

Foundation for Senior Living and Affiliated Entities

Combined Financial Statements

June 30, 2023 and 2022

Foundation for Senior Living and Affiliated Entities

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Independent Auditors' Report

To the Board of Directors of
Foundation for Senior Living, Inc.

Opinion

We have audited the combined financial statements of Foundation for Senior Living, Inc. (the Organization), which comprise the combined statements of financial position as of June 30, 2023 and 2022, 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 accompanying combined financial statements present fairly, in all material respects, the combined financial position of the Organization as of June 30, 2023 and 2022, 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 (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the combined financial statements, on July 1, 2022, the Organization adopted Accounting Standards Codification Topic 842 as required by Accounting Standards Update 2016-06, Leases (Topic 842) and its related amendments. Our opinion is not modified with respect to this matter.

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 GAAP, 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 the Organization's ability to continue as a going concern within one year after the date that the 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 GAAS 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks 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 the Organization's 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's 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.

Supplementary Information

Our audits were 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 is presented for purposes of additional analysis and is 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
December 18, 2023

Foundation for Senior Living and Affiliated Entities

Combined Statements of Financial Position

June 30, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 6,381,851	\$ 6,820,568
Restricted deposits and funded reserves, current portion	187,926	217,421
Accounts receivable, net of allowance	3,443,685	7,183,560
Promises to give, current portion	1,026,472	1,053,475
Grants receivable	2,895,881	649,977
Due from affiliates, net of allowance	9,798,717	9,804,141
Prepaid expenses and deposits	242,007	238,601
Notes receivable from affiliates, current portion	2,045,000	75,000
Property inventory	282,889	216,648
Total current assets	26,304,428	26,259,391
Noncurrent Assets		
Restricted deposits and funded reserves, net of current portion	2,652,174	2,569,774
Promises to give, net of current portion	148,713	247,855
Operating lease right of use assets	967,818	-
Property and equipment, net	43,163,604	43,365,541
Notes receivable from affiliates, net of current portion	9,604,482	11,649,482
Deferred tax asset	9,000	12,000
Investments	613,270	579,064
Investment in affiliates, equity basis	(1,698,456)	(1,686,008)
Total noncurrent assets	55,460,605	56,737,708
Total assets	\$ 81,765,033	\$ 82,997,099

See notes to combined financial statements

Foundation for Senior Living and Affiliated Entities

Combined Statements of Financial Position

June 30, 2023 and 2022

	2023	2022
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 1,562,995	\$ 3,568,160
Due to affiliates	611,332	710,195
Accrued payroll and related expenses	1,751,376	2,068,572
Interest payable	440,560	453,761
Contract advances	59,157	208,685
Deferred revenue	168,602	390,795
Other liabilities	5,464	141,588
Operating lease liabilities, current portion	497,141	-
Lines of credit	3,094,760	1,622,535
Long-term debt, current portion	3,833,750	2,643,849
Total current liabilities	12,025,137	11,808,140
Noncurrent Liabilities		
Tenant security deposits	104,430	101,701
Operating lease liabilities, net of current portion	474,037	-
Long-term debt, net of current portion and debt issuance costs	35,243,267	37,402,428
Total non-current liabilities	35,821,734	37,504,129
Total liabilities	47,846,871	49,312,269
Net Assets		
Without donor restrictions	15,530,864	17,972,056
With donor restrictions	18,387,298	15,712,774
Total net assets	33,918,162	33,684,830
Total liabilities and net assets	\$ 81,765,033	\$ 82,997,099

See notes to combined financial statements

Foundation for Senior Living and Affiliates Entities

Combined Statements of Activities
Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues						
Government contracts	\$ 28,434,985	\$ -	\$ 28,434,985	\$ 31,543,001	\$ -	\$ 31,543,001
Client fees	6,688,874	-	6,688,874	9,837,412	-	9,837,412
Program income	1,132,227	-	1,132,227	1,053,177	-	1,053,177
Management fees	403,243	-	403,243	282,713	-	282,713
Grants	2,096,962	4,817,151	6,914,113	4,838,744	2,448,995	7,287,739
Contributions						
Charity and Development Appeal	-	540,000	540,000	-	540,000	540,000
Foundations	-	375,000	375,000	-	375,000	375,000
Corporations and individuals	382,910	53,114	436,024	320,800	65,242	386,042
In-kind donations	668,565	-	668,565	571,194	-	571,194
Release from time restrictions	1,102,928	(1,102,928)	-	1,149,373	(1,149,373)	-
Release from purpose restrictions	2,007,813	(2,007,813)	-	5,287,764	(5,287,764)	-
	<u>42,918,507</u>	<u>2,674,524</u>	<u>45,593,031</u>	<u>54,884,178</u>	<u>(3,007,900)</u>	<u>51,876,278</u>
Other revenue:						
Interest income	315,929	-	315,929	254,838	-	254,838
Other	67,740	-	67,740	87,991	-	87,991
	<u>383,669</u>	<u>-</u>	<u>383,669</u>	<u>342,829</u>	<u>-</u>	<u>342,829</u>
Total support and revenues	<u>43,302,176</u>	<u>2,674,524</u>	<u>45,976,700</u>	<u>55,227,007</u>	<u>(3,007,900)</u>	<u>52,219,107</u>
Expenses						
Program expenses	38,445,957	-	38,445,957	43,191,351	-	43,191,351
Management and general	6,882,845	-	6,882,845	6,842,190	-	6,842,190
Fundraising	451,017	-	451,017	287,020	-	287,020
Total expenses	<u>45,779,819</u>	<u>-</u>	<u>45,779,819</u>	<u>50,320,561</u>	<u>-</u>	<u>50,320,561</u>
Other Income (Expense)						
Gain (loss) on sale of assets	14,103	-	14,103	165,935	-	165,935
Gain (loss) on LLC investments	25,554	-	25,554	237,760	-	237,760
Income tax benefit (expense)	(3,206)	-	(3,206)	(200)	-	(200)
Total other income (expense)	<u>36,451</u>	<u>-</u>	<u>36,451</u>	<u>403,495</u>	<u>-</u>	<u>403,495</u>
Change in net assets	(2,441,192)	2,674,524	233,332	5,309,941	(3,007,900)	2,302,041
Net Assets, Beginning	<u>17,972,056</u>	<u>15,712,774</u>	<u>33,684,830</u>	<u>12,662,115</u>	<u>18,720,674</u>	<u>31,382,789</u>
Net Assets, Ending	<u>\$ 15,530,864</u>	<u>\$ 18,387,298</u>	<u>\$ 33,918,162</u>	<u>\$ 17,972,056</u>	<u>\$ 15,712,774</u>	<u>\$ 33,684,830</u>

