Financial Reports

Faith • Service • Life

FOUNDATION FOR SENIOR LIVING
AND AFFILIATED ENTITIES

PHOENIX, ARIZONA

COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

Henry+Horne

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES
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INDEPENDENT AUDITORS' REPORT

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

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, 2020 and 2019, 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 audits 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, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 21 to the combined financial statements have been restated to correct for a misstatement. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

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

Henry & Horne, LLP

Tempe, Arizona
December 18, 2020

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES
COMBINED STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	2020	2019 (Restated)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 9,232,160	$ 4,164,503
Restricted deposits and funded reserves, current portion	211,560	227,507
Accounts receivable, net of allowance	6,282,046	5,425,200
Promises to give	904,167	1,028,861
Grants receivable	3,514,775	2,710,043
Due from affiliates, net of allowance	3,859,831	3,010,433
Prepaid expenses and deposits	299,234	146,316
Notes receivable from affiliates, current portion	73,626	68,521
Property inventory	3,301,048	6,137,424
Assets held for sale	-	3,639,472
TOTAL CURRENT ASSETS	27,678,447	26,558,280
NON-CURRENT ASSETS		
Restricted deposits and funded reserves, net of current portion	2,271,429	2,941,022
Property and equipment, net	41,015,738	36,950,113
Notes receivable from affiliates, net of current portion	10,208,214	9,611,840
Deferred tax asset	14,000	16,000
Investment in affiliates, equity basis	(1,045,838)	(1,258,896)
TOTAL NON-CURRENT ASSETS	52,463,543	48,260,079
TOTAL ASSETS	$ 80,141,990	$ 74,818,359

See accompanying notes.

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES
COMBINED STATEMENTS OF FINANCIAL POSITION (Continued)
June 30, 2020 and 2019

	2020	2019 (Restated)
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 1,211,302	$ 1,449,254
Due to affiliates	1,036,357	1,080,675
Due to City of Phoenix	2,887,163	5,284,834
Accrued payroll and related expenses	1,646,428	1,487,095
Interest payable	418,182	435,279
Contract advances	124,030	114,673
Contract liabilities	250,568	1,333,059
Deferred conditional contribution (PPP)	1,272,286	-
Other liabilities	222,114	539,685
Lines of credit	935,840	2,710,026
Long-term debt, current portion	2,325,648	2,443,618
TOTAL CURRENT LIABILITIES	12,329,918	16,878,198
NON-CURRENT LIABILITIES		
Tenant security deposits	91,893	107,419
Long-term debt, net of current portion and debt issuance costs	40,840,191	35,860,310
TOTAL NON-CURRENT LIABILITIES	40,932,084	35,967,729
TOTAL LIABILITIES	53,262,002	52,845,927
NET ASSETS		
Without donor restrictions	9,505,496	6,623,137
With donor restrictions	17,374,492	15,349,295
TOTAL NET ASSETS	26,879,988	21,972,432
TOTAL LIABILITIES AND NET ASSETS	$ 80,141,990	$ 74,818,359

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES
COMBINED STATEMENTS OF ACTIVITIES
Years Ended June 30, 2020 and 2019

	2020			2019 (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES						
Government contracts	$ 22,398,530	$ 500,000	$ 22,898,530	$ 22,625,979	$ -	$ 22,625,979
Client fees	5,723,393	-	5,723,393	5,076,384	-	5,076,384
Program income	1,003,750	-	1,003,750	624,217	-	624,217
Management fees	184,155	-	184,155	156,802	-	156,802
Grants	2,059,921	1,730,759	3,790,680	257,823	1,833,040	2,090,863
Payroll protection program government grant	2,176,314	-	2,176,314	-	-	-
Contributions						
Charity and Development Appeal	-	830,000	830,000	-	910,001	910,001
Foundations	305,067	-	305,067	185	-	185
Corporations and individuals	489,869	66,817	556,686	459,806	-	459,806
In-kind donations	806,939	-	806,939	770,346	-	770,346
Release from time restrictions	910,000	(910,000)	-	910,000	(910,000)	-
Release from purpose restrictions	192,379	(192,379)	-	149,476	(149,476)	-
	36,250,317	2,025,197	38,275,514	31,031,018	1,683,565	32,714,583
Other revenue						
Interest income	284,593	-	284,593	288,773	-	288,773
Other	58,734	-	58,734	74,471	-	74,471
	343,327	-	343,327	363,244	-	363,244
TOTAL SUPPORT AND REVENUES	36,593,644	2,025,197	38,618,841	31,394,262	1,683,565	33,077,827
EXPENSES						
Program expenses	27,966,614	-	27,966,614	26,153,205	-	26,153,205
Management and general	5,936,289	-	5,936,289	5,506,857	-	5,506,857
Fundraising	258,678	-	258,678	274,306	-	274,306
TOTAL EXPENSES	34,161,581	-	34,161,581	31,934,368	-	31,934,368
OTHER INCOME (EXPENSE)						
Gain (loss) on sale of property and equipment	(31,141)	-	(31,141)	14,961	-	14,961
Gain (loss) on LLC investments	482,129	-	482,129	4,286	-	4,286
Transfers to affiliates	-	-	-	(100)	-	(100)
Income tax benefit (expense)	(692)	-	(692)	(234,200)	-	(234,200)
TOTAL OTHER INCOME (EXPENSE)	450,296	-	450,296	(215,053)	-	(215,053)
CHANGE IN NET ASSETS	2,882,359	2,025,197	4,907,556	(755,159)	1,683,565	928,406
NET ASSETS, BEGINNING OF YEAR,	6,623,137	15,349,295	21,972,432	7,378,296	13,665,730	21,044,026
NET ASSETS, END OF YEAR, AS RESTATED	$ 9,505,496	$ 17,374,492	$ 26,879,988	$ 6,623,137	$ 15,349,295	$ 21,972,432

See accompanying notes.

