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\*Former Board Chair

November 30, 2022

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, 2022.

The operations of A Community of Friends (ACOF) are reported in the supplementary information section. Please refer to the Parent Company Only financial statements presented on pages 45 and 46.

Please send any questions regarding the enclosed financial statements to me at [rdement@acof.org](mailto:rdement@acof.org).

Best regards,

Renae S. DeMent  
Chief Financial Officer



**A Community of Friends and Subsidiary  
Consolidated Financial Statements  
and Supplementary Information  
*As of and for the Year Ended June 30, 2022  
with Independent Auditor's Report***



**A Community of Friends and Subsidiary  
Consolidated Financial Statements  
and Supplementary Information  
*As of and for the Year Ended June 30, 2022  
with Independent Auditor's Report***

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## Independent Auditor's Report

**Board of Directors  
A Community of Friends**

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the 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, 2022, 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).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of A Community of Friends and Subsidiary as of June 30, 2022, 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.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

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

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



### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 41 to 49 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements.



The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated 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 29, 2022 on our consideration of the Company'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 the 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 the Company's internal control over financial reporting and compliance.

**Glendale, California  
November 29, 2022**

**A Community of Friends and Subsidiary  
Consolidated Statement of Financial Position  
June 30, 2022**

**ASSETS**

**Current assets**

Cash and cash equivalents	\$ 5,075,841
Certificates of deposit and other short-term investments	1,908,802
Rental properties reserves	6,954,539
Project receivables - current portion	4,671,927
Partnership receivables - current portion	985,393
Developer fees receivable - current portion, net	1,614,410
Contracts receivable	902,626
Other receivables	541,896
Prepaid expenses and deposits	<u>224,428</u>
<b>Total current assets</b>	<b>22,879,862</b>

Long-term project receivables	30,700
Long-term partnership receivables	2,248,328
Long-term developer fees receivables, net	5,061,608
Notes, advances, and interest receivable, net	2,153,713
Investment in limited partnerships	4,324,520
Real estate in development	202,727
Property and equipment, net	23,526,838
Other long-term assets	<u>13,056</u>
<b>Total assets</b>	<b>\$ <u>60,441,352</u></b>

**LIABILITIES AND NET ASSETS**

**Current liabilities**

Accounts payable and accrued expenses	\$ 3,147,406
Current portion of notes and interest payable	3,781,699
Other liabilities	<u>61,834</u>
<b>Total current liabilities</b>	<b>6,990,939</b>

Deficiency in partnership investments	523,794
Notes and interest payable, net of current portion	<u>48,773,927</u>
<b>Total liabilities</b>	<b><u>56,288,660</u></b>

**Net assets**

Without donor restrictions	3,731,648
With donor restrictions	<u>421,044</u>
<b>Total net assets</b>	<b><u>4,152,692</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>60,441,352</u></b>

*See notes to consolidated financial statements.*



**A Community of Friends and Subsidiary  
Consolidated Statement of Activities  
Year ended June 30, 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue and support</b>			
Government grants and contracts	\$ 3,515,252	\$ -	\$ 3,515,252
Foundation grants	960,677	430,000	1,390,677
Developer fees	5,398,210	-	5,398,210
Partnership and property management fees	979,274	-	979,274
Rental income	6,481,388	-	6,481,388
Administrative fees	122,940	-	122,940
Interest income from loans	77,308	-	77,308
Other interest income	53,218	-	53,218
General donations	196,247	-	196,247
In-kind donations	258,579	-	258,579
Miscellaneous	980,975	-	980,975
Net assets released from restriction	79,907	(79,907)	-
<b>Total revenue and support</b>	<u>19,103,975</u>	<u>350,093</u>	<u>19,454,068</u>
<b>Functional expenses</b>			
Program services	16,602,162	-	16,602,162
Fund development	337,534	-	337,534
General and administration	1,977,224	-	1,977,224
<b>Total functional expenses</b>	<u>18,916,920</u>	<u>-</u>	<u>18,916,920</u>
<b>Change in net assets before loss from investment in partnerships and excess of assumed liabilities over assets acquired</b>	187,055	350,093	537,148
<b>Excess of assumed liabilities over assets acquired</b>	(1,959,668)	-	(1,959,668)
<b>Loss from investment in partnerships</b>	(402,687)	-	(402,687)
<b>Change in net assets</b>	(2,175,300)	350,093	(1,825,207)
<b>Net assets, beginning of year</b>	5,906,948	70,951	5,977,899
<b>Net assets, end of year</b>	<u>\$ 3,731,648</u>	<u>\$ 421,044</u>	<u>\$ 4,152,692</u>

