Financial Reports

FOUNDATION FOR SENIOR LIVING
AND AFFILIATED ENTITIES

PHOENIX, ARIZONA

COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2016

Henry+Horne

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combined financial statements of Foundation for Senior Living and Affiliated Entities, which comprise the combined statements of financial position as of June 30, 2017 and 2016, 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.

Management's Responsibility for the Combined Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Foundation for Senior Living and Affiliated Entities as of June 30, 2017 and 2016, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statement of financial position and combining statement of activities are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Henry + Horne, LLP

Tempe, Arizona
November 29, 2017

FSL

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FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES
COMBINED STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016 *

	2017	2016 *
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 4,325,252	$ 4,730,306
Accounts receivable, net of allowance	7,056,022	4,833,295
Promises to give, current portion	1,152,265	814,408
Grants receivable	1,798,000	63,117
Due from affiliates, net of allowance	2,740,046	1,979,104
Prepaid expenses and deposits	146,745	126,191
Notes receivable from affiliates, current portion	63,324	585,618
TOTAL CURRENT ASSETS	17,281,654	13,132,039
NON-CURRENT ASSETS		
Restricted deposits and funded reserves	3,185,415	3,040,306
Promises to give, net of current portion	-	165,000
Property and equipment, net	33,976,845	38,237,251
Notes receivable from affiliates, net of current portion	7,998,784	8,056,689
Deferred tax asset	253,000	243,000
Investment in affiliates, equity basis	(909,724)	(745,278)
TOTAL NON-CURRENT ASSETS	44,504,320	48,996,968
TOTAL ASSETS	$ 61,785,974	$ 62,129,007

* Reclassified to conform to current year presentation

	2017	2016
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 1,543,972	$ 1,307,691
Due to affiliates	731,444	329,561
Due to City of Phoenix	1,292,259	-
Accrued payroll and related expenses	1,715,588	1,172,967
Interest payable	231,326	484,978
Contract advances	111,853	101,796
Other liabilities	76,287	150,811
Lines of credit	904,846	750,850
Long-term debt, current portion	3,091,301	2,011,549
TOTAL CURRENT LIABILITIES	9,698,876	6,310,203
NON-CURRENT LIABILITIES		
Tenant security deposits	108,405	123,876
Long-term debt, net of current portion and debt issuance costs	30,961,187	37,460,768
TOTAL NON-CURRENT LIABILITIES	31,069,592	37,584,644
TOTAL LIABILITIES	40,768,468	43,894,847
NET ASSETS		
Unrestricted	8,405,789	7,364,435
Temporarily restricted	12,611,717	10,869,725
TOTAL NET ASSETS	21,017,506	18,234,160
TOTAL LIABILITIES AND NET ASSETS	$ 61,785,974	$ 62,129,007

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES
COMBINED STATEMENTS OF ACTIVITIES
Years Ended June 30, 2017 and 2016

	2017		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Government contracts	$ 20,518,448	$ -	$ 20,518,448
Client fees	5,400,785	-	5,400,785
Program income	1,001,008	-	1,001,008
Management fees	150,931	-	150,931
Grants	889,894	1,750,000	2,639,894
Contributions			
Charity development appeal	-	910,000	910,000
Foundations	104,642	-	104,642
Corporations and individuals	580,196	268,501	848,697
In-kind donations	824,342	-	824,342
Net assets released from restrictions	1,186,509	(1,186,509)	-
	30,656,755	1,741,992	32,398,747
Other revenue			
Interest income	272,034	-	272,034
Other	56,357	-	56,357
	328,391	-	328,391
TOTAL SUPPORT AND REVENUES	30,985,146	1,741,992	32,727,138
EXPENSES			
Program expenses	24,485,946	-	24,485,946
Management and general	5,020,656	-	5,020,656
Fundraising	193,453	-	193,453
TOTAL EXPENSES	29,700,055	-	29,700,055
OTHER INCOME (EXPENSE)			
Gain (loss) on sale of property and equipment	(126,355)	-	(126,355)
Gain (loss) on mortgage refinancing	(65,973)	-	(65,973)
Gain (loss) on mortgage refinancing	(65,847)	-	(65,847)
Gain (loss) on LLC investments	6,238	-	6,238
Transfers to affiliates	(1,600)	-	(1,600)
Income tax benefit (expense)	9,800	-	9,800
TOTAL OTHER INCOME (EXPENSE)	(243,737)	-	(243,737)
CHANGE IN NET ASSETS BEFORE ACQUISITION	1,041,354	1,741,992	2,783,346
EXCESS OF ASSETS ACQUIRED OVER LIABILITIES ASSUMED IN ACQUISITION	-	-	-
CHANGE IN NET ASSETS	1,041,354	1,741,992	2,783,346
NET ASSETS, BEGINNING OF YEAR	7,364,435	10,869,725	18,234,160
NET ASSETS, END OF YEAR	$ 8,405,789	$ 12,611,717	$ 21,017,506

	2016	
Unrestricted	Temporarily Restricted	Total
$ 21,527,487	$ -	$ 21,527,487
4,173,938	-	4,173,938
1,094,761	-	1,094,761
135,569	-	135,569
560,939	744,919	1,305,858
-	545,000	545,000
114,635	-	114,635
563,975	71,933	635,908
809,030	-	809,030
729,547	(729,547)	-
29,709,881	632,305	30,342,186
280,764	-	280,764
125,885	-	125,885
406,649	-	406,649
30,116,530	632,305	30,748,835
25,421,398	-	25,421,398
4,732,798	-	4,732,798
147,013	-	147,013
30,301,209	-	30,301,209
1,237,911	-	1,237,911
-	-	-
-	-	-
(11,520)	-	(11,520)
(500)	-	(500)
(209,200)	-	(209,200)
1,016,691	-	1,016,691
832,012	632,305	1,464,317
867,861	-	867,861
1,699,873	632,305	2,332,178
5,664,562	10,237,420	15,901,982
$ 7,364,435	$ 10,869,725	$ 18,234,160

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2017

	Program Services					
	FSL Programs/ Home Improvements/ Pathways	HUD Properties	FSL Rural Development	FSL Real Estate Services	Eliminations	Total Program Services
Salaries	$ 10,414,262	$ 65,681	$ 154,723	$ 418,959	$ -	$ 11,053,625
Payroll taxes	950,782	7,768	14,452	38,265	-	1,011,267
Employee benefits	879,824	11,352	12,857	33,774	-	937,807
Building and occupancy	1,497,646	159,512	352,207	637,089	(906,720)	1,739,734
Meetings and travel	525,107	3,321	10,963	11,458	-	550,849
Professional fees/taxes	5,071,515	25,334	37,769	18,314	(7,200)	5,145,732
Food and beverage	579,653	25	301	498	-	580,477
Depreciation	54,099	67,298	77,415	997,650	(67,238)	1,129,224
Interest	28,802	44,737	-	1,148,361	(405,363)	816,537
Bad debt	-	1,604	-	18,666	-	20,270
Materials and supplies	495,395	6,389	18,410	30,013	-	550,207
Insurance	116,634	4,213	7,836	26,135	-	154,818
Telephones	132,111	6,950	6,921	35,187	-	181,169
Specific client assistance	70,694	-	-	-	-	70,694
Other operating	402,063	44,792	18,041	78,640	-	543,536
Management fees	-	-	-	-	-	-
	$ 21,218,587	$ 448,976	$ 711,895	$ 3,493,009	$ (1,386,521)	$ 24,485,946