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

	Program Services						Support Services					
	FSL Programs/ Home Improvements/ Pathways	HUD Properties	FSL Rural Development	FSL Real Estate Services	Eliminations	Total Program Services	Management and General	Eliminations	Total Management and General	Fundraising	Total Support Services	Total Functional Expenses
Salaries	$ 10,396,467	$ 79,616	$ 156,633	$ 424,531	$ -	$ 11,057,247	$ 2,872,110	$ -	$ 2,872,110	$ 161,079	$ 3,033,189	$ 14,090,436
Payroll taxes	943,472	9,164	16,083	36,896	-	1,005,615	226,837	-	226,837	8,906	235,743	1,241,358
Employee benefits	1,559,131	18,079	27,635	46,666	-	1,651,511	418,568	-	418,568	-	418,568	2,070,079
Building and occupancy	1,441,997	169,784	384,911	552,367	(871,654)	1,677,405	306,864	(276,280)	30,584	-	30,584	1,707,989
Meetings and travel	531,282	3,143	18,407	7,565	-	560,397	42,882	-	42,882	-	42,882	603,279
Professional fees/taxes	7,648,215	29,489	45,276	42,334	(7,200)	7,758,114	901,780	-	901,780	44,598	946,378	8,704,492
Food and beverage	518,244	54	486	72	-	518,856	12,598	-	12,598	315	12,913	531,769
Depreciation	44,072	72,468	77,315	912,324	(74,570)	1,031,609	14,293	-	14,293	-	14,293	1,045,902
Interest	38,252	47,657	999	1,146,215	(317,137)	915,986	1,191,117	(313,126)	877,991	-	877,991	1,793,977
Bad debt	89,593	-	-	9,460	-	99,053	-	-	-	-	-	99,053
Materials and supplies	617,700	25,963	22,935	39,707	-	706,305	200,154	-	200,154	4,437	204,591	910,896
Insurance	161,730	4,695	10,623	40,943	-	217,991	32,150	-	32,150	-	32,150	250,141
Telephones	106,181	6,155	6,560	16,329	-	135,225	36,884	-	36,884	-	36,884	172,109
Specific client assistance	107,859	-	1,732	37,851	-	147,442	1,257	-	1,257	-	1,257	148,699
Other operating	390,299	15,541	22,540	67,878	(12,400)	483,858	210,548	-	210,548	39,343	249,891	733,749
Management fees	-	-	-	-	-	-	2,752,827	(2,695,174)	57,653	-	57,653	57,653
	$ 24,594,494	$ 481,808	$ 792,135	$ 3,381,138	$ (1,282,961)	$ 27,966,614	$ 9,220,869	$ (3,284,580)	$ 5,936,289	$ 258,678	$ 6,194,967	$ 34,161,581

See accompanying notes.

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	Program Services						Support Services					
	FSL Programs/ Home Improvements/ Pathways	HUD Properties	FSL Rural Development	FSL Real Estate Services	Eliminations	Total Program Services	Management and General	Eliminations	Total Management and General	Fundraising	Total Support Services	Total Functional Expenses
Salaries	$ 10,011,149	$ 68,304	$ 137,249	$ 476,155	$ -	$ 10,692,857	$ 2,627,736	$ -	$ 2,627,736	$ 152,236	$ 2,779,972	$ 13,472,829
Payroll taxes	895,961	8,509	12,981	41,835	-	959,286	199,001	-	199,001	8,605	207,606	1,166,892
Employee benefits	1,482,978	17,453	22,241	60,378	-	1,583,050	362,872	-	362,872	-	362,872	1,945,922
Building and occupancy	1,414,478	158,812	453,405	718,182	(893,326)	1,851,551	275,664	(259,531)	16,133	-	16,133	1,867,684
Meetings and travel	537,879	2,502	18,886	18,982	-	578,249	57,525	-	57,525	-	57,525	635,774
Professional fees/taxes	6,418,358	26,568	43,385	50,309	(7,200)	6,531,420	735,730	-	735,730	53,837	789,567	7,320,987
Food and beverage	573,954	131	135	983	-	575,203	13,594	-	13,594	14,784	28,378	603,581
Depreciation	50,984	72,873	77,315	924,408	(74,570)	1,051,010	20,952	-	20,952	-	20,952	1,071,962
Interest	33,041	41,142	999	1,176,233	(388,565)	862,850	1,268,522	(349,067)	919,455	-	919,455	1,782,305
Bad debt	47,543	853	200	21,201	-	69,797	25,224	-	25,224	-	25,224	95,021
Materials and supplies	393,174	5,480	16,965	61,822	-	477,441	197,315	-	197,315	3,239	200,554	677,995
Insurance	147,276	4,083	10,206	28,016	-	189,581	19,723	-	19,723	-	19,723	209,304
Telephones	95,146	6,451	5,936	20,735	-	128,268	36,339	-	36,339	-	36,339	164,607
Specific client assistance	38,628	-	583	23,356	-	62,567	5,000	-	5,000	-	5,000	67,567
Other operating	395,401	15,410	19,514	122,150	(12,400)	540,075	214,827	(15)	214,812	41,605	256,417	796,492
Management fees	-	-	-	-	-	-	3,131,519	(3,076,073)	55,446	-	55,446	55,446
	$ 22,535,950	$ 428,571	$ 820,000	$ 3,744,745	$ (1,376,061)	$ 26,153,205	$ 9,191,543	$ (3,684,686)	$ 5,506,857	$ 274,306	$ 5,781,163	$ 31,934,368

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES
COMBINED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 4,907,556	$ 928,406
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,045,902	1,071,962
Amortization of debt issuance costs included in interest expense	123,729	88,337
Bad debt expense	99,053	95,021
Investment in affiliates - equity basis	(213,058)	217,937
(Gain) loss on disposal of property and equipment	31,141	(14,961)
Forgiveness of debt	(269,124)	-
Deferred income taxes	2,000	234,000
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	5,875,728	1,071,203
Due from affiliates	(849,398)	(18,617)
Promises to give	124,694	25,286
Grants receivable	(804,732)	150,758
Prepaid expenses and deposits	(152,918)	(3,825)
Increase (decrease) in:		
Accounts payable	(237,952)	153,395
Accrued payroll and related expenses	159,333	148,757
Interest payable	(17,097)	77,832
Contract advances	9,357	(10,325)
Contract liabilities	(1,082,491)	752,064
Other liabilities	(317,571)	(195,156)
Tenant security deposits	(15,526)	(4,680)
Due to affiliates	(44,318)	102,759
Deferred conditional contribution (PPP)	1,272,286	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	9,646,594	4,870,153

See accompanying notes.