*See notes to consolidated financial statements.*

**A Community of Friends and Subsidiary  
Consolidated Statement of Functional Expenses  
Year ended June 30, 2022**

	Program Services				Total	Fund Development	General and Administration	Total
	Supportive Services	Real Estate Activities	Property Management	Rental				
<b>Personnel expenses</b>								
Salaries	\$ 1,933,999	\$ 927,051	\$ 428,189	\$ 5,366	\$ 3,294,605	\$ 228,171	\$ 1,271,730	\$ 4,794,506
Payroll taxes	161,436	73,673	35,985	438	271,532	18,605	94,292	384,429
Employee benefits	352,615	88,203	110,636	1,102	552,556	20,441	150,284	723,281
<b>Total personnel expenses</b>	<b>2,448,050</b>	<b>1,088,927</b>	<b>574,810</b>	<b>6,906</b>	<b>4,118,693</b>	<b>267,217</b>	<b>1,516,306</b>	<b>5,902,216</b>
<b>Other expenses</b>								
Advertising	9,614	157	1,834	-	11,605	136	13,298	25,039
Auditing and accounting	29,115	9,381	10,498	5,000	53,994	1,926	10,233	66,153
Auto expense	9,876	382	-	-	10,258	-	2,483	12,741
Bad debts	-	258,238	-	22,143	280,381	-	-	280,381
Consulting	-	139,643	-	-	139,643	9,345	18,510	167,498
Contractual-supportive services	1,023,552	-	-	-	1,023,552	-	-	1,023,552
Donated supplies	258,579	-	-	-	258,579	-	-	258,579
Dues, fees and subscriptions	828	3,658	318	4,719	9,523	6,354	48,275	64,152
Employee engagement	-	569	68	-	637	-	16,450	17,087
Equipment leases	6,313	6,060	1,367	-	13,740	804	4,292	18,836
Fundraising	-	-	-	-	-	5,660	-	5,660
Interest	-	367,530	-	121,444	488,974	-	-	488,974
Legal fees	-	6,834	-	5,464	12,298	-	17,500	29,798
Liability insurance	1,033	2,975	1,239	32,528	37,775	563	39,483	77,821
Marketing	-	-	-	-	-	14,668	-	14,668
Meals	3,500	764	-	-	4,264	87	6,103	10,454
Miscellaneous	805	116	390	25	1,336	1,159	27,109	29,604
Office expenses	106,664	17,335	13,514	11,595	149,108	6,938	77,759	233,805
Postage and printing	450	4,162	470	-	5,082	922	2,746	8,750
Property maintenance and repairs	-	-	-	140,427	140,427	-	-	140,427
Rent and parking	11,571	94,692	64,401	-	170,664	8,600	102,382	281,646
Resident programs	367,555	-	-	492	368,047	-	480	368,527
Security	-	-	-	44,840	44,840	-	-	44,840
Seminars and training	2,993	7,604	2,043	-	12,640	933	1,562	15,135
Taxes and licenses	138	1,105	414	9,622	11,279	276	1,657	13,212
Telephone	33,504	15,994	6,314	10,162	65,974	4,172	20,330	90,476
Temporary staff	-	-	-	65,750	65,750	-	5,528	71,278
Utilities	-	-	-	85,021	85,021	-	-	85,021
Worker's compensation insurance	24,696	11,961	15,512	531	52,700	2,823	15,031	70,554
<b>Total expenses before depreciation</b>	<b>4,338,836</b>	<b>2,038,087</b>	<b>693,192</b>	<b>566,669</b>	<b>7,636,784</b>	<b>332,583</b>	<b>1,947,517</b>	<b>9,916,884</b>
Depreciation and amortization	2,476	14,853	12,378	148,434	178,141	4,951	29,707	212,799
<b>Total - A Community of Friends</b>	<b>4,341,312</b>	<b>2,052,940</b>	<b>705,570</b>	<b>715,103</b>	<b>7,814,925</b>	<b>337,534</b>	<b>1,977,224</b>	<b>10,129,683</b>
<b>Expenses - Subsidiaries</b>								
Rental operations	-	-	-	8,787,237	8,787,237	-	-	8,787,237
<b>Total functional expenses</b>	<b>\$ 4,341,312</b>	<b>\$ 2,052,940</b>	<b>\$ 705,570</b>	<b>\$ 9,502,340</b>	<b>\$ 16,602,162</b>	<b>\$ 337,534</b>	<b>\$ 1,977,224</b>	<b>\$ 18,916,920</b>