Support Services					
Management and General	Eliminations	Total Management and General	Fundraising	Total Support Services	Total Functional Expenses
$ 2,354,821	$ -	$ 2,354,821	$ 135,308	$ 2,490,129	$ 13,543,754
177,680	-	177,680	7,702	185,382	1,196,649
226,980	-	226,980	-	226,980	1,164,787
312,349	(180,620)	131,729	-	131,729	1,871,463
48,670	-	48,670	-	48,670	599,519
621,458	-	621,458	-	621,458	5,767,190
14,424	-	14,424	-	14,424	594,901
106,759	-	106,759	-	106,759	1,235,983
1,211,251	(366,645)	844,606	-	844,606	1,661,143
41,168	-	41,168	-	41,168	61,438
183,958	-	183,958	48,932	232,890	783,097
18,227	-	18,227	-	18,227	173,045
47,790	-	47,790	-	47,790	228,959
-	-	-	-	-	70,694
160,680	(6,000)	154,680	1,511	156,191	699,727
2,855,054	(2,807,348)	47,706	-	47,706	47,706
$ 8,381,269	$ (3,360,613)	$ 5,020,656	$ 193,453	$ 5,214,109	$ 29,700,055

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2016

	Program Services					
	FSL Programs/ Home Improvements/ Pathways	HUD Properties	FSL Rural Development	FSL Real Estate Services	Eliminations	Total Program Services
Salaries	$ 10,003,963	$ 96,659	$ 169,236	$ 415,868	$ -	$ 10,685,726
Payroll taxes	942,113	10,775	15,728	43,121	-	1,011,737
Employee benefits	1,117,983	18,651	26,393	34,956	-	1,197,983
Building and occupancy	1,625,517	195,705	390,098	506,487	(895,346)	1,822,461
Meetings and travel	635,602	6,376	6,857	12,267	-	661,102
Professional fees/taxes	5,381,037	64,352	32,336	21,578	(10,640)	5,488,663
Food and beverage	636,213	77	43	1,854	-	638,187
Depreciation and amortization	116,004	96,352	91,378	1,015,039	(67,238)	1,251,535
Interest	33,332	131,658	-	1,204,459	(391,065)	978,384
Bad debt	176,999	-	-	7,693	-	184,692
Materials and supplies	510,423	7,868	17,560	36,403	-	572,254
Insurance	114,763	8,255	11,728	45,030	-	179,776
Telephones	134,299	14,484	10,286	22,069	-	181,138
Specific client assistance	11,112	-	-	-	-	11,112
Other operating	413,789	62,690	16,627	69,542	(6,000)	556,648
Management fees	-	-	-	-	-	-
	$ 21,853,149	$ 713,902	$ 788,270	$ 3,436,366	$ (1,370,289)	$ 25,421,398

Support Services					
Management and General	Eliminations	Total Management and General	Fundraising	Total Support Services	Total Functional Expenses
$ 2,042,918	$ -	$ 2,042,918	$ 118,012	$ 2,160,930	$ 12,846,656
154,736	-	154,736	10,667	165,403	1,177,140
225,081	-	225,081	-	225,081	1,423,064
284,898	(184,886)	100,012	-	100,012	1,922,473
47,196	-	47,196	-	47,196	708,298
465,523	(69)	465,454	1,800	467,254	5,955,917
10,802	-	10,802	319	11,121	649,308
237,783	-	237,783	-	237,783	1,489,318
1,296,650	(390,643)	906,007	-	906,007	1,884,391
938,446	(887,731)	50,715	-	50,715	235,407
147,874	-	147,874	-	147,874	720,128
19,877	-	19,877	-	19,877	199,653
46,767	-	46,767	-	46,767	227,905
-	-	-	-	-	11,112
476,439	(239,480)	236,959	16,215	253,174	809,822
2,921,034	(2,880,417)	40,617	-	40,617	40,617
$ 9,316,024	$ (4,583,226)	$ 4,732,798	$ 147,013	$ 4,879,811	$ 30,301,209

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES
COMBINED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,783,346	$ 2,332,178
Excess of assets acquired over liabilities assumed in acquisition	-	(867,861)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,235,983	1,271,716
Amortization of debt issuance costs included in interest expense	73,177	217,602
Bad debt expense	61,152	242,298
Investment in LLC affiliate - equity basis	164,446	196,204
Loss on disposal of property and equipment	126,355	(1,237,911)
Loss on debt issuance costs	180,347	-
Forgiveness of loan payments	-	(269,125)
Deferred income taxes	(10,000)	209,000
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(2,283,879)	(170,013)
Due from affiliates	(760,942)	737,925
Promises to give	(172,857)	(369,348)
Grants receivable	(1,734,883)	296,883
Prepaid expenses and deposits	(16,804)	80,594
Increase (decrease) in:		
Accounts payable	236,281	96,171
Accrued payroll and related expenses	542,621	171,743
Interest payable	(253,652)	(219,561)
Contract advances	10,057	(13,958)
Other liabilities	(74,524)	(826,103)
Tenant security deposits	(15,471)	22,720
Due to affiliates	401,883	(605,663)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	492,636	1,295,491
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(3,794,731)	(2,446,052)
Proceeds from disposal of property and equipment	7,985,058	3,894,656
Payments received on notes receivable from affiliates	580,199	897,225
Issuance of notes receivable to affiliates	-	(892,175)
Bond issue costs	(1,750)	(44,117)
Sales of Neighborhood Stabilization homes	-	312,874
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	4,768,776	1,722,411

See accompanying notes.

	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	244,461	1,613,145
Principal payments on long-term debt	(5,919,814)	(2,588,998)
Borrowings on lines of credit	354,250	440,000
Payments on lines of credit	(200,254)	(1,449,253)
Payments on Neighborhood Stabilization Program home loans	-	(553,060)
NET CASH USED IN FINANCING ACTIVITIES	(5,521,357)	(2,538,166)
NET INCREASE (DECREASE) IN CASH	(259,945)	479,736
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,770,612	7,290,876
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 7,510,667	$ 7,770,612
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO CONSOLIDATED STATEMENTS OF FINANCIAL POSITION:		
Cash and cash equivalents	$ 4,325,252	$ 4,730,306
Restricted deposits and funded reserves	3,185,415	3,040,306
	$ 7,510,667	$ 7,770,612
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest expense	$ 1,906,872	$ 2,099,899

FSL

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NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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.

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

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

Programs, Pathways, and Home Improvements (PPHI):

FSL Programs is an Arizona non-profit corporation which administers programs and services for senior adults, persons with disabilities, and their families. These programs are primarily supported by contracts with federal, state, and county agencies, and client fees. The primary source of revenue is from government contracts which include 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 senior adults, low-income individuals, and individuals with disabilities. The primary sources of revenue are from contracts with Maricopa County and the City of Phoenix.

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.

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

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 low-income elderly persons with housing facilities and services specially designed to meet their physical, social, and psychological needs. FSL Rural Development owns and operates three projects throughout Arizona: St. Agnes - 25 units; Padua Hills - 25 units; and Vianney Villas - 50 units. Substantially all of the Corporation'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 designed for the elderly, known as Sweetwater Gardens.

FSL Christopher Properties, Inc. is an Arizona non-profit corporation which operated a 33-unit apartment complex designed for the elderly, known as Kingman Heights. In June 2016, FSL Christopher Properties, Inc. sold all of its property and equipment to an affiliated entity and has paid in full its HUD-insured mortgage note payable.