See notes to combined financial statements

Foundation for Senior Living and Affiliates Entities

Combined Statement of Functional Expenses
Year Ended June 30, 2023

	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	\$ 12,052,220	\$ 107,797	\$ 245,480	\$ 313,550	\$ -	\$ 12,719,047	\$ 3,461,941	\$ -	\$ 3,461,941	\$ 285,437	\$ 3,747,378	\$ 16,466,425
Payroll taxes	1,028,523	9,490	21,521	28,479	-	1,088,013	260,575	-	260,575	19,883	280,458	1,368,471
Employee benefits	1,259,286	19,917	16,115	39,833	-	1,335,151	380,635	-	380,635	15,752	396,387	1,731,538
Building and occupancy	1,840,397	213,678	482,026	854,514	(1,122,442)	2,268,173	368,599	(296,405)	72,194	-	72,194	2,340,367
Meetings and travel	685,213	5,308	15,707	6,795	-	713,023	42,632	-	42,632	1,017	43,649	756,672
Professional fees/taxes	14,059,931	5,485	25,201	41,955	-	14,132,572	1,098,256	(7,200)	1,091,056	-	1,091,056	15,223,628
Food and beverage	553,969	338	104	6	-	554,417	15,817	-	15,817	6,319	22,136	576,553
Depreciation	261,294	63,739	86,020	1,347,866	(74,570)	1,684,349	55,812	-	55,812	-	55,812	1,740,161
Interest	46,379	80,244	-	1,177,948	(260,708)	1,043,863	950,233	(282,944)	667,289	-	667,289	1,711,152
Bad debt	134,136	3,717	-	11,933	-	149,786	-	-	-	-	-	149,786
Materials and supplies	492,352	15,099	29,181	53,251	-	589,883	249,155	-	249,155	994	250,149	840,032
Insurance	296,192	5,931	15,819	49,155	-	367,097	92,133	-	92,133	1,308	93,441	460,538
Telephones	124,561	6,053	8,534	18,032	-	157,180	52,562	-	52,562	360	52,922	210,102
Specific client assistance	1,184,932	-	788	-	-	1,185,720	5,107	-	5,107	-	5,107	1,190,827
Other operating	364,796	18,395	21,063	59,829	(6,400)	457,683	381,223	(6,000)	375,223	119,947	495,170	952,853
Management fees	-	-	-	-	-	-	3,746,703	(3,685,989)	60,714	-	60,714	60,714
	<u>\$ 34,384,181</u>	<u>\$ 555,191</u>	<u>\$ 967,559</u>	<u>\$ 4,003,146</u>	<u>\$ (1,464,120)</u>	<u>\$ 38,445,957</u>	<u>\$ 11,161,383</u>	<u>\$ (4,278,538)</u>	<u>\$ 6,882,845</u>	<u>\$ 451,017</u>	<u>\$ 7,333,862</u>	<u>\$ 45,779,819</u>

See notes to combined financial statements

Foundation for Senior Living and Affiliates 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
	<u>\$ 38,980,414</u>	<u>\$ 453,515</u>	<u>\$ 875,498</u>	<u>\$ 4,270,837</u>	<u>\$ (1,388,913)</u>	<u>\$ 43,191,351</u>	<u>\$ 11,718,283</u>	<u>\$ (4,876,093)</u>	<u>\$ 6,842,190</u>	<u>\$ 287,020</u>	<u>\$ 7,129,210</u>	<u>\$ 50,320,561</u>

See notes to combined financial statements

Foundation for Senior Living and Affiliated Entities

Combined Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 233,332	\$ 2,302,041
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,467,977	1,457,321
Amortization of debt issuance costs included in interest expense	83,395	208,176
Bad debt expense	149,405	54,132
Amortization of operating lease right-of-use assets	524,805	-
Realized and unrealized (gain) loss on investments	(26,024)	26,197
Investment in affiliates, equity basis	12,448	377,929
(Gain) loss on disposal of property and equipment	-	(879)
Forgiveness of debt	(277,125)	(277,125)
Deferred income taxes	3,000	-
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	3,590,470	(4,265,870)
Due from affiliates	5,424	(251,541)
Promises to give	126,145	62,774
Grants receivable	(2,245,904)	1,143,128
Prepaid expenses and deposits	(3,406)	(1,668)
Increase (decrease) in:		
Accounts payable	(2,005,165)	2,587,087
Accrued payroll and related expenses	(317,196)	532,811
Interest payable	(13,201)	37,819
Contract advances	(149,528)	(239,510)
Deferred revenue	(222,193)	390,795
Other liabilities	(136,124)	(530,333)
Operating lease liabilities	(521,445)	-
Tenant security deposits	2,729	1,460
Due to affiliates	(98,863)	2,799
Net cash provided by (used in) operating activities	<u>182,956</u>	<u>3,617,543</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	(1,266,040)	(797,523)
Proceeds from disposal of property and equipment	-	(43,551)
Purchases of property inventory	(66,241)	(116,286)
Payments received on notes receivable from affiliates	75,000	323,732
Purchase of investments	(8,182)	(500,827)
Net cash provided by (used in) investing activities	<u>(1,265,463)</u>	<u>(1,134,455)</u>

See notes to combined financial statements

Foundation for Senior Living and Affiliated Entities

Combined Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Financing Activities		
Proceeds from long-term debt	416,500	8,345,818
Principal payments on long-term debt	(1,183,513)	(9,626,511)
Borrowings on lines of credit	12,200,892	14,024,471
Payments on lines of credit	(10,728,667)	(15,312,308)
Bond issue costs	(8,517)	(238,033)
	<u>696,695</u>	<u>(2,806,563)</u>
Net cash provided by (used in) financing activities		
	(385,812)	(323,475)
Cash and Cash Equivalents, Beginning	<u>9,607,763</u>	<u>9,931,238</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 9,221,951</u></u>	<u><u>\$ 9,607,763</u></u>
Reconciliation of Cash and Cash Equivalents of Consolidated Statements of Financial Position		
Cash and cash equivalents	\$ 6,381,851	\$ 6,820,568
Restricted deposits and funded reserves, current	187,926	217,421
Restricted deposits and funded reserves, net of current	<u>2,652,174</u>	<u>2,569,774</u>
	<u><u>\$ 9,221,951</u></u>	<u><u>\$ 9,607,763</u></u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest expense	<u><u>\$ 1,687,982</u></u>	<u><u>\$ 1,588,480</u></u>
Forgiveness of debt	<u><u>\$ 277,125</u></u>	<u><u>\$ 277,125</u></u>

See notes to combined financial statements

Foundation for Senior Living and Affiliated Entities

Notes to Combined Financial Statements

June 30, 2023 and 2022

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 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 %

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.

