A Community Of Friends

NeighborWorks®
CHARTERED MEMBER

November 30, 2021

Dear Funder or Lender:

Included in this package are the audited *consolidated* financial statements of A Community of Friends and Subsidiaries for the year ended June 30, 2021. There is a total of 14 wholly owned limited partnerships included in the consolidation.

For the financial statements of A Community of Friends (ACOF), please refer to the column titled “A Community of Friends” on pages 37 and 39.

The operational result for ACOF as the parent company is reflected on the line “Change in net assets before loss from investment in partnerships” on page 39.

The impact of the consolidation of wholly-owned partnerships on ACOF’s net assets is reflected in the Consolidating Statement of Activities on the line “Loss from investment in partnerships.” The loss from investment in partnerships is primarily derived from non-cash items such as interest accruals and depreciation, most of which is eliminated in consolidation. For the year ending June 30, 2021, the loss from investment in partnerships is $2,702,022. Since consolidation began in 2012, ACOF’s net assets have been reduced in the aggregate amount of $10,251,287 through June 30, 2021.

Please send any questions regarding the enclosed financial statements to me at rdement@acof.org.

Best regards,

Renae S. DeMent
Chief Financial Officer

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A Community of Friends

A Community of Friends and Subsidiary
Consolidated Financial Statements
and Supplementary Information
As of and for the Year Ended June 30, 2021
with Independent Auditor's Report

An independently owned member
RSM US Alliance
RSM

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

A Community of Friends and Subsidiary
Consolidated Financial Statements
and Supplementary Information
As of and for the Year Ended June 30, 2021
with Independent Auditor's Report

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

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Manila

Independent Auditor's Report

Board of Directors
A Community of Friends

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of A Community of Friends and Subsidiary (collectively the "Company"), which comprise the consolidated statement of financial position as of June 30, 2021, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of A Community of Friends and Subsidiary as of June 30, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of A Community of Friends and Subsidiary as a whole. The accompanying supplementary information on pages 37 through 42 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2021 on our consideration of A Community of Friends and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of A Community of Friends and Subsidiary's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering A Community of Friends and Subsidiary's internal control over financial reporting and compliance.

Vasquez & Company LLP

Glendale, California
November 24, 2021

ASSETS		
Current assets		
Cash and cash equivalents	$	6,885,720
Certificates of deposit and other short-term investments		444,587
Rental properties reserves		6,754,044
Project receivables - current portion		3,285,603
Partnership receivables - current portion		593,058
Developer fees receivable - current portion, net		972,600
Contracts receivable		637,762
Other receivables		543,655
Prepaid expenses and deposits		207,771
Total current assets		20,324,800
Long-term project receivables		2,190,154
Long-term partnership receivables		2,475,099
Long-term developer fees receivables, net		3,705,069
Notes, advances, and interest receivable, net		2,500,053
Investment in limited partnerships		4,167,853
Real estate in development		373,815
Property and equipment, net		22,607,724
Other long-term assets		13,445
Total assets	$	58,358,012
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$	2,224,053
Current portion of notes and interest payable		3,030,432
Other liabilities		65,989
Total current liabilities		5,320,474
Deficiency in partnership investments		435,684
Notes and interest payable, net of current portion		46,623,955
Total liabilities		52,380,113
Net assets		
Without donor restrictions		5,906,948
With donor restrictions		70,951
Total net assets		5,977,899
Total liabilities and net assets	$	58,358,012

See notes to consolidated financial statements.

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Government grants and contracts	$ 3,372,355	$ -	$ 3,372,355
Foundation grants	1,102,722	14,000	1,116,722
Developer fees	2,448,691	-	2,448,691
Partnership and property management fees	923,501	-	923,501
Rental income	6,399,156	-	6,399,156
Administrative fees	61,913	-	61,913
Interest income from loans	98,216	-	98,216
Other interest income	51,870	-	51,870
General donations	257,992	-	257,992
In-kind donations	212,040	-	212,040
Miscellaneous	1,251,362	-	1,251,362
Net assets released from restriction	109,483	(109,483)	-
Total revenue and support	16,289,301	(95,483)	16,193,818
Functional expenses			
Program services	15,687,409	-	15,687,409
Fund development	292,872	-	292,872
General and administration	1,816,938	-	1,816,938
Total functional expenses	17,797,219	-	17,797,219
Change in net assets before income from investment in partnerships	(1,507,918)	(95,483)	(1,603,401)
Income from investment in partnerships	287,833	-	287,833
Change in net assets	(1,220,085)	(95,483)	(1,315,568)
Net assets, beginning of year	7,127,033	166,434	7,293,467
Net assets, end of year	$ 5,906,948	$ 70,951	$ 5,977,899

See notes to consolidated financial statements.

	Program Services							
	Supportive Services	Real Estate Activities	Property Management	Rental	Total	Fund Development	General and Administration	Total
Personnel expenses								
Salaries	$ 1,960,196	$ 1,036,879	$ 390,314	$ 23,986	$ 3,411,375	$ 178,962	$ 1,095,277	$ 4,685,614
Payroll taxes	131,805	82,622	30,637	2,158	247,222	14,871	78,648	340,741
Employee benefits	363,086	103,862	95,178	4,163	566,289	12,468	121,361	700,118
Total personnel expenses	2,455,087	1,223,363	516,129	30,307	4,224,886	206,301	1,295,286	5,726,473
Other expenses								
Auditing and accounting	27,173	8,445	8,862	10,000	54,480	2,244	8,912	65,636
Auto expense	13,595	685	-	-	14,280	34	1,970	16,284
Bad debts	-	563,442	-	500	563,942	-	-	563,942
Consulting	-	44,050	-	-	44,050	-	29,600	73,650
Contractual-supportive services	788,612	-	-	67	788,679	-	-	788,679
Donated supplies	212,040	-	-	-	212,040	-	-	212,040
Dues, fees and subscriptions	1,328	1,177	2,047	2,603	7,155	8,874	46,436	62,465
Employee engagement	311	391	50	-	752	1,042	14,176	15,970
Equipment leases	6,457	6,182	1,583	-	14,222	473	3,868	18,563
Fundraising	-	-	-	-	0	36,135	-	36,135
Interest	-	323,598	-	121,396	444,994	-	-	444,994
Legal fees	-	-	-	2,160	2,160	-	54,662	56,822
Liability insurance	4,671	1,457	1,501	31,260	38,889	390	38,398	77,677
Marketing	-	-	-	-	-	4,940	-	4,940
Meals	1,479	398	-	-	1,877	13	679	2,569
Miscellaneous	145	58	71	93	367	-	490	857
Office expenses	102,726	16,200	12,922	11,410	143,258	5,326	89,232	237,816
Postage and printing	409	5,324	888	-	6,621	1,079	3,717	11,417
Property maintenance and repairs	-	-	-	143,488	143,488	-	-	143,488
Recruting	17,273	499	3,006	-	20,778	9,677	68,879	99,334
Rent and parking	13,543	83,234	57,831	-	154,608	8,452	92,436	255,496
Resident programs	322,568	-	-	-	322,568	-	846	323,414
Security	-	-	-	37,800	37,800	-	-	37,800
Seminars and training	-	7,294	1,112	-	8,406	448	9,106	17,960
Taxes and licenses	117	1,291	470	9,568	11,446	235	1,174	12,855
Telephone	28,178	20,501	7,160	9,061	64,900	2,370	17,276	84,546
Temporary staff	-	-	-	24,694	24,694	-	-	24,694
Utilities	-	-	-	54,640	54,640	-	-	54,640
Worker's compensation insurance	22,016	11,387	13,780	1,779	48,962	2,026	11,669	62,657
Total expenses before depreciation	4,017,728	2,318,976	627,412	490,826	7,454,942	290,059	1,788,812	9,533,813
Depreciation and amortization	2,813	22,501	19,688	147,816	192,818	2,813	28,126	223,757
Total - A Community of Friends	4,020,541	2,341,477	647,100	638,642	7,647,760	292,872	1,816,938	9,757,570
Expenses - Subsidiaries								
Rental operations	-	-	-	8,039,649	8,039,649	-	-	8,039,649
Total functional expenses	$ 4,020,541	$ 2,341,477	$ 647,100	$ 8,678,291	$ 15,687,409	$ 292,872	$ 1,816,938	$ 17,797,219

See notes to consolidated financial statements.