FSL Spring Valley Manor, Inc. is an Arizona non-profit corporation which operates a 20-unit apartment complex designed for the elderly, 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 Services and FSL St. Hildegarde, LLC (a wholly owned subsidiary of FSL Real Estate Services) together own Holbrook Court Apartments Associates, Limited Partnership (Holbrook). Also, FSL Real Estate Services and FSL St. Alexander, LLC (a wholly owned subsidiary of FSL Real Estate Services) together own Spring Valley Terrace Apartments, LLC (SVT). Holbrook and SVT operate apartment complexes designed for low income families.

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

Real Estate and Development Services: (Continued)

FSL Real Estate: (Continued)

FSL Holding Properties, LLC is an Arizona Limited Liability Company (LLC) formed to acquire, finance, refinance, improve, maintain, repair, sell, exchange, lease and otherwise deal with real property and related personal property on behalf of FSL affiliated entities. This entity's sole member is FSL Real Estate Services. In addition, FSL Real Estate Services is the sole member of FSL Heritage Glen Retirement Apartments, LLC and FSL Padre Kino, LLC.

FSL Gibson Garden:

FSL Gibson Garden, Inc. is an Arizona for-profit corporation formed to be the limited partner of FSL Solar One, LP; FSL Solar Two, LP; and FSL Solar Three, LP. FSL Gibson Garden owns 99.99% of each of these entities.

FSL Solar One, LP; FSL Solar Two, LP; and FSL Solar Three, LP are limited partnerships 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.

FSL Solar 1, Inc., is an Arizona corporation which provides the electrical power needs for FSL Becket House Apartments, Limited Partnership through the installation of solar panels and related equipment. This equipment is to be acquired, developed, utilized and owned by FSL Solar One, LP. FSL Solar 1, Inc. is the general partner in this limited partnership and owns .01% of FSL Solar One, LP.

FSL Solar 2, Inc., is an Arizona corporation which provides the electrical power needs for Vianney Villas (a project/location within FSL Rural Development Corporation, Inc.) through the installation of solar panels and related equipment. This equipment is to be acquired, developed, utilized and owned by FSL Solar Two, LP. FSL Solar 1, Inc. is the general partner in this limited partnership and owns .01% of FSL Solar Two, LP.

FSL Solar 3, Inc., is an Arizona corporation which provides the electrical power needs for FSL Yuma Senior Terraces, LP through the installation of solar panels and related equipment. This equipment is to be acquired, developed, utilized and owned by FSL Solar Three, LP. FSL Solar 3, Inc. is the general partner in this limited partnership and owns .01% of FSL Solar Three, LP.

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

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 elderly housing project in South Phoenix. Roeser Senior Residences, LLC is the owner of the building and property known as FSL Roeser Village.

FSL White Mountain, Inc. is an Arizona non-profit corporation formed to be the general partner of FSL White Mountain Villas, LP. FSL White Mountain, Inc.'s ownership (99%) of FSL White Mountain Villas, LP is accounted for using the consolidation method of accounting. It provides supervisory management functions for FSL White Mountain Villas, LP. FSL White Mountain Villas, LP is an Arizona limited partnership which was formed to accept an award of Low-Income Housing Tax Credits from the State of Arizona as described in Section 42 of the Internal Revenue Code.

FSL St. Monica, Inc. is an Arizona non-profit corporation formed to be the general partner of FSL St. Monica Villas, LP. FSL St. Monica, Inc.'s ownership (99%) of FSL St. Monica Villas, LP is accounted for using the consolidation method of accounting. It provides supervisory management functions for FSL St. Monica Villas, LP. FSL St. Monica Villas, LP is an Arizona limited partnership which was formed to accept an award of Low-Income Housing Tax Credits from the State of Arizona as described in Section 42 of the Internal Revenue Code.

FSL Yuma Senior Terraces I, Inc. is an Arizona non-profit corporation which was formed to be the general partner of FSL Yuma Senior Terraces, LP. FSL Yuma Senior Terraces I, Inc.'s ownership (.01%) of FSL Yuma Senior Terraces, LP is accounted for using the equity method of accounting. FSL Yuma Senior Terraces, LP is a limited partnership formed to promote and develop affordable residential housing for low income seniors or physically disabled adults, or both, including developing, owning, managing, maintaining, and operating facilities, programs, and services designed to promote and provide such affordable housing.

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

FSL St. Peter, Inc. is an Arizona non-profit corporation which was formed to be the general partner of FSL St. Peter Place, LP. FSL St. Peter, Inc.'s ownership (.01%) of FSL St. Peter Place, LP is accounted for using the equity method of accounting. FSL St. Peter Place, LP is a limited partnership formed to promote and develop affordable residential housing for low income seniors or physically disabled adults, or both, including developing, owning, managing, maintaining, and operating facilities, programs, and services designed to promote and provide such affordable housing.

FSL St. Francis, Inc. is an Arizona non-profit corporation which was formed to be the general partner of FSL St. Francis Villas, LP. FSL St. Francis Inc.'s ownership (.01%) of FSL St. Francis Villas, LP is accounted for using the equity method of accounting. FSL St. Francis Villas, LP is a limited partnership formed to promote and develop affordable residential housing for low income seniors or physically disabled adults, or both, including developing, owning, managing, maintaining, and operating facilities, programs, and services designed to promote and provide such affordable housing.

FSL Ruby Heights, Inc. is an Arizona non-profit corporation and is one of two members (together with FSL Real Estate Services) of FSL Ruby Heights Village, LP. FSL Ruby Heights Village, LP is a limited partnership formed to promote and develop affordable residential housing for low income seniors or physically disabled adults, or both, including developing, owning, managing, maintaining, and operating facilities, programs, and services designed to promote and provide such affordable housing.

Affordable Services for Seniors, Inc. is an Arizona non-profit corporation formed to be the general partner of FSL Becket House Apartments, Limited Partnership. Affordable Services for Seniors, Inc.'s ownership (.01%) of FSL Becket House Apartments, Limited Partnership is accounted for using the equity method of accounting. It provides supervisory management functions for a low-income elderly housing project which was awarded a tax credit in the year ended June 30, 2006.

FSL Mountain Village, Inc. was formed to enter into an agreement with an outside entity to form an entity to develop and construct affordable housing for low-income seniors. FSL Mountain Village, Inc.'s ownership (.005%) of Mountain Village Seniors, LLC is accounted for using the equity method of accounting. FSL Mountain Village, Inc. is one of the general members of Mountain Village Seniors, LLC. It provides supervisory management functions for a low-income elderly housing project which was awarded a tax credit in the year ended June 30, 2003.

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

Principles of Combination

The accompanying combined financial statements include the accounts of Foundation for Senior Living and the affiliated entities described above. These combined entities are all affiliated through common control and provide social, health, and housing services to the elderly. 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 combined financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. FSL is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

For the purpose of the combined statement 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. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Promises are charged off against the allowance when they are deemed to be uncollectible.

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

Accounts Receivable

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

Due to and Due from Affiliates

FSL enters into transactions with affiliated entities whose purpose is to provide low income housing. 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 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.

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

Debt Issuance Costs

Costs associated with obtaining long-term debt financing have been capitalized and are reported on the statement 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

Revenue is recognized when earned. 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 recognized monthly in the month of the rental period.

Contributions

Contributions and grants, including promises to give, are received and recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions or promises to give that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributions of donated non-monetary assets (in-kind donations) are recorded at their fair values in the period received. In-kind donations include rent, use of vehicles, utilities, and forgiveness of debt. 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.