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES
COMBINED STATEMENTS OF CASH FLOWS (Continued)
Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(8,334,823)	(7,866,623)
Proceeds from disposal of property and equipment	-	18,211
Purchases of property inventory	(2,551,734)	(1,839,662)
Proceeds received from sale of property inventory	2,990,439	2,002,747
Purchases of assets held for sale	-	(1,231,527)
Issuance of notes receivable from affiliates	(670,000)	(1,750,000)
Payments received on notes receivable from affiliates	68,521	68,423
Bond issue costs	-	(180,387)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(8,497,597)	(10,778,818)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	8,186,464	6,627,351
Principal payments on long-term debt	(3,179,158)	(1,178,424)
Borrowings on lines of credit	9,809,245	1,053,550
Payments on lines of credit	(11,583,431)	(33,306)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	3,233,120	6,469,171
NET INCREASE (DECREASE) IN CASH	4,382,117	560,506
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,333,032	6,772,526
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 11,715,149	$ 7,333,032
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO CONSOLIDATED STATEMENTS OF FINANCIAL POSITION:		
Cash and cash equivalents	$ 9,232,160	$ 4,164,503
Restricted deposits and funded reserves, current	211,560	227,507
Restricted deposits and funded reserves, net of current	2,271,429	2,941,022
	$ 11,715,149	$ 7,333,032
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest expense	$ 1,677,741	$ 1,612,607

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

General Partners	Limited Partnerships and Limited Liability Companies	General Partner Ownership %
FSL Yuma Senior Terraces, Inc.	FSL Yuma Senior Terraces, LP	.01%
FSL St. Peter, Inc.	FSL St. Peter Place, LP	.01%
FSL St. Francis, Inc.	FSL St. Francis Villas, LP	.01%
FSL Ruby Heights, Inc. (together with FSL Real Estate Services)	FSL Ruby Heights Village, LP	.01%
Affordable Services for Seniors, Inc.	FSL Becket House Apartments, LP	.01%
FSL St. Isadore, LLC	FSL St. Isadore Villas, LP	.01%
FSL Mountain Village, Inc.	Mountain Village Seniors, LLC	50.00%

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

Programs, Pathways, and Home Improvements (PPHI):

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

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

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

Real Estate and Development Services:

FSL Rural Development and HUD Developments:

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

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

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

Real Estate and Development Services (Continued):

FSL Rural Development and HUD Developments (Continued):

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

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

FSL Real Estate:

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

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

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

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

FSL Gibson Garden:

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

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

FSL Gibson Garden (Continued):

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

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

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

Other Affiliate Entities:

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

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

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

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

Principles of Combination

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

Basis of Presentation

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

Cash and Cash Equivalents

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

Restricted Deposits and Funded Reserves

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

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

Promises to Give

Unconditional promises to give are recognized as revenues in the period the promise is received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Promises are charged off against the allowance when they are deemed to be uncollectible. Conditional promises to give are recognized when the conditions on which they depend are substantially met. As of June 30, 2020 and 2019, FSL has a $1,000,000 conditional promise to give from the Roman Catholic Diocese of Phoenix. This promise to give is conditional upon certain funds being raised and becoming available from the Roman Catholic Diocese of Phoenix. Also as of June 30, 2020, FSL has a $220,500 conditional promise to give from the Maricopa Association of Governments. This promise to give is conditional upon FSL incurring certain expenses before submitting for reimbursement. No amount of these promises has been recorded as of June 30, 2020 as the conditions have not yet been met.

Accounts Receivable

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

Due to and Due from Affiliates

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

Property Inventory

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

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

Property and Equipment

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

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

Impairment of Long-Lived Assets

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

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.

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

Revenue Recognition (Continued)

FSL Real Estate (Continued):

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 promises 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.

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

Revenue Recognition (Continued)

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. Adult day health care centers, home care and home health, and audits of assisted living facilities revenue have a single performance obligation of the service taking place 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. Community action programs, meals, wellness and transitional care revenue have a single performance obligation of the service taking place and are billed monthly for services that have already been provided. This revenue is recognized in the amount to which FSL Programs expects to be entitled, based on contracted rates with funding sources.

FSL Pathways generates revenue from its assisted group living (AGL) activities. AGL revenue is recognized in the period in which FSL Pathways satisfies the performance obligation under contracts by transferring services to its patients. The majority of AGL revenue is recognized at a point in time, in the period the services are provided. AGL revenue is principally from patients covered by third-party insurance companies. 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 in the period in which FSL Home Improvements satisfies the performance obligation under contracts by transferring services to low income individuals and individuals with disabilities. Home weatherization, home repair, and training services revenue is recognized at a point in time, in the period the services are provided. The revenue generally comes from contracts with the cities in which the services are provided. FSL Home Improvements bills the cities monthly for services that have already been provided.

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

Contributions

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-08, *Not-for-Profit Entities-Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made by clarifying whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional or unconditional. The change in accounting principle was adopted on a modified prospective basis on July 1, 2019. As a result, there was no cumulative effect adjustment to beginning net assets as of July 1, 2019.

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.

Non-Cash 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 $44,000 and $36,000 for the years ended June 30, 2020 and 2019, respectively.

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

Net Assets

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

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

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

Functional Expenses

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

Income Tax Status

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

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

Income Tax Status (Continued)

Foundation for Senior Living is a qualified charitable organization for Arizona and as such, individuals making charitable contributions to Foundation for Senior Living may claim tax credits up to the allowable amount on their Arizona personal income tax returns. Other entities described above are organized as Arizona limited liability companies and Arizona limited partnerships. These entities are treated as pass-through entities for income tax purposes and, as such, they are not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by their owners or members on their respective income tax returns. These entities' tax status as pass-through entities 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 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, 2020 and 2019, 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, 2020 and 2019, FSL did not have any income tax related interest and penalties expense.

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

Management's Use of Estimates

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

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, 2020, the date the combined financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

FSL regularly monitors liquidity required to meet its operating needs. FSL operates on a balanced budget. Its goal is to maintain liquid financial assets sufficient to cover a minimum of 30 days of general expenditures. FSL has resources for both general expenses and its real estate development projects. As of June 30, 2020 and 2019, the financial assets that could readily be made available to meet general expenditures within the next year is calculated as follows:

	2020	2019
Cash and cash equivalents	$ 9,232,160	$ 4,164,503
Promises to give	904,167	910,000
Accounts receivable, net of allowance	6,282,046	5,425,200
Notes receivable from affiliates, current portion	73,626	68,521
Financial assets available to meet general expenditures within one year	$ 16,491,999	$ 10,568,224

NOTE 3 CONCENTRATIONS OF CREDIT RISK

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

Promises to give at June 30, 2020 and 2019 include amounts due from one funding source that make up approximately 92% and 88%, respectively, of promises to give. Grants receivable from one funding source compose approximately 98% and 97% of total grants receivable at June 30, 2020 and 2019, 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 4 RESTRICTED DEPOSITS AND FUNDED RESERVES

As a requirement of the various bond issuances, as disclosed in Note 13, 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:

	2020	2019
Reserve funds	$ 1,295,935	$ 1,256,593
Debt service fund	665,151	685,928
Bond fund	276,912	276,944
Security deposits	123,535	136,477
Escrow deposits	88,025	91,030
Interest fund	-	692,516
Other	33,431	29,041
	$ 2,482,989	$ 3,168,529

NOTE 5 ACCOUNTS RECEIVABLE AND REVENUE DEPENDENCY

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

	2020	2019
Accounts receivable	$ 6,348,857	$ 5,643,976
Allowance for doubtful accounts	(66,811)	(218,776)
	$ 6,282,046	$ 5,425,200

Accounts receivable from four funding sources compose approximately 64% of total net accounts receivable at June 30, 2020. Accounts receivable from three funding sources compose approximately 68% of total net accounts receivable at June 30, 2019. Concentrations of credit risk with respect to accounts receivable is limited due to the nature of the receivables and FSL's history with these funding sources. Included in accounts receivable are approximately $3,342,000 and $3,669,000 due from affiliated entities at June 30, 2020 and 2019, respectively.

