Expenses	6,205,660	-	-	6,205,660	5,984,811
Change in Net Assets	998,215	(638,595)	70	359,690	406,992
Net Assets at Beginning of Year	7,456,612	10,204,235	756,917	18,417,764	18,010,772
NET ASSETS AT END OF YEAR	$ 8,454,827	$ 9,565,640	$ 756,987	$ 18,777,454	$ 18,417,764

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, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)

	Program Services				Supporting Services				
	Nutrition Program	Health and Social Services	Housing	Total Program Services	Management and General	Fundraising	Total Supporting Services	2013 Total	2012 Total
Expenses:									
Personnel:									
Salaries	$ 854,927	$ 676,641	$ 151,150	$ 1,682,718	$ 642,778	$ 316,382	$ 959,160	$ 2,641,878	$ 2,491,661
Employee benefits	132,660	46,589	10,375	189,624	69,577	19,745	89,322	278,946	265,573
Payroll taxes	63,663	49,189	10,335	123,187	41,448	21,049	62,497	185,684	176,769
Total Personnel	1,051,250	772,419	171,860	1,995,529	753,803	357,176	1,110,979	3,106,508	2,934,003
Operating:									
Food costs	1,449,200	-	-	1,449,200	-	-	-	1,449,200	1,362,157
Interest expense	205	657	354,353	355,215	699	123	822	356,037	397,770
Depreciation and amortization	56,167	-	235,696	291,863	26,743	-	26,743	318,606	295,379
Occupancy and utilities	128,304	-	55,047	183,351	-	-	-	183,351	172,916
Specific assistance	-	125,777	-	125,777	-	-	-	125,777	276,652
Consultants	-	27,566	-	27,566	63,111	26,415	89,526	117,092	99,506
Repairs and maintenance	32,770	567	3,239	36,576	42,679	5,350	48,029	84,605	83,980
Other expense	11,179	4,722	8,484	24,385	26,476	18,496	44,972	69,357	58,738
Auto	63,646	-	-	63,646	103	-	103	63,749	61,818
Mail house services	1,244	642	11	1,897	2,899	50,900	53,799	55,696	101,519
Professional fees	-	-	-	-	34,156	-	34,156	34,156	33,307
Equipment	6,638	13,879	2,068	22,585	6,767	3,704	10,471	33,056	6,161
Supplies	4,486	10,895	4,169	19,550	6,331	7,165	13,496	33,046	26,826
Telephone	6,773	5,071	13,066	24,910	2,808	3,046	5,854	30,764	28,195
Insurance	-	-	15,645	15,645	8,547	-	8,547	24,192	22,219
Travel, conferences and meetings	249	1,759	259	2,267	4,280	1,074	5,354	7,621	7,102
Postage	840	670	-	1,510	762	1,226	1,988	3,498	2,662
Bad debts	-	-	-	-	-	-	-	-	208
Total Operating	1,761,701	192,205	692,037	2,645,943	226,361	117,499	343,860	2,989,803	3,037,115
TOTAL FUNCTIONAL EXPENSES	$ 2,812,951	$ 964,624	$ 863,897	$ 4,641,472	$ 980,164	$ 474,675	$ 1,454,839	$ 6,096,311	$ 5,971,118

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, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)

	2013	2012
Cash Flows From Operating Activities:		
Change in net assets	$ 359,690	$ 406,992
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	318,605	295,379
Net realized and unrealized (gains)/losses	(147,434)	5,727
Investments in limited partnerships	91	(20,266)
Donated property	(98,000)	-
Loss on disposal of property and equipment	-	24,575
Permanently restricted investment (income) loss	(206)	387
Permanently restricted distributions	136	-
(Increase) Decrease in:		
Grants receivable	29,129	21,795
Pledges receivable, net	50,326	(375,820)
Accounts receivable - related parties, net	6,568	(22,974)
Prepaid expenses and other	(7,902)	28,393
Accrued interest receivable	(98,733)	(93,497)
Other assets	2,764	3,822
(Decrease) Increase in:		
Accounts payable	167,790	85,566
Payroll and related liabilities	14,985	(5,338)
Accrued vacation	6,193	(3,123)
Deferred revenue	(263,822)	121,784
Accrued interest payable	112,117	93,227
Net Cash Provided by Operating Activities	452,297	566,629
Cash Flows From Investing Activities:		
Sales of investments, net	39,937	27,599
Purchase of land, building and equipment, net	(44,621)	(17,685)
Change in beneficial interest in San Diego Foundation	(70)	387
Net Cash (Used in) Provided by Investing Activities	(4,754)	10,301

(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, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)

	2013	2012
Cash Flows From Financing Activities:		
Proceeds from line of credit, net	$ 205,984	$ -
Payments on notes payable	(1,507,211)	(90,000)
Payments on capital lease obligation	(11,835)	(12,950)
Permanently restricted investment income (loss)	206	(387)
Permanently restricted distributions	(136)	-
Net Cash Used in Financing Activities	(1,312,992)	(103,337)
Net (Decrease) Increase in Cash and Cash Equivalents	(865,449)	473,593
Cash and Cash Equivalents at Beginning of Year	927,743	454,150
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 62,294	$ 927,743

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 2,100 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.