Foundation for Senior Living and Affiliated Entities

Notes to Combined Financial Statements

June 30, 2023 and 2022

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 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.

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.

Foundation for Senior Living and Affiliated Entities

Notes to Combined Financial Statements

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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.

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 these 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 Partnership	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 %

Foundation for Senior Living and Affiliated Entities

Notes to Combined Financial Statements
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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.

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.

Foundation for Senior Living and Affiliated Entities

Notes to Combined Financial Statements

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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.

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).

Foundation for Senior Living and Affiliated Entities

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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.

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.

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.

Foundation for Senior Living and Affiliated Entities

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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.

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.

Foundation for Senior Living and Affiliated Entities

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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.

FSL Home Improvements generates revenue from multiple sources including home weatherization, home repair, and training services revenue, all of which is recognized at a point in time 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. 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 schedule of exchange transaction revenue disaggregated by type that is included in government contracts, client fees, program income, and management fees on the combined statement of activities for the year ended June 30, 2023:

	Government Contracts	Client Fees	Program Income	Management Fees	Grants	Total
FSL and Subsidiaries:						
Incentive management fees	\$ -	\$ 24,437	\$ -	\$ -	\$ -	\$ 24,437
Partnership fees	-	118,747	-	-	-	118,747
FSL Programs:						
Adult day health care	2,771,978	259,243	-	-	319,229	3,350,450
Home health and home care	1,212,481	-	-	-	-	1,212,481
Community living resources	2,951,023	-	-	-	-	2,951,023
Nutrition services	567,021	12,415	61,902	-	165,705	807,043
Community action program	788,777	-	594	-	94,540	883,911
Wellness and transitional care	165,903	561,588	-	-	-	727,491
Care by design	-	-	-	-	826,532	826,532
FSL Pathways:						
Assisted group living	9,069,079	-	809,777	-	-	9,878,856
FSL Home Improvements:						
Home weatherization	4,398,251	-	-	-	-	4,398,251
Home repair	5,066,616	3,911,951	-	-	-	8,978,567
Inspection and training	39,660	150	-	-	697,655	737,465
FSL Management:						
Management fees	-	7,200	-	153,514	-	160,714
FSL Rural Development:						
Rent	1,069,716	424,071	-	-	-	1,493,787
HUD Developments:						
Rent	334,480	173,450	-	-	-	507,930

Foundation for Senior Living and Affiliated Entities

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	<u>Government Contracts</u>	<u>Client Fees</u>	<u>Program Income</u>	<u>Management Fees</u>	<u>Grants</u>	<u>Total</u>
FSL Real Estate Services:						
Developer fees	-	-	-	-	-	-
Rent	-	867,905	-	-	-	867,905
Incentive fees	-	70,409	-	-	-	70,409
Partnership fees	-	4,500	-	-	-	4,500
Management fees	-	-	-	249,729	-	263,604
Housing rehab program	-	30,000	-	-	-	30,000
FSL Gibson Gardens:						
Electricity	-	-	259,954	-	-	259,954
FSL White Mountain:						
Rent	-	209,053	-	-	-	209,053
Total	<u>\$ 28,434,985</u>	<u>\$ 6,675,119</u>	<u>\$ 1,132,227</u>	<u>\$ 403,243</u>	<u>\$ 2,103,661</u>	<u>\$ 38,763,110</u>

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

	<u>Government Contracts</u>	<u>Client Fees</u>	<u>Program Income</u>	<u>Management Fees</u>	<u>Grants</u>	<u>Total</u>
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

Foundation for Senior Living and Affiliated Entities

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	<u>Government Contracts</u>	<u>Client Fees</u>	<u>Program Income</u>	<u>Management Fees</u>	<u>Grants</u>	<u>Total</u>
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
Total	<u>\$ 31,543,001</u>	<u>\$ 9,837,412</u>	<u>\$ 1,053,177</u>	<u>\$ 282,713</u>	<u>\$ 3,208,402</u>	<u>\$ 45,924,705</u>

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

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 \$258,000 and \$150,000 for the years ended June 30, 2023 and 2022, respectively.

Foundation for Senior Living and Affiliated Entities

Notes to Combined Financial Statements

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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.

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.

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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, 2023 and 2022, 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, 2023 and 2022, FSL did not have any income tax related interest and penalties expense.

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.

Adoption of New Accounting Standard

Effective July 1, 2022, FSL adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), and all related amendments using the modified retrospective approach. FSL's 2022 combined financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the combined statement of financial position. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating lease right-of-use assets are expensed on a straight-line basis as lease expense over the noncancelable lease term. At the date of adoption, FSL recorded operating lease right-of-use assets of \$1,483,392 and lease liabilities of \$1,491,214.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, FSL elected:

- The package of practical expedients permitted under the transition guidance which does not require FSL to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs.
- The practical expedient to use hindsight in determining the lease term (that is, when considering options to extend or terminate the lease or to purchase the underlying asset) and in assessing impairment of FSL's right-of-use assets.
- The practical expedient pertaining to land easements;

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The new standard also provides for several accounting policy elections, as follows:

- FSL has elected the policy not to separate lease and nonlease components for all asset classes.
- When the rate implicit in the lease is not determinable, rather than use FSL's incremental borrowing rate, FSL elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes.
- FSL elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which FSL is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.
- FSL elected to account for its buildings and vehicles leases using the portfolio approach; as such, leases that have similar commencement dates, length of terms, renewal options or other contract terms have been combined into a lease portfolio whereby the resulting accounting at the portfolio level does not differ materially from that at the individual lease level.