During the year ended June 30, 2020, FSL received funding from one funding source composing approximately 25% of total revenues. During the year ended June 30, 2019, FSL received funding from two funding sources composing approximately 43% of total revenues. If the governmental agencies affect significant budget cuts in the future, this source of funding could decrease. If this were to occur, it is management's opinion that FSL could continue most of its activities through other sources of funding. Additionally, program costs are subject to audit by the contracting agency, and in the event that the contract proceeds were not spent in accordance with contract terms, the proceeds may be required to be returned to the appropriate agency. Management is of the opinion that an adequate provision has been made in the combined financial statements for the effect of any costs, which might be disallowed under these various contracts.

NOTE 6 ASSETS HELD FOR SALE

During the year ended June 30, 2018, FSL entered into a purchase and sale agreement to sell certain assets that are to be converted to low income housing tax credit properties. As of June 30, 2019, the sale was not closed and was conditional upon an operating agreement being finalized between FSL and the purchaser. The sale closed during the year ending June 30, 2020 and therefore, the assets held for sale were transferred to the purchaser.

Assets held for sale consist of the following as of June 30:

	2020	2019
Land and improvements	$ -	$ 873,007
Buildings and improvements	-	996,405
Furniture and equipment	-	8,826
	-	1,878,238
Accumulated depreciation and amortization	-	(37,316)
	-	1,840,922
Construction in progress	-	1,798,550
	$ -	$ 3,639,472

NOTE 7 NOTES RECEIVABLE FROM AFFILIATES

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

	2020	2019
Note receivable due from Mountain Village Seniors, LLC in the amount of $250,000. This note bears an interest rate of 1.00% and matures August 31, 2022.	$ 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 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.	2,260,000	2,325,000

NOTE 7 NOTES RECEIVABLE FROM AFFILIATES (Continued)

	2020	2019
Note receivable due from FSL Yuma Senior Terraces, LP as a result of a subsidy awarded to FSL which was then passed to FSL Yuma Senior Terraces, LP. This note bears interest at 6% and both principal and interest are due in a balloon payment on December 1, 2031. This note is secured by a mortgage on real property.	500,000	500,000
Note receivable due from FSL St. Peter Place, LP as a result of a subsidy awarded to FSL which was then passed to FSL Yuma Senior Terraces, LP. This note bears interest at 3% and both principal and interest are due in a balloon payment on December 7, 2029. This note is secured by a mortgage on real property.	500,000	500,000
Note receivable due from FSL St. Francis Villas, LP as a result of a subsidy awarded to FSL which was then passed to FSL St. Francis Villas, LP. This note bears interest at 3.00% and both principal and interest are due in a balloon payment on June 30, 2029. This note is secured by a mortgage on real property.	1,000,000	1,000,000
Note receivable due from FSL St. Monica Villas, LP. This note bears interest at 5.00% with principal and interest payments due annually. The note matures on July 17, 2045 and is secured by a mortgage on real property.	360,000	360,000
Note receivable due from FSL St. Francis Villas, 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 7 NOTES RECEIVABLE FROM AFFILIATES (Continued)

	2020	2019
Note receivable due from FSL St. Francis Villas, LP. This note bears interest at 1.00% and both principal and interest are due in a balloon payment on September 30, 2030. This note is secured by a mortgage on real property.	217,746	217,746
Note receivable due from FSL St. Francis Villas, LP. This note bears interest at zero percent and both principal and interest are due in a balloon payment on January 1, 2033. This note is secured by a mortgage on real property.	450,000	450,000
Note receivable due from FSL St. Francis Villas, LP. The note bears interest at 2.90% with principal and interest payments due monthly through the maturity date of July 1, 2022.	7,358	10,879
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	-
	10,281,840	9,680,361
Current portion	(73,626)	(68,521)
Long-term portion	$ 10,208,214	$ 9,611,840

NOTE 7 NOTES RECEIVABLE FROM AFFILIATES (Continued)

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

Years Ending June 30,	
2021	$ 73,626
2022	73,732
2023	325,000
2024	2,045,000
2025	1,000,000
Thereafter	6,764,482
	$ 10,281,840

NOTE 8 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2020	2019
Land and improvements	$ 13,277,052	$ 12,952,628
Buildings and improvements	27,447,956	27,445,563
Furniture and equipment	5,273,454	5,181,998
Vehicles	529,837	462,982
	46,528,299	46,043,171
Accumulated depreciation and amortization	(16,397,445)	(15,430,555)
	30,130,854	30,612,616
Construction in progress	10,884,884	6,337,497
	$ 41,015,738	$ 36,950,113

Depreciation expense charged to operations was approximately $1,046,000 and $1,072,000 for the years ended June 30, 2020 and 2019, respectively.

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

NOTE 9 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 126 lots will be developed and sold. The term of the contract is through February 9, 2021 with no further options to extend.

At June 30, 2020 and 2019 FSL has a liability of $2,887,163 and $5,284,834, respectively, 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.

At June 30, 2020 and 2019 FSL has property inventory of $3,301,048 and $6,137,424, respectively, representing amounts for lots transferred to FSL from the City of Phoenix, as well as construction costs funded by both FSL and the City of Phoenix that have not yet been sold.

NOTE 10 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 ($1,045,838) and ($1,258,902) at June 30, 2020 and 2019, respectively. FSL has investments ranging from .005% to 50.00% in various low-income housing projects, as disclosed in Note 1.