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

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

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

Significant Accounting Policies (Continued)

Estimates

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

Risks and Uncertainties

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

Fair Value Measurements

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

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.

- Level 3 inputs are unobservable inputs for the investment.

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.

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

Significant Accounting Policies (Continued)

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, 2013 and 2012.

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 totaled $270,715 and $280,904 for the years ended June 30, 2013 and 2012, respectively.

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

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

Significant Accounting Policies (Continued)

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 2013 or 2012.

Donated Property

Donated property consists of land and improvements donated to the Organization and have been valued by appraisal as of the date of the donation and totals $98,000 and $-0- at June 30, 2013 and 2012, respectively.

Other Assets and Amortization

Other assets include loan costs and deposits. Loan costs total $62,395 and $136,263, net of accumulated amortization of $15,035 and $41,013 at June 30, 2013 and 2012, respectively. The loan costs are being amortized over the life of the loans using the straight-line method. Amortization expense totaled $47,890 and $14,475 for the years ended June 30, 2013 and 2012, respectively.

Deposits total $4,231 and $6,995 at June 30, 2013 and 2012, respectively.

Compensated Absences

Accumulated unpaid vacation and other employee benefit amounts totaling $185,278 and $179,085 at June 30, 2013 and 2012, 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 $190,073 and $453,895 at June 30, 2013 and 2012, 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, 2013 and 2012, did not meet the requirements above; therefore no amounts were recognized in the consolidated financial statements.

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

Significant Accounting Policies (Continued)

Donated Services and Materials (Continued)

The Organization occupied facilities under lease agreements at below market rent value of $82,800 and $77,040 based on the excess of fair market value of all rental space over the rents paid for the years ended June 30, 2013 and 2012, respectively.

Allocated Expenses

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

Income Taxes

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 Organization believes it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements. 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, 2013, 2012, 2011, and 2010 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

Concentration of Credit Risk

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

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, 2012

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, 2012, from which the summarized information was derived.

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

Significant Accounting Policies (Continued)

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 23, 2013, 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:

	2013			
	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, 2013
Mutual Funds:				
Fixed income funds	$ 1,048,677	$ -	$ -	$ 1,048,677
Large cap equity funds	741,136	-	-	741,136
International securities funds	302,465	-	-	302,465
Real estate securities funds	120,947	-	-	120,947
Beneficial interest in San Diego Foundation (Note 10)	-	-	6,987	6,987
	$ 2,213,225	$ -	$ 6,987	$ 2,220,212

	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
Beneficial interest in San Diego Foundation (Note 10)	-	-	6,917	6,917
	$ 2,105,728	$ -	$ 6,917	$ 2,112,645

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:

	2013	2012
Mutual Funds	$ 2,213,225	$ 2,105,728

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

	2013				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2012 Total
Interest and dividend income	$ 22,625	$ 21,405	$ -	$ 44,030	$ 37,014
Net realized and unrealized gain (loss)	75,828	71,606	-	147,434	(5,727)
Interest on notes receivable	267,612	-	-	267,612	262,834
San Diego Foundation	-	-	206	206	(387)
Total Investment Income	$ 366,065	$ 93,011	$ 206	$ 459,282	$ 293,734

Note 4 - Grants Receivable:

Grants receivable consist of the following at June 30:

	2013	2012
County of San Diego - Aging and Independence Services	$ 489,142	$ 409,669
County of San Diego - Transitional Housing	15,848	-
UPAC - Gatekeeper Program	5,417	10,834
City of La Mesa - Community Development Block Grant	1,000	1,475
County of San Diego - MOM Program	340	-
City of San Diego - Centre City Development Corporation	-	118,898
Total Grants Receivable	$ 511,747	$ 540,876

Note 5 - Pledges Receivable:

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

	2013	2012
Receivables due in less than one year	$ 93,469	$ 322,478
Receivables due in one to five years	406,750	200,000
Less: Discount to present value	(33,343)	(5,276)
Receivables due in more than one year, net	373,407	194,724
Pledges Receivable, Net	$ 466,876	$ 517,202

The pledges receivable have been discounted to their present value using a discount rate of 0.82% to 1.50%. Pledges receivable, net of discount, from members of the board of directors totaled $11,679 and $8,577 at June 30, 2013 and 2012, 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:

	2013	2012
Market Square Manor Associates, L.P.	$ 917,115	$ 822,665
City Heights Square, L.P.	72,064	78,632
Subtotal	989,179	901,297
Less: Allowance for doubtful accounts	(917,115)	(822,665)
Total Accounts Receivable - Related Parties, Net	$ 72,064	$ 78,632

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 $917,115 and $822,665 at June 30, 2013 and 2012, 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:

	2013	2012
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 $861,819 and $763,086 at June 30, 2013 and 2012, 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 $935,868, net of allowance of $935,868) and $-0- (Accrued interest receivable of $824,768, net of allowance of $824,768) at June 30, 2013 and 2012 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 $2,012,250 net of allowance of $2,012,250) and $-0- (Accrued interest receivable of $1,684,090, net of allowance of $1,684,090) at June 30, 2013 and 2012, respectively.	9,105,000	9,105,000

Note 7 - Notes Receivable: (Continued)

	2013	2012
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, 2013 and 2012, 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	
2014	$ -
2015	-
2016	-
2017	1,800,000
2018	-
Thereafter	15,605,000
	$ 17,405,000

Note 8 - Land, Building and Equipment:

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

	2013	2012
Land	$ 2,500,000	$ 2,500,000
Building	6,203,756	6,203,756
Furniture and equipment	875,486	859,381
Vehicles	126,348	97,832
Leasehold improvements	55,847	55,847
Subtotal	9,761,437	9,716,816
Less: Accumulated depreciation	(1,398,375)	(1,127,660)
Land, Building and Equipment, Net	$ 8,363,062	$ 8,589,156

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:

	2013	2012
Market Square Manor, L.P.	$ 265,589	$ 265,623
City Heights Square, L.P.	231,677	231,734
Total Investments in Limited Partnership	$ 497,266	$ 497,357

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 30% domestic and global equities, 24% international equities, 20% alternative investments, 14% domestic fixed income, 7% 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:

	2013	2012
Balance, Beginning of Year	$ 6,917	$ 7,304
Investment income (loss)	206	(387)
Distribution to the Organization	(136)	-
Total Beneficial Interest in San Diego Foundation	$ 6,987	$ 6,917

Note 11 - Line-of-Credit:

Senior Community Centers has an unsecured business line-of-credit agreement with a financial institution, under which Senior Community Centers was allowed to borrow up to $750,000. Advances under this agreement bear interest equal to the Prime Rate (3.25% at June 30, 2013). The line-of-credit matures on December 31, 2013. The balance outstanding under this line-of-credit totaled $205,984 and $-0- at June 30, 2013 and 2012, respectively, and was repaid in its entirety in July, 2013.

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 $44,091 at June 30, 2013.

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		
2014	$	14,680
2015		2,446
Total Minimum Lease Payments		17,126
Less: Amount representing interest		(801)
Present value of net minimum lease payments		16,325
Less: Current portion		(13,903)
Capital Lease Obligation, Long-Term	$	2,422

Note 13 - Notes Payable:

Notes payable consist of the following at June 30:

	2013	2012
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 $861,819 and $763,086 at June 30, 2013 and 2012, respectively.	$ 1,000,000	$ 1,000,000

Note 13 - Notes Payable: (Continued)

	2013	2012
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 $1,111,249, net of allowance of $1,111,249) and $-0- (Accrued interest payable of $1,000,149, net of allowance of $1,000,419 at June 30, 2013 and 2012, respectively.	$ 2,200,000	$ 2,200,000
West Senior Wellness Center has a promissory note payable with Clearinghouse NMTC (Sub 15), LLC, a California limited liability Company, for the development of the Gary and Mary West Senior Wellness Center in the original amount of $5,010,000. Interest on the note accrues at 3.3187% per annum. Interest only payments are payable monthly beginning September 1, 2009, through August 1, 2016. Principal and interest payments of $26,103 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 $13,856 and $-0- at June 30, 2013 and 2012, respectively.	5,010,000	5,010,000

Note 13 - Notes Payable: (Continued)

	2013	2012
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 $5,116 and $-0- at June 30, 2013 and 2012, respectively.	$ 1,850,000	$ 1,850,000
Senior Community Centers had 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 was 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 were due. Final payment of all unpaid principal and interest was made on April 17, 2013. The note was secured by a deed of trust. Accrued interest payable totaled $-0- and $5,588 at June 30, 2013 and 2012, respectively.	-	1,507,211
Total Notes Payable	10,060,000	11,567,211
Less: Current Portion	-	(90,000)
Notes Payable, Long-Term	$ 10,060,000	$ 11,477,211

Future principal payments on notes payable are as follows:

Years Ended June 30	
2014	$ -
2015	-
2016	-
2017	1,975,154
2018	151,079
Thereafter	7,933,767
	$ 10,060,000

Note 14 - Temporarily Restricted Net Assets:

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

	2013	2012
City Heights grant	$ 9,105,000	$ 9,105,000
For future periods	373,407	194,724
Endowment earnings in excess of spending policy	81,905	30,282
Wheelchair grant	5,328	6,729
Debt reduction	-	867,500
Total Temporarily Restricted Net Assets	$ 9,565,640	$ 10,204,235

Net assets totaling $1,443,354 were released from donor restrictions due to the satisfaction of purpose or time restrictions for the year ended June 30, 2013.