Additional required disclosures for Topic 842 are contained in Note 18.

Date of Management's Review

In preparing these combined financial statements, FSL has evaluated events and transactions for potential recognition or disclosure through December 18, 2023, the date the combined financial statements were available to be issued.

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, 2023 and 2022, the financial assets that could readily be made available to meet general expenditures within the next year is calculated as follows:

	2023	2022
Cash and cash equivalents	\$ 6,381,851	\$ 6,820,568
Accounts receivable, net of allowance	3,443,685	7,183,560
Promises to give, current portion	1,026,472	1,053,475
Grants receivable	2,895,881	649,977
Notes receivable from affiliates, current portion	2,045,000	75,000
Total financial assets	15,792,889	15,782,580
Less grants receivable restricted for real estate projects	(300,000)	(300,000)
Financial assets available to meet general expenditures within one year	<u>\$ 15,492,889</u>	<u>\$ 15,482,580</u>

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Notes to Combined Financial Statements

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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, 2023 and 2022 include amounts due from two funding sources that make up approximately 99% and 97% of promises to give, respectively. Grants receivable at June 30, 2023 include amounts from two funding sources that make up approximately 93% of total grants receivable. Grants receivable at June 30, 2022 include amounts from two funding sources that make up approximately 62% 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.

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:

	2023	2022
Reserve funds	\$ 1,366,347	\$ 1,372,929
Debt service fund	755,938	718,221
Bond fund	398,100	389,376
Security deposits	143,762	146,567
Escrow deposits	44,164	70,854
Other	131,789	89,248
Total	<u>\$ 2,840,100</u>	<u>\$ 2,787,195</u>

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:

	2023	2022
Accounts receivable	\$ 3,531,217	\$ 7,288,057
Allowance for doubtful accounts	(87,532)	(104,497)
Total	<u>\$ 3,443,685</u>	<u>\$ 7,183,560</u>

Foundation for Senior Living and Affiliated Entities

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June 30, 2023 and 2022

Accounts receivable from three funding sources compose approximately 57% of total net accounts receivable at June 30, 2023. Accounts receivable from four funding sources compose approximately 62% of total net accounts receivable at June 30, 2022. 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.

During the year ended June 30, 2023, FSL received funding from one funding source composing approximately 26% of total revenues. During the year ended June 30, 2022, FSL received funding from two funding sources composing approximately 26% of total revenues. If the governmental agencies decrease its funding to FSL, 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.

6. Contract Assets and Liabilities

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

Contract assets, June 30, 2021	\$ 5,075,808
Developer fees billed	159,003
Developer fees collected	<u>(262,913)</u>
Contract assets, June 30, 2022	4,971,898
Developer fees billed	-
Developer fees collected	<u>(309,181)</u>
Contract assets, June 20, 2023	<u>\$ 4,662,717</u>

There were no contract liabilities related to uncompleted construction contracts at June 30, 2021, 2022 and 2023.

7. Promises to Give

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

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 1,026,472	\$ 1,053,475
Receivable in two to five years	<u>148,713</u>	<u>247,855</u>
Net promise to give	1,175,185	1,301,330
Current portion	<u>(1,026,472)</u>	<u>(1,053,475)</u>
Noncurrent portion	<u>\$ 148,713</u>	<u>\$ 247,855</u>

Foundation for Senior Living and Affiliated Entities

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June 30, 2023 and 2022

8. Notes Receivable From Affiliates

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

	2023	2022
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.	2,045,000	2,120,000
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 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 St. Peter Place, 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

Foundation for Senior Living and Affiliated Entities

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	<u>2023</u>	<u>2022</u>
Note receivable due from FSL Yuma Senior Terrace, 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 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 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 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
	11,649,482	11,724,482
Current portion	<u>(2,045,000)</u>	<u>(75,000)</u>
Long-term portion	<u>\$ 9,604,482</u>	<u>\$ 11,649,482</u>

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

Years ending June 30:	
2024	\$ 2,045,000
2025	1,000,000
2026	-
2027	-
2028	1,316,736
Thereafter	<u>7,287,746</u>
Total	<u>\$ 11,649,482</u>

Foundation for Senior Living and Affiliated Entities

Notes to Combined Financial Statements

June 30, 2023 and 2022

9. Property and Equipment

Property and equipment consist of the following at June 30:

	2023	2022
Land and improvements	\$ 15,364,317	\$ 14,239,685
Buildings and improvements	38,765,931	38,521,119
Furniture and equipment	5,361,851	5,542,570
Vehicles	895,032	895,032
	60,387,131	59,198,406
Accumulated depreciation and amortization	(20,534,907)	(19,066,927)
	39,852,224	40,131,479
Construction in progress	3,311,380	3,234,062
	<u>\$ 43,163,604</u>	<u>\$ 43,365,541</u>

Depreciation expense charged to operations was approximately \$1,747,000 and \$1,457,000 for the years ended June 30, 2023 and 2022, respectively.

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

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.

The following is a summary of financial instruments measured at fair value on a recurring basis at June 30, 2023:

	Total	Level 1	Level 2	Level 3
Funds held with ACF - short term pool	\$ 215,829	\$ -	\$ 215,829	\$ -
Funds held with ACF - long-term diversified pool	323,412	-	-	323,412
Funds held with CCF - growth pool	74,029	-	74,029	-
Total	<u>\$ 613,270</u>	<u>\$ -</u>	<u>\$ 289,858</u>	<u>\$ 323,412</u>

Foundation for Senior Living and Affiliated Entities

Notes to Combined Financial Statements

June 30, 2023 and 2022

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

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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	-
Total	<u>\$ 579,064</u>	<u>\$ -</u>	<u>\$ 271,834</u>	<u>\$ 307,230</u>

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

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 13,671	\$ 3,329
Net realized and unrealized gain (loss)	26,024	(26,197)
Investment fees	(5,609)	(2,502)
	<u>\$ 34,086</u>	<u>\$ (25,370)</u>

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, 2023 and 2022.