NOTE 11 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:

	2020	2019
FSL Padre Kino Village, LP	$ 15,632	$ 895,954
FSL St. Francis Villas, LP	330,721	318,676
FSL St. Peter's Place, LP	317,713	296,361
FSL Mountain Village Seniors, LLC	211,124	207,374
FSL St. Isadore Villas, LP	182,281	176,402
FSL St. Monica Villas, LP	174,620	174,620
FSL Yuma Senior Terraces, LP	50,410	40,508
FSL Becket House Apts, LP	24,002	39,333
FSL Heritage Glen Retirement Apartments, LP	13,067	-
FSL Village on Roeser Phoenix 2018, LP	899,839	-
FSL Acacia Heights Village, LP	666,392	-
Other receivables from affiliates	6,445	13,618
Interest receivable	1,008,114	888,116
	3,900,360	3,050,962
Allowance for uncollectible accounts	(40,529)	(40,529)
	$ 3,859,831	$ 3,010,433

Due to affiliates consisted of the following at June 30:

	2020	2019
FSL Padre Kino Village, LP	$ 100	$ 733,198
FSL St. Isadore Villas, LP	348,788	339,810
FSL Heritage Glen Retirement Apartments, LP	5,147	5,147
FSL St. Monica Villas, LP	2,421	2,421
FSL Village on Roeser Phoenix 2018, LP	679,802	-
Other payables to affiliates	99	99
	$ 1,036,357	$ 1,080,675

NOTE 12 LINES OF CREDIT

Lines of credit consist of the following at June 30:

	2020	2019
$1,500,000 revolving line of credit that requires monthly interest payments on the outstanding balance at prime rate plus 0.50%, subject to a floor of 4.00% at June 30, 2020. The interest rate as of June 30, 2020 was 4.00%. This line of credit expires on June 9, 2021.	$ -	$ 861,686
$750,000 revolving line of credit collateralized by substantially all of the assets of FSL Home Improvements, with an interest at the prime rate plus 0.50%, subject to a floor of 4.00% at June 30, 2020. The interest rate as of June 30, 2020 was 4.00%. This line of credit expires on June 9, 2021.	405,000	390,000
$2,000,000 revolving line of credit that requires monthly interest payments on the outstanding balance at prime rate plus 0.50%, subject to a floor of 4.00% at June 30, 2020. The interest rate as of June 30, 2020 was 4.00%. This line of credit expires on June 9, 2021.	530,840	1,458,340
	$ 935,840	$ 2,710,026

NOTE 13 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:

	2020	2019
Taxable mortgage bonds	$ 13,905,000	$ 14,270,000
Revenue bond - Roeser Village Development	-	715,000
Revenue bond - Becket House	2,260,000	2,325,000
Revenue bond - Vianney Villas Project	3,145,000	3,220,000
Revenue bond - Rural Development Corporation	2,300,000	2,365,000
Revenue bond - FSL Holding and Gibson Garden	4,115,000	4,350,000
General obligation - FSL Corporate	1,500,000	1,500,000
Bonds payable	$ 27,225,000	$ 28,745,000

Following is a description of these bond issuances:

Taxable Mortgage Bonds

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

The indenture requires interest payments to be made every March 15 and September 15, commencing on March 15, 2019. Interest is payable at a graduated scale from 5.00% to 6.00% and matures with principal payments of $3,875,000 and $1,800,000 being payable on September 15, 2025 and September 15, 2027, respectively. The bond is secured by "The Trust Estate (Flagstaff)" as defined in the bond documents. At June 30, 2020, there are funds held in trust accounts with the trustee, as required by the bond indenture as disclosed in Note 4.

NOTE 13 LONG-TERM DEBT (Continued)

Bond Debt (Continued)

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

The indenture requires principal and interest payments to be made every September 1 and March 1, commencing on September 1, 2018. Interest is payable at a graduated scale from 2.00% to 5.00% and principal payments are payable at a graduated scale from $175,000 to $355,000 as defined by the indenture. The bond is scheduled to mature on March 1, 2036. The bond is secured by "The Trust Estate, or from the general assets of the Issuer" as defined in the bond documents. At June 30, 2020, there are funds held in trust accounts with the trustee, as required by the bond indenture as disclosed in Note 4.

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. On October 1, 2019, FSL paid off the outstanding principal balance on the revenue bond that was originally due to mature in April 2032 in the amount of $715,000 as well as all accrued interest outstanding on the bond in the amount of $22,791.

Revenue Bond - Becket House

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

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

NOTE 13 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, 2020, there are funds held in trust accounts with the trustee, as required by the bond indenture as disclosed in Note 4.

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

Revenue Bond - Rural Development Corporation

In February 2011, the Foundation for Senior Living, Inc. issued Series 2011A Taxable Multifamily Housing Mortgage Revenue Bonds and received $2,600,000 in bond proceeds for the purpose of retiring short term loans on land purchased for future development, funds for the construction of solar systems as well as improvements to several FSL properties, including Roeser Village and St. Agnes. 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, 2020, there are funds held in trust accounts with the trustee, as required by the bond indenture as disclosed in Note 4. The indenture requires interest payments to be made every February 28 and August 15, commencing August 15, 2011, at a graduated scale from 4.25% to 6.75% as defined in the indenture. Principal payments on the bonds began in February 2012 at graduated principal amounts as defined in the indenture. The note is scheduled to mature on February 15, 2041.

NOTE 13 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.

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, 2020, there are funds held in trust accounts with Johnson Bank, as required by the bond indenture as disclosed in Note 4.

Mortgage Notes Payable

Mortgage notes payable consist of the following at June 30:

	2020	2019
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.	$ 1,032,184	$ 1,058,648

NOTE 13 LONG-TERM DEBT (Continued)

Real Estate Notes Payable

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

	2020	2019
Note payable due in monthly principal and interest payments of $2,998, including interest at 6.00%. This note matures on December 1, 2031.	$ 433,153	$ 442,820
Non-interest bearing note payable due in monthly principal installments of $1,000, with the balance due at maturity on January 1, 2033.	444,000	445,000
Note payable with monthly interest payments at 9.00%. This note is due on demand.	516,250	516,250
Note payable due in monthly principal and interest payments of $1,483, including interest at 7.00% with an extended maturity date of February 27, 2023.	105,674	115,690
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 6.00% with an extended maturity date of February 27, 2023.	825,000	825,000
Note payable due in monthly payments of $2,704, including interest at 9.00%. The note matures on April 30, 2030.	311,723	317,018
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.	926,649	928,663

NOTE 13 LONG-TERM DEBT (Continued)

Real Estate Notes Payable (Continued)

	2020	2019
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.	245,760	246,188
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.	115,669	116,957
Non-interest bearing predevelopment note payable that matures at the earlier of the receipt of financing for the development, the date of sale of the development property acquired, or on February 8, 2021, the maturity date.	100,000	100,000
Non-interest bearing predevelopment note payable that matures at the earlier of the receipt of financing for the development, the date of sale of the development property acquired, or on March 22, 2021, the maturity date.	100,000	100,000
Note payable with interest at a rate of 7.00%. All unpaid principal and interest was due May 1, 2020.	-	750,000