Cash flows from operating activities		
Change in net assets	$	(1,315,568)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		2,236,090
Income from investment in partnerships		(287,833)
Bad debts		563,942
Forgiven loans		(1,248,427)
Decrease (increase) in:		
Receivables		292,160
Prepaid expenses and deposits		(55,324)
Other assets		729
Increase (decrease) in:		
Accounts payable and accrued expenses		(155,663)
Accrued interest		435,066
Other liabilities		6,923
Net cash provided by operating activities		472,095
Cash flows from investing activities		
Purchase of property and equipment		(178,099)
Investment in limited partnerships		80,984
Net decrease of notes receivable		23,344
Real estate in development		(140,448)
Withdrawal of certificates of deposit		357,471
Net cash provided by investing activities		143,252
Cash flows from financing activities		
Proceeds from notes payable		1,893,000
Payments of notes payable		(383,921)
Net cash provided by financing activities		1,509,079
Change in cash and cash equivalents		2,124,426
Cash, cash equivalents and restricted cash, beginning of year		11,515,338
Cash and cash equivalents, end of year	$	13,639,764
Supplemental disclosure of cash flow information		
Interest paid	$	343,222

See notes to consolidated financial statements.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated statement of financial position that sum to the total of the same such amounts shown in the consolidated statement of cash flows.

Cash and cash equivalents	$	6,885,720
Restricted cash included in rental property reserves		6,754,044
Total cash, cash equivalent and restricted cash shown in the statement of cash flows	$	13,639,764

See notes to consolidated financial statements.

NOTE 1 ORGANIZATION

A Community of Friends (ACOF) was organized in 1988 pursuant to the General Nonprofit Corporation laws of the State of California.

ACOF is an affordable housing developer that specializes in developing permanent supportive housing for formerly homeless individuals and families living with mental illness. After development, ACOF operates the housing and ensures the provision of supportive services to tenants. ACOF provides supportive services in approximately half of the buildings in its portfolio, and partners with community-based social service agencies to provide services in its remaining buildings.

ACOF functions as a general partner in most of the limited partnerships that own the buildings developed as affordable housing. As discussed further in Note 2, ACOF also directly owns and manages four affordable apartment buildings.

ACOF's income is derived from developer fees, rents, and partnership and property management fees from its affordable housing projects, grants and donations received from foundations and corporations, and contracts awarded by various federal and local government agencies.

In August 2011, ACOF formed its wholly owned subsidiary, Supportive Housing LLC, to be the initial limited partner for acquisitions and for partnerships where the investor limited partner exits at the end of the 15-year tax credit compliance period. In recent years, Supportive Housing LLC started functioning as the general partner in new limited partnerships that own properties to be developed as affordable housing.

Supportive Housing LLC acquired the limited partner interests (99% to 99.99%) in various limited partnerships. As of June 30, 2021, it has controlling interest in the following limited partnerships:

Parker Hotel, L.P.
Las Palomas Hotel, L.P.
Gower Street Apartments L.P.
39 West Apartments, L.P.
836 Fedora, L.P.
Figueroa Court Apartments, L.P.
Sonya Gardens, L.P.
Brandon Apartments, L.P.
California Hotel 1140, L.P.
Fox Normandie Apartments, L.P.
Maryland Apartments, L.P.,
V. Nueva, L.P.
Amistad Apartments, L.P.
Calvert Street Apartments, L.P.

Except for Figueroa Court Apartments, L.P., ACOF holds the remaining percentage of interest (0.01% to 1%) in the partnerships.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation
The accompanying consolidated financial statements include the accounts of ACOF and investments in limited partnerships or limited liability companies in which ACOF has a controlling interest (collectively, the "Company"). All significant intercompany transactions have been eliminated in consolidation.

The following entities are included in the consolidated financial statements of ACOF:

A Community of Friends
Supportive Housing LLC, which controls the following:
- Parker Hotel, L.P. (2011)
- Las Palomas Hotel, L.P. (2011)
- Gower Street Apartments, L.P. (2012)
- 39 West Apartments, L.P. (2013)
- 836 Fedora, L.P. (2017)
- Figueroa Court Apartments, L.P. (2017)
- Sonya Gardens, L.P. (2017)
- California Hotel 1140, L.P. (2017)
- Brandon Apartments, L.P. (2017)
- Fox Normandie Apartments, L.P. (2017)
- Maryland Apartments, L.P. (2017)
- V. Nueva, L.P. (2017)
- Amistad Apartments, L.P. (2019)
- Calvert Street Apartments, L.P. (2019)

There are additional 32 limited partnerships in which the Company has an interest which are not controlled by the Company and do not require inclusion in the consolidated financial statements in the current year. (See Note 10).

The financial statements of ACOF alone is presented at pages 37 and 39 under the column title "A Community of Friends". The impact of the consolidation of the entities wherein ACOF has controlling interest is reflected on the Consolidating Statement of Activities on the line "Loss from investment in partnerships." The loss includes non-cash items such as interest accruals and depreciation, the majority of which are eliminated in the consolidation. The operational result for ACOF is reflected on the line "Change in net assets before loss from investment in partnerships".

Basis of Presentation
The Company's consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) which require the Company to report information regarding its financial position and activities according to the following net asset classifications:

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Company. These net assets may be used at the discretion of the Company's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Company or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of June 30, 2021, the Company's net assets with donor restrictions amounted to $70,951.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities. Donor restricted contributions whose restrictions are met within the same reporting period as received are reported as contributions without donor restrictions in the accompanying consolidated financial statements.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

The Company places its cash and cash equivalents with major, national financial institutions. The balances at the institutions are insured by the Federal Deposit Insurance Corporation up to $250,000 at each bank. At times, cash balances are in excess of the insured limit. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Developer Fee Income Recognition/Receivable

The Company receives developer fees in connection with overseeing construction projects from initial identification through purchase, construction and occupancy. Although development efforts begin prior to the purchase of property, the related developer fees are generally not determined until after limited partnerships are formed and project financing has been arranged.

In the aggregate, approximately 60% of the development effort is expended prior to obtaining project construction financing, and the remaining construction takes an average of 16 months thereafter. As a result, management established its income recognition policy for developer fees to recognize a total of 60% of the income upon closing of construction financing, and to recognize the remaining income ratably over the succeeding 16 months. Management establishes a reserve on developer fees receivables based on the limited partnerships' ability to generate sufficient future cash flows for payment.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contracts and Contracts Receivable
The Company enters into contracts with various governmental agencies to fund supportive services. The contracts are generally for a period of one year and are renewed annually.

Contracts receivable represent monies due from governmental agencies. Because of administrative delays, the Company can incur costs under a contract already awarded but awaiting contract execution by the governmental agencies. These costs accounted for as receivable represent an increased credit risk. The Company has historically not suffered any loss as a result of the delay in the government agencies signing the contracts.

Property and Equipment
Property and equipment are stated at cost, less accumulated depreciation and amortization. The Company capitalizes all purchases of property and equipment with a cost of $5,000 or more, if funded by Continuum of Care program funds, and $1,000 or more, if funded by all other funds. The provision for depreciation and amortization is computed using the straight-line method over the estimated useful lives as follows:

Buildings and improvements	27.5 to 40 years
Furniture and equipment	5 to 7 years

Real Estate in Development
The Company capitalizes all costs associated with the acquisition, development, and construction of real estate for eventual transfer to a limited partnership.

Investment in Limited Partnerships
The Company is the general partner in various limited partnerships. These investments are accounted for using the equity method and the Company will only recognize additional losses on these limited partnerships to the extent that the Company is liable for the obligations of the limited partnerships or is otherwise committed to provide them additional financial support.

Contributions and Pledges
Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. 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 consolidated statement of activities as net assets released from restriction.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Pledges (Continued)
Unconditional promises to give that are expected to be collected within one year are reported at net realizable value. Unconditional promises that are expected to be collected in more than one year are reported at the present value of the estimated future cashflows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in the contribution revenue. Conditional promises to give, that is, those with measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. At June 30, 2021, ACOF did not receive any contributions wherein the conditions are not yet met.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Partnership and Property Management Fees
The Company receives partnership and management fees for certain management services provided to the limited partnerships. Fees are recognized as earned in accordance with the terms of the related partnership agreements.

Interest Capitalized
The Company follows the policy of capitalizing interest during predevelopment as a component of the cost of property constructed or as a project receivable from a related limited partnership. For the year ended June 30, 2021, there was no interest capitalized in real estate in development.

Functional Allocation of Expenses
The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and administrative services benefited. Expenses are allocated using the time and effort method (i.e. employee salaries, payroll taxes and benefits, consulting), number of employees by function (leases, depreciation and amortization, office expenses, taxes and licenses, postage and printing), and specific identification of use (all other expenses). Such allocations are determined by management on an equitable basis.