Balance, June 30, 2021	\$ 15,628
Purchases	300,000
Interest and dividends	926
Net realized and unrealized loss	(8,509)
Investment fees	(815)
Balance, June 30, 2022	307,230
Purchases	-
Interest and dividends	7,054
Net realized and unrealized gain	11,875
Investment fees	(2,747)
Balance, June 30, 2023	<u>\$ 323,412</u>

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 (\$1,698,456) and (\$1,686,008) at June 30, 2023 and 2022, respectively. FSL has investments ranging from .005% to .01% in various low-income housing projects, as disclosed in Note 1.

Foundation for Senior Living and Affiliated Entities

Notes to Combined Financial Statements

June 30, 2023 and 2022

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.

Due from affiliates consisted of the following at June 30:

	2023	2022
FSL Padre Kino Village, LP	\$ 1,423,474	\$ 1,344,862
FSL St. Francis Villas, LP	495,815	518,017
FSL St. Peter's Place, LP	926,112	757,510
FSL St. Isadore Villas, LP	193,919	193,907
FSL St. Monica Villas, LP	365,375	275,955
FSL Yuma Senior Terraces, LP	410,390	278,531
FSL Becket House Apts, LP	225,528	58,042
FSL Heritage Glen Retirement Apartments, LP	99,283	105,411
FSL Village on Roeser Phoenix 2018, LP	3,437,664	3,208,155
FSL Acacia Heights Village, LP	878,603	1,847,598
Other receivables from affiliates	1,862	509
Interest receivable	1,340,692	1,215,644
	<u>\$ 9,798,717</u>	<u>\$ 9,804,141</u>

Due to affiliates consisted of the following at June 30:

	2023	2022
FSL Padre Kino Village, LP	\$ -	\$ 100
FSL St. Isadore Villas, LP	351,595	346,664
FSL Heritage Glen Retirement Apartments, LP	5,147	4,996
FSL St. Monica Villas, LP	2,421	2,431
FSL Village on Roeser Phoenix 2018, LP	236,075	352,517
FSL St. Francis Villas, LP	-	3,388
FSL Acacia Heights Village, LP	15,779	-
Other payables to affiliates	315	99
	<u>\$ 611,332</u>	<u>\$ 710,195</u>

Foundation for Senior Living and Affiliated Entities

Notes to Combined Financial Statements

June 30, 2023 and 2022

13. Lines of Credit

Lines of credit consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
\$1,500,000 revolving line of credit that requires monthly interest payments of 7.50% on the outstanding balance as of June 30, 2023. This line of credit expires on January 31, 2024.	\$ 740,601	\$ 168,376
\$1,500,000 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%. The interest rate as of June 30, 2023 was 4.00%. This line of credit expires on January 31, 2024.	650,000	750,000
\$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%. The interest rate as of June 30, 2023 was 4.00%. This line of credit expires on January 31, 2024.	<u>1,704,159</u>	<u>704,159</u>
	<u>\$ 3,094,760</u>	<u>\$ 1,622,535</u>

Subsequent to year end FSL Rural Development entered into a non-revolving line of credit agreement with Arizona Bank and Trust. The line of credit provides for maximum borrowings of \$1,790,000. The line of credit expires July 27, 2024, and is guaranteed by FSL.

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:

	<u>2023</u>	<u>2022</u>
Taxable mortgage bonds	\$ 12,745,000	\$ 13,145,000
Revenue bond - Becket House	2,045,000	2,120,000
Revenue bond - Vianney Villas Project	2,890,000	2,980,000
Revenue bond – Rural Development Corporation	2,095,000	2,165,000
Revenue bond - FSL Holding and Gibson Garden	<u>5,250,000</u>	<u>5,455,000</u>
Bonds payable	<u>\$ 25,025,000</u>	<u>\$ 25,865,000</u>

Foundation for Senior Living and Affiliated Entities

Notes to Combined Financial Statements
June 30, 2023 and 2022

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.

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, 2023, 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.

Foundation for Senior Living and Affiliated Entities

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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.

Subsequent to year end FSL Rural Development entered into a note payable agreement with Arizona Bank and Trust in the amount of \$2,800,000. The note bears interest at 7.18% and both principal and interest are due monthly in installments of \$20,112. The note matures October 27, 2026, with a balloon payment of all outstanding principal and interest. The note payable is guaranteed by FSL. This note payable was used to pay off the note payable to FSL as a result of a 2014 bond issuance.

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, 2023, 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.

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.

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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.

Mortgage Notes Payable

Mortgage notes payable consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
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.	\$ 946,956	\$ 976,373

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:

	<u>2023</u>	<u>2022</u>
Note payable due in monthly principal and interest payments of \$2,998, including interest at 6.00%. This note matures on December 1, 2031.	\$ 399,543	\$ 411,111
Non-interest bearing note payable due in monthly principal installments of \$1,000, with the balance due at maturity on January 1, 2033.	441,000	443,000
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. This note was paid in full as of June 30, 2023.	-	84,409
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 \$3,792 at a rate of 6.50% with an extended maturity date of February 27, 2026.	700,000	825,000
Note payable due in monthly payments of \$2,704, including interest at 9.00%. The note matures on April 30, 2030.	297,012	302,665
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.	886,393	903,086
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.	219,561	227,929

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	<u>2023</u>	<u>2022</u>
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.	101,036	105,411
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 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.	1,283,912	1,305,887
Note payable 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.	1,231,787	1,265,842
	<u>\$ 7,243,957</u>	<u>\$ 7,558,053</u>

Forgivable Notes Payable

Forgivable notes payable consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
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.	\$ 1,473,476	\$ 1,742,601
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.	274,000	282,000

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	<u>2023</u>	<u>2022</u>
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.		
	4,215,000	3,798,500
	<u>\$ 5,962,476</u>	<u>\$ 5,823,101</u>

Other Notes Payable

Other notes payable consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
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.		
	<u>\$ 500,000</u>	<u>\$ 500,000</u>

Debt issuance costs for the years ended June 30, 2023 and 2022 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:

	<u>2023</u>	<u>2022</u>
Bonds	\$ 25,025,000	\$ 25,865,000
Mortgage and real estate notes	8,190,913	8,534,426
Forgivable and other notes	6,462,476	6,323,101
	<u>39,678,389</u>	<u>40,722,527</u>
Debt issuance costs	(1,098,454)	(1,089,937)
Accumulated amortization	<u>497,082</u>	<u>413,687</u>
Net debt issuance costs	<u>(601,372)</u>	<u>(676,250)</u>
Long-term debt, less net debt issuance costs	<u>\$ 39,077,017</u>	<u>\$ 40,046,277</u>

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Future minimum principal payments required on all long-term debt as of June 30, 2023 are as follows:

	Bond Debt	Mortgages and Real Estate Notes	Forgivable and Other Notes	Total
Year Ending June 30:				
2024	\$ 2,835,000	\$ 721,625	\$ 277,125	\$ 3,833,750
2025	3,530,000	110,110	277,125	3,917,235
2026	4,630,000	814,996	277,125	5,722,121
2027	785,000	200,071	500,216	1,485,287
2028	2,620,000	121,037	446,395	3,187,432
Thereafter	10,625,000	6,223,074	4,684,490	21,532,564
	25,025,000	8,190,913	6,462,476	39,678,389
Net debt issuance costs	(576,391)	(24,981)	-	(601,372)
	24,448,609	8,165,932	6,462,476	39,077,017
Current portion	(2,835,000)	(721,625)	(277,125)	(3,833,750)
Long-term portion	<u>\$ 21,613,609</u>	<u>\$ 7,444,307</u>	<u>\$ 6,185,351</u>	<u>\$ 35,243,267</u>

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:

	2023	2022
Excess tax over book depreciation	\$ (579,000)	\$ (612,000)
Federal net operating loss carryforwards	602,000	639,000
Total deferred tax asset	23,000	27,000
Less valuation allowance	(14,000)	(15,000)
Net deferred tax asset - long-term	<u>\$ 9,000</u>	<u>\$ 12,000</u>

The affiliates had provisions for income tax expense of \$3,206 and \$200 for the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023, FSL Gibson Gardens, Inc., FSL Solar One, Inc., FSL Solar Two, Inc., and FSL Solar Three, Inc. have approximately \$2,869,000 available of federal net operating loss carryforwards that expire through 2033.

Foundation for Senior Living and Affiliated Entities

Notes to Combined Financial Statements

June 30, 2023 and 2022

The valuation allowance of \$14,000 and \$15,000 for the years ended June 30, 2023 and 2022, respectively, 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.

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, 2023 and 2022, FSL made contributions of approximately \$365,000 and \$336,000, respectively, to these plans.

17. Net Assets With Donor Restrictions

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

	2023	2022
Time restricted:		
AHP restrictions	\$ 8,497,777	\$ 8,497,777
Federal grant	4,798,340	4,798,340
Grants	3,215,457	100,000
Promises to give	1,201,141	1,300,783
Purpose restricted:		
Glendale ADHS	-	248,640
Transportation	16,717	295
Nutrition	168,875	199,545
Healthy homes	276,728	419,183
Other	127,263	73,211
Time and purpose restricted:		
Nutrition and transportation	85,000	75,000
	<u>\$ 18,387,298</u>	<u>\$ 15,712,774</u>

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.

Foundation for Senior Living and Affiliated Entities

Notes to Combined Financial Statements

June 30, 2023 and 2022

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.

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	2023	2022
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
Casa Del Sol	TBD	15 years	300,000	300,000
			<u>\$ 8,497,777</u>	<u>\$ 8,497,777</u>

18. Leasing Activities

FSL leases equipment, vehicles, and space for a number of their program service locations under operating lease agreements that expire at various dates through August 2025.

Right-of-use assets represent FSL's right to use an underlying asset for the lease term, while lease liabilities represent FSL's obligation to make lease payments arising from the lease. Right of use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of FSL's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at FSL's sole discretion. FSL regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, FSL includes such options in the lease term. Additionally, upon adoption of the new standard, FSL made judgments regarding lease terms for certain of its real property leases that contained auto-renewal clauses. FSL estimated a lease end date based on the required length of usage of the property and calculated a right-of-use asset and lease liability with the resulting estimated lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, FSL uses the rate implicit in the lease, or if not readily available, FSL uses a risk-free rate based on U.S. Treasury note or bond rates for a similar term.

Foundation for Senior Living and Affiliated Entities

Notes to Combined Financial Statements

June 30, 2023 and 2022

Right-of-use assets are assessed for impairment in accordance with FSL's long lived asset policy. FSL reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

FSL made significant assumptions and judgments in applying the requirements of Topic 842. In particular, FSL:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Organization obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;
- Determined whether contracts contain embedded leases;
- Evaluated leases with similar commencement dates, lengths of term, renewal options or other contract terms, which therefore meet the definition of a portfolio of leases, whether to apply the portfolio approach to such leases.

FSL does not have any leasing transactions with related parties.

The following table summarizes the operating lease right-of-use assets and operating lease liabilities as of June 30, 2023:

Operating lease right-of-use assets	<u>\$ 967,818</u>
Operating lease liabilities:	
Current	497,141
Long-term	<u>474,037</u>
Total operating lease liabilities	<u>\$ 971,178</u>

Below is a summary of expenses incurred pertaining to leases during the year ended June 30, 2023:

Operating lease expense	<u>\$ 549,937</u>
Total lease expense	<u>\$ 549,937</u>

The right-of-use assets and lease liabilities were calculated using a weighted average discount rate of 2.85%. As of June 30, 2023, the weighted average remaining lease term was 1.97 years.

Foundation for Senior Living and Affiliated Entities

Notes to Combined Financial Statements

June 30, 2023 and 2022

The table below summarizes the FSL's scheduled future minimum lease payments for years ending after June 30, 2023:

Years ending June 30:	
2024	\$ 580,729
2025	512,651
2026	39,859
2027	40,785
2028	43,875
Thereafter	<u>3,678</u>
Total lease payments	1,221,577
Less present value discount	<u>(250,399)</u>
Total lease liabilities	971,178
Less current portion	<u>(497,141)</u>
Long-term lease liabilities	<u>\$ 474,037</u>

The following table includes supplemental cash flow and noncash information related to the leases for the year ended June 30, 2023:

Lease liabilities:	
Operating cash flows from operating leases	<u>\$ 554,399</u>

The table below summarizes the Entities' approximate future minimum lease payments for years ending after June 30, 2022:

Years ending June 30:	
2023	\$ 158,000
2024	78,000
2025	48,000
2026	<u>2,000</u>
Total	<u>\$ 286,000</u>

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 committed for each of the years ended June 30, 2023 and 2022.