NOTE 13 LONG-TERM DEBT (Continued)

Real Estate Notes Payable (Continued)

	2020	2019
Note payable with monthly payments due of 6%. 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.	119,510	-
Note payable due in monthly principal and interest payments of $61,822, including interest at 4% with the balance due at maturity date of November 1, 2026. The note is secured by certain promises to give as described in the note agreement.	3,750,000	-
	$ 9,060,851	$ 5,971,049

NOTE 13 LONG-TERM DEBT (Continued)

Forgivable Notes Payable

Forgivable notes payable consisted of the following at June 30:

	2020	2019
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.	$ 2,280,852	$ 2,549,976
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.	298,000	314,160
In 2019, FSL Real Estate Services, Inc. entered into a promissory note agreement with the Arizona Department of Housing for the construction of 25 units as permanent rental housing. The non-interest bearing note will be forgiven at the end of the 20 year period from the date of the project being placed in service if FSL Real Estate Services, Inc. complies with the terms in the agreement during the period.	3,495,254	-
	$ 6,074,106	$ 2,864,136

NOTE 13 LONG-TERM DEBT (Continued)

Other Notes Payable

Other notes payable consisted of the following at June 30:

	2020	2019
Note payable with interest due quarterly at a rate of 2.00%. Quarterly principal payments of $62,500 commence on September 27, 2021 and matures on September 27, 2023.	$ 500,000	$ 500,000
Loan agreements for the purchase of vehicles. The vehicle loans require varying monthly payments averaging approximately $440 at interest rates ranging from 4.00% to 6.70% and mature through November 2020.	18,532	25,766
	$ 518,532	$ 525,766

Debt issuance costs for the years ended June 30, 2020 and 2019 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:

	2020	2019
Bonds	$ 27,225,000	$ 28,745,000
Mortgage and real estate notes	10,093,035	7,029,697
Forgivable and other notes	6,592,638	3,389,902
	43,910,673	39,164,599
Debt issuance costs	(1,176,949)	(1,239,834)
Accumulated amortization	440,007	379,163
Net debt issuance costs	(736,942)	(860,671)
Long-term debt, less net debt issuance costs	$ 43,173,731	$ 38,303,928

NOTE 13 LONG-TERM DEBT (Continued)

Future minimum principal payments required on all long term debt as of June 30, 2020 are as follows:

Years Ending June 30,	Bond Debt	Mortgages and Real Estate Notes	Forgiveable and Other Notes	Total
2021	$ 835,000	$ 1,211,369	$ 279,279	$ 2,325,648
2022	2,365,000	656,572	402,125	3,423,697
2023	900,000	1,580,447	527,125	3,007,572
2024	2,900,000	699,959	402,125	4,002,084
2025	3,600,000	729,064	277,125	4,606,189
Thereafter	16,625,000	5,215,624	4,704,859	26,545,483
	27,225,000	10,093,035	6,592,638	43,910,673
Net debt issuance costs	(609,589)	(127,353)	-	(736,942)
	26,615,411	9,965,682	6,592,638	43,173,731
Current portion	(835,000)	(1,211,369)	(279,279)	(2,325,648)
Long term portion	$ 25,780,411	$ 8,754,313	$ 6,313,359	$ 40,848,083

NOTE 14 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.

NOTE 14 INCOME TAXES (Continued)

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

	2020	2019
Excess tax over book depreciation	$ (644,000)	$ (675,000)
Federal net operating loss carryforwards	675,000	708,000
Total deferred tax asset	31,000	33,000
Less valuation allowance	(17,000)	(17,000)
Net deferred tax asset - long-term	$ 14,000	$ 16,000

During the years ended June 30, 2020 and 2019, the affiliates had provisions for income tax expense of $2,200 and income tax expense of $234,200, respectively. As of June 30, 2020, FSL Gibson Gardens, Inc., FSL Solar One, Inc., FSL Solar Two, Inc., and FSL Solar Three, Inc. have available approximately $3,214,000 of federal operating loss carryforwards that begin to expire in 2031.

The valuation allowance $17,000 for each of the years ended June 30, 2020 and 2019, 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.

NOTE 15 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, 2020 and 2019, FSL made contributions of approximately $217,000 and $196,000, respectively, to these plans.

NOTE 16 NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Time restricted:		
AHP restrictions	$ 9,647,777	$ 8,847,777
Federal grant	4,798,340	4,798,340
Promises to give	879,000	960,015
Purpose restricted:		
Glendale ADHS building	1,935,436	615,333
Transportation	15,632	63,495
Nutrition	52,672	47,749
Other	45,635	16,586
Total net assets with donor restrictions	$ 17,374,492	$ 15,349,295

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

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

NOTE 16 NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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

Property	Date of contract	Released period from restriction	2020	2019
White Mountain Villas	January 2006	15 years	$ 445,500	$ 445,500
Mountain Village	June 2006	15 years	250,000	250,000
Becket House	June 2007	15 years	1,000,000	1,000,000
Yuma Senior Terraces	June 2007	15 years	642,768	642,768
Flagstaff Senior Meadows	June 2011	15 years	1,000,000	1,000,000
Pineview Manors	June 2011	15 years	500,000	500,000
Highland Square	December 2013	15 years	360,000	360,000
29 Palms	June 2014	15 years	259,509	259,509
Padre Kino	June 2017	15 years	1,750,000	1,750,000
Village on Roeser	June 2018	15 years	1,040,000	1,040,000
29 Palms II	June 2019	15 years	400,000	400,000
Flagstaff Humphrey's	June 2019	15 years	1,200,000	1,200,000
Acacia Heights Apartments	June 2020	15 years	800,000	-
			$ 9,647,777	$ 8,847,777

NOTE 17 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 June 2022 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, 2020:

Years Ending June 30,	
2021	$ 93,000
2022	7,000
	$ 100,000

NOTE 17 OPERATING LEASES (Continued)

Rental expense for the years ended June 30, 2020 and 2019 amounted to approximately $542,000 and $493,000, respectively. These amounts include in-kind use of facilities in the approximate amounts of $237,000 and $240,000, respectively.

NOTE 18 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 $830,000 and $910,000 committed for the years ended June 30, 2020 and 2019.

FSL has various notes receivable with affiliates that are due under extended payment terms exceeding one year, as disclosed in Note 7.