Income Taxes
ACOF and its wholly-owned subsidiary, Supportive Housing LLC, are exempt from income taxes under Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, a provision for federal or state income taxes is not recorded in the accompanying consolidated financial statements. ACOF is classified as an organization that is not a private foundation under Sections 509(a)(i) and 170(b)(a)(vi) of the Internal Revenue Code.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)
Generally accepted accounting principles prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended June 30, 2021 the Company had no unrecognized tax benefits or tax penalties or interest.

ACOF and Supportive Housing LLC's federal and state income tax returns for 2017 and subsequent years are subject to examination by the regulatory agencies. Tax returns are subject to examination generally for three years and four years after they were filed for federal and state, respectively.

Use of Estimates
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Rental Properties
ACOF wholly owns and manages four rental properties known as Selby Hotel (29 units), Orbison House (9 units), Step Out Apartments (11 units), and Central Court Apartments (7 units).

In-kind Donations
The value of significant contributed goods is reflected as contributions in the accompanying consolidated financial statements if an objective basis is available to measure the fair value of such goods at the date of donation.

New Accounting Pronouncements Effective in the Coming Years
In February 2016, Financial Accounting Standards Board (FASB) issued *Accounting Standard Update* (ASU) 2016-02, *Leases*. This accounting standard requires organizations that lease assets, to recognize a right-of-use asset and a liability, initially measured at the present value of the lease payments, in its balance sheet. Lessor accounting is largely unchanged from that applied under current GAAP. This accounting standard will also require additional disclosure about the amount, timing, and uncertainty of cash flows arising from leases. This accounting standard is for fiscal years beginning after December 15, 2021. ASU 2016-02 is effective for ACOF beginning July 1, 2022. ACOF has not yet adopted this ASU and is currently assessing the impact of this new accounting standard on its financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements Effective in the Coming Years (Continued)
In September 2020, FASB issued ASU 2020-07, Not-For-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU addresses presentation and disclosure requirements for not-for-profit entities for contributed nonfinancial assets. The ASU is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. ASU 2020-07 is effective for ACOF beginning July 1, 2022. ACOF has not yet adopted this ASU and does not expect a significant impact on its financial statements upon adoption in subsequent years.

NOTE 3 CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Company to increased credit risk are receivables from the limited partnerships in which the Company is a general partner.

The receivables from the limited partnerships include project receivables, developer fees receivables, notes and interest receivables, and partnership receivables. The credit risk of these receivables from the limited partnerships is affected by the cash flows of the limited partnerships (See Note 10 for financial information regarding the limited partnerships).

At June 30, 2021, the Company has developer fees receivable from various limited partnerships amounting to $6,473,820. The partnership agreements allow for the deferred payment of these developer fees over 10 to 12-year periods. The Company estimates that for certain of the limited partnerships, overall project cash flows will increase after the limited partnerships' permanent loans are paid off, after which deferred developer fee payments will increase. At June 30, 2021, the Company has recognized a reserve on the developer fees receivable from these various limited partnerships amounting to $1,796,151. (See Note 9).

Notes receivable are from related partnerships. The Company receives funds to loan to the partnerships either by borrowing the funds (mirror loans) or by receiving a government grant. The notes receivable where funds were received by grants represent the greater credit risk. The total of such notes receivable is $3,810,000 with interest accrual of $954,493 at June 30, 2021. (See Note 13).

Management believes the notes will be paid upon the ultimate disposition of the property in the limited partnership. The Company reviews notes receivable for impairment whenever events or changes in circumstances indicate that the carrying value of the notes may not be recoverable. During the year ended June 30, 2021, no such events occurred, and accordingly, no impairment loss was recognized for the year then ended.

NOTE 4 AVAILABILITY OF FINANCIAL ASSETS AND LIQUIDITY

The following represents the Company's financial assets at June 30, 2021:

	ACOF	Subsidiary	Consolidated
Financial assets at year end:			
Cash and cash equivalents	$ 6,107,070	$ 778,650	$ 6,885,720
Certificates of deposit and other short-term investments	444,587	-	444,587
Rental properties reserves	640,437	6,113,607	6,754,044
Project receivables - current portion	3,285,603	-	3,285,603
Partnership receivables - current portion	593,058	-	593,058
Developer fees receivable - current portion, net	972,600	-	972,600
Contracts receivable	637,762	-	637,762
Other receivables	31,738	511,917	543,655
Total financial assets	12,712,855	7,404,174	20,117,029
Less amounts not available to be used within one year:			
Rental properties reserves	640,437	6,113,607	6,754,044
Net assets with donor restriction	70,951	-	70,951
Less net assets with time/purpose restrictions to be met in less than a year	(70,951)	-	(70,951)
	640,437	6,113,607	6,754,044
Financial assets available to meet general expenditures over the next 12 months	$ 12,072,418	$ 1,290,567	$ 13,362,985

The Company's policy is to maintain financial assets to meet 90 days of operating expenses (on a consolidated basis, $3,900,000). In addition to financial assets available to meet general expenditures over the next 12 months, the Company operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures and commitments not covered by donor-restricted resources.

NOTE 5 CASH AND CASH EQUIVALENTS

At June 30, 2021, cash and cash equivalents are for uses as follows:

A Community and Friends and Subsidiary	$	5,457,852
Rental Properties' Operations		1,427,868
	Total $	6,885,720

NOTE 6 RENTAL PROPERTIES AND SUBSIDIARY RESERVES

At June 30, 2021, rental properties and subsidiary reserves total $6,754,044 and consisted of the following:

Property	Replacement Reserve	Operating Reserve	Other Reserves
Rental Properties:			
Central Court Apartments	$ 67,281	$ 47,451	$ 2,564
Selby Hotel	140,668	67,310	11,553
Step Out Apartments	120,193	143,447	-
Orbison House	14,861	21,049	4,060
Subsidiary:			
39 West Apartments, L.P.	277,241	392,140	11,937
836 Fedora, L.P.	72,108	308,899	4,293
Amistad Apartments, L.P.	142,846	156,553	26,099
Brandon Apartments, L.P.	97,405	128,838	14,394
California Hotel 1140, L.P.	228,164	554,176	7,510
Calvert Street Apartments, L.P.	41,290	21,943	11,961
Figueroa Court Apartments, L.P.	271,003	226,455	13,030
Fox Normandie Apartments, L.P.	132,806	265,530	11,987
Gower Street Apartments, L.P.	212,041	404,002	12,776
Las Palomas Hotel, L.P.	85,451	174,168	9,394
Maryland Apartments, L.P.	62,276	85,054	5,584
Parker Hotel, L.P.	216,356	169,830	12,553
Sonya Gardens, L.P.	242,423	165,680	17,313
V. Nueva, L.P.	170,025	636,035	14,038
	$ 2,594,438	$ 3,968,560	$ 191,046

Rental properties and subsidiary reserves are funds held for use by the properties for operations and replacements. The reserves are required by regulatory agreements.

NOTE 7 PARTNERSHIP RECEIVABLES

At June 30, 2021, partnership receivables consisted of the following:

Accrued partnership management fees	$	2,942,625
Accrued administrative fees		125,532
Total		3,068,157
Less current portion		593,058
Long-term	$	2,475,099

NOTE 8 PROJECT RECEIVABLES

At June 30, 2021, project receivables consisted of the following:

In operation:		
Berendos, L.P.	$	89,484
Gateways Housing, L.P.		30,701
Santos Plaza, L.P.		360,053
Miramonte PSH, L.P.		1,612
Sun Valley Housing, L.P.		2,025
In predevelopment and construction:		
6604 West PSH, L.P.		97,197
Huntington Square, L.P.		1,404,023
Lorena Plaza L.P		1,018,466
Redlands Supportive Housing, L.P.		395,375
Riverside Supportive Housing, L.P.		1,023,497
Ventura Veterans, L.P.		1,053,324
Total		5,475,757
Less current portion		3,285,603
Long-term	$	2,190,154

NOTE 9 DEVELOPER FEES RECEIVABLE

At June 30, 2021, developer fees receivable, which included deferred developer fees, consisted of the following:

In operation in 2021:		
3101 West Venice, L.P	$	410,796
Avalon Apartments, L.P.		1,212,749
Berendos, L.P.		557,849
Beverly PSH, L.P.		250,840
Cedar Springs, L.P.		545,286
Fullerton Supportive Housing, L.P.		-
Osborne Place, L.P.		465,666
Vendome Palms, L.P.		467,500
Vista Del Rio Housing Partners, L.P.		46,090
Woodland Terrace, L.P.		725,244
Miramonte PSH, L.P.		1,104,969
Sun Valley Housing, L.P.		124,331
In construction in 2021:		
6604 West PSH, L.P.		562,500
Total		6,473,820
Less allowance for uncollectible receivables		1,796,151
Less current portion		972,600
Long-term	$	3,705,069

NOTE 10 INVESTMENT IN LIMITED PARTNERSHIPS

The partnerships construct, own and operate affordable apartment buildings in Southern California. The Company identifies the properties for development, arranges for investor partners and other financing, supervises construction, and oversees the resulting rental activity. The Company usually serves as a general partner with a minor ownership interest and receives developer fees and other fees as provided for in each of the partnership/investor agreements. Some of the properties are encumbered by mortgages, which are usually non-recourse to the partnerships and their partners.