Functional Expenses

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.

Advertising

Advertising costs are charged to operations as incurred. Advertising expenses charged to operations were $53,380 and $70,205 for the years ended June 30, 2017 and 2016, respectively.

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

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.

Certain 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 is 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 carry-forwards. Deferred tax assets and liabilities represent the future tax consequences for those differences, which will either be taxable or deductible when the assets and liabilities are recovered to offset future taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

FSL recognizes uncertainty in income taxes in the 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, 2017 and 2016, FSL had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

FSL recognizes interest and penalties associated with income tax in general and administrative expenses. During the years ended June 30, 2017 and 2016, FSL did not have any income tax related interest and penalties expense.

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

Management's Use of Estimates

The preparation of 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 financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Reclassifications

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

Date of Management's Review

In preparing these combined financial statements, FSL has evaluated events and transactions for potential recognition or disclosure through November 29, 2017, the date the financial statements were available to be issued.

NOTE 2 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 from two funding sources compose approximately 93% and 98% of total net promises to give at June 30, 2017 and 2016, respectively. Grants receivable from one funding source compose approximately 97% and 87% of total net grants receivable at June 30, 2017 and 2016, respectively. Concentrations of credit risk with respect to these receivables is limited due to the nature of the receivables and FSL's history with the funding sources.

NOTE 3 RESTRICTED DEPOSITS AND FUNDED RESERVES

As a requirement of the various bond issuances, as disclosed in Note 11, 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:

	2017	2016
Reserve funds	$ 1,320,371	$ 1,039,575
Debt service fund	927,700	1,165,544
Bond fund	691,747	677,523
Security deposits	134,736	89,192
Escrow deposits	63,493	13,623
Interest fund	21,293	20,197
Other	26,075	34,652
	$ 3,185,415	$ 3,040,306

NOTE 4 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:

	2017	2016
Accounts receivable	$ 7,252,061	$ 5,059,609
Allowance for doubtful accounts	(196,039)	(226,314)
	$ 7,056,022	$ 4,833,295

NOTE 4 ACCOUNTS RECEIVABLE AND REVENUE DEPENDENCY (Continued)

At June 30, 2017, accounts receivable from two funding sources compose approximately 34% of total net accounts receivable. At June 30, 2016, accounts receivable from four funding sources compose approximately 46% of total net accounts receivable. Concentrations of credit risk with respect to accounts receivable is limited due to the nature of the receivables and FSL's history with government agencies. Accounts receivable include approximately $2,980,000 and $506,000 receivable from affiliated entities at June 30, 2017 and 2016, respectively.

During the year ended June 30, 2017, FSL received funding from two funding sources composing approximately 30% of total revenues. During the year ended June 30, 2016, FSL received funding from four funding sources composing approximately 51% of total revenues. If the governmental agencies affect significant budget cuts in the future this source of funding could decrease. If this were to occur, it is management's opinion that FSL could continue most of its activities through other sources of funding. Additionally, program costs are subject to audit by the contracting agency, and in the event that the contract proceeds were not spent in accordance with contract terms, the proceeds may be required to be returned to the appropriate agency. Management is of the opinion that an adequate provision has been made in the combined financial statements for the effect of any costs, which might be disallowed under these various contracts.

NOTE 5 NOTES RECEIVABLE FROM AFFILIATES

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

	2017	2016
Note receivable due from Mountain Village Seniors, LLC in the amount of $250,000. This note bears an interest rate of 1% and matures August 31, 2022.	$ 250,000	$ 250,000
Note receivable due from FSL Becket House Apartments, LP as a result of a subsidy awarded to FSL which was then passed to FSL Becket House Apartments, LP. This note bears interest at zero percent and both principal and interest are due in a balloon payment on December 31, 2024. This note is secured by a mortgage on real property.	1,000,000	1,000,000

NOTE 5 NOTES RECEIVABLE FROM AFFILIATES (Continued)

	2017	2016
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% 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 5.5% 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 March 15, 2025	2,450,000	2,510,000
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 Yuma Senior Terraces, LP. This note bears interest at 3% and both principal and interest are due in a balloon payment on December 7, 2029. This note is secured by a mortgage on real property.	500,000	500,000

NOTE 5 NOTES RECEIVABLE FROM AFFILIATES (Continued)

	2017	2016
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% 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% with principal and interest payments due annually. The note matures on July 17, 2045 and is secured by a mortgage on real property.	360,000	360,000
Note receivable due from FSL St. Francis Villas, LP. This note bears interest at 1% 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% and both principal and interest are due in a balloon payment on September 30, 2030. This note is secured by a mortgage on real property.	217,746	217,746
Note receivable due from FSL St. Francis Villas, LP. This note bears interest at zero percent and both principal and interest are due in a balloon payment on January 1, 2033. This note is secured by a mortgage on real property.	450,000	450,000
Note receivable due from FSL St. Frances Villas, LP. The note bears interest at 2.9% with principal and interest payments due monthly through the maturity date of July 1, 2022.	17,626	20,855

NOTE 5 NOTES RECEIVABLE FROM AFFILIATES (Continued)

	2017	2016
Note receivable due from FSL St. Isadore Villas, LP. The note does not bear interest, is due in one lump sum, and matured September 14, 2016.	-	258,485
Note receivable due from FSL St. Isadore Villas, LP. The note does not bear interest, is due in one lump sum, and matured September 14, 2016.	-	258,485
	8,062,108	8,642,307
Current portion	(63,324)	(585,618)
Long-term portion	$ 7,998,784	$ 8,056,689

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

Years Ending June 30,	
2018	$ 63,324
2019	68,422
2020	68,522
2021	73,626
2022	73,732
Thereafter	7,714,482
	$ 8,062,108

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2017	2016
Land and improvements	$ 7,929,450	$ 9,933,524
Buildings and improvements	29,050,746	32,420,730
Furniture and equipment	5,227,156	5,006,471
Vehicles	435,462	435,462
	42,642,814	47,796,187
Accumulated depreciation and amortization	(13,601,822)	(12,599,917)
	29,040,992	35,196,270
Construction in progress	4,935,853	3,040,981
	$ 33,976,845	$ 38,237,251

Depreciation expense charged to operations was $1,235,983 and $1,271,716 for the years ended June 30, 2017 and 2016, respectively.

Costs that relate to land development projects are capitalized. Interest costs are capitalized while development is in progress.

NOTE 7 NEIGHBORHOOD STABILIZATION PROGRAM

FSL entered into a contract with the City of Phoenix for FSL to provide services to the City under the Neighborhood Stabilization Program (the Program). Under the Program, the titles to undeveloped lots are transferred from the City of Phoenix to FSL. FSL then provides or contracts for construction of single-family homes to be completed on the property before it is listed for sale to eligible buyers as defined in the contract. A total of 121 lots will be developed and sold. At June 30, 2017, 11 lots were transferred to FSL and under construction.

At June 30, 2017, FSL has a liability of $1,292,259 due to the City of Phoenix representing amounts for lots transferred to FSL from the City of Phoenix to be developed under the Program, as well as construction costs funded by the City of Phoenix. When the properties are sold, the amount due to the City of Phoenix is paid with the proceeds. In accordance with the agreement with the City, the City absorbs any gains or losses generated upon the sales of these properties.

NOTE 8 INVESTMENTS IN AFFILIATES

FSL has investments in affiliates that are accounted for using the equity method of accounting. The balance of investments in affiliates was ($909,724) and ($745,278) at June 30, 2017 and 2016, respectively. The Foundation has investments ranging from .005% to .01% in various low income housing projects, as disclosed in Note 1.

