Foundation for Senior Living and Affiliated Entities

Combined Financial Statements

June 30, 2022 and 2021

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Foundation for Senior Living and Affiliated Entities
Phoenix, Arizona

Opinion

We have audited the accompanying combined financial statements of Foundation for Senior Living and Affiliated Entities, which comprise the combined statements of financial position as of June 30, 2022 and 2021, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Foundation for Senior Living and Affiliated Entities as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of Foundation for Senior Living and Affiliated Entities and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combined Financial Statements

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

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Foundation for Senior Living and Affiliated Entities' ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risk of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Foundation for Senior Living and Affiliated Entities' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Foundation for Senior Living and Affiliated Entities' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statement of financial position and combining statement of activities are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Baker Tilly US, LLP

Tempe, Arizona
January 11, 2023

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES
COMBINED STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021*
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 6,820,568	$ 7,147,539
Restricted deposits and funded reserves, current portion	217,421	233,787
Accounts receivable, net of allowance	7,183,560	2,971,822
Promises to give, current portion	1,053,475	1,017,107
Grants receivable	649,977	1,793,105
Due from affiliates, net of allowance	9,804,141	9,552,600
Prepaid expenses and deposits	238,601	236,933
Notes receivable from affiliates, current portion	75,000	73,732
Property inventory	216,648	100,362
TOTAL CURRENT ASSETS	26,259,391	23,126,987
NON-CURRENT ASSETS		
Restricted deposits and funded reserves, net of current portion	2,569,774	2,549,912
Promises to give, net of current portion and unamortized discount	247,855	346,997
Property and equipment, net	43,365,541	43,980,909
Notes receivable from affiliates, net of current portion	11,649,482	11,974,482
Deferred tax asset	12,000	12,000
Investments	579,064	104,434
Investment in affiliates, equity basis	(1,686,008)	(1,308,079)
TOTAL NON-CURRENT ASSETS	56,737,708	57,660,655
TOTAL ASSETS	$ 82,997,099	$ 80,787,642

* Reclassified to conform to current year presentation

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES
COMBINED STATEMENTS OF FINANCIAL POSITION (Continued)
June 30, 2022 and 2021

	2022	2021*
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 3,568,160	$ 981,073
Due to affiliates	710,195	707,396
Accrued payroll and related expenses	2,068,572	1,535,761
Interest payable	453,761	415,942
Contract advances	208,685	448,195
Deferred revenue	390,795	-
Other liabilities	141,588	671,921
Lines of credit	1,622,535	2,910,372
Long-term debt, current portion	2,643,849	3,947,890
TOTAL CURRENT LIABILITIES	11,808,140	11,618,550
NON-CURRENT LIABILITIES		
Tenant security deposits	101,701	100,241
Long-term debt, net of current portion and debt issuance costs	37,402,428	37,686,062
TOTAL NON-CURRENT LIABILITIES	37,504,129	37,786,303
TOTAL LIABILITIES	49,312,269	49,404,853
NET ASSETS		
Without donor restrictions	17,972,056	12,662,115
With donor restrictions	15,712,774	18,720,674
TOTAL NET ASSETS	33,684,830	31,382,789
TOTAL LIABILITIES AND NET ASSETS	$ 82,997,099	$ 80,787,642

* Reclassified to conform to current year presentation

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES
COMBINED STATEMENTS OF ACTIVITIES
Years Ended June 30, 2022 and 2021

	2022			2021*		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES						
Government contracts	$ 31,543,001	$ -	$ 31,543,001	$ 25,190,481	$ -	$ 25,190,481
Client fees	9,837,412	-	9,837,412	9,735,022	-	9,735,022
Program income	1,053,177	-	1,053,177	1,045,227	-	1,045,227
Management fees	282,713	-	282,713	192,101	-	192,101
Grants	4,838,744	2,448,995	7,287,739	4,564,494	914,377	5,478,871
Paycheck Protection Program government grant	-	-	-	1,272,285	-	1,272,285
Contributions						
Charity and Development Appeal	-	540,000	540,000	-	535,000	535,000
Foundations	-	375,000	375,000	80,625	375,000	455,625
Corporations and individuals	320,800	65,242	386,042	206,368	114,253	320,621
In-kind donations	571,194	-	571,194	798,908	-	798,908
Release from time restrictions	1,149,373	(1,149,373)	-	978,142	(978,142)	-
Release from purpose restrictions	5,287,764	(5,287,764)	-	159,587	(159,587)	-
	54,884,178	(3,007,900)	51,876,278	44,223,240	800,901	45,024,141
Other revenue						
Interest income	254,838	-	254,838	252,122	-	252,122
Other	87,991	-	87,991	52,505	-	52,505
	342,829	-	342,829	304,627	-	304,627
TOTAL SUPPORT AND REVENUES	55,227,007	(3,007,900)	52,219,107	44,527,867	800,901	45,328,768
EXPENSES						
Program expenses	43,191,351	-	43,191,351	35,218,152	-	35,218,152
Management and general	6,842,190	-	6,842,190	5,868,510	-	5,868,510
Fundraising	287,020	-	287,020	319,218	-	319,218
TOTAL EXPENSES	50,320,561	-	50,320,561	41,405,880	-	41,405,880
OTHER INCOME (EXPENSE)						
Gain (loss) on sale of assets	165,935	-	165,935	(1,126)	-	(1,126)
Gain (loss) on LLC investments	237,760	-	237,760	(81,351)	-	(81,351)
Income tax benefit (expense)	(200)	-	(200)	(655)	-	(655)
TOTAL OTHER INCOME (EXPENSE)	403,495	-	403,495	(83,132)	-	(83,132)
CHANGE IN NET ASSETS	5,309,941	(3,007,900)	2,302,041	3,038,855	800,901	3,839,756
NET ASSETS, BEGINNING OF YEAR	12,662,115	18,720,674	31,382,789	9,623,260	17,919,773	27,543,033
NET ASSETS, END OF YEAR	$ 17,972,056	$ 15,712,774	$ 33,684,830	$ 12,662,115	$ 18,720,674	$ 31,382,789

* Reclassified to conform to current year presentation

See accompanying notes.

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

	Program Services						Support Services					
	FSL Programs/ Home Improvements/ Pathways	HUD Properties	FSL Rural Development	FSL Real Estate Services/ Other	Eliminations	Total Program Services	Management and General	Eliminations	Total Management and General	Fundraising	Total Support Services	Total Functional Expenses
Salaries	$ 11,213,116	$ 66,102	$ 205,354	$ 271,196	$ -	$ 11,755,768	$ 3,407,258	$ -	$ 3,407,258	$ 151,499	$ 3,558,757	$ 15,314,525
Payroll taxes	1,000,955	6,098	18,847	24,925	-	1,050,825	256,413	-	256,413	9,007	265,420	1,316,245
Employee benefits	1,496,929	15,063	16,894	32,506	-	1,561,392	451,479	-	451,479	-	451,479	2,012,871
Building and occupancy	1,788,234	165,288	416,034	794,783	(1,085,379)	2,078,960	355,349	(296,155)	59,194	-	59,194	2,138,154
Meetings and travel	639,220	3,220	16,138	12,206	-	670,784	40,605	-	40,605	-	40,605	711,389
Professional fees/taxes	17,545,811	16,620	45,354	159,957	-	17,767,742	1,062,599	(7,200)	1,055,399	59,196	1,114,595	18,882,337
Food and beverage	527,652	331	312	189	-	528,484	6,223	-	6,223	210	6,433	534,917
Depreciation	131,311	68,038	79,031	1,225,558	(7,332)	1,496,606	27,953	(67,238)	(39,285)	-	(39,285)	1,457,321
Interest	30,722	74,170	1,000	1,304,249	(283,802)	1,126,339	1,037,339	(289,964)	747,375	-	747,375	1,873,714
Bad debt	43,716	76	-	10,338	-	54,130	-	-	-	-	-	54,130
Materials and supplies	614,020	14,861	30,705	52,367	-	711,953	383,102	-	383,102	50,857	433,959	1,145,912
Insurance	259,823	5,049	10,929	41,685	-	317,486	60,650	-	60,650	1,064	61,714	379,200
Telephones	134,467	5,865	7,338	17,526	-	165,196	61,352	-	61,352	-	61,352	226,548
Specific client assistance	3,187,615	-	9,165	-	-	3,196,780	-	-	-	1,376	1,376	3,198,156
Other operating	366,823	12,734	18,397	323,352	(12,400)	708,906	294,215	-	294,215	13,811	308,026	1,016,932
Management fees	-	-	-	-	-	-	4,273,746	(4,215,536)	58,210	-	58,210	58,210
	$ 38,980,414	$ 453,515	$ 875,498	$ 4,270,837	$ (1,388,913)	$ 43,191,351	$ 11,718,283	$ (4,876,093)	$ 6,842,190	$ 287,020	$ 7,129,210	$ 50,320,561

See accompanying notes.

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	Program Services						Support Services					
	FSL Programs/ Home Improvements/ Pathways	HUD Properties	FSL Rural Development	FSL Real Estate Services/ Other	Eliminations	Total Program Services	Management and General	Eliminations	Total Management and General	Fundraising	Total Support Services	Total Functional Expenses
Salaries	$ 10,738,387	$ 69,746	$ 170,888	$ 418,246	$ -	$ 11,397,267	$ 2,970,247	$ -	$ 2,970,247	$ 178,472	$ 3,148,719	$ 14,545,986
Payroll taxes	966,104	7,807	16,717	37,599	-	1,028,227	224,150	-	224,150	10,426	234,576	1,262,803
Employee benefits	1,031,658	17,878	21,057	32,722	-	1,103,315	281,852	-	281,852	-	281,852	1,385,167
Building and occupancy	1,568,448	161,253	454,888	602,024	(983,232)	1,803,381	327,890	(289,521)	38,369	-	38,369	1,841,750
Meetings and travel	436,597	3,791	8,293	10,303	-	458,984	34,532	-	34,532	-	34,532	493,516
Professional fees/taxes	11,041,886	26,447	44,411	176,379	-	11,289,123	839,889	(7,200)	832,689	52,571	885,260	12,174,383
Food and beverage	419,782	430	592	192	-	420,996	2,884	-	2,884	20	2,904	423,900
Depreciation	51,610	70,277	73,690	955,502	(74,570)	1,076,509	14,292	-	14,292	-	14,292	1,090,801
Interest	24,290	57,223	999	1,136,713	(302,503)	916,722	1,136,670	(306,290)	830,380	-	830,380	1,747,102
Bad debt	59,654	-	-	15,212	-	74,866	-	-	-	-	-	74,866
Materials and supplies	641,609	21,821	17,960	39,607	-	720,997	239,771	-	239,771	2,753	242,524	963,521
Insurance	199,329	5,663	10,465	46,993	-	262,450	40,499	-	40,499	-	40,499	302,949
Telephones	124,873	5,630	6,677	16,646	-	153,826	47,420	-	47,420	-	47,420	201,246
Specific client assistance	3,942,678	-	-	30,000	-	3,972,678	-	-	-	1,879	1,879	3,974,557
Other operating	317,464	13,026	16,190	204,531	(12,400)	538,811	252,582	-	252,582	73,097	325,679	864,490
Management fees	-	-	-	-	-	-	3,538,819	(3,479,976)	58,843	-	58,843	58,843
	$ 31,564,369	$ 460,992	$ 842,827	$ 3,722,669	$ (1,372,705)	$ 35,218,152	$ 9,951,497	$ (4,082,987)	$ 5,868,510	$ 319,218	$ 6,187,728	$ 41,405,880