NOTE 10 INVESTMENT IN LIMITED PARTNERSHIPS (CONTINUED)

At June 30, 2021, investment in limited partnerships consisted of the following:

In construction/predevelopment:		
6604 West PSH, L.P.	$	83,400
Huntington Square, L.P.		(4,800)
Lorena Plaza, L.P.		(1,600)
Redlands Supportive Housing, L.P.		(2,424)
Riverside Supportive Housing, L.P.		(4,800)
Ventura Veterans, L.P.		(1,600)
In operation:		
3101 West Venice, L.P.		39,801
AMCAL Avenida Fund, L.P.		(138)
Avalon Apartments, L.P.		(412)
Berendos, L.P.		1,699
Beverly PSH, L.P.		(391,057)
Camino de las Flores, L.P.		(267)
Cedar Springs, L.P.		(167)
Fullerton Supportive Housing, L.P.		152,668
Figueroa Court Partners		(23,704)
Gateways Housing, L.P.		69,553
La Primavera Apartments, L.P.		(172)
Miramonte PSH L.P.		(1,500)
ND Sepulveda I, L.P.		146
ND Sepulveda II, L.P.		212
Osborne Place, L.P.		232,482
Rayen Apartments, L.P.		91,776
Santos Plaza, L.P.		130,325
Step Up On Fifth, L.P.		12,346
Sun Valley Housing, L.P.		(1,717)
The Villas at Gower, L.P.		23,481
Vendome Palms, L.P.		257,249
Vista Del Rio Housing Partners, L.P. *		3,071,937
West Villas, L.P.		(184)
Willis Avenue Apartments, L.P.		(396)
Willowbrook Place, L.P.		778
Woodland Terrace, L.P.		(746)
Total	$	3,732,169

** Due to land donation in 2015.*

At June 30, 2021, the above is summarized in the financial statements as follows:

Investment in limited partnerships (assets)	$	4,167,853
Deficiency in partnership investments (liability)		(435,684)
	$	3,732,169

NOTE 10 INVESTMENT IN LIMITED PARTNERSHIPS (CONTINUED)

The following is a summary of selected financial information from the financial statements of the limited partnerships for the year ended December 31, 2020:

	Total Assets	Non-Recourse Debt	Total Capital (Deficit)	Revenues	Net Income (Loss)	Company's Allocated Share of Partnership Income (Loss)
3101 West Venice, L.P.	$ 16,060,375	$ 4,748,985	$ 9,967,705	$ 703,379	$ (547,425)	$ (55)
6604 West PSH, L.P.	4,167,097	4,040,608	(1,600)	-	(1,600)	(1,600)
AMCAL Avenida Fund, L.P.	9,802,306	7,176,297	1,869,461	493,221	(282,309)	(14)
Avalon Apartments, L.P.	17,560,275	9,690,040	6,250,664	849,059	(688,962)	(69)
Berendos, L.P.	13,824,102	8,455,581	2,162,049	764,123	(419,651)	(42)
Beverly PSH, L.P.	19,797,170	12,285,576	7,023,367	815,908	(399,838)	(20)
Camino de las Flores, L.P.	6,065,763	6,982,486	(1,291,735)	291,193	(446,317)	(22)
Cedar Springs, L.P.	17,253,494	8,410,343	8,053,895	570,305	(899,172)	(46)
Figueroa Court Partners	2,315,407	281,345	(1,537,621)	359,848	(475,396)	(18)
Fullerton Supportive Housing, L.P.	17,101,295	7,569,871	9,230,680	408,666	(669,027)	(67)
Gateways Housing, L.P.	2,623,818	1,064,573	184,786	266,908	(282,257)	(21,851)
Huntington Square, L.P.	3,283,026	3,215,276	(4,800)	-	(800)	(800)
La Primavera Apartments, L.P.	3,468,098	1,534,868	1,111,520	334,577	(164,675)	(16)
Lorena Plaza, L.P.	1,420,941	987,155	(1,600)	-	(1,600)	(1,600)
Miramonte PSH, L.P.	17,026,310	6,755,522	1,246,398	-	(800)	-
ND Sepulveda I, L.P.	20,072,338	9,410,084	10,325,977	1,003,621	(636,678)	(32)
ND Sepulveda II, L.P.	18,332,288	8,354,811	9,677,181	1,137,352	(396,132)	(20)
Osborne Place, L.P.	18,420,439	10,531,296	6,783,550	994,479	(451,433)	(45)
Rayen Apartments, L.P.	8,829,280	7,204,025	1,545,158	727,112	(774,438)	(77)
Redlands Supportive Housing, L.P.	3,213,382	2,688,566	(4,800)	-	(800)	(404)
Riverside Supportive Housing, L.P.	3,806,385	3,806,385	(4,800)	-	(800)	(800)
Santos Plaza, L.P.	3,290,820	3,581,770	(1,701,639)	344,742	(481,417)	(48)
Step Up On Fifth, L.P.	12,507,382	14,176,958	(3,834,260)	484,986	(954,587)	(59)
Sun Valley Housing, L.P.	20,908,579	18,278,823	947,975	392,441	(840,391)	(45)
The Villas at Gower, L.P.	24,291,949	15,639,368	6,673,278	945,027	(754,581)	(38)
Vendome Palms, L.P.	11,147,501	10,944,986	(433,004)	371,243	(453,665)	(45)
Ventura Veterans, L.P.	7,570,084	599	1,246,398	-	(800)	(800)
Vista Del Rio Housing Partners, L.P.	10,933,663	2,836,343	6,717,471	478,087	(279,710)	(7)
West Villas, L.P.	17,774,197	5,049,674	12,616,489	922,941	(397,851)	(40)
Willis Avenue Apartments, L.P.	12,300,276	8,937,931	3,306,708	499,734	(766,635)	(77)
Willowbrook Place, L.P.	4,684,087	3,903,756	(330,745)	399,939	(360,110)	(36)
Woodland Terrace, L.P.	7,030,963	7,226,865	(2,093,102)	546,512	(668,008)	(67)
	$ 356,883,090	$ 215,770,766	$ 95,701,004	$ 15,105,403	$ (13,497,865)	$ (28,860)

NOTE 11 REAL ESTATE IN DEVELOPMENT

At June 30, 2021, real estate in development consisted of predevelopment costs amounting to $373,815.

NOTE 12 PROPERTY AND EQUIPMENT

At June 30, 2021, property and equipment consisted of the following:

Land, buildings, and improvements	$	63,854,794
Furniture and equipment		2,545,345
Total		66,400,139
Less accumulated depreciation and amortization		43,792,415
Property and equipment, net	$	22,607,724

For the year ended June 30, 2021, provision for depreciation and amortization amounted to $2,219,673.