NOTE 19 CONDITIONAL CONTRIBUTION – PAYROLL PROTECTION PROGRAM

During the year ended June 30, 2020, FSL received funding in the amount of $3,448,600 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, provides for funding to qualifying businesses for amounts up to 2.5 times the average monthly payroll costs incurred during the year prior to the funding date of the qualifying business. The funded amount and accrued interest are forgivable after 24 weeks as long as FSL uses the proceeds for eligible purposes, including payroll costs, interest on mortgage obligation, rent and utilities. The amount of the forgiveness will be reduced if FSL reduces the number of employees or reduces salaries by more than 25% during the 24 week period beginning on the PPP funding origination date. FSL has determined that the PPP funding represent a conditional contribution as they anticipate forgiveness of the majority of the amount received. Conditions to be met for recognition of this contribution include the incurring of eligible expenses as well as maintaining the full-time equivalent employee count. As of June 30, 2020, FSL has partially met these conditions and has recorded contribution income relating to the PPP funding in the amount of $2,176,314. The remaining balance of $1,272,286 is included in deferred conditional contribution on the combined statements of financial position as of June 30, 2020.

NOTE 20 CONTINGENCIES

On January 30, 2020 the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic with have on FSL's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Due to COVID-19, FSL has had to temporarily close the Adult Day Health Services centers and they plan to reopen the centers gradually through April 2021. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, FSL is not able to estimate future effects of the COVID-19 outbreak beyond the date of issuance of these combined financial statements.

NOTE 21 RESTATEMENT OF COMBINED FINANCIAL STATEMENTS

During the year ended June 30, 2020 management discovered that as of June 30, 2019, restricted contributions related to the Glendale Adult Day Health Services building in the amount of $233,040 were incorrectly released from restriction before the asset was completed and placed in service. The June 30, 2019 net asset balances were restated to increase net assets with donor restrictions and decrease net assets without donor restrictions balances in the amount of $233,040. This restatement has no effect on the change in net assets for the years ended June 30, 2020 and 2019.

The effect of this correction on the combined financial statements for the year ended June 30, 2019 are as follows:

	As previously reported	Correction	As restated
Grants without donor restrictions	$ 490,863	$ (233,040)	$ 257,823
Grants with donor restrictions	1,600,000	233,040	1,833,040
Net assets without donor restrictions, end of year	6,856,177	(233,040)	6,623,137
Net assets with donor restrictions, end of year	15,116,255	233,040	15,349,295

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION

Year Ended June 30, 2020

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES
COMBINING STATEMENT OF FINANCIAL POSITION
June 30, 2020

	FSL and Subsidiaries	FSL Programs/ Home Improvements/ Pathways	FSL Management	FSL Rural Development and Subsidiary	HUD Developments	FSL Real Estate Services	FSL Gibson Gardens	FSL Roeser Village	FSL White Mountain Inc. and Subsidiary	Combined Eliminations	Totals
ASSETS											
CURRENT ASSETS											
Cash and cash equivalents	$ 4,851,539	$ 981,429	$ 170,846	$ 2,299,118	$ 56,534	$ 811,566	$ 57,406	$ 4,181	$ (459)	$ -	$ 9,232,160
Restricted deposits and funded reserves, current portion	-	-	-	58,232	50,937	92,009	-	-	10,382	-	211,560
Accounts receivable, net of allowance	11,069	2,737,160	743	2,202	-	3,888,356	-	-	-	(357,484)	6,282,046
Promises to give	904,167	-	-	-	-	-	-	-	-	-	904,167
Grants receivable	3,440,000	72,499	-	-	2,276	-	-	-	-	-	3,514,775
Due from affiliates, net of allowance	11,315,966	5,653,880	431,247	3,348,217	-	4,873,778	257,555	-	-	(22,020,812)	3,859,831
Prepaid expenses and deposits	-	56,219	151,223	-	-	90,762	-	-	1,030	-	299,234
Notes receivable from affiliates, current portion	467,839	3,626	-	134,493	-	7,676	-	-	-	(540,008)	73,626
Property inventory	-	-	-	-	-	3,301,048	-	-	-	-	3,301,048
TOTAL CURRENT ASSETS	20,990,580	9,504,813	754,059	5,842,262	109,747	13,065,195	314,961	4,181	10,953	(22,918,304)	27,678,447
NON-CURRENT ASSETS											
Restricted deposits and funded reserves	285,446	-	-	-	499,371	1,092,417	-	-	394,195	-	2,271,429
Property and equipment, net	-	532,866	12,976	896,784	1,069,293	33,410,994	1,524,245	-	4,857,376	(1,288,796)	41,015,738
Notes receivable from affiliates, net of current portion	17,662,455	3,732	-	1,497,408	-	2,987,363	-	-	-	(11,942,744)	10,208,214
Deferred tax asset	-	-	-	-	-	-	14,000	-	-	-	14,000
Investment in affiliates, equity basis	(1,417,153)	-	(6,575)	-	-	393,285	(32)	100	-	(15,463)	(1,045,838)
TOTAL NON-CURRENT ASSETS	16,530,748	536,598	6,401	2,394,192	1,568,664	37,884,059	1,538,213	100	5,251,571	(13,247,003)	52,463,543
TOTAL ASSETS	$ 37,521,328	$ 10,041,411	$ 760,460	$ 8,236,454	$ 1,678,411	$ 50,949,254	$ 1,853,174	$ 4,281	$ 5,262,524	$ (36,165,307)	$ 80,141,990

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES
COMBINING STATEMENT OF FINANCIAL POSITION (Continued)
June 30, 2020