*See notes to consolidated financial statements.*

**A Community of Friends and Subsidiary  
Consolidated Statement of Cash Flows  
Year ended June 30, 2022**

<b>Cash flows from operating activities</b>	
Change in net assets	\$ (1,825,207)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	2,116,181
Loss from investment in partnerships	402,687
Excess of assumed liabilities over assets acquired	1,959,668
Bad debts	280,381
Forgiven loans	(968,000)
Decrease (Increase) in:	
Receivables	(1,905,633)
Prepaid expenses and deposits	(16,041)
Other assets	389
Increase (decrease) in:	
Accounts payable and accrued expenses	(196,229)
Accrued interest	332,964
Other liabilities	(4,155)
<b>Net cash provided by operating activities</b>	<u>177,005</u>
<b>Cash flows from investing activities</b>	
Purchase of property and equipment	(126,299)
Investment in limited partnerships	(159,481)
Net increase in notes receivable	346,340
Real estate in development	171,088
Purchase of certificate of deposits	(1,464,215)
<b>Net cash used in investing activities</b>	<u>(1,232,567)</u>
<b>Cash flows from financing activities</b>	
Proceeds from notes payable	188,113
Payments of notes payable	(741,935)
<b>Net cash used in financing activities</b>	<u>(553,822)</u>
<b>Net decrease in cash and cash equivalents</b>	(1,609,384)
<b>Cash, cash equivalents and restricted cash, beginning of year</b>	<u>13,639,764</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 12,030,380</u>
<b>Supplemental disclosure of cash flow information</b>	
Interest paid	<u>\$ 344,500</u>

*See notes to consolidated financial statements.*

**A Community of Friends and Subsidiary  
Consolidated Statement of Cash Flows (Continued)  
Year ended June 30, 2022**

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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	\$ 5,075,841
Restricted cash included in rental property reserves	<u>6,954,539</u>
Total cash, cash equivalent and restricted cash shown in the statement of cashflows	<u>\$ 12,030,380</u>

*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, 2022, it has controlling interests in the following limited partnerships:

- 39 West Apartments, L.P.
- 836 Fedora, L.P.
- Amistad Apartments, L.P.
- Brandon Apartments, L.P.
- California Hotel 1140, L.P.
- Calvert Street Apartments, L.P.
- Figueroa Court Apartments, L.P.
- Fox Normandie Apartments, L.P.
- Gower Street Apartments L.P.
- Las Palomas Hotel, L.P.
- Maryland Apartments, L.P.
- Parker Hotel, L.P.
- Santos Plaza, L.P.
- Sonya Gardens, L.P.
- V. Nueva, 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)  
Santos Plaza, L.P. (2021)

There are additional 31 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 41 and 43 under the column title "A Community of Friends." The impact of the consolidation of the entities wherein ACOF has controlling interests 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 and excess of assumed liability over assets acquired".

The financial statements of ACOF (parent company) only, excluding investment balances in the limited partnerships wherein it has controlling and non-controlling interests, are presented as supplemental report at pages 45 to 47.

**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, 2022, the Company's net assets with donor restrictions amounted to \$421,044.

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 providing 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 cash flows. 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, 2022, contributions of \$2,600,000 have not been recognized in the consolidated statement of activities because the conditions on which they depend have not yet been 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, 2022, interest capitalized in real estate in development is not material.

**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, 2022, 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 2018 and subsequent years are subject to examination by 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**

ACOF receives in-kind donations in the form of non-food items such as clothing, shoes and household goods. In-kind donations are reported as contributions at their estimated fair value on the date of receipt, and reported as expense when utilized. The value of the in-kind donations is based upon estimates of fair market value or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor. These in-kind donations are not sold and the goods are only distributed for program use. For the year ended June 30, 2022, the total in-kind donations is not material to the consolidated financial statements.