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

Foundation for Senior Living and Affiliated Entities

Notes to Combined Financial Statements

June 30, 2023 and 2022

20. In-Kind Donations

FSL received the following contributions of nonfinancial assets for the year ended June 30, 2023:

Type	Program Services	Support Services	Total
Loan forgiveness	\$ 322,739	\$ -	\$ 322,739
Rent	235,985	-	235,985
Vehicles	88,055	-	88,055
Miscellaneous	21,786	-	21,786
	<u>\$ 668,565</u>	<u>\$ -</u>	<u>\$ 668,565</u>

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
	<u>\$ 571,194</u>	<u>\$ -</u>	<u>\$ 571,194</u>

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).

21. Contingencies

Litigation – The Organization is involved in a legal proceeding that is currently in the investigation stage. Due to the stage of this proceeding, it is uncertain and inherently difficult to predict the outcome. It is possible that the ultimate resolution to this matter, if unfavorable, may be material to the combined financial position of the Organization.

Foundation for Senior Living and Affiliated Entities

Combining Statement of Financial Position
June 30, 2023

	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	Total
Assets											
Current Assets											
Cash and cash equivalents	\$ 1,883,673	\$ 1,115,451	\$ 127,452	\$ 2,724,013	\$ 7,570	\$ 390,324	\$ 128,743	\$ 3,494	\$ 1,131	\$ -	\$ 6,381,851
Restricted deposits and funded reserves, current portion	-	-	-	74,827	24,584	79,471	-	-	9,044	-	187,926
Accounts receivable, net of allowance	1,658	3,348,034	289	-	4,847	87,273	-	-	1,584	-	3,443,685
Promises to give, current portion	927,330	99,142	-	-	-	-	-	-	-	-	1,026,472
Grants receivable	2,750,000	112,434	-	8,661	24,786	-	-	-	-	-	2,895,881
Due from affiliates, net of allowance	19,164,748	10,004,418	1,349,145	3,728,228	1,376	11,673,076	763,559	-	-	(36,885,833)	9,798,717
Prepaid expenses and deposits	-	34,969	188,952	(47)	-	15,510	-	-	2,623	-	242,007
Notes receivable from affiliates, current portion	5,639,832	-	-	152,232	-	9,151	-	-	-	(3,756,215)	2,045,000
Property inventory	-	-	-	-	-	282,889	-	-	-	-	282,889
Total current assets	30,367,241	14,714,448	1,665,838	6,687,914	63,163	12,537,694	892,302	3,494	14,382	(40,642,048)	26,304,428
Noncurrent Assets											
Restricted deposits and funded reserves, net of current portion	398,100	-	-	-	717,770	1,260,284	-	-	276,020	-	2,652,174
Promises to give, net of current portion	-	148,713	-	-	-	-	-	-	-	-	148,713
Operating lease right of use assets	-	910,944	56,874	-	-	-	-	-	-	-	967,818
Property and equipment, net	-	656,389	-	1,020,842	941,755	35,996,041	1,259,409	-	4,388,423	(1,099,255)	43,163,604
Notes receivable from affiliates, net of current portion	14,858,803	-	-	1,058,940	-	2,961,443	-	-	-	(9,274,704)	9,604,482
Deferred tax asset	-	-	-	-	-	-	9,000	-	-	-	9,000
Investments	613,049	-	1	-	-	120	-	100	-	-	613,270
Investment in affiliates, equity basis	(1,548,036)	-	(8,205)	-	-	(147,854)	(32)	-	-	5,671	(1,698,456)
Total noncurrent assets	14,321,916	1,716,046	48,670	2,079,782	1,659,525	40,070,034	1,268,377	100	4,664,443	(10,368,288)	55,460,605
Total assets	\$ 44,689,157	\$ 16,430,494	\$ 1,714,508	\$ 8,767,696	\$ 1,722,688	\$ 52,607,728	\$ 2,160,679	\$ 3,594	\$ 4,678,825	\$ (51,010,336)	\$ 81,765,033

Foundation for Senior Living and Affiliated Entities

Combining Statement of Financial Position
June 30, 2023

	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	Total
Liabilities and Net Assets											
Current Liabilities											
Accounts payable	\$ 537,059	\$ 708,135	\$ 65,179	\$ 34,717	\$ 153,886	\$ 64,019	\$ -	\$ -	\$ -	\$ -	\$ 1,562,995
Due to affiliates	12,428,510	2,519,058	3,135,406	12,610	33,760	17,475,990	-	5,000	1,253,928	(36,252,930)	611,332
Accrued payroll and related expenses	37,507	962,365	426,877	49,510	32,042	171,863	19,500	2,100	49,612	-	1,751,376
Interest payable	297,281	-	-	4,487	2,786	211,495	6,627	-	269,691	(351,807)	440,560
Contract advances	-	59,157	-	-	-	-	-	-	-	-	59,157
Deferred revenue	-	168,602	-	-	-	-	-	-	-	-	168,602
Other liabilities	-	-	-	-	-	5,292	-	-	281,269	(281,097)	5,464
Operating lease liabilities, current portion	-	462,717	34,424	-	-	-	-	-	-	-	497,141
Lines of credit	740,601	650,000	-	-	-	1,704,159	-	-	-	-	3,094,760
Long-term debt, current portion	2,532,282	-	-	-	30,472	1,266,222	-	-	4,774	-	3,833,750
Notes payable to affiliates, current portion	-	9,151	-	2,880,666	-	759,315	107,083	-	-	(3,756,215)	-
Current liabilities	16,573,240	5,539,185	3,661,886	2,981,990	252,946	21,658,355	133,210	7,100	1,859,274	(40,642,049)	12,025,137
Noncurrent Liabilities											
Tenant security deposits	-	-	-	31,727	13,190	51,063	-	-	8,450	-	104,430
Operating lease liabilities, net of current portion	-	451,587	22,450	-	-	-	-	-	-	-	474,037
Long-term debt, net of current portion and debt issuance costs	10,495,980	-	-	(1,000)	916,484	22,944,463	-	-	887,340	-	35,243,267
Notes payable to affiliates, net of current portion	250,000	173,697	-	1,997,341	-	3,933,553	2,474,613	-	445,500	(9,274,704)	-
Total noncurrent liabilities	10,745,980	625,284	22,450	2,028,068	929,674	26,929,079	2,474,613	-	1,341,290	(9,274,704)	35,821,734
Total liabilities	27,319,220	6,164,469	3,684,336	5,010,058	1,182,620	48,587,434	2,607,823	7,100	3,200,564	(49,916,753)	47,846,871
Net Assets											
Without donor restrictions	4,703,417	9,398,587	(1,969,828)	3,757,638	540,068	3,965,294	(447,144)	(3,506)	(3,320,079)	(1,093,583)	15,530,864
With donor restrictions	12,666,520	867,438	-	-	-	55,000	-	-	4,798,340	-	18,387,298
Total net assets	17,369,937	10,266,025	(1,969,828)	3,757,638	540,068	4,020,294	(447,144)	(3,506)	1,478,261	(1,093,583)	33,918,162
Total liabilities and net assets	\$ 44,689,157	\$ 16,430,494	\$ 1,714,508	\$ 8,767,696	\$ 1,722,688	\$ 52,607,728	\$ 2,160,679	\$ 3,594	\$ 4,678,825	\$ (51,010,336)	\$ 81,765,033