NOTE 9 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:

	2017	2016
FSL Padre Kino Village, LP	$ 809,700	$ -
FSL St. Francis Villas, LP	316,413	314,240
FSL St. Peter's Place, LP	283,629	281,288
FSL Mountain Village Seniors, LLC	207,374	207,374
FSL St. Isadore Villas, LP	193,426	377,316
FSL St. Monica Villas, LP	166,220	150,320
FSL Yuma Senior Terraces, LP	88,726	54,641
FSL Becket House Apts, LP	58,940	44,266
Other receivables from affiliates	-	40,962
Interest receivable	656,147	549,226
	2,780,575	2,019,633
Allowance for uncollectible accounts	(40,529)	(40,529)
	$ 2,740,046	$ 1,979,104

Due to affiliates consisted of the following at June 30:

	2017	2016
FSL Padre Kino Village, LP	$ 466,089	$ -
FSL St. Isadore Villas, LP	255,429	268,653
FSL Heritage Glen Retirement Apartments, LP	5,631	5,630
FSL Becket House Apts, LP	-	45,225
Other payables to affiliates	4,295	10,053
	$ 731,444	$ 329,561

NOTE 10 LINES OF CREDIT

Lines of credit consist of the following at June 30:

	2017	2016
$1,000,000 revolving line of credit that requires monthly interest payments on the outstanding balance at prime rate plus 0.5%, subject to a floor of 4% at June 30, 2017. The interest rate as of June 30, 2017 was 4.25%. This line of credit expires on March 9, 2018.	$ -	$ -
$750,000 revolving line of credit collateralized by substantially all of the assets of FSL Home Improvements, with an interest rate of 4.25%. This line of credit expires on March 9, 2018.	300,000	300,000
$1,500,000 revolving line of credit that requires monthly interest payments on the outstanding balance at an interest rate of 4.5%. This line of credit expires on March 9, 2018.	604,846	450,850
	$ 904,846	$ 750,850

NOTE 11 LONG-TERM DEBT

Long-term debt included 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:

	2017	2016
Tax exempt Revenue and Refunding bond	$ 9,795,000	$ 10,055,000
Revenue bond - Roeser Village Development	785,000	815,000
Revenue bond - Becket House	2,450,000	2,510,000
Revenue bond - Vianney Villas Project	3,365,000	3,435,000
Revenue bond - Rural Development Corporation	2,490,000	2,550,000
Revenue bond - FSL Holding and Gibson Garden	4,790,000	5,000,000
General Obligation - FSL Corporate	1,500,000	1,500,000
Bonds payable	$ 25,175,000	$ 25,865,000

Following is a description of these bond issuances:

Tax Exempt Revenue and Refunding Bonds

In January 2007, FSL and FSL Holding Properties, LLC jointly issued and received $11,435,000 in bond proceeds from the Series 2007 Revenue and Refunding Bonds for the purpose of refinancing the Series 2001 Tax Exempt Variable Rate Demand Limited Obligation Revenue Bonds, refinancing certain outstanding loans from a financial institution, and to finance the acquisition, construction and equipping of additional community service facilities. FSL's bond indenture contains certain restrictions and covenants. Under these covenants, FSL must obtain certain financial covenants (debt service coverage ratio and various liquidity ratios).

NOTE 11 LONG-TERM DEBT (Continued)

Bond Debt: (Continued)

The indenture requires the Revenue and Refunding bonds to be payable in interest only payments at 5.875% and to be made every February 15 and August 15, commencing February 15, 2007 until maturity on August 15, 2036. Principal payments on the bonds began in August of 2010 at graduated principal amounts, beginning with $185,000 in August 2010 and ending with a payment of $805,000 in August 2036. At June 30, 2017, there are funds held in trust accounts with the trustee, as required by the bond indenture as disclosed in Note 3.

Revenue Bond – Roeser Village Development

In May 2007, the Foundation for Senior Living, Inc. issued Series 2007 Taxable Multifamily Housing Mortgage Revenue Bonds and received $1,025,000 in bond proceeds for the purpose of refinancing the Series 2001 Bonds previously issued by FSL Roeser Village. At June 30, 2017, there are funds held in trust accounts with the trustee, as required by the bond indenture as disclosed in Note 3.

The indenture requires interest payments at 6.375% to be made every April 1 and October 1, commencing October 1, 2007. Principal payments on the bonds began April of 2008 at graduated principal amounts, beginning with $20,000 in 2008, and ending with a payment of $80,000 in April 2032. Upon issuance, Foundation for Senior Living, Inc. issued a $1,025,000 note receivable to FSL Roeser Village, Inc. for the entire amount of the bond proceeds. The note receivable, payable, and interest revenue and expense eliminate in combination. Upon issuance of the note receivable, FSL Roeser Village, Inc. issued an allonge to the note receivable to Roeser Senior Residences, LLC for the entire amount of the note proceeds, $1,025,000, and all responsibility of repayment of the bonds has been transferred to Roeser Senior Residences, LLC.

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 3.0% to 5.5% as defined in the indenture. Principal payments on the bonds began October 15, 2014 at graduated principal amounts as defined in the indenture. The note is scheduled to mature on April 15, 2024. The bonds are secured by “The Trust Estate” as defined in the bond documents.

NOTE 11 LONG-TERM DEBT (Continued)

Bond Debt: (Continued)

Revenue Bond – Vianney Villas Project

In July 2009, the Foundation for Senior Living, Inc. issued Series 2009A Taxable Multifamily Housing Mortgage Revenue Bonds and received $2,800,000 in bond proceeds for the purpose of paying off the revolving lines of credit which were guaranteed by the Deed of Trust of Vianney Villas. In July 2014, this bond debt was refinanced with a bond issuance in the amount of $3,500,000. Upon issuance, Foundation for Senior Living (Issuer) issued a $3,500,000 note receivable to FSL Rural Development (Owner) for the entire amount of the bond proceeds and all responsibility of repayment of the bonds was transferred to FSL Rural Development. The note receivable, payable, and interest revenue and expense eliminate in combination. At June 30, 2017, there are funds held in trust accounts with the trustee, as required by the bond indenture as disclosed in Note 3.

The indenture requires interest payments to be made every July 1 and January 1, commencing January 1, 2010, at a graduated scale from 3.0% to 5.5% as defined in the indenture. Principal payments on the bonds began July 1, 2010 at graduated principal amounts as defined in the indenture. The note is scheduled to mature on July 1, 2024.

Revenue Bond – Rural Development Corporation

In February 2011, the Foundation for Senior Living, Inc. issued Series 2011A Taxable Multifamily Housing Mortgage Revenue Bonds and received $2,600,000 in bond proceeds for the purpose of retiring short term loans on land purchased for future development, funds for the construction of solar systems as well as improvements to several FSL properties, including Roeser Village and St. Agnes. Upon issuance, Foundation for Senior Living (Issuer) issued a $2,600,000 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, 2017, there are funds held in trust accounts with the trustee, as required by the bond indenture as disclosed in Note 3. The indenture requires interest payments to be made every February 28 and August 15, commencing August 15, 2011, at a graduated scale from 4.25% to 6.75% as defined in the indenture. Principal payments on the bonds began in February 2012 at graduated principal amounts as defined in the indenture. The note is scheduled to mature on February 15, 2041.