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES
COMBINED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,302,041	$ 3,839,756
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,457,321	1,090,801
Amortization of debt issuance costs included in interest expense	208,176	90,549
Bad debt expense	54,132	74,866
Realized and unrealized (gain) loss on investments	26,197	(17,962)
Investment in affiliates - equity basis	377,929	200,948
(Gain) loss on disposal of property and equipment	(879)	1,126
Forgiveness of debt	(277,125)	(1,557,790)
Deferred income taxes	-	2,000
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(4,265,870)	(1,840,550)
Due from affiliates	(251,541)	(499,097)
Promises to give	62,774	85,344
Grants receivable	1,143,128	1,721,670
Prepaid expenses and deposits	(1,668)	62,301
Increase (decrease) in:		
Accounts payable	2,587,087	(230,229)
Accrued payroll and related expenses	532,811	(113,244)
Interest payable	37,819	(2,240)
Contract advances	(239,510)	324,165
Deferred revenue	390,795	(250,568)
Other liabilities	(530,333)	449,807
Tenant security deposits	1,460	8,348
Due to affiliates	2,799	(328,961)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	3,617,543	3,111,040

See accompanying notes.

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES
COMBINED STATEMENTS OF CASH FLOWS (Continued)
Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(797,523)	(4,077,869)
Proceeds from disposal of property and equipment	(43,551)	20,771
Purchases of property inventory	(116,286)	(2,937,595)
Proceeds received from sale of property inventory	-	3,251,118
Issuance of notes receivable from affiliates	-	(1,840,000)
Payments received on notes receivable from affiliates	323,732	73,626
Purchase of investments	(500,827)	(25,179)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(1,134,455)	(5,535,128)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	8,345,818	1,035,529
Principal payments on long-term debt	(9,626,511)	(2,369,884)
Borrowings on lines of credit	14,024,471	2,507,713
Payments on lines of credit	(15,312,308)	(533,181)
Bond issue costs	(238,033)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(2,806,563)	640,177
NET INCREASE (DECREASE) IN CASH	(323,475)	(1,783,911)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,931,238	11,715,149
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 9,607,763	$ 9,931,238
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO CONSOLIDATED STATEMENTS OF FINANCIAL POSITION:		
Cash and cash equivalents	$ 6,820,568	$ 7,147,539
Restricted deposits and funded reserves, current	217,421	233,787
Restricted deposits and funded reserves, net of current	2,569,774	2,549,912
	$ 9,607,763	$ 9,931,238
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest expense	$ 1,588,480	$ 1,637,480
Forgiveness of debt	$ 277,125	$ 1,557,790

See accompanying notes.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foundation for Senior Living was organized in 1974 as a non-profit corporation for the purposes of providing home and community-based services and development of energy-efficient, affordable housing to promote health, independence, and dignity for all.

Foundation for Senior Living is an Arizona non-profit corporation whose sole member is the Roman Catholic Church, Diocese of Phoenix and has an elected Board of Directors that provides policy, advice, and guidance to Foundation for Senior Living and its affiliated entities.

The following includes a listing and descriptions of Foundation for Senior Living and its active affiliates, which are included in the combined financial statements (together, "FSL").

Certain nonprofit corporations are affiliates of Foundation for Senior Living and were formed to be the general partners in limited partnerships and limited liability companies to provide supervisory management functions. These limited partnerships and limited liability companies are accounted for using the equity method of accounting and are formed to promote and develop affordable residential housing for people with low incomes or physically disabled adults, to develop, own, manage, maintain, and operate facilities, programs and services designed to promote and provide such affordable housing, or to accept an award of tax credits from the State of Arizona.

The general partners listed below are nonprofit organization affiliates of Foundation for Senior Living which are included in these combined financial statements. Also listed below are each organization's ownership interest in affiliated entities that are not included in these combined financial statements. Ownership percentages in limited partnerships and limited liability companies are as follows:

General Partners	Limited Partnerships and Limited Liability Companies	General Partner Ownership %
FSL Yuma Senior Terraces, Inc.	FSL Yuma Senior Terraces, LP	.01%
FSL St. Peter, Inc.	FSL St. Peter Place, LP	.01%
FSL St. Francis, Inc.	FSL St. Francis Villas, LP	.01%
FSL Ruby Heights, Inc. (together with FSL Real Estate Services)	FSL Ruby Heights Village, LP	.01%
Affordable Services for Seniors, Inc.	FSL Becket House Apartments, LP	.01%
FSL St. Isadore, LLC	FSL St. Isadore Villas, LP	.01%

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Programs, Pathways, and Home Improvements (PPHI):

FSL Programs is an Arizona non-profit corporation which administers programs and services for Arizonans of all ages but primarily adults, persons with disabilities, and their families. These programs are primarily supported by contracts with federal, state, county agencies, and client fees. Other major sources of revenue are from the Area Agency on Aging, Region One and Mercy Care.

FSL Pathways is an Arizona non-profit corporation which provides group housing and related behavioral health services for mentally impaired adults. These activities are funded by Mercy Care and Mercy Maricopa Integrated Care.

FSL Home Improvements is an Arizona non-profit corporation which provides construction services related to the rehabilitation of existing housing and for home repairs and improvements; primarily to reduce or eliminate health and safety hazards for the benefit of low-income individuals and individuals with disabilities. The primary sources of revenue are from contracts with Maricopa County and Arizona Public Service.

FSL Management:

FSL Management is an Arizona non-profit corporation, which provides executive management services, including accounting and cash management, employee benefits management, personnel and staff training management, maintenance of property/casualty/liability insurance, regulatory compliance, maintenance and monitoring of materials and supplies, information systems management, and the overall management of FSL and all of its affiliated entities.

Real Estate and Development Services:

FSL Rural Development and HUD Developments:

FSL Rural Development Corporation, Inc. (FSL Rural Development) is an Arizona non-profit corporation which provides people with housing facilities and services specially designed to meet their physical, social, and psychological needs. FSL Rural Development owns and operates three projects throughout Arizona: St. Agnes - 25 units; Padua Hills - 25 units; and Vianney Villas - 50 units. Substantially all of the FSL Rural Development's income is derived from the rental of units at these projects.

Foundation for Senior Adult Living, Inc. is an Arizona non-profit corporation which operates a 24-unit apartment complex, known as Sweetwater Gardens.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Real Estate and Development Services (Continued):

FSL Rural Development and HUD Developments (Continued):

FSL Spring Valley Manor, Inc. is an Arizona non-profit corporation which operates a 20-unit apartment complex, known as Spring Valley Manor.

Foundation for Senior Adult Living, Inc. and FSL Spring Valley Manor, Inc. have agreements with the U.S. Department of Housing and Urban Development (HUD) for HUD to provide tenant housing assistance to these projects. In addition, Foundation for Senior Adult Living, Inc. holds a mortgage insured by HUD.

FSL Real Estate:

FSL Real Estate Services is an Arizona non-profit corporation which provides real estate development services to all FSL affiliate entities. These services include the financing and construction management of affordable housing projects and replacement facilities for other FSL programs.

FSL Real Estate is the sole member of the following affiliates:

- FSL Heritage Glen Retirement Apartments, LLC
- FSL Padre Kino, LLC
- FSL St. Alexander, LLC
- FSL St. Hildegarde, LLC
- FSL Village on Roeser Phoenix 2018, LLC

Additionally, FSL Real Estate Services and FSL Management together own FSL Holdings Properties, LLC. FSL Real Estate Services and FSL St. Hildegarde, LLC together own Holbrook Court Apartments Associates, LP. Also, FSL Real Estate Services and FSL St. Alexander, LLC together own Spring Valley Terrace Apartments, LLC.

FSL Gibson Garden:

FSL Gibson Garden, Inc. is an Arizona non-profit corporation formed to be the limited partner in certain energy related partnerships. These limited partnerships are formed to utilize upfront incentive payments and rebates available from utility companies and in combination with Federal Treasury grants to acquire, install, and operate solar panels and related equipment which provide the electrical power needs for FSL housing projects.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FSL Gibson Garden (Continued):

The general partners in these limited partnerships are Arizona corporations that provide electrical power needs through the installation of solar panels and related equipment for some FSL developments. The equipment is to be acquired, developed, utilized and owned by the limited partnerships.

A listing of ownership percentages in limited partnerships are as follows:

Limited and General Partner	Limited Partnership	Ownership %
Limited Partners:		
FSL Gibson Garden, Inc.	FSL Solar One, LP	99.99%
FSL Gibson Garden, Inc.	FSL Solar Two, LP	99.99%
FSL Gibson Garden, Inc.	FSL Solar Three, LP	99.99%
General Partners:		
FSL Solar 1, Inc.	FSL Solar One, LP	0.01%
FSL Solar 2, Inc.	FSL Solar Two, LP	0.01%
FSL Solar 3, Inc.	FSL Solar Three, LP	0.01%

Other Affiliate Entities:

FSL Roeser Village, Inc. is an Arizona non-profit corporation and is one of two members (together with FSL Real Estate Services) of Roeser Senior Residences, LLC. It provides supervisory management functions for an 80-unit low-income housing project in South Phoenix. Roeser Senior Residences, LLC is the owner of the building and property known as FSL Roeser Village.

Arizona non-profit corporations are formed to be the general partner in limited partnerships to provide supervisory management functions. The following limited liability partnerships are accounted for using the consolidation method of accounting and are formed to accept an award of tax credits from the State of Arizona. A listing of ownership percentages in limited partnerships are as follows:

General Partners	Limited Partnerships	General Partner Ownership %
FSL White Mountain, Inc.	FSL White Mountain Villas, LP	99.00%
FSL St. Monica, Inc.	FSL St. Monica Villas, LP	99.00%

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Principles of Combination

The accompanying combined financial statements include the accounts of Foundation for Senior Living and Affiliated Entities. These combined entities are all affiliated through common control and provide social, health, and housing services to Arizona communities. All significant intercompany accounts and transactions have been eliminated in the preparation of these combined financial statements. The types of transactions that have been eliminated include management fees, developer fees, interest, contributions, and other administrative charges.