**New Accounting Pronouncements Effective During the Current Year**

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. ACOF has implemented this ASU in fiscal year 2022 and did not have a material impact on its consolidated financial statements. ACOF has updated the disclosures as necessary.

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 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, 2022, the Company has developer fees receivable from various limited partnerships amounting to \$8,472,169. 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, 2022, 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 \$3,410,000 with interest accrual of \$1,012,173 at June 30, 2022. See Note 14.

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. At June 30, 2022, the Company established an allowance for doubtful accounts on notes receivable in the amount of \$3,808,971.

**A Community of Friends and Subsidiary  
Notes to Consolidated Financial Statements  
Year ended June 30, 2022**

**NOTE 4 AVAILABILITY OF FINANCIAL ASSETS AND LIQUIDITY**

The following represents the Company's financial assets at June 30, 2022:

	<b>ACOF</b>	<b>Subsidiary</b>	<b>Consolidated</b>
<b>Financial assets at year end:</b>			
Cash and cash equivalents	\$ 4,685,744	\$ 390,097	\$ 5,075,841
Certificates of deposit and other short-term investments	1,908,802	-	1,908,802
Rental properties reserves	654,994	6,299,545	6,954,539
Project receivables - current portion	4,671,927	-	4,671,927
Partnership receivables - current portion	985,393	-	985,393
Developer fees receivable - current portion, net	1,614,410	-	1,614,410
Contracts receivable	902,626	-	902,626
Other receivables	25,197	516,699	541,896
<b>Total financial assets</b>	<b>15,449,093</b>	<b>7,206,341</b>	<b>22,655,434</b>
 Less amounts not available to be used within one year:			
Rental properties reserves	654,994	6,299,545	6,954,539
Net assets with donor restriction	421,044	-	421,044
Less net assets with purpose restrictions to be met in less than a year	(421,044)	-	(421,044)
	654,994	6,299,545	6,954,539
Financial assets available to meet general expenditures over the next 12 months	\$ 14,794,099	\$ 906,796	\$ 15,700,895

The Company's policy is to maintain financial assets to meet 90 days of operating expenses (on a consolidated basis, \$4,100,000). 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, 2022, cash and cash equivalents are for uses as follows:

A Community and Friends and Subsidiary	\$ 3,581,194
Rental Properties' Operations	1,494,647
<b>Total</b>	<b>\$ 5,075,841</b>

**A Community of Friends and Subsidiary  
Notes to Consolidated Financial Statements  
Year ended June 30, 2022**

**NOTE 6 RENTAL PROPERTIES AND SUBSIDIARY RESERVES**

At June 30, 2022, rental properties and subsidiary reserves total \$6,954,539 and consisted of the following:

Property	Replacement Reserve	Operating Reserve	Other Reserves
Rental Properties:			
Central Court Apartments	\$ 73,575	\$ 47,456	\$ 2,564
Selby Hotel	140,683	67,317	11,553
Step Out Apartments	128,411	143,462	-
Orbison House	14,862	21,051	4,060
Subsidiary:			
39 West Apartments, L.P.	276,716	391,858	11,943
836 Fedora, L.P.	72,020	308,201	5,696
Amistad Apartments, L.P.	142,855	156,314	27,005
Brandon Apartments, L.P.	107,015	128,851	14,401
California Hotel 1140, L.P.	239,317	553,286	7,514
Calvert Street Apartments, L.P.	24,798	21,945	11,958
Figueroa Court Apartments, L.P.	270,200	226,024	13,446
Fox Normandie Apartments, L.P.	132,819	284,276	13,594
Gower Street Apartments, L.P.	187,016	403,483	12,783
Las Palomas Hotel, L.P.	85,628	174,487	9,709
Maryland Apartments, L.P.	56,091	85,063	5,587
Parker Hotel, L.P.	215,800	169,590	13,283
Sonya Gardens, L.P.	260,450	168,825	17,031
V. Nueva, L.P.	169,375	633,897	15,045
Santos Plaza, L.P.	52,013	107,330	15,007
	<u>\$ 2,649,644</u>	<u>\$ 4,092,716</u>	<u>\$ 212,179</u>