Foundation for Senior Living and Affiliated Entities

Combining Statement of Activities
Year Ended June 30, 2023

	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	Total
Support and Revenues											
Government contracts	\$ -	\$ 27,030,789	\$ -	\$ 1,069,716	\$ 334,480	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,434,985
Client fees	143,184	4,745,347	20,400	424,071	173,450	2,302,279	-	-	209,053	(1,328,910)	6,688,874
Program income	-	872,273	-	-	-	-	355,736	-	-	(95,782)	1,132,227
Management fees	-	-	3,790,487	-	-	312,500	-	-	-	(3,699,744)	403,243
Grants	4,005,000	2,820,679	-	29,341	24,093	35,000	-	-	-	-	6,914,113
Contributions											
Charity and Development Appeal	540,000	540,000	-	-	-	-	-	-	-	(540,000)	540,000
Foundations	375,000	375,000	-	-	-	-	-	-	-	(375,000)	375,000
Corporations and individuals	380,344	55,648	32	-	-	13,967	-	-	1,192	(15,159)	436,024
Related affiliates	-	627,627	36,325	-	-	-	-	-	-	(663,952)	-
In-kind donations	-	345,826	-	-	-	322,739	-	-	-	-	668,565
	<u>5,443,528</u>	<u>37,413,189</u>	<u>3,847,244</u>	<u>1,523,128</u>	<u>532,023</u>	<u>2,986,485</u>	<u>355,736</u>	<u>-</u>	<u>210,245</u>	<u>(6,718,547)</u>	<u>45,593,031</u>
Other revenue:											
Interest income	717,839	13,796	-	63,483	1,929	62,465	-	-	68	(543,651)	315,929
Other	44,130	2,285	500	2,433	4,398	12,644	-	-	1,350	-	67,740
	<u>761,969</u>	<u>16,081</u>	<u>500</u>	<u>65,916</u>	<u>6,327</u>	<u>75,109</u>	<u>-</u>	<u>-</u>	<u>1,418</u>	<u>(543,651)</u>	<u>383,669</u>
Total support and revenues	<u>6,205,497</u>	<u>37,429,270</u>	<u>3,847,744</u>	<u>1,589,044</u>	<u>538,350</u>	<u>3,061,594</u>	<u>355,736</u>	<u>-</u>	<u>211,663</u>	<u>(7,262,198)</u>	<u>45,976,700</u>
Expenses											
Program expenses	-	34,384,181	-	967,559	555,191	3,181,488	290,129	-	531,529	(1,464,120)	38,445,957
Supporting services											
Management and general	1,370,911	3,321,044	4,212,290	348,399	48,560	1,816,477	10,100	1,217	32,385	(4,278,538)	6,882,845
Fundraising	451,017	-	-	-	-	-	-	-	-	-	451,017
Total expenses	<u>1,821,928</u>	<u>37,705,225</u>	<u>4,212,290</u>	<u>1,315,958</u>	<u>603,751</u>	<u>4,997,965</u>	<u>300,229</u>	<u>1,217</u>	<u>563,914</u>	<u>(5,742,658)</u>	<u>45,779,819</u>
Other Income (Expense)											
Gain (loss) on sale of assets	-	-	-	-	-	14,103	-	-	-	-	14,103
Gain (loss) on LLC investments	25,883	-	(5,671)	-	-	(329)	-	-	-	5,671	25,554
Transfers to affiliates	(1,594,111)	-	-	-	-	-	-	-	-	1,594,111	-
Income tax benefit (expense)	-	-	-	-	-	-	(3,206)	-	-	-	(3,206)
Total other income (expense)	<u>(1,568,228)</u>	<u>-</u>	<u>(5,671)</u>	<u>-</u>	<u>-</u>	<u>13,774</u>	<u>(3,206)</u>	<u>-</u>	<u>-</u>	<u>1,599,782</u>	<u>36,451</u>
Change in net assets	2,815,341	(275,955)	(370,217)	273,086	(65,401)	(1,922,597)	52,301	(1,217)	(352,251)	80,242	233,332
Net Assets, Beginning	<u>14,554,596</u>	<u>10,541,980</u>	<u>(1,599,611)</u>	<u>3,484,552</u>	<u>605,469</u>	<u>5,942,891</u>	<u>(499,445)</u>	<u>(2,289)</u>	<u>1,830,512</u>	<u>(1,173,825)</u>	<u>33,684,830</u>
Net Assets, Ending	<u>\$ 17,369,937</u>	<u>\$ 10,266,025</u>	<u>\$ (1,969,828)</u>	<u>\$ 3,757,638</u>	<u>\$ 540,068</u>	<u>\$ 4,020,294</u>	<u>\$ (447,144)</u>	<u>\$ (3,506)</u>	<u>\$ 1,478,261</u>	<u>\$ (1,093,583)</u>	<u>\$ 33,918,162</u>