Basis of Presentation

The accompanying combined financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Cash and Cash Equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents include cash on hand or held by financial institutions as well as all highly liquid debt instruments with an original maturity of three months or less at date of acquisition.

Restricted Deposits and Funded Reserves

The HUD Development entities are required to maintain separate accounts to hold security deposits collected from tenants as per the terms of the Regulatory Agreements entered into with HUD. In addition, the HUD Development entities are required to maintain certain escrow accounts, reserve for replacement accounts, and residual receipts accounts which are generally not available for operating purposes and are included in restricted deposits and funded reserves. Certain real estate and development services entities are also required to hold bond reserve funds in separate trust accounts as required by the bond indentures.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give

Unconditional promises to give are recognized as revenues in the period the promise is received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Promises are charged off against the allowance when they are deemed to be uncollectible. Conditional promises to give are recognized when the conditions on which they depend are substantially met. As of June 30, 2021, FSL had a $1,000,000 conditional promise to give from the Roman Catholic Diocese of Phoenix. This promise to give was conditional upon certain funds being raised and becoming available from the Roman Catholic Diocese of Phoenix. During the year ended June 30, 2022, this condition was met and FSL recognized $1,000,000 as contribution revenue.

Accounts Receivable

Accounts receivable consist primarily of fees due from program services, government contracts, client fees, and affiliate advances. Accounts receivable are carried at the outstanding balances less an allowance for doubtful accounts, if applicable. FSL evaluates the collectability of its accounts receivable based on a combination of factors. In circumstances where it is aware of a specific amount where there may be an inability to meet the financial obligation, it records a specific reserve to reduce the amounts recorded to what it believes will be collected. Accounts are charged off against the allowance when they are deemed to be uncollectible.

Due to and Due from Affiliates

FSL enters into transactions with affiliated entities whose purpose is to provide housing to low-income people. These transactions consist of development fees, operating and construction advances and other transactions. The due to and due from affiliates balances are carried at the outstanding balances, are unsecured with no interest due and have no specific repayment terms.

Property Inventory

Property inventory is stated at the lower of cost or market and includes land, developed lots, and direct and indirect costs of housing construction. Costs of each property are determined based on both direct and indirect allocated costs.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Acquisitions of property and equipment in excess of $10,000 are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of buildings and equipment is calculated using the straight-line method over the estimated useful lives of the respective assets.

Major additions and improvements are capitalized. Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and gains and losses are included in operations.

Impairment of Long-Lived Assets

FSL reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Fair Value Measurements

A framework for measuring fair value has been established by the Accounting Standards Codification and provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that FSL has the ability to access.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified term (contractual term), the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement, and usually reflect the FSL's own assumptions about the assumptions that market participants would use in pricing the assets (i.e. real estate valuations, broker quotes).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments

Investments are measured at fair value in the combined statements of financial position. Investment return or loss is included in the combined statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

Debt Issuance Costs

Costs associated with obtaining long-term debt financing have been capitalized and are reported on the combined statements of financial position as a direct deduction from the face amount of long-term debt. Debt issuance costs are amortized over the repayment term of the related debt and amortized costs are included in interest expense.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

FSL Real Estate:

Contracts to develop single family homes generally contain two performance obligations. The contract price is allocated to both performance obligations pro-rata, based on estimated project costs of each performance obligation. The first performance obligation is generally for obtaining the necessary permits, financing sources, development plans, and managing the completion of the model homes. The second performance obligation is generally for managing the development and completion of the remaining homes in the contract. Revenues for both performance obligations are earned over a period of time as control is continuously transferred to the customer. Earnings on the first performance obligation are recognized using the percentage of completion. Earnings on the second performance obligation are recognized pro-rata after each certificate of occupancy is obtained.

Contracts to develop apartment complexes generally contain a single performance obligation as the promise to transfer individual goods and services are not separately identifiable from other promises in the contracts and is, therefore, not distinct. Revenue is earned over a period of time as control is continuously transferred to customers. Earnings on these contracts are recognized using a percentage of completion methodology.

Significant judgements impacting the amount and timing of revenue recognized from developer fee contracts include estimates of project costs of each performance obligation and total estimated project costs.

Amounts are billed as work is performed in accordance with agreed-upon contractual terms or upon achievement of contractual milestones. Amounts that are billed prior to meeting contractual terms or milestones are recorded as contract liabilities on the combined statements of financial position until the contractual terms or milestones have been met, at which time revenue will be recognized.

Program service fees and payments under cost-reimbursement contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, and are recorded as contract advances. Rental income is set by FSL and the performance obligation is delivery of these services on a monthly basis. Rental income is recognized in the month in which the service relates and payment is due on a monthly basis.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

FSL Rural Development and HUD Developments:

The majority of FSL Rural Development and HUD Developments' revenue arrangements generally consist of a single performance obligation to transfer promised services.

Rental income is set by the U.S. Department of Housing and Urban Development and the performance obligation is delivery of these services on a monthly basis. Rental revenue is recognized in the month in which the service relates, and payment is due on a monthly basis.

FSL PPHI:

FSL Programs generates revenue from multiple sources including adult day health care centers, in home health and care services, auditing assisted living facilities, community action programs, meals, wellness and transitional care, all of which is recognized in the period in which FSL Programs satisfies the performance obligation under contracts by transferring services to patients and customers.

Adult day health care centers, home care and home health, and audits of assisted living facilities revenue is recognized at a point in time, in the period the services are provided. These services consist of a single performance obligation for a specific service and are billed once the service has been provided. This revenue is recognized in the amount to which FSL Programs expects to be entitled, based on contracted rates with funding sources. Payment is due 30 days after the invoice date.

Community action programs, meals, wellness and transitional care revenue is recognized at a point in time, in the period the services are provided. These services also consist of a single performance obligation for a specific service or provision of meals and are billed monthly for services or meals that have already been provided. This revenue is recognized in the amount to which FSL Programs expects to be entitled, based on contracted rates with funding sources.

FSL Pathways generates revenue from its assisted group living (AGL) activities. AGL revenue is recognized in the period in which FSL Pathways satisfies the performance obligation under contracts by transferring services to its patients. The majority of AGL revenue is recognized at a point in time, in the period the services are provided. AGL revenue is principally for patients covered by third-party insurance companies and is billed in the month the service is provided, with payment due within 30 days of invoicing. This revenue is recognized in the amount to which FSL Pathways expects to be entitled, based on contracted rates with funding sources.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

FSL PPHI (Continued):

FSL Home Improvements generates revenue from multiple sources including home weatherization, home repair, and training services revenue, all of which is recognized in the period in which FSL Home Improvements satisfies the performance obligation under contracts by transferring services to low-income individuals and individuals with disabilities. Home weatherization, home repair, and training services revenue is recognized at a point in time, in the period the services are provided. The revenue generally comes from contracts with cities, APS, and SRP. FSL Home Improvements bills these cities, APS, and SRP monthly for services that have already been provided with payment due within 30 days of invoicing.

The following is a breakout of exchange transaction revenue disaggregated by type that is included in government contracts, client fees, program income, and management fees on the combined statements of activities for the year ended June 30, 2022:

	Government Contracts	Client Fees	Program Income	Management Fees	Grants	Total
FSL and Subsidiaries:						
Incentive management fees	$ -	$ 55,884	$ -	$ -	$ -	$ 55,884
Partnership fees	-	17,700	-	-	-	17,700
FSL Programs:						
Adult day health care	3,695,345	195,884	50	-	1,360	3,892,639
Home health and home care	1,220,520	-	-	-	914	1,221,434
Community living resources	3,101,112	-	-	-	31,245	3,132,357
Nutrition services	724,883	12,138	50,132	-	186,597	973,750
Community action program	1,990,150	-	-	-	105,503	2,095,653
Wellness and transitional care	174,430	657,794	-	-	-	832,224
Care by design	-	-	-	-	2,195,391	2,195,391
FSL Pathways:						
Assisted group living	8,504,362	-	746,003	-	-	9,250,365
FSL Home Improvements:						
Home weatherization	4,616,270	-	-	-	-	4,616,270
Home repair	5,951,225	7,088,613	-	-	-	13,039,838
Inspection and training	29,274	15	-	-	687,392	716,681
FSL Management:						
Management fees	-	7,200	-	151,703	-	158,903
FSL Rural Development:						
Rent	1,043,689	399,275	-	-	-	1,442,964
HUD Developments:						
Rent	361,984	145,390	-	-	-	507,374
FSL Real Estate Services:						
Developer fees	-	124,200	-	-	-	124,200
Rent	-	840,893	-	-	-	840,893
Incentive fees	-	84,050	-	-	-	84,050
Partnership fees	-	3,188	-	-	-	3,188
Management fees	-	-	-	131,010	-	131,010
Housing rehab program	129,757	-	-	-	-	129,757
FSL Gibson Gardens:						
Electricity	-	-	256,992	-	-	256,992
FSL White Mountain:						
Rent	-	205,188	-	-	-	205,188
	$ 31,543,001	$ 9,837,412	$ 1,053,177	$ 282,713	$ 3,208,402	$ 45,924,705

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

FSL PPHI (Continued):

The following is a breakout of exchange transaction revenue disaggregated by type that is included in government contracts, client fees, program income, and management fees on the combined statements of activities for the year ended June 30, 2021:

	Government Contracts	Client Fees	Program Income	Management Fees	Grants	Total
FSL and Subsidiaries:						
Incentive management fees	$ -	$ 55,733	$ -	$ -	$ -	$ 55,733
Partnership fees	-	16,200	-	-	-	16,200
FSL Programs:						
Adult day health care	1,708,489	80,328	-	-	230,756	2,019,573
Home health and home care	2,446,297	36,196	-	-	-	2,482,493
Community living resources	2,554,727	-	-	-	-	2,554,727
Nutrition services	632,273	12,804	39,781	-	71,530	756,388
Community action program	1,883,852	-	-	-	87,649	1,971,501
Wellness and transitional care	178,400	736,533	-	-	31,245	946,178
Care by design	-	-	-	-	3,129,060	3,129,060
FSL Pathways:						
Assisted group living	7,642,807	-	744,046	-	-	8,386,853
FSL Home Improvements:						
Home weatherization	4,476,472	-	-	-	-	4,476,472
Home repair	1,564,043	5,344,172	-	-	552,358	7,460,573
Inspection and training	250	345	-	-	646,049	646,644
FSL Management:						
Management fees	-	-	-	123,734	-	123,734
FSL Rural Development:						
Rent	1,057,925	370,952	-	-	28,994	1,457,871
HUD Developments:						
Rent	359,451	141,307	-	-	26,943	527,701
FSL Real Estate Services:						
Developer fees	-	1,902,217	-	-	-	1,902,217
Broker fees	-	110,256	-	-	-	110,256
Rent	-	650,048	-	-	-	650,048
Incentive fees	-	71,949	-	-	-	71,949
Partnership fees	-	4,500	-	-	-	4,500
Management fees	-	-	-	68,367	-	68,367
Housing rehab program	203,100	-	-	-	-	203,100
South Phoenix Village	482,395	-	-	-	-	482,395
FSL Gibson Gardens:						
Electricity	-	-	261,400	-	-	261,400
FSL White Mountain:						
Rent	-	201,482	-	-	-	201,482
	$ 25,190,481	$ 9,735,022	$ 1,045,227	$ 192,101	$ 4,804,584	$ 40,967,415

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions and grants, including promises to give, are recorded as either support with donor restrictions or as support without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statements of activities as net assets released from restrictions. If the donor restriction is met or expires in the same year the contribution was received, the amount is classified as support without donor restrictions.