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

**A Community of Friends and Subsidiary  
Notes to Consolidated Financial Statements  
Year ended June 30, 2022**

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**NOTE 7      PARTNERSHIP RECEIVABLES**

At June 30, 2022, partnership receivables consisted of the following:

Accrued partnership management fees	\$	3,053,779
Accrued administrative fees		179,942
	Total	3,233,721
Less current portion		985,393
Long-term	\$	2,248,328

**NOTE 8      PROJECT RECEIVABLES**

At June 30, 2022, project receivables consisted of the following:

In operation:

Gateways Housing, L.P.	\$	30,701
Sun Valley Housing, L.P.		2,025
Beverly PSH, L.P.		476

In predevelopment and construction:

6604 West PSH, L.P.		94,090
Huntington Square, L.P.		1,567,103
Lorena Plaza L.P.		793,088
Redlands Supportive Housing, L.P.		395,795
Riverside Supportive Housing, L.P.		44,159
Ventura Veterans, L.P.		783,336
Estrella Azul, L.P.		991,854
	Total	4,702,627
Less current portion		4,671,927
Long-term	\$	30,700

**NOTE 9            DEVELOPER FEES RECEIVABLE**

At June 30, 2022, developer fees receivable, which included deferred developer fees, consisted of the following:

<u>In operation in 2022:</u>	
3101 West Venice, L.P.	\$     427,228
Avalon Apartments, L.P.	1,212,749
Berendos, L.P.	541,526
Beverly PSH, L.P.	185,840
Cedar Springs, L.P.	545,286
Osborne Place, L.P.	336,047
Vendome Palms, L.P.	467,500
Vista Del Rio Housing Partners, L.P.	46,546
Woodland Terrace, L.P.	758,037
Miramonte PSH, L.P.	301,910
<u>In construction in 2022:</u>	
6604 West PSH, L.P.	1,312,500
Riverside Supportive Housing, L.P.	1,226,000
Lorena Plaza, L.P.	825,000
Ventura Veterans, L.P.	286,000
Total	8,472,169
Less allowance for uncollectible receivables	1,796,151
Less current portion	1,614,410
Long-term	\$    5,061,608

**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, 2022, investment in limited partnerships consisted of the following:

<u>In construction/predevelopment:</u>	
6604 West PSH, L.P.	\$ 83,400
Huntington Square, L.P.	(5,600)
Lorena Plaza, L.P.	(1,600)
Redlands Supportive Housing, L.P.	(2,828)
Riverside Supportive Housing, L.P.	370,300
Ventura Veterans, L.P.	(2,400)
 <u>In operation:</u>	
3101 West Venice, L.P.	39,746
AMCAL Avenida Fund, L.P.	(150)
Avalon Apartments, L.P.	(487)
Berendos, L.P.	1,670
Beverly PSH, L.P.	(391,105)
Camino de las Flores, L.P.	(29,679)
Cedar Springs, L.P.	(212)
Fullerton Supportive Housing, L.P.	152,524
Figueroa Court Partners	(23,705)
Gateways Housing, L.P.	-
La Primavera Apartments, L.P.	(254)
Miramonte PSH L.P.	(1,561)
ND Sepulveda I, L.P.	96
ND Sepulveda II, L.P.	171
Osborne Place, L.P.	232,435
Rayen Apartments, L.P.	90,932
Step Up On Fifth, L.P.	(60,865)
Sun Valley Housing, L.P.	(1,781)
The Villas at Gower, L.P.	23,398
Vendome Palms, L.P.	257,203
Vista Del Rio Housing Partners, L.P. *	3,071,910
West Villas, L.P.	(304)
Willis Avenue Apartments, L.P.	(454)
Willowbrook Place, L.P.	735
Woodland Terrace, L.P.	(809)
Total	\$ <u><u>3,800,726</u></u>

\* Due to land donation in 2015.