NOTE 13 NOTES, ADVANCES, AND INTEREST RECEIVABLE

At June 30, 2021, notes, advances, and interest receivable consisted of the following:

	Interest Receivable	Principal
As discussed in Note 3, the funding for the following notes receivable originated from grant funds. All these notes are secured by deeds of trust on real property located in Los Angeles, California. The notes are:		
Notes receivable from The Villas at Gower, L.P., with interest at 0% and matures in 2065. The note was funded by the California Department of Housing and Community Development's Infill Infrastructure Grant Program.	$ -	$ 1,810,000
Notes receivable from La Primavera Apartments, L.P., interest accrues at 4.92% per annum and matures in December 2032.	375,560	400,000
Notes receivable from Willowbrook Place, L.P., interest accrues at 5.0% per annum and matures in October 2060.	294,707	400,000

NOTE 13 NOTES, ADVANCES, AND INTEREST RECEIVABLE (CONTINUED)

	Interest Receivable	Principal
Notes receivable from Woodland Terrace, L.P., interest accrues at 5.0% per annum and matures in December 2060.	$ 284,226	$ 400,000
Notes receivable from Santos Plaza, L.P., interest is at 0% and matures in 2034.	-	400,000
Notes receivable from Osborne Place, L.P., interest is at 0% and matures in 2068.	-	400,000
Notes receivable from Berendos, L.P., interest accrues at 0% per annum and matures in October 2071. Payments shall be made annually based on net cash flow the previous year and any unpaid principal shall be due in full on maturity date.	-	961,784
Notes receivable from 3101 West Venice, L.P., proceeds from Federal Home Loan Bank Affordable Housing Program received through Citibank, NA, and loaned directly to 3101 West Venice, L.P; bears 4% interest rate per annum and secured by Deed of Trust. Principal and accrued interest is payable in full on certain Repayment Events described in the Promissory Note or December 1, 2070, whichever is earlier.	89,927	470,000
Total	1,044,420	5,241,784
Less: allowance for uncollectible notes and interest receivable	1,000,560	2,785,591
Net notes, advances and interest receivable	$ 43,860	$ 2,456,193

NOTE 14 NOTES AND INTEREST PAYABLE

At June 30, 2021, notes and interest payable consisted of the following:

	Interest Payable	Principal
A Community of Friends		
Notes payable to Los Angeles Housing Department (LAHD, formerly Los Angeles Housing and Community Investment Department), principal and interest due in annual payments (as defined in the loan agreements) derived from the cash flows of the various limited partnerships. Interest accrues annually on the outstanding principal balance at 2.5% to 5.72% per annum until the loan is repaid upon final sale of the properties or refinancing of the loan. The proceeds were loaned directly to specified limited partnerships, represented by loans receivable with the same terms as the notes payable. The loans are collateralized by a deed of trust on the respective property. The notes payable mature		
Figueroa Court Apartments, L.P., due in September 2038	$ 642,757	$ 1,497,333
Las Palomas Hotel, L.P., due in June 2051	2,512,502	2,100,081
V. Nueva, L.P., due August 2040	1,354,964	1,599,182
Calvert Street Apartments., due July 2041	1,329,567	1,440,450
Note payable to Bank of America with no interest or principal payments due until maturity. Interest accrues at the rate charged by the Federal Home Loan Bank of San Francisco per annum on the unpaid portion of the outstanding principal. Should ACOF comply with requirements as stated in the loan agreement, this note becomes interest free. The loan matures in December 2052 and is collateralized by a deed of trust on the California Hotel 1140, L.P. property. Management does not anticipate having to pay interest, and therefore, has not accrued interest on this loan.	-	194,079

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
Note payable to U.S. Bank. The loan balance will be forgiven if ACOF complies with the requirements stated in the loan agreement. Otherwise, principal is payable in full in December 2021. The note is collateralized by a deed of trust on the Maryland Apartments, L.P. property.	$ -	$ 162,986
Notes payable to the California Department of Housing and Community Development (HCD). Interest accrues at a simple interest rate of 3% per annum. Interest payments are due annually unless a written request for a deferral of interest payments is submitted. The outstanding principal is to be repaid exclusively from residual receipts (as defined in the loan agreement) and is due upon maturity. The notes payable are collateralized by trust deeds on the property and are as follows:		
Orbison House property, due in March 2031	313,846	345,000
Selby property, due in July 2031	649,590	725,000
Notes payable to LAHD, principal and interest due in annual payments made exclusively from residual receipts (as defined in the loan agreement) derived from the project at the financed property, collateralized by a deed of trust. Interest accrues annually on the outstanding principal balance at 3% per annum until the final sale of the property or refinancing of the loan. Any unpaid accrued interest will be rolled over into the principal balances at the beginning of each calendar year. The notes payable matured in December 2019 and July 2021. Management anticipates that the notes will be forgiven and is currently working on the related documentation requirements.		
Orbison House property, due in December 2019	195,625	204,000
Selby property, due in July 2021	355,671	325,000

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
Notes payable to LAHD with no interest or principal payments due until maturity. Interest accrues at the rate of 8.5% to 10% per annum on the unpaid portion of the outstanding principal. Should ACOF comply with the Rent Regulatory Agreement, these notes become interest free. The loans are collateralized by a deed of trust on the Selby Hotel property. Management does not anticipate having to pay interest, and therefore, has not recorded accrued interest on these loans. The notes payable matured in February 2019 and were extended for additional five years until February 2024.		
Selby property, due in February 2024	$ -	$ 413,250
Selby property, due in February 2024	-	50,000
Note payable to HCD for affordable housing related to the Step Out Apartments. Interest accrues at 3% per annum and is payable at 0.42% of the principal on an annual basis. The note is collateralized by a deed of trust on the property and matures in 2043.	166,747	516,851
Note payable to Los Angeles County Development Authority (LACDA). Interest accrues at a simple interest rate of 3% per annum. The outstanding principal and accrued interest is to be repaid in annual installments. The loan is collateralized by the Step Out Apartments property and matures on May 15, 2031.	545,705	1,063,688
Note payable to LACDA used for acquisition of the Step Out Apartments property. Interest accrues at a simple interest rate of 3% per annum. Principal and interest are due in annual payments made exclusively from residual receipts (as defined in the loan agreement) derived from the project and are due March 2031. The note is collateralized by a deed of trust on the Step Out Apartments.	89,340	176,893

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
Notes payable to LAHD, to be used in financing the acquisition of Central Court Apartments and partially finance the rehabilitation and permanent costs. The loans are non-interest bearing and annual principal payments are made exclusively from residual receipts (as defined in the loan agreement) derived from the project at the financed property. The notes are collateralized by a deed of trust on the Central Court property. Both notes mature in February 2059.	$ -	$ 725,808
Note payable to HCD for affordable housing related to Central Court Apartments. Interest accrues at 3% per annum and is payable at 0.42% of the principal on an annual basis. The note is collateralized by a deed of trust on the property and matures on the 55th anniversary of the date of recordation (September 2062) of the Regulatory Agreement or such later date as may be approved in writing by HCD.	224,238	689,200
Note payable to Wells Fargo Bank to be used for predevelopment and land acquisition for affordable housing projects. The unsecured note accrues interest at 2% per annum; interest is payable on a quarterly basis and the principal is due at maturity. The note matures in December 2024.	-	600,000
Draws from $1 million line of credit maintained with Enterprise Community Loan Fund, Inc. wherein the proceeds were loaned directly to specified limited partnerships listed below, and shall be used for project development. The note bears simple interest rate of 7% per annum and secured by Assignment of Developer Fees executed by ACOF. The line of credit will expire on October 31, 2024. (see Note 15)		
Riverside Supportive Housing, L.P.	63,105	367,358
Huntington Square, L.P.	83,840	125,875

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
Note payable to Los Angeles Homeless Services Authority (LAHSA) wherein the proceeds were loaned directly to Osborne Place, L.P. for project development. The note bears 0% interest rate per annum, is collateralized by a deed of trust on real property of Osborne Place, L.P. and is payable to LAHSA on the earliest of (a) the date the Property ceases to operate as initially funded under SHP grant within 20 years from operating start date (March 2014), (b) the date the Property is sold or refinanced and (c) on event of default by ACOF.	$ -	$ 400,000
Note payable to Citibank, N.A., wherein proceeds were loaned directly to 3101 West Venice, L.P. The loan does not bear interest and will not amortize, except as provided in the loan agreement. Principal is payable in full on maturity date, which is the later of end of retention period or December 2070. The loan is secured by a deed of trust.	-	470,000
Equity investment structured as loan, obtained from MUFG Union Bank, N.A. Proceeds shall be used for working capital purposes stated in the Equity Investment Agreement; bearing fixed interest rate of 3% per annum, payable quarterly; unpaid principal is due on maturity date, May 1, 2024.	3,750	500,000
Unsecured program-related investment loan payable to Weingart Foundation, to be used as working capital to support the Huntington Square project. Interest accrues at 2% per annum payable quarterly; the principal balance is due in September 2023.	38,500	1,000,000