In-Kind Donations and Change in Accounting Principle

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU was issued to increase the transparency of contributed nonfinancial (non-cash) assets for not-for-profit entities through enhancements to presentation and disclosure. The change in accounting principle was adopted on a retrospective basis as of July 1, 2020. There was no adjustment to the beginning net assets balance as a result of the adoption of this standard.

Contributions of donated non-cash tangible assets (in-kind donations) are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donated services, are recorded at their fair market values in the period received. In-kind donations include rent, use of vehicles, utilities, and forgiveness of debt.

Advertising

Advertising costs are charged to operations as incurred. Advertising expenses charged to operations were approximately $150,000 and $146,000 for the years ended June 30, 2022 and 2021, respectively.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

FSL reports information regarding its financial position and activities according to two classes of net assets as follows:

- Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions.

- Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Gifts of long-lived assets and gifts of cash restricted for acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Functional Expenses

The combined statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program services and supporting services. Expenses are charged to program services, management and general, and fundraising categories based on direct expenditures incurred. Any expenditures not directly chargeable are allocated based on personnel activity or other appropriate indicators.

Income Tax Status

Certain entities described as non-profit corporations above qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (IRC) and, therefore, there is no provision for income taxes for those entities. In addition, those entities qualify for the charitable contribution deduction under Section 170 of the code and have been classified as organizations that are not private foundations. Income determined to be unrelated business taxable income (UBTI) would be taxable.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status (Continued)

Foundation for Senior Living is a qualified charitable organization for Arizona and as such, individuals making charitable contributions to Foundation for Senior Living may claim tax credits up to the allowable amount on their Arizona personal income tax returns. Other entities described above are organized as Arizona limited liability companies and Arizona limited partnerships. These entities are treated as pass-through entities for income tax purposes and, as such, they are not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by their owners or members on their respective income tax returns. These entities' tax status as pass-through entities are based on their legal status as a partnership or limited liability company. The limited partnerships and the limited liability companies with more than one member are required to file and do file tax returns with the Internal Revenue Service and other taxing authorities. The single member limited liability companies are not required to file tax returns with the Internal Revenue Service and other taxing authorities and are reported as disregarded entities on the tax returns of their sole member. Accordingly, these combined financial statements do not reflect a provision for income taxes for these entities and they have no other tax positions which must be considered for disclosure.

Certain entities described above are organized as Arizona C Corps. These entities recognize deferred income taxes for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate principally to depreciation of property and federal and state net operating loss carryforwards. Deferred tax assets and liabilities represent the future tax consequences for those differences, which will either be taxable or deductible when the assets and liabilities are recovered to offset future taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

FSL recognizes uncertainty in income taxes in the combined financial statements when it is more likely-than-not that the positions will not be sustained upon examination by the tax authorities. As of June 30, 2022 and 2021, FSL had no uncertain tax positions that qualify for either recognition or disclosure in the combined financial statements.

FSL recognizes interest and penalties associated with income tax in general and administrative expenses. During the years ended June 30, 2022 and 2021, FSL did not have any income tax related interest and penalties expense.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management's Use of Estimates

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

Reclassifications

Certain accounts in the prior year combined financial statements have been reclassified for comparative purposes to conform with the presentation in the current year combined financial statements.

Date of Management's Review

In preparing these combined financial statements, FSL has evaluated events and transactions for potential recognition or disclosure through January 11, 2023, the date the combined financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

FSL regularly monitors liquidity required to meet its operating needs. FSL operates on a balanced budget. Its goal is to maintain liquid financial assets sufficient to cover a minimum of 30 days of general expenditures. FSL has resources for both general expenses and its real estate development projects. As of June 30, 2022 and 2021, the financial assets that could readily be made available to meet general expenditures within the next year is calculated as follows:

	2022	2021
Cash and cash equivalents	$ 6,820,568	$ 7,147,539
Accounts receivable, net of allowance	7,183,560	2,971,822
Promises to give, current portion	1,053,475	1,017,107
Grants receivable	649,977	1,793,105
Notes receivable from affiliates, current portion	75,000	73,732
Total financial assets	15,782,580	13,003,305
Less grants receivable restricted for real estate projects	(300,000)	(1,500,000)
Financial assets available to meet general expenditures within one year	$ 15,482,580	$ 11,503,305

NOTE 3 CONCENTRATIONS OF CREDIT RISK

Financial instruments that subject FSL to potential concentrations of credit risk consist principally of cash and cash equivalents, promises to give, and grants receivable. FSL maintains its cash in bank accounts, which at times may exceed federally insured limits. FSL has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

Promises to give at June 30, 2022 and 2021 include amounts due from two funding sources that make up approximately 97% and 99% of promises to give, respectively. Grants receivable at June 30, 2022 include amounts from two funding sources that make up approximately 62% of total grants receivable. Grants receivable at June 30, 2021 include amounts due from one funding source that makes up approximately 84% of total grants receivable. Concentrations of credit risk with respect to these receivables is limited due to the nature of the receivables and FSL's history with the funding sources.

NOTE 4 RESTRICTED DEPOSITS AND FUNDED RESERVES

As a requirement of the various bond issuances, as disclosed in Note 14, certain trustee-held funds were established. Their use is restricted to provide funds to fund the debt service reserve fund, fund the operating reserve fund, and pay certain costs of issuance of the bonds. The funds are held in money market cash accounts.

In addition, certain real estate entities are required to maintain separate accounts to hold security deposits, escrow accounts, debt service reserve accounts, reserve for replacement accounts, and residual receipts accounts which are generally not available for operating purposes.

The balances of the funds were as follows as of June 30:

	2022	2021
Reserve funds	$ 1,372,929	$ 1,276,512
Debt service fund	718,221	689,122
Bond fund	389,376	529,599
Security deposits	146,567	137,951
Escrow deposits	70,854	95,836
Other	89,248	54,679
	$ 2,787,195	$ 2,783,699

NOTE 5 ACCOUNTS RECEIVABLE AND REVENUE DEPENDENCY

FSL obtains a majority of their revenues through contracts and grants from various governmental agencies, insurance plans, and individuals. The accounts receivable balance is summarized as follows:

	2022	2021
Accounts receivable	$ 7,288,057	$ 3,070,283
Allowance for doubtful accounts	(104,497)	(98,461)
	$ 7,183,560	$ 2,971,822

Accounts receivable from four funding sources compose approximately 62% and 68% of total net accounts receivable at June 30, 2022 and 2021, respectively. Concentrations of credit risk with respect to accounts receivable is limited due to the nature of the receivables and FSL's history with these funding sources. Included in accounts receivable are approximately $4,972,000 and $5,076,000 due from affiliated entities at June 30, 2022 and 2021, respectively.

During the year ended June 30, 2022, FSL received funding from two funding sources composing approximately 26% of total revenues. During the year ended June 30, 2021, FSL received funding from one funding source with a government agency composing approximately 23% of total revenues. If the governmental agencies affect significant budget cuts in the future, this source of funding could decrease. If this were to occur, it is management's opinion that FSL could continue most of its activities through other sources of funding. Additionally, program costs are subject to audit by the contracting agency, and in the event that the contract proceeds were not spent in accordance with contract terms, the proceeds may be required to be returned to the appropriate agency. Management is of the opinion that an adequate provision has been made in the combined financial statements for the effect of any costs, which might be disallowed under these various contracts.

NOTE 6 CONTRACT ASSETS AND LIABILITIES

Contract assets related to uncompleted construction contracts are included in accounts receivable, net of allowance on the combined statements of financial position and consist of the following at June 30:

Contract assets, June 30, 2020	$ 3,438,783
Developer fees billed	1,651,648
Developer fees collected	(14,623)
Contract assets, June 30, 2021	5,075,808
Developer fees billed	159,003
Developer fees collected	(262,913)
Contract assets, June 30, 2022	$ 4,971,898

Contract liabilities related to uncompleted construction contracts consisted of the following at June 30:

Contract liabilites, June 30, 2020	$ 250,568
Previously deferred developer fees recognized	(250,568)
Contract liabilities, June 30, 2021	-
Previously deferred revenue recognized	-
Contract liabilities, June 30, 2022	$ -

NOTE 7 PROMISES TO GIVE

Unconditional promises to give at June 30 consist of the following:

	2022	2021
Receivable in less than one year	$ 1,053,475	$ 1,017,107
Receivable in two to five years	247,855	346,997
Net promises to give	1,301,330	1,364,104
Current portion	(1,053,475)	(1,017,107)
Non-current portion	$ 247,855	$ 346,997

The estimated value of promises to give were discounted over the collection period using a discount rate of 5.875%.