NOTE 11 LONG-TERM DEBT (Continued)

Bond Debt: (Continued)

Revenue Bond – FSL Holdings and Gibson Gardens

In May 2013, the Foundation for Senior Living, Inc. issued Series 2013 Taxable Mortgage Revenue Bonds and received $5,600,000 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 $2,275,000 note receivable to FSL Holding Properties, LLC and a $3,325,000 note receivable to FSL Gibson Garden, Inc. The note receivable, payable, and interest revenue and expense eliminate in combination. As part of the terms of the note, all responsibility of repayment of the bonds was transferred to FSL Holding Properties, LLC and FSL Gibson Garden, Inc.

The indenture requires interest payments to be made every May 1 and November 1, commencing November 1, 2013, at a graduated scale from 3.00% to 5.50% as defined in the indenture. Principal payments on the bonds began in May 2014 at graduated principal amounts as defined in the indenture. The note is scheduled to mature on May 1, 2028.

General Obligation – Foundation for Senior Living

In May 2014, the Foundation for Senior Living, Inc. issued Series 2014A Taxable General Obligation Bonds and received $1,500,000 in bond proceeds to fund and perform its mission of providing services and affordable housing solutions for low income seniors, families and persons with disabilities.

The indenture requires interest payments to be made every May 1 and November 1, commencing November 1, 2014, at 5.00% as defined in the indenture. The principal is due in a lump sum at the maturity date. The note is scheduled to mature on May 1, 2022. At June 30, 2017, there are funds held in trust accounts with UMB Bank, as required by the bond indenture as disclosed in Note 3.

NOTE 11 LONG-TERM DEBT (Continued)

Mortgage notes payable:

Mortgage notes payable consist of the following at June 30:

	2017	2016
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.	$ 1,108,859	$ 1,130,564

Real estate notes payable:

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

	2017	2016
Note payable due in monthly principal and interest payments of $2,998, including interest at 6%. This note matures on December 1, 2031.	$ 460,501	$ 468,579
Non-interest bearing note payable due in monthly principal installments of $1,000, with the balance due at maturity on January 1, 2033.	447,000	448,000
Note payable with monthly interest payments at 9%. 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% with a maturity date of February 27, 2018.	133,742	141,865
Non-interest bearing note payable in one lump sum, maturing January 1, 2031.	619,083	619,083
Note payable due in one lump sum with monthly interest payments of $4,125 at a rate of 6%. The note matures on March 1, 2018.	825,000	825,000

NOTE 11 LONG-TERM DEBT (Continued)

Real estate notes payable (Continued)

	2017	2016
Note payable due in monthly payments of $2,704, including interest at 9%, beginning on May 10, 2015. The note matures on April 10, 2045.	330,753	333,301
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 May 2031.	942,556	942,556
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%, through December 2031.	251,553	257,630
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.	454,076	462,987
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.	123,500	-
Note payable due in one lump sum, maturing September 30, 2017, and requiring monthly interest payments at a rate of 6.5%. The note is secured by a deed of trust to the property. This note was transferred to FSL Padre Kino, LP, an affiliated entity, in May 2017.	-	2,125,000
Note payable due in one lump sum, maturing September 30, 2017, and requiring monthly interest payments at a rate of 8%. The note is secured by a deed of trust to the property and was transferred to FSL Padre Kino, LP, an affiliated entity, in May 2017.	-	375,000
	$ 5,104,014	$ 7,515,251

NOTE 11 LONG-TERM DEBT (Continued)

Forgivable notes payable

Forgivable notes payable consisted of the following at June 30:

	2017	2016
During the year ended June 30, 2009, FSL received a Federal Home Program construction loan commitment of up to $1,500,000 to provide affordable housing to low income families. The non-interest bearing note had a term of 40 years. During 2014, an additional non-interest bearing note was obtained for an additional $750,000 for financing the construction of a transitional supporting housing facility. The note had a term of 42 years. The loans were secured by certain real property as defined in the agreement. Both notes were written off in May 2017 upon the sale of the property to the holder of the notes.	$ -	$ 2,379,040
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 noninterest 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.	3,088,226	3,357,350
During the year ended June 30, 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.	119,196	-
	$ 3,207,422	$ 5,736,390

NOTE 11 LONG-TERM DEBT (Continued)

Other notes payable

FSL has entered into loan agreements for the purchase of vehicles, an amount due to Arizona Community Foundation, and other. The vehicle loans require varying monthly payments averaging approximately $440 at interest rates ranging from 4% to 6.7% and mature through November 2020. At June 30, 2017 and 2016, the balance of these other notes payable was $163,617 and $187,096, respectively.

Debt issuance costs for the years ended June 30, 2017 and 2016 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:

	2017	2016
Bonds	$ 25,175,000	$ 25,865,000
Mortgage and real estate notes	6,212,873	8,645,815
Forgivable and other notes	3,371,039	5,923,486
	34,758,912	40,434,301
Debt issuance costs	(1,014,241)	(1,244,859)
Accumulated amortization	307,780	282,875
Net debt issuance costs	(706,461)	(961,984)
Long-term debt, less net debt issuance costs	$ 34,052,451	$ 39,472,317

NOTE 11 LONG-TERM DEBT (Continued)

Future minimum principal payments required on all long term debt as of June 30, 2017 are as follows:

Years Ending June 30,	Bond Debt	Mortgages and Real Estate Notes	Forgiveable and Other Notes	Total
2018	$ 715,000	$ 1,982,203	$ 394,098	$ 3,091,301
2019	755,000	55,599	284,642	1,095,241
2020	780,000	58,178	274,154	1,112,332
2021	825,000	60,954	270,845	1,156,799
2022	2,365,000	64,196	269,125	2,698,321
Thereafter	19,735,000	3,991,743	1,878,175	25,604,918
	25,175,000	6,212,873	3,371,039	34,758,912
Net debt issuance costs	(622,059)	(84,402)	-	(706,461)
	24,552,941	6,128,471	3,371,039	34,052,451
Current portion	(715,000)	(1,982,203)	(394,098)	(3,091,301)
Long term portion	$ 23,837,941	$ 4,146,268	$ 2,976,941	$ 30,961,150

NOTE 12 INCOME TAXES

FSL Roeser Village, Inc.; FSL Mountain Village Inc.; FSL Yuma Senior Terraces I, 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:

	2017	2016
Excess tax over book depreciation	$ (747,000)	$ (787,000)
Federal net operating loss carryforwards	1,232,000	1,247,000
Total deferred tax asset	485,000	460,000
Less valuation allowance	(232,000)	(217,000)
Net deferred tax asset - long-term	$ 253,000	$ 243,000

During the years ended June 30, 2017 and 2016, the affiliates had provisions for income tax benefit of $9,800 and income tax expense of $209,200, respectively. As of June 30, 2017, FSL Gibson Gardens, Inc., FSL Solar One, Inc., FSL Solar Two, Inc., and FSL Solar Three, Inc. have available approximately $3,622,000 of federal operating loss carryforwards that begin to expire in 2030.

The valuation allowance of $232,000 and $217,000 for the years ended June 30, 2017 and 2016, respectively, was established to reflect the possible inability of the Organization to use all federal and state net operating loss carryforwards prior to expiration. Realization of the remaining deferred tax asset is dependent on generating sufficient taxable income prior to expiration of the net operating loss carryforward. Although realization is not assured, management believes it is more likely than not that the remaining deferred tax asset will be realized. The amount of the remaining deferred tax asset is considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

NOTE 13 EMPLOYEE BENEFIT PLAN

FSL employees are eligible to participate in a 403(b) Tax Sheltered Annuity Employee Retirement Plan and a 457 Deferred Compensation Plan. The Plans cover substantially all full-time employees over age 21 that have one year of service, as defined. 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 2% of employee compensation subject to certain eligibility criteria as stated in the plan documents. For the years ended June 30, 2017 and 2016, FSL made contributions of approximately $145,000 and $103,000, respectively, to these plans.