At June 30, 2022, the above is summarized in the financial statements as follows:

Investment in limited partnerships (assets)	\$ 4,324,520
Deficiency in partnership investments (liability)	(523,794)
	\$ <u><u>3,800,726</u></u>



**A Community of Friends and Subsidiary  
Notes to Consolidated Financial Statements  
Year ended June 30, 2022**

**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, 2021:

	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.	\$ 15,748,642	\$ 4,830,967	\$ 9,420,035	\$ 762,405	\$ (547,670)	\$ (55)
6604 West PSH, L.P.	11,902,974	9,641,718	1,275,979	-	(800)	-
AMCAL Avenida Fund, L.P.	9,615,775	7,223,916	1,536,203	484,625	(289,165)	(15)
Avalon Apartments, L.P.	17,093,744	9,826,777	5,500,484	873,468	(750,180)	(75)
Berendos, L.P.	13,694,595	8,580,839	1,868,514	867,249	(293,535)	(29)
Beverly PSH, L.P.	19,444,930	12,101,453	6,508,313	754,355	(675,536)	(34)
Camino de las Flores, L.P.	5,835,863	7,107,685	(1,806,717)	291,409	(325,499)	(16)
Cedar Springs, L.P.	17,335,187	8,563,473	7,854,457	572,669	(894,118)	(45)
Figueroa Court Partners	-	169	(118,761)	-	(118)	(24)
Fullerton Supportive Housing, L.P.	16,852,814	7,761,571	8,957,223	585,250	(505,036)	(51)
Gateways Housing, L.P.	2,474,911	1,084,453	(105,428)	266,110	(290,213)	(29)
Huntington Square, L.P.	3,737,272	3,656,903	(5,600)	-	(800)	(800)
La Primavera Apartments, L.P.	3,404,171	1,561,276	981,396	364,369	(142,868)	(14)
Lorena Plaza, L.P.	5,527,502	2,336,944	2,573,719	-	(800)	-
Miramonte PSH, L.P.	21,559,807	14,933,410	6,552,727	564,979	(674,558)	(67)
ND Sepulveda I, L.P.	19,176,558	9,455,132	9,321,829	1,085,632	(758,920)	(50)
ND Sepulveda II, L.P.	17,498,465	8,262,961	8,867,355	1,129,025	(594,801)	(41)
Osborne Place, L.P.	17,941,090	10,668,565	6,315,300	1,086,701	(468,250)	(47)
Rayen Apartments, L.P.	8,480,289	7,556,207	795,143	684,492	(664,740)	(66)
Redlands Supportive Housing, L.P.	3,344,450	2,821,104	(5,600)	-	(800)	(404)
Riverside Supportive Housing, L.P.	10,375,222	7,112,622	2,541,000	-	(800)	-
Step Up On Fifth, L.P.	12,036,980	14,576,552	(4,945,657)	486,697	(969,870)	(73,211)
Sun Valley Housing, L.P.	20,991,400	14,338,656	6,178,657	797,036	(636,963)	(64)
The Villas at Gower, L.P.	23,779,442	15,772,947	5,968,883	1,031,776	(751,818)	(38)
Vendome Palms, L.P.	10,866,064	11,068,515	(895,323)	362,607	(462,320)	(46)
Ventura Veterans, L.P.	3,575,563	3,575,563	(2,400)	-	(800)	(800)
Vista Del Rio Housing Partners, L.P.	10,676,394	3,237,519	6,410,708	471,409	(320,419)	(8)
West Villas, L.P.	17,381,476	5,027,740	12,243,116	980,920	(423,115)	(42)
Willis Avenue Apartments, L.P.	11,972,606	9,198,583	2,660,377	620,110	(593,413)	(59)
Willowbrook Place, L.P.	4,409,800	3,985,831	(764,526)	340,510	(433,781)	(43)
Woodland Terrace, L.P.	6,655,305	7,390,736	(2,727,950)	573,379	(634,848)	(809)
	<u>\$ 363,389,291</u>	<u>\$ 233,260,787</u>	<u>\$ 102,953,456</u>	<u>\$ 16,037,182</u>	<u>\$ (13,106,554)</u>	<u>\$ (76,982)</u>

**NOTE 11 BUSINESS COMBINATION**

During the fiscal year 2022, Freddie Mac Equity Plus I-ESIC L.P., the limited partner of Santos Plaza, L.P., withdrew its partnership interests from the limited partnership and assigned its interests to Supportive Housing LLC.

Management treated the transfer as a business combination achieved without transfer of consideration. Since the business combination involved an acquisition of affordable housing with long-term restrictions on affordability and use, there was no readily available market information with similar terms and restrictions. Thus, all identifiable assets acquired and liabilities assumed were measured at the acquisition-date carrying value.