NOTE 8 NOTES RECEIVABLE FROM AFFILIATES

Notes receivable from affiliates consist of the following agreements as of June 30:

	2022	2021
Note receivable due from Mountain Village Seniors, LLC in the amount of $250,000. This note bears an interest rate of 1.00% and matures August 31, 2022. Mountain Village Seniors, LLC was sold during the year ended June 30, 2022 and the note receivable was paid in full.	$ -	$ 250,000
Note receivable due from FSL Becket House Apartments, LP as a result of a subsidy awarded to FSL which was then passed to FSL Becket House Apartments, LP. This note bears interest at zero percent and both principal and interest are due in a balloon payment on December 31, 2024. This note is secured by a mortgage on real property.	1,000,000	1,000,000
Note receivable due from FSL Yuma Senior Terraces, LP as a result of a subsidy awarded to FSL which was then passed to FSL Yuma Senior Terraces, LP. This note bears interest at 3.00% and both principal and interest are due in a balloon payment on June 1, 2028. This note is secured by a mortgage on real property.	116,736	116,736
Note receivable due from FSL Becket House Apartments, LP as a result of the Series 2009 Taxable Multifamily Housing Mortgage Bonds received by FSL which was then passed to FSL Becket House Apartments, LP. This note bears interest at a graduated rate between 5.50% and 6.25% with interest payments to be made every March 15 and September 15. Principal payments are due in graduated increments as described in the note agreement. This note matures April 15, 2024.	2,120,000	2,190,000

NOTE 8 NOTES RECEIVABLE FROM AFFILIATES (Continued)

	2022	2021
Note receivable due from FSL Yuma Senior Terraces, LP as a result of a subsidy awarded to FSL which was then passed to FSL Yuma Senior Terraces, LP. This note bears interest at 6% and both principal and interest are due in a balloon payment on December 1, 2031. This note is secured by a mortgage on real property.	500,000	500,000
Note receivable due from FSL St. Peter Place, LP as a result of a subsidy awarded to FSL which was then passed to FSL Yuma Senior Terraces, LP. This note bears interest at 3% and both principal and interest are due in a balloon payment on December 7, 2029. This note is secured by a mortgage on real property.	500,000	500,000
Note receivable due from FSL St. Francis Villas, LP as a result of a subsidy awarded to FSL which was then passed to FSL St. Francis Villas, LP. This note bears interest at 3.00% and both principal and interest are due in a balloon payment on June 30, 2029. This note is secured by a mortgage on real property.	1,000,000	1,000,000
Note receivable due from FSL St. Monica Villas, LP. This note bears interest at 5.00% with principal and interest payments due annually. The note matures on July 17, 2045 and is secured by a mortgage on real property.	360,000	360,000
Note receivable due from FSL Yuma Senior Terracs, LP. This note bears interest at 1.00% and both principal and interest are due in a balloon payment on June 1, 2028. This note is secured by a mortgage on real property.	1,200,000	1,200,000

NOTE 8 NOTES RECEIVABLE FROM AFFILIATES (Continued)

	2022	2021
Note receivable due from FSL St. Francis Villas, LP. This note bears interest at 1.00% and both principal and interest are due in a balloon payment on September 30, 2030. This note is secured by a mortgage on real property.	217,746	217,746
Note receivable due from FSL St. Francis Villas, LP. This note bears interest at zero percent and both principal and interest are due in a balloon payment on January 1, 2033. This note is secured by a mortgage on real property.	450,000	450,000
Note receivable due from FSL St. Francis Villas, LP. The note bears interest at 2.90% with principal and interest payments due monthly through the maturity date of July 1, 2022.	-	3,732
Note receivable due from FSL Padre Kino Village, LP. This note bears interest at zero percent and the principal is due in a balloon payment on April 2, 2038. This note is secured by a subordinated fee and leasehold deed of trust.	1,750,000	1,750,000
Note receivable due from FSL Village on Roeser Phoenix 2018, LP. This note bears interest at zero percent and the principal is due in a balloon payment on June 24, 2039. This note is secured by a deed of trust.	670,000	670,000
Note receivable due from FSL Village on Roeser Phoenix 2018, LP. This note bears interest at zero percent and the principal is due in a balloon payment on November 14, 2039. This note is secured by a deed of trust.	1,040,000	1,040,000

NOTE 8 NOTES RECEIVABLE FROM AFFILIATES (Continued)

	2022	2021
Note receivable due from Acacia Heights Village, LP. This note bears interest at zero percent and the principal is due in a balloon payment on January 6, 2041. This note is secured by a deed of trust.	800,000	800,000
	11,724,482	12,048,214
Current portion	(75,000)	(73,732)
Long-term portion	$ 11,649,482	$ 11,974,482

Annual principal payments due on notes receivable from affiliates over the next five years and thereafter are as follows:

Years Ending June 30,	
2023	$ 75,000
2024	2,045,000
2025	1,000,000
2026	-
2027	-
Thereafter	8,604,482
	$ 11,724,482

NOTE 9 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2022	2021
Land and improvements	$ 14,239,685	$ 13,615,394
Buildings and improvements	38,186,679	27,519,166
Furniture and equipment	5,542,570	5,285,595
Vehicles	895,032	751,246
	58,863,966	47,171,401
Accumulated depreciation and amortization	(19,066,927)	(17,541,125)
	39,797,039	29,630,276
Construction in progress	3,568,502	14,350,633
	$ 43,365,541	$ 43,980,909

Depreciation expense charged to operations was approximately $1,457,000 and $1,091,000 for the years ended June 30, 2022 and 2021, respectively.

Construction in progress include costs that relate to land development projects. Interest costs are capitalized while development is in progress and is also included in construction in progress.

NOTE 10 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments held at Arizona Community Foundation (ACF) and Catholic Community Foundation (CCF) are included in investment pools. The value of ACF and CCF investments are based on the underlying investments in the pool and FSL's portion of the total pool. These ACF and CCF investments are determined to be Level 2 and Level 3 investments.

NOTE 10 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following is a summary of financial instruments measured at fair value on a recurring basis at June 30, 2022:

	Level 1	Level 2	Level 3	Total
Funds held with ACF - short term pool	$ -	$ 204,820	$ -	$ 204,820
Funds held with ACF - long term diversified pool	-	-	307,230	307,230
Funds held with CCF - growth pool	-	67,014	-	67,014
	$ -	$ 271,834	$ 307,230	$ 579,064

The following is a summary of financial instruments measured at fair value on a recurring basis at June 30, 2021:

	Level 1	Level 2	Level 3	Total
Funds held with ACF - short term pool	$ -	$ 10,419	$ -	$ 10,419
Funds held with ACF - long term diversified pool	-	-	15,628	15,628
Funds held with CCF - growth pool	-	78,387	-	78,387
	$ -	$ 88,806	$ 15,628	$ 104,434

Investment return is summarized as follows for the years ended June 30:

	2022	2021
Interest and dividends	$ 3,329	$ 1,298
Net realized and unrealized gain (loss)	(26,197)	17,962
Investment fees	(2,502)	(1,119)
	$ (25,370)	$ 18,141

NOTE 10 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following is a reconciliation of beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended June 30, 2022 and 2021.

Balance, June 30, 2020	$ -
Purchases	15,000
Interest and dividends	42
Net realized and unrealized gain	590
Investment fees	(4)
Balance, June 30, 2021	15,628
Purchases	300,000
Interest and dividends	926
Net realized and unrealized gain	(8,509)
Investment fees	(815)
Balance, June 30, 2022	$ 307,230

NOTE 11 INVESTMENTS IN AFFILIATES

FSL has investments in affiliates that are accounted for using the equity method of accounting due to having a non-controlling interest. The balance of investments in affiliates was ($1,686,008) and ($1,308,079) at June 30, 2022 and 2021, respectively. FSL has investments ranging from .005% to .01% in various low-income housing projects, as disclosed in Note 1.

NOTE 12 DUE FROM AND DUE TO AFFILIATES

FSL enters into transactions with affiliated entities whose purpose is to provide low-income housing. These transactions consist of development fees, operating and construction advances and other transactions.

NOTE 12 DUE FROM AND DUE TO AFFILIATES (Continued)

Due from affiliates consisted of the following at June 30:

	2022	2021
FSL Padre Kino Village, LP	$ 1,344,862	$ 1,320,436
FSL St. Francis Villas, LP	518,017	498,118
FSL St. Peter's Place, LP	757,510	626,646
FSL Mountain Village Seniors, LLC	-	209,249
FSL St. Isadore Villas, LP	193,907	179,895
FSL St. Monica Villas, LP	275,955	290,578
FSL Yuma Senior Terraces, LP	278,531	273,062
FSL Becket House Apts, LP	58,042	33,689
FSL Heritage Glen Retirement Apartments, LP	105,411	105,411
FSL Village on Roeser Phoenix 2018, LP	3,208,155	2,630,113
FSL Acacia Heights Village, LP	1,847,598	2,293,365
Other receivables from affiliates	509	2,206
Interest receivable	1,215,644	1,130,361
	9,804,141	9,593,129
Allowance for uncollectible accounts	-	(40,529)
	$ 9,804,141	$ 9,552,600

Due to affiliates consisted of the following at June 30:

	2022	2021
FSL Padre Kino Village, LP	$ 100	$ 100
FSL St. Isadore Villas, LP	346,664	342,088
FSL Heritage Glen Retirement Apartments, LP	4,996	5,147
FSL St. Monica Villas, LP	2,431	2,431
FSL Village on Roeser Phoenix 2018, LP	352,517	353,433
FSL St. Francis Villas, LP	3,388	4,098
Other payables to affiliates	99	99
	$ 710,195	$ 707,396

NOTE 13 LINES OF CREDIT

Lines of credit consist of the following at June 30:

	2022	2021
$1,500,000 revolving line of credit that requires monthly interest payments on the outstanding balance at prime rate plus 0.50%, subject to a floor of 4.00% at June 30, 2022. The interest rate as of June 30, 2022 was 4.00%. This line of credit expires on January 31, 2024.	$ -	$ 1,084,103
$1,500,000 revolving line of credit that requires monthly interest payments of 3.60% on the outstanding balance at June 30, 2022. This line of credit expires on May 24, 2023.	168,376	822,110
$750,000 revolving line of credit collateralized by substantially all of the assets of FSL Home Improvements, with interest at the prime rate plus 0.50%, subject to a floor of 4.00% at June 30, 2022. The interest rate as of June 30, 2022 was 4.00%. This line of credit expires on January 31, 2024.	750,000	300,000
$2,000,000 revolving line of credit that requires monthly interest payments on the outstanding balance at prime rate plus 0.50%, subject to a floor of 4.00% at June 30, 2022. The interest rate as of June 30, 2022 was 4.00%. This line of credit expires on January 31, 2024.	704,159	704,159
	$ 1,622,535	$ 2,910,372

NOTE 14 LONG-TERM DEBT

Long-term debt includes bond debt and various other types of notes payable described as follows.

Bond Debt

As of June 30, bond debt balances consisted of the following:

	2022	2021
Taxable mortgage bonds	$ 13,145,000	$ 13,530,000
Revenue bond - Becket House	2,120,000	2,190,000
Revenue bond - Vianney Villas Project	2,980,000	3,065,000
Revenue bond - Rural Development Corporation	2,165,000	2,235,000
Revenue bond - FSL Holding and Gibson Garden	5,455,000	3,870,000
General obligation - FSL Corporate	-	1,500,000
Bonds payable	$ 25,865,000	$ 26,390,000

Following is a description of these bond issuances:

Taxable Mortgage Bonds

In September 2018, FSL Holding Properties, LLC issued and received $5,675,000 in bond proceeds from the Series 2018 A and Series B Taxable Mortgage Bonds for the purpose of financing the acquisition, construction and equipping of additional community service facilities. FSL's bond indenture contains certain restrictions and a financial statement covenant (debt service coverage ratio).