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
Working capital loan payable to Nonprofit Finance Fund to finance the general working capital needs and certain predevelopment costs of ACOF. The loan is unsecured and accrues interest at 5.5% per annum payable quarterly. The principal balance of loan is due in December 2022.	$ -	$ 2,000,000
Second draw of the Paycheck Protection Program (PPP) loan granted by Small Business Administration pursuant to the provisions of the Corona virus Aid, Relief, and Economic Security Act (the CARES Act). The PPP loan bears interest rate of 1% per annum and is forgiveable subject to compliance with certain conditions stated in the agreement.	-	968,000
Notes payable to the Corporation for Supportive Housing (CSH). Loan proceeds shall be used to finance the feasibility analysis and predevelopment costs of new supportive housing sites. Interest accrues at 3% per annum, compounding monthly. Payment of principal and interest are due on maturity date, in February 2022.	4,121	150,000
Parker Hotel, L.P.		
Note payable to the City of Los Angeles at 5% interest per annum. Principal and interest are due in annual payments made exclusively from residual receipts (as defined in the loan agreement) derived from the project. The note matures in March 2035 and is collateralized by a deed of trust.	1,985,760	1,605,167

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
Gower Street Apartments, L.P. Note payable to the City of Los Angeles at an interest rate of 5% per annum. Payment of principal and interest is sourced from 50% of the residual receipts. The note secured by a deed of trust on real property will mature in June 2037 and any unpaid interest at maturity date will be forgiven if fair market value of the collateral property is less than the principal balance of the note and all other indebtedness secured by the property. As of June 30, 2021, no interest was accrued because the current market value of the property is lower than the loan balance.	$ -	$ 1,968,068
39 West Apartments, L.P. Note payable to LAHD, bearing interest rate of 5% per annum. Principal and interest payments are due annually from residual receipts as defined in the loan agreement. The note matures in December 2036 and is collateralized by a deed of trust on the property.	997,021	1,056,484
Non-interest bearing note payable to Citibank, collateralized by a deed of trust on the property. All payments are deferred until due date in March 2020. Management anticipates that the note will be forgiven and is currently working on the related documentation requirements.	-	182,794
836 Fedora, L.P. Note payable to LAHD, acquired for real property improvements, bearing simple interest rate of 5% per annum, secured by a deed of trust and matures on April 3, 2040. Annual payments to the loan is from residual receipts.	789,079	759,000

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
Figueroa Court Apartments, L.P.		
Note payable to Citibank dated November 1, 1998, bearing 0% interest rate. The note is due on October 1, 2028 and secured by a second deed of trust.	$ -	$ 281,345
Sonya Gardens, L.P.		
Note payable to California Community Reinvestment Corporation, at initial interest rate of 7.71% per annum until July 2017 and thereafter, interest shall be adjusted to a per annum rate based on the Index described in the loan agreement plus 2.5%. Principal and interest are payable in equal monthly installments until maturity date on July 1, 2027. The loan is secured by a deed of trust.	1,817	165,331
Note payable to HCD, bearing interest rate of 3% per annum. Payments in the amount of 0.42% of the unpaid balance is due annually, as well as residual receipt payments as provided in the regulatory agreement, through December 2030. Thereafter, annual payments are based on residual receipts. The loan is secured by a deed of trust and matures in December 2055.	1,773	373,224
Note payable to LAHD, bearing simple interest rate of 7% per annum, payable in annual installments based on residual receipts as defined in the regulatory agreement, until paid in full. The loan matures in December 2040 and is secured by a deed of trust.	368,405	525,000
Brandon Apartments, L.P.		
Note payable to LACDA for the construction of affordable housing, bearing annual interest rate of 3%. Principal and interest are due in annual payments from residual receipts as defined in the loan agreement. The note is secured by a deed of trust and matures in November 2031.	906,075	1,799,978

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
Brandon Apartments, L.P. (continued)		
Non-interest bearing note payable to California Housing Finance Agency (CalHFA). Monthly installment of $913 is forgiven if the Partnership complies with note requirements until maturity date in January 2058. The note is collateralized by a deed of trust.	$ -	$ 34,693
Note payable to Bank of America for the construction of affordable housing. If Partnership complies with the note agreement, interest and principal shall be due not later than maturity date in September 2041. Principal and interest are due monthly in arrears. The note is collateralized by a deed of trust.	-	320,000
California Hotel 1140, L.P.		
Note payable to LAHD bearing simple interest rate of 5% per annum. Principal and interest are due annually from residual receipts as described in the note agreement. The note is collateralized by a deed of trust and matures in October 2039.	1,137,980	1,161,626
Fox Normandie Apartments, L.P.		
Non-interest bearing note payable to Citibank, collateralized by a deed of trust. The note does not require principal payments until maturity on June 11, 2031.	-	263,744
Maryland Apartments, L.P.		
Note payable to LACDA for construction of affordable housing, bearing interest rate of 3% per annum. Principal and interest are due in annual payments from residual receipts as described in the loan agreement. The note matures on March 15, 2031 and LACDA is the first trust deed holder.	600,995	1,045,500

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

		Interest Payable		Principal
V. Nueva, L.P. Non-interest bearing note payable to Bank of America Community Development. Management anticipates that the note will be forgiven in 2020. The note is collateralized by a second deed of trust.	$	-	$	165,000
Calvert Apartments, L.P. Note payable to Bank of America for the construction of affordable housing. The loan is non-interest bearing for as long as the Affordable Housing Project (AHP) requirements are met. The note is collateralized by deed of trust and matures on November 18, 2032.		-		248,869
Amistad Apartments, L.P. Note payable to LACDA bearing interest at 3% per annum. Payments of principal and interest are due annually from residual receipts derived from the operations of the Partnership, through March 15, 2034. The note is secured by deed of trust.		1,065,677		2,169,998
Note payable to Bank of America. The note is non-interest bearing as long as the Affordable Housing Program (AHP) requirements are met. If AHP requirements are not met, the note bears interest at the AHP subsidy rate. The note is secured by deed of trust and matures on December 27, 2041.		-		300,000
Total		16,428,450		33,235,855
Less current portion		-		3,030,432
Long-term portion		16,428,450		30,205,423
Less unamortized loan fees		-		9,918
Notes payable long-term, net	$	16,428,450	$	30,195,505

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

Future maturities of interest and notes payable at June 30, 2021 were as follows:

Year ending June 30,		Amount
2022	$	3,030,432
2023		3,020,199
2024		525,262
2025		622,910
2026		24,399
Thereafter		42,431,185
Total	$	49,654,387

In May 2020, ACOF was granted a loan of $968,427 from the Small Business Administration (SBA) under the Paycheck Protection Program (PPP), established as part of the CARES Act. The PPP loan is forgivable by the SBA if all employee retention criteria are met and the funds are used for eligible expenses. ACOF elected to record the loan as a liability in accordance with FASB ASU 2020-09, Debt (Topic 470).

In fiscal year 2021, the loan was forgiven by SBA. Accordingly, ACOF derecognized the liability and recorded the gain from loan extinguishment and shown as part of miscellaneous income in the consolidated statement of activities.

ACOF was granted a second draw of the PPP loan in the amount of $968,000 in March 2021. The loan bears 1% interest per annum and matures subject to certain provisions stated in the PPP Agreement. ACOF anticipates forgiveness of the entire amount of the loan, however no assurance can be provided that forgiveness will be obtained in whole or in part. Therefore, ACOF accounted the loan proceeds as liability and recorded it as part of notes and interest payable.

NOTE 15 LINE OF CREDIT

ACOF has a line of credit with a non-profit financing institution that provides for borrowings up to $1,000,000 to be used for specific purposes described in the agreement. The line is subject to interest rate of 7% until October 2021, thereafter, it will be 6.25%. The line is secured by certain assets of ACOF and will expire in October 2024.

As of June 30, 2021, outstanding draws from the line of credit amounted to $493,233 and are reported under notes and interest payable in the consolidated statement of financial position (see Note 14).

NOTE 16 GOVERNMENT/FOUNDATION GRANTS AND CONTRACTS

Revenues from government grants and contracts without donor restriction consisted of the following:

Program and Funding Agency		
Supportive Housing Program:		
U.S. Department of Housing and Urban Development	$	1,865,280
Los Angeles County Department of Health Services		1,474,275
Others		32,800
Total	$	3,372,355

NOTE 17 NEIGHBORWORKS AMERICA GRANTS

Since 2015, ACOF receives project funds as expendable grants and capital grants from Neighborworks America (NWA). The expendable grants are provided to support ACOF's general operations, while the capital grants provide support for loan and real estate development activities. For the year ended June 30, 2021, ACOF received from NWA expendable grant funds of $220,470 and capital funds of $290,000, and passed-through from other agencies expendable grants of $121,200. The grants are all reported under foundation grants in the consolidated statement of activities.

The capital funds of $290,000 were fully spent for predevelopment activities during the year. The schedule of financial position and statement of activities of the capital funds as of and for the year ended June 30, 2021, are presented as supplemental report at pages 41 and 42 in the consolidated financial statements.