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, 2013 and 2012.

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).

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

	2013		
	Temporarily Restricted	Permanently Restricted	Total June 30, 2013
Donor Restricted Endowment Funds:			
San Diego Foundation	$ -	$ 6,987	$ 6,987
Web MD Health Preservation	81,905	750,000	831,905
Total Donor Restricted Endowment Funds	$ 81,905	$ 756,987	$ 838,892

	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

Note 15 - Endowment Net Assets: (Continued)

San Diego Foundation Managed Funds (Continued)

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

	Temporarily Restricted	Permanently Restricted	Total
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
Investment income and net realized and unrealized appreciation	93,011	206	93,217
Appropriation of endowment assets for expenditures	(41,388)	(136)	(41,524)
Endowment Net Assets at June 30, 2013	$ 81,905	$ 756,987	$ 838,892

Note 16 - Lease Obligations:

Senior Community Centers leases office equipment through August, 2014. Equipment lease expense totaled $18,735 and $16,023 for the years ended June 30, 2013 and 2012, respectively, under this lease which is included in equipment in the consolidated statements of functional expenses.

Senior Community Centers renews its lease for emergency lodging on an annual basis. Emergency lodging lease expense totaled $109,117 and $265,524 for the years ended June 30, 2013 and 2012, respectively, which is included in occupancy and utilities in the consolidated statements of functional expenses.

Future minimum lease payments under the leases are as follows:

Years Ended June 30	
2014	$ 2,108

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 $260,016, and has been eliminated in consolidation for the years ended June 30, 2013 and 2012, respectively.

SENIOR COMMUNITY CENTERS OF SAN DIEGO AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grants/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development,		
Office of Community Planning and Development:		
Pass-Through Programs From:		
Community Development Block Grant/Entitlement Grants	14.218	
City of San Diego		$ 128,140
City of La Mesa		4,475
Total Pass-Through Programs		132,615
Total U.S. Department of Housing and Urban Development		132,615
U.S. Department of Health and Human Services,		
Administration Aging:		
Pass-Through Programs From:		
Aging Cluster:		
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	
County of San Diego		1,854,605
Nutrition Services Incentive Program	93.053	
County of San Diego		323,550
Total Aging Cluster		2,178,155
Total Pass-Through Programs		2,178,155
Total U.S. Department of Health and Human Services		2,178,155
Total Expenditures of Federal Awards		$ 2,310,770

Note - Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Senior Community Centers of San Diego and subsidiaries and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

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

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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 and Subsidiaries

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to consolidated financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Senior Community Centers of San Diego and Subsidiaries, which comprise the statement of financial position as of June 30, 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements, and have issued our report thereon dated September 23, 2013.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Leaf & Cole LLP

San Diego, California
September 23, 2013

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

Steven W. Northcote, C.P.A.
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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited Senior Community Centers of San Diego and Subsidiaries' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Senior Community Centers of San Diego and Subsidiaries' major federal programs for the year ended June 30, 2013. Senior Community Centers of San Diego and Subsidiaries' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Senior Community Centers of San Diego and Subsidiaries' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 and Subsidiaries' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Senior Community Centers of San Diego and Subsidiaries' compliance.

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Opinion on Each Major Federal Program

In our opinion, Senior Community Centers of San Diego and Subsidiaries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Senior Community Centers of San Diego and Subsidiaries is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Senior Community Centers of San Diego and Subsidiaries' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 and Subsidiaries' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Leaf & Cole LLP

San Diego, California
September 23, 2013

SENIOR COMMUNITY CENTERS OF SAN DIEGO AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section I - Summary of Auditor's Results:

Financial Statements

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

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified		
Internal control over major programs:			
Material weakness(es) identified?	___ Yes	X	None reported
Significant deficiencies identified not considered to be material weakness(es)?	___ Yes	X	No
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	___ Yes	X	No

Identification of major programs:

CDFA Number(s)	Name of Federal Program or Cluster
93.045, 93.053	Aging Cluster
14.218	Community Development Block Grants/ Entitlement Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000	
Auditee qualified as low-risk auditee?	X Yes	___ No

Section II - Financial Statement Findings:

None

Section III – Federal Award Findings and Questioned Costs:

None

SENIOR COMMUNITY CENTERS OF SAN DIEGO AND SUBSIDIARIES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

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