The indenture requires interest payments to be made every March 15 and September 15, commencing on March 15, 2019. Interest is payable at a graduated scale from 5.00% to 6.00% and matures with principal payments of $3,875,000 and $1,800,000 being payable on September 15, 2025 and September 15, 2027, respectively. The bond is secured by "The Trust Estate (Flagstaff)" as defined in the bond documents. At June 30, 2022, there are funds held in trust accounts with the trustee, as required by the bond indenture as disclosed in Note 4.

NOTE 14 LONG-TERM DEBT (Continued)

Bond Debt (Continued)

Taxable Mortgage Bonds (Continued)

In March 2018, FSL Holding Properties, LLC issued and received $8,950,000 in bond proceeds from the Series 2018 Taxable Mortgage Bond for the purpose of refinancing the Series 2007 Revenue and Refunding Bonds and to finance the acquisition, construction and equipping of additional community service facilities. FSL's bond indenture contains certain restrictions and a financial statement covenant (debt service coverage ratio).

The indenture requires principal and interest payments to be made every September 1 and March 1, commencing on September 1, 2018. Interest is payable at a graduated scale from 2.00% to 5.00% and principal payments are payable at a graduated scale from $175,000 to $355,000 as defined by the indenture. The bond is scheduled to mature on March 1, 2036. The bond is secured by "The Trust Estate, or from the general assets of the Issuer" as defined in the bond documents. At June 30, 2022, there are funds held in trust accounts with the trustee, as required by the bond indenture as disclosed in Note 4.

Revenue Bond - Becket House

In March 2009, the Foundation for Senior Living, Inc. issued Series 2009 Taxable Multifamily Housing Mortgage Bonds and received $2,800,000 in bond proceeds for the purpose of financing the Becket House Apartments Limited Partnership Project. During 2014, the bonds were refinanced at the amount of $2,625,000. Upon issuance, Foundation for Senior Living (Issuer) issued a $2,800,000 note receivable to Becket House Apartments Limited Partnership (Owner) for the entire amount of the bond proceeds and all responsibility of repayment of the bonds was transferred to FSL Becket House Apartments Limited Partnership.

The indenture requires interest payments to be made every April 15 and October 15, commencing October 15, 2014, at a graduated scale from 3.00% to 5.50% as defined in the indenture. Principal payments on the bonds began October 15, 2014 at graduated principal amounts as defined in the indenture. The note is scheduled to mature on April 15, 2024. The bonds are secured by "The Trust Estate" as defined in the bond documents.

NOTE 14 LONG-TERM DEBT (Continued)

Bond Debt (Continued)

Revenue Bond - Vianney Villas Project

In July 2009, the Foundation for Senior Living, Inc. issued Series 2009A Taxable Multifamily Housing Mortgage Revenue Bonds and received $2,800,000 in bond proceeds for the purpose of paying off the revolving lines of credit which were guaranteed by the Deed of Trust of Vianney Villas. In July 2014, this bond debt was refinanced with a bond issuance in the amount of $3,500,000. Upon issuance, Foundation for Senior Living (Issuer) issued a $3,500,000 note receivable to FSL Rural Development (Owner) for the entire amount of the bond proceeds and all responsibility of repayment of the bonds was transferred to FSL Rural Development. The note receivable, payable, and interest revenue and expense eliminate in combination. At June 30, 2022, there are funds held in trust accounts with the trustee, as required by the bond indenture as disclosed in Note 4.

The indenture requires interest payments to be made every July 1 and January 1, commencing January 1, 2010, at a graduated scale from 3.00% to 5.50% as defined in the indenture. Principal payments on the bonds began July 1, 2010 at graduated principal amounts as defined in the indenture. The note is scheduled to mature on July 1, 2024.

Revenue Bond - Rural Development Corporation

In February 2011, the Foundation for Senior Living, Inc. issued Series 2011A Taxable Multifamily Housing Mortgage Revenue Bonds and received $2,600,000 in bond proceeds for the purpose of retiring short term loans on land purchased for future development, funds for the construction of solar systems as well as improvements to several FSL properties, including Roeser Village and St. Agnes. In February 2016, this bond debt was refinanced with a bond issuance in the amount of $2,550,000. Upon issuance, Foundation for Senior Living (Issuer) issued a $2,550,000 note receivable to FSL Rural Development (Owner) for the entire amount of the bond proceeds and all responsibility of repayment of the bonds was transferred to FSL Rural Development. The note receivable, payable, and interest revenue and expense eliminate in combination.

At June 30, 2022, there are funds held in trust accounts with the trustee, as required by the bond indenture as disclosed in Note 4. The indenture requires interest payments to be made every February 28 and August 15, commencing August 15, 2011, at a graduated scale from 4.25% to 6.75% as defined in the indenture. Principal payments on the bonds began in February 2012 at graduated principal amounts as defined in the indenture. The note is scheduled to mature on February 15, 2041.

NOTE 14 LONG-TERM DEBT (Continued)

Bond Debt (Continued)

Revenue Bond - FSL Holdings and Gibson Gardens

In July 2021, the Foundation for Senior Living, Inc. issued Series 2021 Taxable Mortgage Revenue Bonds and received $5,560,000 in bond proceeds for the purpose of retiring previous outstanding loans on land purchased for future development and outstanding loans for the construction of solar systems. Upon issuance, Foundation for Senior Living (Issuer) issued a $2,780,000 note receivable to FSL Holdings Properties, LLC and a $2,780,000 note receivable to FSL Gibson Garden, Inc. The note receivable, payable, and interest revenue and expense eliminate in combination. As part of the terms of the note, all responsibility of repayment of the bonds was transferred to FSL Holding Properties, LLC, and FSL Gibson Garden, Inc.

The indenture requires interest payments to be made every January 15 and July 15, commencing January 15, 2022, at a graduated scale from 1.75% to 3.50% as defined in the indenture. Principal payments on the bonds began in January 2022 at graduated principal amounts as defined in the indenture. The note is scheduled to mature on July 15, 2041.

General Obligation - Foundation for Senior Living

In May 2014, the Foundation for Senior Living, Inc. issued Series 2014A Taxable General Obligation Bonds and received $1,500,000 in bond proceeds to fund and perform its mission.

The indenture requires interest payments to be made every May 1 and November 1, commencing November 1, 2014, at 5.00% as defined in the indenture. The principal is due in a lump sum at the maturity date. The note is scheduled to mature on May 1, 2022. In July 2021, the Foundation for Senior Living, Inc. issued Series 2021 Taxable Mortgage Revenue Bonds and received $5,560,000 in bond proceeds that were used to repay this bond as noted above.

Mortgage Notes Payable

Mortgage notes payable consist of the following at June 30:

	2022	2021
Mortgage note payable on one HUD project is insured by HUD, secured by a deed of trust on the rental property, and bear interest at 3.53% with monthly installments of $5,284, including principal and interest. This note matures on September 1, 2044.	$ 976,373	$ 1,004,770

NOTE 14 LONG-TERM DEBT (Continued)

Real Estate Notes Payable

Real estate notes payable are collateralized by substantially all of the assets of FSL. Real estate notes payable consists of the following at June 30:

	2022	2021
Note payable due in monthly principal and interest payments of $2,998, including interest at 6.00%. This note matures on December 1. 2031.	$ 411,111	$ 424,621
Non-interest bearing note payable due in monthly principal installments of $1,000, with the balance due at maturity on January 1, 2033.	443,000	445,000
Note payable with monthly interest payments at 9.00%. This note is due on demand.	516,250	516,250
Note payable due in monthly principal and interest payments of $1,483, including interest at 7.00% with an extended maturity date of February 27, 2023.	84,409	94,935
Non-interest bearing note payable due in one lump sum, maturing January 1, 2031.	619,083	619,083
Note payable due in one lump sum with monthly interest payments of $4,125 at a rate of 6.00% with an extended maturity date of February 27, 2023.	825,000	825,000
Note payable due in monthly payments of $2,704, including interest at 9.00%. The note matures on April 30, 2030.	302,665	308,958

NOTE 14 LONG-TERM DEBT (Continued)

Real Estate Notes Payable (Continued)

	2022	2021
Note payable due in one lump sum with monthly installments of $5,923, consisting of interest at a rate of 6.875%. All unpaid principal and interest is due July 2031.	903,086	912,203
Note payable to the State of Arizona due in annual payments up to a maximum of $8,368, including interest at a rate of 1.00%, through December 2031.	227,929	231,794
Non-interest bearing note payable used to construct a 20-unit apartment complex for low income families. This note is due at the earlier of the date of sale of the property or 20 years after the property first receives an initial certificate of occupancy, and is secured by a deed of trust to the property.	448,380	448,380
Note payable due in monthly payments of $958, consisting of principal and interest at 6.75%. The balance is due at maturity on November 1, 2026. The note is secured by a deed of trust to the property.	105,411	109,532
Non-interest bearing predevelopment note payable that matures at the earlier of the receipt of financing for the development, the date of sale of the development property acquired, or on February 8, 2021, the maturity date. At June 30, 2021, the note payable was past due, FSL paid the note in full during the year ending June 30, 2022.	-	100,000
Non-interest bearing predevelopment note payable that matures at the earlier of the receipt of financing for the development, the date of sale of the development property acquired, or on March 22, 2024, the maturity date.	100,000	100,000

NOTE 14 LONG-TERM DEBT (Continued)

Real Estate Notes Payable (Continued)

	2022	2021
Note payable with monthly interest payments due at 4.50%. All unpaid principal and interest is due August 1, 2029, the maturity date. The note is secured by a deed of trust to the property.	1,305,887	854,083
Note payable due in monthly principal and interest payments of $61,822, including interest at 4% with the balance due at maturity date of November 1, 2026. The note is secured by certain promises to give as described in the note agreement.	-	2,300,510
Note payble due in monthly principal and interest payments of $11,315, including interest at 3.25% with the balance due at maturity date of July 15, 2031. The note is secured by a deed of trust to the property.	1,265,842	-
	$ 7,558,053	$ 8,290,349

Forgivable Notes Payable

Forgivable notes payable consisted of the following at June 30:

	2022	2021
In 2011 and 2013, FSL Real Estate Services, Inc. accepted assignments of multifamily rental properties and entered into promissory note agreements with Arizona Department of Housing for the costs of rehabilitation of the properties. The notes are non-interest bearing and payable upon the dates of the sales of the properties. The notes are deemed satisfied and all amounts due paid in full upon expiration of the covenants, conditions, and restrictions, which occurs in 2027 and 2029. The balances are to be amortized upon completion of the rehabilitation construction or through the maturity date and recognized as in-kind contributions.	$ 1,742,601	$ 2,011,726

NOTE 14 LONG-TERM DEBT (Continued)

Forgivable Notes Payable (Continued)

	2022	2021
In 2017, FSL received a Federal Home Program construction loan commitment to complete energy improvements to a property serving low income families. The non-interest bearing note will be forgiven at the end of the 20 year period if FSL complies with the terms in the agreement during the period.	282,000	290,000
In 2019, FSL Real Estate Services, Inc. entered into a promissory note agreement with the Arizona Department of Housing for the construction of 25 units as permanent rental housing. The non-interest bearing note will be forgiven at the end of the 20 year period from the date of the project being placed in service if FSL Real Estate Services, Inc. complies with the terms in the agreement during the period.	3,798,500	3,793,500
	$ 5,823,101	$ 6,095,226

Other Notes Payable

Other notes payable consisted of the following at June 30:

	2022	2021
Note payable with interest due quarterly at a rate of 2.00%. Quarterly principal payments of $62,500 commence on July 1, 2026 and matures on April 14, 2028.	$ 500,000	$ 500,000

NOTE 14 LONG-TERM DEBT (Continued)

Other Notes Payable (Continued)

Debt issuance costs for the years ended June 30, 2022 and 2021 are reported on the combined statements of financial position as a direct deduction from the face amount of the related debt.