NOTE 18 NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2021, net assets with donor restrictions are available for the following purpose or period:

Alternate financing	$	36,365
Asset management database		3,620
Restricted as to time		
(July 1, 2021 to June 30, 2022)		30,966
Total	$	70,951

NOTE 19 COMMITMENTS AND CONTINGENCIES

ACOF is contingently liable for all obligations of the partnerships relating to certain recourse notes payable. In some cases, ACOF, as a general partner or managing general partner/sole member of Supportive Housing, LLC, has guaranteed to pay all operating deficits and in others has guaranteed the limited partners a return on their investments. However, the guarantees are only to the extent that such items are in excess of reserves that have been set aside for that purpose. At June 30, 2021, contingent liability related to operating deficits approximates to $1,079,859. Management believes the reserves are adequate, and it is unlikely the Company will be called upon to pay on the guarantees.

At June 30, 2021, ACOF was contingently liable for approximately $2,052,297 in interest related to various notes payable. Management believes the likelihood ACOF will be required to pay the interest is remote and has not recorded such interest on the consolidated statement of financial position at June 30, 2021.

ACOF also provided construction loan guarantees for various projects under construction. ACOF will be responsible for repaying a loan if, when the loan becomes due, the project does not make payment on the loan. ACOF does not require collateral or other security from its projects related to these guarantees. These construction loan guarantees are estimated to be $10,098,685 at June 30, 2021. Management believes the likelihood of funding a material amount of any of the guarantees is remote.

NOTE 20 RELATED PARTY TRANSACTIONS

ACOF receives fees for certain services performed by ACOF on behalf of the partnerships. The fees are to be paid to ACOF from positive cash flow. The following fees were earned by ACOF for the year ended June 30, 2021.

Partnership management fees	$	923,501
Developer fees		2,448,691
Administrative fees		61,913
Total fees earned from partnerships	$	3,434,105

In October 2009, ACOF entered into a Memorandum of Understanding – Subcontract for Property Management Services (MOU) with Barker Management, Inc. (BMI). In accordance with the MOU and subsequent amendments thereto, ACOF and BMI collaborate to provide management services to the following supportive housing developments: Amistad Apartments, Camino de Las Flores Apartments, Las Palomas Hotel, Fedora Apartments, Fox Normandie Apartments, Vista Nueva Apartments, Willow Apartments, Figueroa Courts, 39 West Apartments, Santos Plaza Apartments and Vendome Palms Apartments.

An amended MOU revised the compensation of BMI to a flat rate of $25 per unit per month with ACOF receiving the balance of the management fees earned beginning January 1, 2011. The amendment also provided for the automatic renewal of the MOU for each successive one-year term, unless terminated as provided in the original MOU.

NOTE 20 RELATED PARTY TRANSACTIONS (CONTINUED)

For the year ended June 30, 2021, ACOF earned property management fees under this agreement in the amount of $236,486.

NOTE 21 EMPLOYEE RETIREMENT PLAN

ACOF has a profit sharing plan for all eligible employees. Contributions to the plan are discretionary with the rates determined by the Board of Directors. For the year ended June 30, 2021, ACOF's contributions to the plan amounted to $212,227.

NOTE 22 IMPACT OF CORONAVIRUS ON ACOF and SUBSIDIARY OPERATIONS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the United States.

It is unknown how long these conditions and orders will remain in effect, or what the complete financial effect will be to ACOF and its Subsidiary. Management of the Company believes that the impact is not material to its June 30, 2021 consolidated financial statements.

NOTE 23 SUBSEQUENT EVENTS

The Company has evaluated events or transactions that occurred subsequent to June 30, 2021 through November 24, 2021, the date the accompanying consolidated financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined that no subsequent events required disclosure or adjustment to the accompanying consolidated financial statements.

SUPPLEMENTARY INFORMATION

A Community of Friends and Subsidiary
Consolidating Schedule of Financial Position
June 30, 2021

		Supportive Housing, LLC							
	A Community of Friends	**39 West Apartments, L.P.**	**836 Fedora, L.P.**	**Brandon Apartments, L.P.**	**California Hotel 1140, L.P.**	**Figueroa Court Apartments, L.P.**	**Fox Normandie Apartments, L.P.**	**Gower Street Apartments, L.P.**	**Las Palomas Hotel, L.P.**
ASSETS									
Current assets									
Cash and cash equivalents	$ 6,107,070	$ 28,910	$ 8,633	$ 5,145	$ 58,789	$ 10,258	$ 30,373	$ 4,568	$ 103,527
Certificates of deposit and other short-term investments	444,587	-	-	-	-	-	-	-	-
Rental properties reserves	640,437	681,318	385,300	240,637	789,850	510,488	410,323	628,819	269,013
Project receivables - current portion	3,285,603	-	-	-	-	-	-	-	-
Partnership receivables - current portion	593,058	-	-	-	-	-	-	-	-
Developer fees receivable - current portion, net	972,600	-	-	-	-	-	-	-	-
Contracts receivable	637,762	-	-	-	-	-	-	-	-
Other receivables	31,738	13,051	18,542	56,097	7,784	24,906	40,914	13,756	169,803
Prepaid expenses and deposits	129,333	4,764	4,542	5,405	3,994	5,080	5,789	6,148	5,757
Total current assets	12,842,188	728,043	417,017	307,284	860,417	550,732	487,399	653,291	548,100
Long-term project receivables	2,543,999	-	-	-	-	-	-	-	-
Long-term partnership receivables	4,244,389	-	-	-	-	-	-	-	-
Long-term developer fees receivables, net	3,705,069	-	-	-	-	-	-	-	-
Notes, advances, and interest receivable, net	17,599,466	-	-	-	-	-	-	-	-
Investment in limited partnerships	7,631,888	-	-	-	-	-	-	-	-
Real estate in development	373,815	-	-	-	-	-	-	-	-
Property and equipment, net	2,647,701	1,271,061	565,155	2,001,814	875,868	1,733,430	1,453,640	934,789	954,937
Other long-term assets	-	-	-	4,423	1,705	-	-	-	960
Total assets	$ 51,588,515	$ 1,999,104	$ 982,172	$ 2,313,521	$ 1,737,990	$ 2,284,162	$ 1,941,039	$ 1,588,080	$ 1,503,997
LIABILITIES AND NET ASSETS									
Current liabilities									
Accounts payable and accrued expenses	$ 1,138,433	$ 32,887	$ 6,898	$ 146,799	$ 25,178	$ 241,041	$ 45,774	$ 431,042	$ 991,984
Current portion of notes and interest payable	2,663,672	182,794	-	-	-	-	-	-	-
Other liabitilities	65,989	-	-	-	-	-	-	-	-
Total current liabilities	3,868,094	215,681	6,898	146,799	25,178	241,041	45,774	431,042	991,984
Deficiency in partnership investments	17,450,667	-	-	-	-	-	-	-	-
Notes and interest payable, net of current portion	24,710,312	2,053,505	1,548,079	3,060,746	3,046,224	3,702,417	263,744	1,968,068	4,612,584
Total liabilities	46,029,073	2,269,186	1,554,977	3,207,545	3,071,402	3,943,458	309,518	2,399,110	5,604,568
Net assets (deficit)									
Without donor restrictions	5,488,491	(270,082)	(572,805)	(894,024)	(1,333,412)	(1,659,296)	1,631,521	(811,030)	(4,100,571)
With donor restrictions	70,951	-	-	-	-	-	-	-	-
Total net assets	5,559,442	(270,082)	(572,805)	(894,024)	(1,333,412)	(1,659,296)	1,631,521	(811,030)	(4,100,571)
Total liabilities and net assets	$ 51,588,515	$ 1,999,104	$ 982,172	$ 2,313,521	$ 1,737,990	$ 2,284,162	$ 1,941,039	$ 1,588,080	$ 1,503,997

See independent auditor's report.