LIABILITIES AND NET ASSETS	FSL and Subsidiaries	FSL Programs/ Home Improvements/ Pathways	FSL Management	FSL Rural Development and Subsidiary	HUD Developments	FSL Real Estate Services	FSL Gibson Gardens	FSL Roeser Village	FSL White Mountain Inc. and Subsidiary	Combined Eliminations	Totals
CURRENT LIABILITIES											
Accounts payable	$ 283,559	$ 815,941	$ 10,789	$ 13,484	$ 39,329	$ 48,200	$ -	$ -	$ -	$ -	$ 1,211,302
Due to affiliates	8,156,677	1,137,449	2,241,607	5,539	14,118	10,334,924	-	5,680	909,751	(21,769,388)	1,036,357
Due to City of Phoenix	-	-	-	-	-	2,887,163	-	-	-	-	2,887,163
Accrued payroll and related expenses	110,520	1,002,714	354,593	42,018	2,758	123,751	7,675	700	1,699	-	1,646,428
Interest payable	221,934	-	-	4,907	3,036	219,957	10,772	-	209,001	(251,425)	418,182
Contract advances	-	124,030	-	-	-	-	-	-	-	-	124,030
Contract liabilities	-	-	-	-	-	250,568	-	-	-	-	250,568
Deferred conditional contribution (PPP)	1,272,286	-	-	-	-	-	-	-	-	-	1,272,286
Other liabilities	-	-	-	-	22,699	192,068	-	-	364,831	(357,484)	222,114
Lines of credit	-	405,000	-	-	-	530,840	-	-	-	-	935,840
Long-term debt, current portion	672,612	-	-	-	27,414	1,621,974	-	-	3,648	-	2,325,648
Notes payable to affiliates, current portion	-	7,676	-	151,667	-	234,630	145,964	-	-	(539,937)	-
CURRENT LIABILITIES	10,717,588	3,492,810	2,606,989	217,615	109,354	16,444,075	164,411	6,380	1,488,930	(22,918,234)	12,329,918
NON-CURRENT LIABILITIES											
Tenant security deposits	-	-	-	28,937	11,497	43,109	-	-	8,350	-	91,893
Long-term debt, net of current portion and debt issuance costs	13,612,086	2,577	16,378	(4,000)	1,004,770	25,404,575	(73,980)	-	877,785	-	40,840,191
Notes payable to affiliates, net of current portion	250,000	199,617	-	5,196,531	-	3,565,971	2,285,194	-	445,500	(11,942,813)	-
TOTAL NON-CURRENT LIABILITIES	13,862,086	202,194	16,378	5,221,468	1,016,267	29,013,655	2,211,214	-	1,331,635	(11,942,813)	40,932,084
TOTAL LIABILITIES	24,579,674	3,695,004	2,623,367	5,439,083	1,125,621	45,457,730	2,375,625	6,380	2,820,565	(34,861,047)	53,262,002
NET ASSETS											
Without donor restrictions	979,441	5,769,968	(1,862,907)	2,797,371	552,790	5,454,024	(522,451)	(2,099)	(2,356,381)	(1,304,260)	9,505,496
With donor restrictions	11,962,213	576,439	-	-	-	37,500	-	-	4,798,340	-	17,374,492
TOTAL NET ASSETS	12,941,654	6,346,407	(1,862,907)	2,797,371	552,790	5,491,524	(522,451)	(2,099)	2,441,959	(1,304,260)	26,879,988
TOTAL LIABILITIES AND NET ASSETS	$ 37,521,328	$ 10,041,411	$ 760,460	$ 8,236,454	$ 1,678,411	$ 50,949,254	$ 1,853,174	$ 4,281	$ 5,262,524	$ (36,165,307)	$ 80,141,990

FOUNDATION FOR SENIOR LIVING AND AFFILIATED ENTITIES
COMBINING STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

	FSL and Subsidiaries	FSL Programs/ Home Improvements/ Pathways	FSL Management	FSL Rural Development and Subsidiary	HUD Developments	FSL Real Estate Services	FSL Gibson Gardens	FSL Roeser Village	FSL White Mountain Inc. and Subsidiary	Combined Eliminations	Totals
SUPPORT AND REVENUES											
Government contracts	$ -	$ 20,797,298	$ -	$ 1,024,123	$ 343,754	$ 733,355	$ -	$ -	$ -	$ -	$ 22,898,530
Client fees	59,056	3,003,220	20,400	375,857	145,330	2,915,744	-	-	200,120	(996,334)	5,723,393
Program income	-	746,946	-	-	-	-	347,984	-	-	(91,180)	1,003,750
Management fees	-	-	2,775,911	-	-	99,515	-	-	-	(2,691,271)	184,155
Grants	2,553,151	1,112,853	-	26,416	28,260	70,000	-	-	-	-	3,790,680
Payroll protection program government grant	32,118	2,017,196	-	-	-	127,000	-	-	-	-	2,176,314
Contributions											
Charity and Development Appeal	830,000	533,999	-	-	-	-	-	-	-	(533,999)	830,000
Foundations	276,281	28,786	-	-	-	-	-	-	-	-	305,067
Corporations and individuals	299,906	659,898	500,000	1,019	-	2,003,929	-	-	465	(2,908,531)	556,686
In-kind donations	-	484,200	-	-	-	322,739	-	-	-	-	806,939
	4,050,512	29,384,396	3,296,311	1,427,415	517,344	6,272,282	347,984	-	200,585	(7,221,315)	38,275,514
Other revenue											
Interest income	777,193	6,688	-	76,314	860	52,776	-	-	1,025	(630,263)	284,593
Other	39,681	262	-	1,004	1,585	14,907	-	-	1,295	-	58,734
	816,874	6,950	-	77,318	2,445	67,683	-	-	2,320	(630,263)	343,327
TOTAL SUPPORT AND REVENUES	4,867,386	29,391,346	3,296,311	1,504,733	519,789	6,339,965	347,984	-	202,905	(7,851,578)	38,618,841
EXPENSES											
Program expenses	-	24,594,494	-	792,135	481,808	2,648,668	326,448	-	406,022	(1,282,961)	27,966,614
Supporting Services											
Management and general	1,406,302	2,367,533	3,508,220	376,596	42,274	1,386,958	7,108	551	26,976	(3,186,229)	5,936,289
Fundraising	258,678	-	-	-	-	-	-	-	-	-	258,678
TOTAL EXPENSES	1,664,980	26,962,027	3,508,220	1,168,731	524,082	4,035,626	333,556	551	432,998	(4,469,190)	34,161,581
OTHER INCOME (EXPENSE)											
Gain (loss) on sale of property and equipment	-	-	-	56,950	(2,111)	(93,075)	-	-	-	7,095	(31,141)
Gain (loss) on LLC investments	491	-	15,463	-	-	481,638	-	-	-	(15,463)	482,129
Transfers to affiliates	(2,692,530)	(750,000)	-	-	-	-	-	-	-	3,442,530	-
Income tax benefit (expense)	-	-	-	-	-	-	(2,200)	1,508	-	-	(692)
TOTAL OTHER INCOME (EXPENSE)	(2,692,039)	(750,000)	15,463	56,950	(2,111)	388,563	(2,200)	1,508	-	3,434,162	450,296
CHANGE IN NET ASSETS	510,367	1,679,319	(196,446)	392,952	(6,404)	2,692,902	12,228	957	(230,093)	51,774	4,907,556
NET ASSETS, BEGINNING OF YEAR	12,431,287	4,667,088	(1,666,461)	2,404,419	559,194	2,798,622	(534,679)	(3,056)	2,672,052	(1,356,034)	21,972,432
NET ASSETS, END OF YEAR	$ 12,941,654	$ 6,346,407	$ (1,862,907)	$ 2,797,371	$ 552,790	$ 5,491,524	$ (522,451)	$ (2,099)	$ 2,441,959	$ (1,304,260)	$ 26,879,988