Total long-term debt and related debt issuance costs are summarized as follows at June 30:

	2022	2021
Bonds	$ 25,865,000	$ 26,390,000
Mortgage and real estate notes	8,534,426	9,295,119
Forgivable and other notes	6,323,101	6,595,226
	40,722,527	42,280,345
Debt issuance costs	(1,089,937)	(1,176,761)
Accumulated amortization	413,687	530,368
Net debt issuance costs	(676,250)	(646,393)
Long-term debt, less net debt issuance costs	$ 40,046,277	$ 41,633,952

Future minimum principal payments required on all long-term debt as of June 30, 2022 are as follows:

Years Ending June 30,	Bond Debt	Mortgages and Real Estate Notes	Forgiveable and Other Notes	Total
2023	$ 840,000	$ 1,526,724	$ 277,125	$ 2,643,849
2024	2,835,000	205,375	277,125	3,317,500
2025	3,530,000	110,110	277,125	3,917,235
2026	4,630,000	114,927	277,125	5,022,052
2027	785,000	199,938	500,216	1,485,154
Thereafter	13,245,000	6,377,352	4,714,385	24,336,737
	25,865,000	8,534,426	6,323,101	40,722,527
Net debt issuance costs	(641,805)	(34,445)	-	(676,250)
	25,223,195	8,499,981	6,323,101	40,046,277
Current portion	(840,000)	(1,526,724)	(277,125)	(2,643,849)
Long term portion	$ 24,383,195	$ 6,973,257	$ 6,045,976	$ 37,402,428

NOTE 15 INCOME TAXES

FSL Roeser Village, Inc.; FSL Mountain Village Inc.; FSL Yuma Senior Terraces, Inc.; FSL Ruby Heights Inc.; FSL Solar One, Inc.; FSL Solar Two, Inc.; FSL Solar Three, Inc.; FSL Gibson Garden, Inc.; and Affordable Services for Seniors, Inc. are C Corporations that file separate federal and state income tax returns.

Components of FSL's deferred tax assets are as follows at June 30:

	2022	2021
Excess tax over book depreciation	$ (612,000)	$ (613,000)
Federal net operating loss carryforwards	639,000	640,000
Total deferred tax asset	27,000	27,000
Less valuation allowance	(15,000)	(15,000)
Net deferred tax asset - long-term	$ 12,000	$ 12,000

The affiliates had provisions for income tax expense of $200 and $2,200 for the years ended June 30, 2022 and 2021, respectively. As of June 30, 2022, FSL Gibson Gardens, Inc., FSL Solar One, Inc., FSL Solar Two, Inc., and FSL Solar Three, Inc. have available approximately $3,045,000 of federal net operating loss carryforwards that begin to expire in 2032.

The valuation allowance of $15,000 for each of the years ended June 30, 2022 and 2021, was established to reflect the possible inability of FSL to use all federal and state net operating loss carryforwards prior to expiration. Realization of the remaining deferred tax asset is dependent on generating sufficient taxable income prior to expiration of the net operating loss carryforward. Although realization is not assured, management believes it is more likely than not that the remaining deferred tax asset will be realized. The amount of the remaining deferred tax asset is considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

NOTE 16 EMPLOYEE BENEFIT PLAN

FSL employees are eligible to participate in a 403(b) Tax Sheltered Annuity Employee Retirement Plan that they are automatically enrolled in upon employment and can subsequently opt out of. Employees can make contributions into the plan beginning on their first day of employment. FSL employees are also eligible to participate in a 457 Deferred Compensation Plan. FSL matches eligible contributions of employee compensation based on a years of service formula as defined in the plan documents. FSL will match 100% of employee contributions up to 4% of employee compensation subject to certain eligibility criteria as stated in the plan documents. For the years ended June 30, 2022 and 2021, FSL made contributions of approximately $336,000 and $244,000, respectively, to these plans.

NOTE 17 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of various contracts and unexpended restricted contributions as of June 30:

	2022	2021
Time restricted:		
AHP restrictions	$ 8,497,777	$ 9,947,777
Federal grant	4,798,340	4,798,340
Grants	100,000	-
Promises to give	1,300,783	1,396,370
Purpose restricted:		
Glendale ADHS	248,640	1,935,436
Transportation	295	378
Nutrition	199,545	232,656
Healthy homes	419,183	289,420
Other	73,211	55,297
Time and purpose restricted:		
Nutrition and transportation	75,000	65,000
Total net assets with donor restrictions	$ 15,712,774	$ 18,720,674

The federal grant restriction consists of a federal grant received during the year ended June 30, 2010, in the original amount of $4,798,340, in relation to the construction of the White Mountain Villas Project. The grant funds are to supplement the cost of construction for the project and were awarded in-lieu of tax credits. The grant requires the project to be used for 15 years once it enters the compliance period as defined by the grant award. The grant is subject to recapture of 6.67% per year for any years the project is out of compliance, subject to the cure provisions as documented in the grant award.

The affordable housing properties (AHP) restriction consists of funds received under various contracts to finance the purchase, construction, or improvement of affordable housing properties. Under the terms of the contracts, FSL may be required to repay any amount not released from restriction upon converting the property to its intended purpose, therefore, the restriction will not be met until the end of the 15-year term and the lien on the property has been released.

NOTE 17 NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The AHP contracts, which release restrictions at different dates, are summarized as follows as of June 30:

Property	Date of occupancy	Released period from restriction	2022	2021
Mountain Village	December 2004	15 years	$ -	$ 250,000
Becket House	September 2008	15 years	1,000,000	1,000,000
Yuma Senior Terraces	June 2010	15 years	642,768	642,768
White Mountain Villas	May 2011	15 years	445,500	445,500
Pineview Manors	August 2012	15 years	500,000	500,000
Flagstaff Senior Meadows	December 2012	15 years	1,000,000	1,000,000
29 Palms	May 2014	15 years	259,509	259,509
Highland Square	December 2016	15 years	360,000	360,000
Padre Kino	December 2018	15 years	1,750,000	1,750,000
29 Palms II	April 2021	15 years	400,000	400,000
Acacia Heights Apartments	June 2021	15 years	800,000	800,000
Village on Roeser	October 2021	15 years	1,040,000	1,040,000
Flagstaff Humphrey's	N/A	15 years	-	1,200,000
Casa Del Sol	TBD	15 years	300,000	300,000
			$ 8,497,777	$ 9,947,777

NOTE 18 OPERATING LEASES

FSL leases other office space and equipment for certain of its management and program service locations under long-term operating lease agreements that expire at various times through August 2025 and agreements that are on a month-to-month basis. Approximate future minimum rental payments required under these operating leases that have an initial or remaining non-cancellable lease term in excess of one year are as follows at June 30, 2022:

Years Ending June 30,	
2023	$ 158,000
2024	78,000
2025	48,000
2026	2,000
	$ 286,000

NOTE 18 OPERATING LEASES (Continued)

Rental expense for the years ended June 30, 2022 and 2021 amounted to approximately $512,000 and $498,000, respectively. These amounts include in-kind use of facilities in the approximate amounts of $258,000 and $263,000, respectively.

NOTE 19 TRANSACTIONS WITH AFFILIATES

The Roman Catholic Church of the Diocese of Phoenix has committed future financial support to help assist the Foundation and its affiliates in attaining their goals and objective, with $915,000 and $910,000 committed for the years ended June 30, 2022 and 2021.

FSL has various notes receivable with affiliates that are due under extended payment terms exceeding one year, as disclosed in Note 8.

NOTE 20 PAYCHECK PROTECTION PROGRAM GRANT

During the year ended June 30, 2020, FSL received funding in the amount of $3,448,600 under CARES Act Paycheck Protection Program (the PPP) administered by the U.S. Small Business Administration (SBA). The loan can be forgiven in full if it is used to fund payroll, rent, utilities, and other costs as described under the Program and subject to approval by the originating bank and the SBA. FSL has determined the proceeds represent a conditional contribution as addressed in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605 as management anticipated forgiveness of the amount received. Conditions to be met for recognition of this contribution include the incurring of eligible expenses and maintaining full-time equivalent employees. As of June 30, 2021, FSL received full forgiveness from the SBA, had met the conditions for incurring eligible expenses, and recorded contribution income relating to the PPP funding in the amount of $1,272,285.

NOTE 21 IN-KIND DONATIONS

FSL received the following contributions of nonfinancial assets for the year ended June 30, 2022:

Type	Program Services	Support Services	Total
Loan forgiveness	$ 322,739	$ -	$ 322,739
Rent	158,841	-	158,841
Vehicles	88,616	-	88,616
Equipment	998	-	998
	$ 571,194	$ -	$ 571,194

FSL received the following contributions of nonfinancial assets for the year ended June 30, 2021:

Type	Program Services	Support Services	Total
Loan forgiveness	$ 322,739	$ -	$ 322,739
Rent	170,088	-	170,088
Vehicles	301,091	-	301,091
Equipment	4,990	-	4,990
	$ 798,908	$ -	$ 798,908

FSL's policy is to utilize all in-kind donations that are received to carry out the mission of FSL. All donated items were utilized by FSL's programs and supporting services. There were no donor-imposed restrictions with the donated items.

The value for donated rent is based on the fair market value which is based on amounts that would be charged for similar space under similar terms. Donated rent was mainly used for the nutrition, community action program, and adult day health services programs.

The value for donated vehicles is based on the fair market value which is based on amounts that would be charged for similar use of vehicles under similar terms. Donated vehicles were mainly used for the nutrition and adult day health services programs.

FSL has several forgivable loans that are amortized on a straight-line basis over the life of the loan, see Note 14.