	Supportive Housing, LLC							
	Maryland Apartments, L.P.	Parker Hotel, L.P.	Sonya Gardens, L.P.	V. Nueva, L.P.	Calvert Street Apartments, L.P.	Amistad Apartments, LP	Eliminations	Consolidated
ASSETS								
Current assets								
Cash and cash equivalents	$ 5,523	$ 2,132	$ 408,756	$ 96,991	$ 3,412	$ 11,633	$ -	$ 6,885,720
Certificates of deposit and other short-term investments	-	-	-	-	-	-	-	444,587
Rental properties reserves	152,914	398,739	425,416	820,098	75,194	325,498	-	6,754,044
Project receivables - current portion	-	-	-	-	-	-	-	3,285,603
Partnership receivables - current portion	-	-	-	-	-	-	-	593,058
Developer fees receivable - current portion, net	-	-	-	-	-	-	-	972,600
Contracts receivable	-	-	-	-	-	-	-	637,762
Other receivables	16,935	27,315	16,635	30,282	9,885	66,012	-	543,655
Prepaid expenses and deposits	7,888	2,655	6,352	5,097	5,196	9,771	-	207,771
Total current assets	183,260	430,841	857,159	952,468	93,687	412,914	-	20,324,800
Long-term project receivables	-	-	-	-	-	-	(353,845)	2,190,154
Long-term partnership receivables	-	-	-	-	-	-	(1,769,290)	2,475,099
Long-term developer fees receivables, net	-	-	-	-	-	-	-	3,705,069
Notes, advances, and interest receivable, net	-	-	-	-	-	-	(15,099,413)	2,500,053
Investment in limited partnerships	-	-	-	-	-	-	(3,464,035)	4,167,853
Real estate in development	-	-	-	-	-	-	-	373,815
Property and equipment, net	1,040,370	501,507	2,034,160	1,779,554	2,848,589	3,259,194	(1,294,045)	22,607,724
Other long-term assets	500	823	555	-	-	4,479	-	13,445
Total assets	$ 1,224,130	$ 933,171	$ 2,891,874	$ 2,732,022	$ 2,942,276	$ 3,676,587	$ (21,980,628)	$ 58,358,012
LIABILITIES AND NET ASSETS								
Current liabilities								
Accounts payable and accrued expenses	$ 366,535	$ 117,230	$ 47,323	$ 22,983	433,608	$ 299,473	$ (2,123,135)	$ 2,224,053
Current portion of notes and interest payable	-	-	18,966	165,000	-	-	-	3,030,432
Other liabitilities	-	-	-	-	-	-	-	65,989
Total current liabilities	366,535	117,230	66,289	187,983	433,608	299,473	(2,123,135)	5,320,474
Deficiency in partnership investments	-	-	-	-	-	-	(17,014,983)	435,684
Notes and interest payable, net of current portion	1,826,314	3,590,927	1,416,584	3,047,621	3,859,422	4,350,076	(16,432,668)	46,623,955
Total liabilities	2,192,849	3,708,157	1,482,873	3,235,604	4,293,030	4,649,549	(35,570,786)	52,380,113
Net assets (deficit)								
Without donor restrictions	(968,719)	(2,774,986)	1,409,001	(503,582)	(1,350,754)	(972,962)	13,590,158	5,906,948
With donor restrictions	-	-	-	-	-	-	-	70,951
Total net assets	(968,719)	(2,774,986)	1,409,001	(503,582)	(1,350,754)	(972,962)	13,590,158	5,977,899
Total liabilities and net assets	$ 1,224,130	$ 933,171	$ 2,891,874	$ 2,732,022	$ 2,942,276	$ 3,676,587	$ (21,980,628)	$ 58,358,012

See independent auditor's report.

	A Community of Friends	Supportive Housing, LLC: 39 West Apartments, L.P.	836 Fedora, L.P.	Brandon Apartments, L.P.	California Hotel 1140, L.P.	Figueroa Court Apartments, L.P.	Fox Normandie Apartments, L.P.	Gower Street Apartments, L.P.	Las Palomas Hotel, L.P.
Revenue and support									
Government grants and contracts	$ 3,372,355	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Foundation grants	1,116,722	-	-	-	-	-	-	-	-
Developer fees	2,448,691	-	-	-	-	-	-	-	-
Partnership and property management fees	1,212,376	-	-	-	-	-	-	-	-
Rental income	506,894	379,451	190,003	424,431	366,416	355,930	465,494	556,857	736,675
Administrative fees	122,620	-	-	-	-	-	-	-	-
Interest income from loans	474,516	-	-	-	-	-	-	-	-
Other interest income	51,870	-	-	-	-	-	-	-	-
General donations	257,992	-	-	-	-	-	-	-	-
In-kind donations	212,040	-	-	-	-	-	-	-	-
Miscellaneous	1,251,362	-	-	-	-	-	-	-	-
Total revenue and support	11,027,438	379,451	190,003	424,431	366,416	355,930	465,494	556,857	736,675
Functional expenses									
Program services	7,647,760	531,644	264,061	664,283	495,459	589,552	580,460	867,951	1,188,857
Fund development	292,872	-	-	-	-	-	-	-	-
General and administration	1,816,938	-	-	-	-	-	-	-	-
Total functional expenses	9,757,570	531,644	264,061	664,283	495,459	589,552	580,460	867,951	1,188,857
Change in net assets before income (loss) from investment in partnerships	1,269,868	(152,193)	(74,058)	(239,852)	(129,043)	(233,622)	(114,966)	(311,094)	(452,182)
Income (loss) from investment in partnerships	(2,702,022)	-	-	-	-	-	-	-	-
Change in net assets	(1,432,154)	(152,193)	(74,058)	(239,852)	(129,043)	(233,622)	(114,966)	(311,094)	(452,182)
Net assets (deficit), beginning of year	6,991,596	(117,889)	(498,747)	(654,172)	(1,204,369)	(1,425,674)	1,746,487	(499,936)	(3,648,389)
Net assets (deficit), end of year	$ 5,559,442	$ (270,082)	$ (572,805)	$ (894,024)	$ (1,333,412)	$ (1,659,296)	$ 1,631,521	$ (811,030)	$ (4,100,571)

See independent auditor's report.

	Supportive Housing, LLC							
	Maryland Apartments, L.P.	Parker Hotel, L.P.	Sonya Gardens, L.P.	V. Nueva, L.P.	Calvert Street Apartments, L.P.	Amistad Apartments L.P.	Eliminations	Consolidated
Revenue and support								
Government grants and contracts	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,372,355
Foundation grants	-	-	-	-	-	-	-	1,116,722
Developer fees	-	-	-	-	-	-	-	2,448,691
Partnership and property management fees	-	-	-	-	-	-	(288,875)	923,501
Rental income	250,647	229,491	795,658	520,192	158,350	462,667	-	6,399,156
Administrative fees	-	-	-	-	-	-	(60,707)	61,913
Interest income from loans	-	-	-	-	-	-	(376,300)	98,216
Other interest income	-	-		-	-	-	-	51,870
General donations	-	-	-	-	-	-	-	257,992
In-kind donations	-	-	-	-	-	-	-	212,040
Miscellaneous	-	-	-	-	-	-	-	1,251,362
Total revenue and support	250,647	229,491	795,658	520,192	158,350	462,667	(725,882)	16,193,818
Functional expenses								
Program services	442,232	429,678	660,586	628,460	537,036	1,033,442	(874,052)	15,687,409
Fund development	-	-	-	-	-	-	-	292,872
General and administration	-	-	-	-	-	-	-	1,816,938
Total functional expenses	442,232	429,678	660,586	628,460	537,036	1,033,442	(874,052)	17,797,219
Change in net assets before income (loss) from investment in partnerships	(191,585)	(200,187)	135,072	(108,268)	(378,686)	(570,775)	148,170	(1,603,401)
Income (loss) from investment in partnerships	-	-	-	-	-	-	2,989,855	287,833
Change in net assets	(191,585)	(200,187)	135,072	(108,268)	(378,686)	(570,775)	3,138,025	(1,315,568)
Net assets (deficit), beginning of year	(777,134)	(2,574,799)	1,273,929	(395,314)	(972,068)	(402,187)	10,452,133	7,293,467
Net assets (deficit), end of year	$ (968,719)	$ (2,774,986)	$ 1,409,001	$ (503,582)	$ (1,350,754)	$ (972,962)	$ 13,590,158	$ 5,977,899

See independent auditor's report.

ASSETS		
Real estate in development	$	105,498
Total assets	$	105,498
NET ASSETS		
Without donor restriction	$	105,498
Total net assets	$	105,498

See independent auditor's report.

Revenue, gains, other support and releases of capital:

Capital Grant - NeighborWorks America, beginning of year	$	109,449
Additions		290,000
Releases		(293,951)
Net assets, end of year	$	105,498

See independent auditor's report.

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
A Community of Friends

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of A Community of Friends and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2021, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 24, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered A Community of Friends and Subsidiary's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of A Community of Friends and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of A Community of Friends and Subsidiary's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Vasquez & Company LLP

Glendale, California
November 24, 2021

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