At acquisition date, the assumed liabilities exceeded the assets acquired in the amount of \$1,959,668 and is shown as excess of liabilities assumed in the acquisition in the accompanying consolidated statement of activities.

The carrying values of the identifiable assets and liabilities of the business combination at acquisition date were as follows:

Cash	\$	7,057
Accounts receivable		28,636
Prepaid expenses and other assets		616
Restricted deposits and funded reserves		174,433
Rental property		<u>2,908,996</u>
	Subtotal	<u>3,119,738</u>
Mortgage and interest payable		4,090,097
Other liabilities		<u>1,119,582</u>
	Subtotal	<u>5,209,679</u>
Net assets		(2,089,941)
A Community of Friends' existing interest		<u>130,273</u>
Excess of liabilities over assets acquired	\$	<u>(1,959,668)</u>

From November 16, 2021, the date of acquisition, through June 30, 2022, the Company's share in net income of Santos Plaza, L.P. amounted to \$280,055.

**NOTE 12 REAL ESTATE IN DEVELOPMENT**

At June 30, 2022, real estate in development consisted of:

Land	\$	50,000
Predevelopment costs		<u>152,727</u>
	Total \$	<u><u>202,727</u></u>

**A Community of Friends and Subsidiary  
Notes to Consolidated Financial Statements  
Year ended June 30, 2022**

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**NOTE 13      PROPERTY AND EQUIPMENT**

At June 30, 2022, property and equipment consisted of the following:

Land, buildings, and improvements	\$	70,083,274
Furniture and equipment		<u>2,679,173</u>
	Total	72,762,447
Less accumulated depreciation and amortization		<u>49,235,609</u>
	Property and equipment, net \$	<u><u>23,526,838</u></u>

For the year ended June 30, 2022, provision for depreciation and amortization amounted to \$2,116,181.

**NOTE 14      NOTES, ADVANCES, AND INTEREST RECEIVABLE**

At June 30, 2022, notes, advances, and interest receivable consisted of the following:

	<u>Interest Receivable</u>	<u>Principal</u>
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.	395,240	400,000
Notes receivable from Willowbrook Place, L.P., interest accrues at 5.0% per annum and matures in October 2060.	314,707	400,000

**A Community of Friends and Subsidiary  
Notes to Consolidated Financial Statements  
Year ended June 30, 2022**

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**NOTE 14      NOTES, ADVANCES, AND INTEREST RECEIVABLE (CONTINUED)**

	<u>Interest Receivable</u>	<u>Principal</u>
Notes receivable from Woodland Terrace, L.P., interest accrues at 5.0% per annum and matures in December 2060.	\$    302,226	\$    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.	<u>108,727</u>	<u>470,000</u>
Total	1,120,900	4,841,784
Less: allowance for uncollectible notes and interest receivable	<u>1,077,040</u>	<u>2,731,931</u>
Net notes, advances and interest receivable	<u>\$    43,860</u>	<u>\$   2,109,853</u>

**NOTE 15      NOTES AND INTEREST PAYABLE**

At June 30, 2022, notes and interest payable consisted of the following:

	<b>Interest Payable</b>	<b>Principal</b>
<i>A Community of Friends</i>		
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 as follows:		
Figueroa Court Apartments, L.P., due in September 2038	\$    680,190	\$ 1,497,333
Las Palomas Hotel, L.P., due in June 2051	2,617,511	2,100,081
V. Nueva, L.P., due August 2040	1,434,923	1,599,182
Calvert Street Apartments., due July 2041	1,401,222	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 15      NOTES AND INTEREST PAYABLE (CONTINUED)**

	<b>Interest Payable</b>	<b>Principal</b>
<p>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. Management anticipates that the note will be forgiven and is currently working on the related documentation requirements.</p>	\$            -	\$      162,986
<p>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:</p>		
Orbison House property, due in March 2031	324,196	345,000
Selby property, due in July 2031	669,528	725,000
<p>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.</p>		
Orbison House property, due in December 2019.	201,745	204,000
Selby property, due in July 2021	365,421	325,000

**NOTE 15      NOTES AND INTEREST PAYABLE (CONTINUED)**

		<u>Interest Payable</u>		<u>Principal</u>
<p>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.</p>				
Selby property, due in February 2024	\$	-	\$	413,250
Selby property, due in February 2024		-		50,000
<p>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.</p>		148,223		516,851
<p>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.</p>		577,615		1,063,688
<p>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.</p>		94,647		176,893