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION

Year Ended June 30, 2022

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES
COMBINING STATEMENT OF FINANCIAL POSITION
June 30, 2022

ASSETS	FSL and Subsidiaries	FSL Programs/ Home Improvements/ Pathways	FSL Management	FSL Rural Development and Subsidiary	HUD Developments	FSL Real Estate Services	FSL Gibson Gardens	FSL Roeser Village	FSL White Mountain Inc. and Subsidiary	Combined Eliminations	Totals
CURRENT ASSETS											
Cash and cash equivalents	$ 1,987,346	$ 1,219,883	$ 45,386	$ 2,798,832	$ 59,644	$ 571,090	$ 126,165	$ 3,611	$ 8,611	$ -	$ 6,820,568
Restricted deposits and funded reserves, current portion	-	-	-	67,876	73,454	63,056	-	-	13,035	-	217,421
Accounts receivable, net of allowance	(24,707)	7,154,460	(123)	15,201	551	37,050	-	-	1,128	-	7,183,560
Promises to give, current portion	954,333	99,142	-	-	-	-	-	-	-	-	1,053,475
Grants receivable	400,000	245,076	-	-	4,901	-	-	-	-	-	649,977
Due from affiliates, net of allowance	16,640,070	7,639,127	957,590	3,393,330	16,792	11,839,850	763,549	-	-	(31,446,167)	9,804,141
Prepaid expenses and deposits	439	35,673	170,990	-	-	28,907	-	-	2,592	-	238,601
Notes receivable from affiliates, current portion	445,834	-	-	146,073	-	8,630	-	-	-	(525,537)	75,000
Property inventory	-	-	-	-	-	216,648	-	-	-	-	216,648
TOTAL CURRENT ASSETS	20,403,315	16,393,361	1,173,843	6,421,312	155,342	12,765,231	889,714	3,611	25,366	(31,971,704)	26,259,391
NON-CURRENT ASSETS											
Restricted deposits and funded reserves, net of current portion	393,176	-	-	-	632,546	1,210,094	-	-	333,958	-	2,569,774
Promises to give, net of current portion and unamortized discount	-	247,855	-	-	-	-	-	-	-	-	247,855
Property and equipment, net	-	923,361	1,870	992,094	951,264	35,780,757	1,380,094	-	4,507,186	(1,171,085)	43,365,541
Notes receivable from affiliates, net of current portion	20,495,083	-	-	1,211,172	-	2,970,594	-	-	-	(13,027,367)	11,649,482
Deferred tax asset	-	-	-	-	-	-	12,000	-	-	-	12,000
Investments	578,963	-	1	-	-	-	-	100	-	-	579,064
Investment in affiliates, equity basis	(1,537,176)	-	(2,535)	-	-	(143,525)	(32)	-	-	(2,740)	(1,686,008)
TOTAL NON-CURRENT ASSETS	19,930,046	1,171,216	(664)	2,203,266	1,583,810	39,817,920	1,392,062	100	4,841,144	(14,201,192)	56,737,708
TOTAL ASSETS	$ 40,333,361	$ 17,564,577	$ 1,173,179	$ 8,624,578	$ 1,739,152	$ 52,583,151	$ 2,281,776	$ 3,711	$ 4,866,510	$ (46,172,896)	$ 82,997,099

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES
COMBINING STATEMENT OF FINANCIAL POSITION (Continued)
June 30, 2022

	FSL and Subsidiaries	FSL Programs/ Home Improvements/ Pathways	FSL Management	FSL Rural Development and Subsidiary	HUD Developments	FSL Real Estate Services	FSL Gibson Gardens	FSL Roeser Village	FSL White Mountain Inc. and Subsidiary	Combined Eliminations	Totals
LIABILITIES AND NET ASSETS											
CURRENT LIABILITIES											
Accounts payable	$ 461,378	$ 2,913,573	$ 80,888	$ 7,759	$ 90,223	$ 13,314	$ -	$ -	$ 1,025	$ -	$ 3,568,160
Due to affiliates	10,825,611	1,474,493	2,256,586	9,554	20,819	15,732,089	79,269	5,000	1,136,472	(30,829,698)	710,195
Accrued payroll and related expenses	338,401	1,093,573	435,316	53,260	4,706	132,260	9,400	1,000	656	-	2,068,572
Interest payable	288,255	-	-	4,604	2,872	218,727	6,718	-	248,860	(316,275)	453,761
Contract advances	-	208,685	-	-	-	-	-	-	-	-	208,685
Deferred revenue	-	390,795	-	-	-	-	-	-	-	-	390,795
Other liabilities	-	-	-	-	25,971	109,979	-	-	305,832	(300,194)	141,588
Lines of credit	168,376	750,000	-	-	-	704,159	-	-	-	-	1,622,535
Long-term debt, current portion	451,568	-	-	-	29,416	2,158,500	-	-	4,365	-	2,643,849
Notes payable to affiliates, current portion	-	8,630	-	161,667	-	250,656	104,583	-	-	(525,536)	-
CURRENT LIABILITIES	12,533,589	6,839,749	2,772,790	236,844	174,007	19,319,684	199,970	6,000	1,697,210	(31,971,703)	11,808,140
NON-CURRENT LIABILITIES											
Tenant security deposits	-	-	-	29,837	12,719	50,795	-	-	8,350	-	101,701
Long-term debt, net of current portion and debt issuance costs	12,995,176	-	-	(2,000)	946,957	22,577,357	-	-	884,938	-	37,402,428
Notes payable to affiliates, net of current portion	250,000	182,848	-	4,875,345	-	4,692,424	2,581,251	-	445,500	(13,027,368)	-
TOTAL NON-CURRENT LIABILITIES	13,245,176	182,848	-	4,903,182	959,676	27,320,576	2,581,251	-	1,338,788	(13,027,368)	37,504,129
TOTAL LIABILITIES	25,778,765	7,022,597	2,772,790	5,140,026	1,133,683	46,640,260	2,781,221	6,000	3,035,998	(44,999,071)	49,312,269
NET ASSETS											
Without donor restrictions	5,003,033	9,224,109	(1,599,611)	3,484,552	605,469	5,897,891	(499,445)	(2,289)	(2,967,828)	(1,173,825)	17,972,056
With donor restrictions	9,551,563	1,317,871	-	-	-	45,000	-	-	4,798,340	-	15,712,774
TOTAL NET ASSETS	14,554,596	10,541,980	(1,599,611)	3,484,552	605,469	5,942,891	(499,445)	(2,289)	1,830,512	(1,173,825)	33,684,830
TOTAL LIABILITIES AND NET ASSETS	$ 40,333,361	$ 17,564,577	$ 1,173,179	$ 8,624,578	$ 1,739,152	$ 52,583,151	$ 2,281,776	$ 3,711	$ 4,866,510	$ (46,172,896)	$ 82,997,099

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES
COMBINING STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

	FSL and Subsidiaries	FSL Programs/ Home Improvements/ Pathways	FSL Management	FSL Rural Development and Subsidiary	HUD Developments	FSL Real Estate Services	FSL Gibson Gardens	FSL Roeser Village	FSL White Mountain Inc. and Subsidiary	Combined Eliminations	Totals
SUPPORT AND REVENUES											
Government contracts	$ -	$ 30,007,571	$ -	$ 1,043,689	$ 361,984	$ 129,757	$ -	$ -	$ -	$ -	$ 31,543,001
Client fees	73,584	7,954,444	20,400	399,275	145,390	2,267,664	-	-	205,188	(1,228,533)	9,837,412
Program income	-	796,185	-	-	-	-	351,208	-	-	(94,216)	1,053,177
Management fees	-	-	4,315,660	-	-	165,932	-	-	-	(4,198,879)	282,713
Grants	2,616,500	4,545,771	-	29,466	16,002	80,000	-	-	-	-	7,287,739
Contributions											
Charity and Development Appeal	540,000	535,000	-	-	-	-	-	-	-	(535,000)	540,000
Foundations	375,000	375,000	-	-	-	-	-	-	-	(375,000)	375,000
Corporations and individuals	332,541	76,481	43	2,000	-	1,000,000	-	-	-	(1,025,023)	386,042
In-kind donations	-	248,455	-	-	-	322,739	-	-	-	-	571,194
	3,937,625	44,538,907	4,336,103	1,474,430	523,376	3,966,092	351,208	-	205,188	(7,456,651)	51,876,278
Other revenue											
Interest income	717,122	6,622	-	59,533	424	44,831	-	-	72	(573,766)	254,838
Other	39,517	25,626	4,400	3,334	2,248	11,584	-	-	1,282	-	87,991
	756,639	32,248	4,400	62,867	2,672	56,415	-	-	1,354	(573,766)	342,829
TOTAL SUPPORT AND REVENUES	4,694,264	44,571,155	4,340,503	1,537,297	526,048	4,022,507	351,208	-	206,542	(8,030,417)	52,219,107
EXPENSES											
Program expenses	-	38,980,414	-	875,498	453,515	3,368,765	344,914	-	557,158	(1,388,913)	43,191,351
Supporting services											
Management and general	1,434,728	3,926,349	4,207,395	344,364	45,136	1,618,769	9,199	1,010	28,959	(4,773,719)	6,842,190
Fundraising	287,020	-	-	-	-	-	-	-	-	-	287,020
TOTAL EXPENSES	1,721,748	42,906,763	4,207,395	1,219,862	498,651	4,987,534	354,113	1,010	586,117	(6,162,632)	50,320,561
OTHER INCOME (EXPENSE)											
Gain (loss) on sale of assets	165,056	1,529	-	22,685	-	(23,335)	-	-	-	-	165,935
Gain (loss) on LLC investments	(26,310)	-	2,740	-	-	264,070	-	-	-	(2,740)	237,760
Transfers to affiliates	(1,935,023)	-	-	-	-	-	-	-	-	1,935,023	-
Income tax benefit (expense)	-	-	-	-	-	-	(200)	-	-	-	(200)
TOTAL OTHER INCOME (EXPENSE)	(1,796,277)	1,529	2,740	22,685	-	240,735	(200)	-	-	1,932,283	403,495
CHANGE IN NET ASSETS	1,176,239	1,665,921	135,848	340,120	27,397	(724,292)	(3,105)	(1,010)	(379,575)	64,498	2,302,041
NET ASSETS, BEGINNING OF YEAR	13,378,357	8,876,059	(1,735,459)	3,144,432	578,072	6,667,183	(496,340)	(1,279)	2,210,087	(1,238,323)	31,382,789
NET ASSETS, END OF YEAR	$ 14,554,596	$ 10,541,980	$ (1,599,611)	$ 3,484,552	$ 605,469	$ 5,942,891	$ (499,445)	$ (2,289)	$ 1,830,512	$ (1,173,825)	$ 33,684,830