NOTE 14 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of various contracts and unexpended restricted contributions as of June 30:

	2017	2016
Time restricted:		
AHP restrictions	$ 6,207,777	$ 4,697,777
Federal grant	4,798,340	4,798,340
Promises to give	946,044	564,408
Purpose restricted:		
Care by design	227,415	247,199
Transportation	51,744	7,263
Nutrition	78,847	47,984
Center for Health and Community Living	-	25,500
Marketing	8,118	48,528
Other	128,432	17,726
Time and purpose restricted:		
Care by design	165,000	415,000
Total temporarily restricted net assets	$ 12,611,717	$ 10,869,725

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.

NOTE 14 TEMPORARILY RESTRICTED NET ASSETS (Continued)

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

Property	Date of contract	Released period from restriction	2017	2016
Padre Kino	June 2006	15 years	$ 1,750,000	$ -
Mountain Village	June 2006	15 years	250,000	250,000
Becket House	June 2006	15 years	1,000,000	1,000,000
White Mountain Villas	January 2007	15 years	445,500	445,500
Yuma Senior Terraces	June 2007	15 years	642,768	642,768
Flagstaff Senior Meadows	June 2010	15 years	1,000,000	1,000,000
Pineview Manors	June 2011	15 years	500,000	500,000
Bridge Family Campus	March 2013	15 years	-	240,000
Highland Square	December 2013	15 years	360,000	360,000
29 Palms	June 2014	15 years	259,509	259,509
			$ 6,207,777	$ 4,697,777

The Bridge Family Campus was sold during the year ended June 30, 2017. Since this property was not held for the 15 year term, the Organization repaid back funds received to purchase the property per the grant agreement. At this time, the restriction on this property was also released.

NOTE 15 OPERATING LEASES

FSL leases other office space and equipment for certain of its management and program service locations under long-term operating lease agreements that expire at various times through April 2021 and agreements that are on a month-to-month basis. Approximate future minimum rental payments required under these operating leases that have an initial or remaining non-cancellable lease term in excess of one year are as follows at June 30, 2017:

Years Ending June 30,		
2018	$	133,000
2019		113,000
2020		83,000
2021		22,000
	$	351,000

Rental expense for the years ended June 30, 2017 and 2016 amounted to $514,222 and $614,746, respectively. These amounts include in-kind use of facilities in the approximate amounts of $280,000 and $305,000, respectively.

NOTE 16 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 $910,000 and $545,000 committed as of June 30, 2017 and 2016, respectively.

FSL has various notes receivable with affiliates that are due under extended payment terms exceeding one year, as disclosed in Note 5.

NOTE 17 ACQUISITIONS

During the year ended June 30, 2016, FSL acquired Roeser Senior Residences, LLC through a cash purchase of $50,000. This acquisition is for the purpose of more effective performance of the charitable mission of FSL. The amounts recognized at the time of the purchase for the assets acquired and the liabilities assumed were as follows:

Cash and cash equivalents	$ 53,775
Accounts receivable	14,933
Prepaid expenses and other assets	14,844
Property and equipment, net	2,880,000
Accounts payable and accrued expenses	(41,305)
Due to affiliates	(893,170)
Tenant security deposits	(19,656)
Note payable	(1,141,560)
	$ 867,861

On the statement of activities, the inherent contribution received is recorded as the excess of the fair value of net assets acquired in the acquisition of Roeser Senior Residences, LLC and increases unrestricted net assets.

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION

June 30, 2017

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES
COMBINING STATEMENT OF FINANCIAL POSITION
June 30, 2017

	FSL and Subsidiaries	FSL Programs/ Home Improvements/ Pathways	FSL Management	FSL Rural Development and Subsidiary	HUD Developments	FSL Real Estate Services
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	$ 758,719	$ 1,369,924	$ 90,540	$ 1,340,694	$ 97,986	$ 637,968
Accounts receivable, net of allowance	42,147	2,795,785	391	17,723	13,581	4,582,072
Promises to give, current portion	938,794	213,471	-	-	-	-
Grants receivable	1,750,000	48,000	-	-	-	-
Due from affiliates, net of allowance	12,003,311	3,573,202	551,472	3,062,801	-	3,353,125
Prepaid expenses and deposits	49,201	50,644	27,226	3,529	-	16,145
Notes receivable from affiliates, current portion	447,500	3,324	-	108,730	-	6,438
TOTAL CURRENT ASSETS	15,989,672	8,054,350	669,629	4,533,477	111,567	8,595,748
NON-CURRENT ASSETS						
Restricted deposits and funded reserves	345,332	-	-	43,363	428,152	1,920,951
Property and equipment, net	13,896	430,007	3,229	1,149,037	1,182,513	25,359,460
Notes receivable from affiliates, net of current portion	17,484,145	14,302	-	1,894,873	-	2,089,103
Deferred tax asset	-	-	-	-	-	-
Investment in affiliates, equity basis	(901,775)	-	(13,245)	-	-	158
TOTAL NON-CURRENT ASSETS	16,941,598	444,309	(10,016)	3,087,273	1,610,665	29,369,672
TOTAL ASSETS	$ 32,931,270	$ 8,498,659	$ 659,613	$ 7,620,750	$ 1,722,232	$ 37,965,420
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable	$ 240,491	$ 889,426	$ 55,208	$ 29,819	$ 32,117	$ 293,062
Due to affiliates	5,487,847	1,330,511	2,114,368	9,458	12,707	10,034,323
Due to City of Phoenix	-	-	-	-	-	1,292,259
Accrued payroll and related expenses	39,579	943,973	329,170	38,339	2,130	360,156
Interest payable	228,064	-	-	5,057	3,262	12,467
Contract advances	-	111,853	-	-	-	-
Other liabilities	8,346	1,515	1,483	-	27,464	29,698
Lines of credit	-	300,000	-	-	-	604,846
Long-term debt, current portion	548,534	24,973	-	-	24,663	2,490,343
Notes payable to affiliates, current portion	-	6,438	-	136,667	-	241,094
CURRENT LIABILITIES	6,552,861	3,608,689	2,500,229	219,340	102,343	15,358,248
NON-CURRENT LIABILITIES						
Tenant security deposits	-	-	-	26,308	11,367	62,930
Long-term debt, net of current portion and debt issuance costs	15,087,681	22,266	16,378	(7,000)	1,084,196	13,987,400
Notes payable to affiliates, net of current portion	-	221,358	-	5,628,366	-	4,473,460
TOTAL NON-CURRENT LIABILITIES	15,087,681	243,624	16,378	5,647,674	1,095,563	18,523,790
TOTAL LIABILITIES	21,640,542	3,852,313	2,516,607	5,867,014	1,197,906	33,882,038
NET ASSETS						
Unrestricted	4,136,907	4,099,908	(1,865,112)	1,753,736	524,326	3,978,382
Temporarily restricted	7,153,821	546,438	8,118	-	-	105,000
TOTAL NET ASSETS	11,290,728	4,646,346	(1,856,994)	1,753,736	524,326	4,083,382
TOTAL LIABILITIES AND NET ASSETS	$ 32,931,270	$ 8,498,659	$ 659,613	$ 7,620,750	$ 1,722,232	$ 37,965,420

FSL Gibson Gardens	FSL Roeser Village	FSL White Mountain Inc. and Subsidiary	FSL St. Monica Villas Inc. and Subsidiary	FSL Christopher Properties Inc.	Combined Eliminations	Totals
$ 23,573	$ 973	$ 4,875	$ -	$ -	$ -	$ 4,325,252
-	-	-	-	-	(395,677)	7,056,022
-	-	-	-	-	-	1,152,265
-	-	-	-	-	-	1,798,000
416,238	16,312	-	-	-	(20,236,415)	2,740,046
-	-	-	-	-	-	146,745
-	35,000	-	-	-	(537,668)	63,324
439,811	52,285	4,875	-	-	(21,169,760)	17,281,654
-	-	447,617	-	-	-	3,185,415
1,943,021	-	5,392,952	-	-	(1,497,270)	33,976,845
-	737,417	-	-	-	(14,221,056)	7,998,784
253,000	-	-	-	-	-	253,000
(32)	100	-	20	-	5,050	(909,724)
2,195,989	737,517	5,840,569	20	-	(15,713,276)	44,504,320
$ 2,635,800	$ 789,802	$ 5,845,444	$ 20	$ -	$ (36,883,036)	$ 61,785,974
$ -	$ -	$ 3,849	$ -	$ -	$ -	$ 1,543,972
202,951	731,686	854,627	2,105	-	(20,049,139)	731,444
-	-	-	-	-	-	1,292,259
-	-	2,241	-	-	-	1,715,588
12,110	4,181	153,461	-	-	(187,276)	231,326
-	-	-	-	-	-	111,853
-	-	403,458	-	-	(395,677)	76,287
-	-	-	-	-	-	904,846
-	-	2,788	-	-	-	3,091,301
128,646	32,952	-	-	-	(545,797)	-
343,707	768,819	1,420,424	2,105	-	(21,177,889)	9,698,876
-	-	7,800	-	-	-	108,405
(102,017)	-	872,283	-	-	-	30,961,187
2,704,778	739,465	445,500	-	-	(14,212,927)	-
2,602,761	739,465	1,325,583	-	-	(14,212,927)	31,069,592
2,946,468	1,508,284	2,746,007	2,105	-	(35,390,816)	40,768,468
(310,668)	(718,482)	(1,698,903)	(2,085)	-	(1,492,220)	8,405,789
-	-	4,798,340	-	-	-	12,611,717
(310,668)	(718,482)	3,099,437	(2,085)	-	(1,492,220)	21,017,506
$ 2,635,800	$ 789,802	$ 5,845,444	$ 20	$ -	$ (36,883,036)	$ 61,785,974

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES
COMBINING STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

	FSL and Subsidiaries	FSL Programs/ Home Improvements/ Pathways	FSL Management	FSL Rural Development and Subsidiary	HUD Developments
SUPPORT AND REVENUES					
Government contracts	$ -	$ 19,209,718	$ -	$ 958,358	$ 311,647
Client fees	63,469	1,874,805	20,250	361,235	132,739
Program income	-	761,664	-	-	-
Management fees	-	-	2,859,119	-	-
Grants	1,800,000	676,848	10,000	29,208	18,838
Contributions					
Charity and Development Appeal	910,000	545,000	-	-	-
Foundations	100,000	44,042	-	-	-
Corporations and individuals	484,035	555,254	156,875	200	150
In-kind donations	-	509,603	-	-	-
	3,357,504	24,176,934	3,046,244	1,349,001	463,374
Other revenue					
Interest income	856,853	15,647	-	86,400	370
Other	4,758	9,146	100	2,996	3,537
	861,611	24,793	100	89,396	3,907
TOTAL SUPPORT AND REVENUES	4,219,115	24,201,727	3,046,344	1,438,397	467,281
EXPENSES					
Program expenses	-	21,218,587	-	711,895	448,941
Supporting Services					
Management and general	1,104,714	2,562,162	3,233,905	369,218	41,541
Fundraising	148,536	-	44,917	-	-
TOTAL EXPENSES	1,253,250	23,780,749	3,278,822	1,081,113	490,482
OTHER INCOME (EXPENSE)					
Gain (loss) on sale of property and equipment	(46,351)	-	-	-	-
Gain (loss) on write-off of debt issuance costs	-	-	-	-	-
Gain (loss) on mortgage refinancing	-	-	-	-	(65,847)
Gain (loss) on LLC investments	6,168	-	(4,952)	-	-
Transfers to affiliates	(585,200)	-	(1,600)	-	-
Income tax benefit (expense)	-	-	-	-	-
TOTAL OTHER INCOME (EXPENSE)	(625,383)	-	(6,552)	-	(65,847)
CHANGE IN NET ASSETS	2,340,482	420,978	(239,030)	357,284	(89,048)
NET ASSETS, BEGINNING OF YEAR	8,950,246	4,225,368	(1,617,964)	1,396,452	613,374
NET ASSETS, END OF YEAR	$ 11,290,728	$ 4,646,346	$ (1,856,994)	$ 1,753,736	$ 524,326

FSL Real Estate Services	FSL Gibson Gardens	FSL Roeser Village	FSL White Mountain Inc. and Subsidiary	FSL St. Monica Villas Inc. and Subsidiary	FSL Christopher Properties Inc.	Combined Eliminations	Totals
$ 38,725	$ -	$ -	$ -	$ -	$ -	$ -	$ 20,518,448
4,002,126	-	-	181,707	-	-	(1,235,546)	5,400,785
-	324,800	-	-	-	-	(85,456)	1,001,008
99,160	-	-	-	-	-	(2,807,348)	150,931
105,000	-	-	-	-	-	-	2,639,894
-	-	-	-	-	-	(545,000)	910,000
450	-	-	-	-	-	(39,850)	104,642
70	-	-	-	-	-	(347,887)	848,697
314,739	-	-	-	-	-	-	824,342
4,560,270	324,800	-	181,707	-	-	(5,061,087)	32,398,747
32,523	-	51,090	1,125	-	34	(772,008)	272,034
20,539	-	12,131	3,150	-	-	-	56,357
53,062	-	63,221	4,275	-	34	(772,008)	328,391
4,613,332	324,800	63,221	185,982	-	34	(5,833,095)	32,727,138
2,765,780	331,109	-	396,120	-	35	(1,386,521)	24,485,946
1,199,883	10,097	54,078	25,433	700	-	(3,581,075)	5,020,656
-	-	-	-	-	-	-	193,453
3,965,663	341,206	54,078	421,553	700	35	(4,967,596)	29,700,055
(80,004)	-	-	-	-	-	-	(126,355)
-	-	-	-	-	(65,973)	-	(65,973)
-	-	-	-	-	-	-	(65,847)
(48)	-	-	-	20	-	5,050	6,238
-	-	-	-	-	(347,537)	932,737	(1,600)
-	9,800	-	-	-	-	-	9,800
(80,052)	9,800	-	-	20	(413,510)	937,787	(243,737)
567,617	(6,606)	9,143	(235,571)	(680)	(413,511)	72,288	2,783,346
3,515,765	(304,062)	(727,625)	3,335,008	(1,405)	413,511	(1,564,508)	18,234,160
$ 4,083,382	$ (310,668)	$ (718,482)	$ 3,099,437	$ (2,085)	$ -	$ (1,492,220)	$ 21,017,506