**NOTE 15      NOTES AND INTEREST PAYABLE (CONTINUED)**

	<b>Interest Payable</b>	<b>Principal</b>
<p>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.</p>	\$ -	\$ 725,808
<p>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.</p>	242,734	689,200
<p>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.</p>	-	600,000
<p>Draws from \$1 million line of credit maintained with Enterprise Community Loan Fund, Inc. wherein the proceeds were loaned directly to Hungtington Square, L.P., and shall be used for project development. The note bears simple interest at 5% per annum and secured by Assignment of Developer Fees executed by ACOF. The line of credit will expire on October 31, 2024. (see Note 16)</p>	99,504	236,612



**NOTE 15      NOTES AND INTEREST PAYABLE (CONTINUED)**

	<b>Interest Payable</b>	<b>Principal</b>
<p>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.</p>	\$	-      \$      400,000
<p>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.</p>	-	470,000
<p>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.</p>	3,750	500,000
<p>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.</p>	58,500	1,000,000

**NOTE 15      NOTES AND INTEREST PAYABLE (CONTINUED)**

	<b>Interest Payable</b>	<b>Principal</b>
<p>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. Management is in process of preparing the related documentation for the extension of loan payment date.</p>	\$            -	\$    2,000,000
<p>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 August 2022. \$125,000 of the balance was paid in August 2022. Management is in process of preparing the related documentation for the extension of loan payment date.</p>	8,682	150,000
<p>Draws from \$1 million unsecured revolving line of credit maintained with Community Housing Capital, Inc. wherein the proceeds shall be available to finance predevelopment expenses related to the development of affordable housing in Los Angeles County and surrounding areas. The note bears interest at a variable rate of return per annum equal to the Prime Rate plus 150 basis points (i.e., 1.50%). The line of credit will expire on July 14, 2023. (see Note 16)</p>	2,878	77,376
<p><u>Parker Hotel, L.P.</u> 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.</p>	2,060,118	1,605,167

NOTE 15      NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
<u><i>Gower Street Apartments, L.P.</i></u>		
<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, 2022, no interest was accrued because the current market value of the property is lower than the loan balance.</p>	\$            -	\$    1,966,940
<u><i>39 West Apartments, L.P.</i></u>		
<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.</p>	1,049,845	1,056,484
<p>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.</p>	-	182,794
<u><i>836 Fedora, L.P.</i></u>		
<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.</p>	814,076	759,000
<u><i>Figueroa Court Apartments, L.P.</i></u>		
<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.</p>	-	281,345

**NOTE 15      NOTES AND INTEREST PAYABLE (CONTINUED)**

	Interest Payable	Principal
<u><i>Sonya Gardens, L.P.</i></u>		
<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.</p>	\$      1,817	\$    143,912
<p>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.</p>	762	20,979
<p>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.</p>	264,681	525,000
<u><i>Brandon Apartments, L.P.</i></u>		
<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.</p>	960,075	1,799,978
<p>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.</p>	-	33,780

**NOTE 15      NOTES AND INTEREST PAYABLE (CONTINUED)**

	<b>Interest Payable</b>	<b>Principal</b>
<p><u><i>Brandon Apartments, L.P. (Continued)</i></u>            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.</p>	\$           -	\$    320,000
<p><u><i>California Hotel 1140, L.P.</i></u>            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.</p>	1,196,061	1,161,626
<p><u><i>Fox Normandie Apartments, L.P.</i></u>            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.</p>	-	263,744
<p><u><i>Maryland Apartments, L.P.</i></u>            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.</p>	627,644	1,045,500
<p><u><i>V. Nueva, L.P.</i></u>            Non-interest bearing note payable to Bank of America Community Development. Management anticipates that the note will be forgiven in 2022. The note is collateralized by a second deed of trust.</p>	-	165,000

NOTE 15      NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
<u>Calvert Apartments, L.P.</u>		
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
<u>Amistad Apartments, L.P.</u>		
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.	1,130,777	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
<u>Santos Plaza, L.P.</u>		
Note payable to Affinity Bank in the authorized amount of \$168,160, dated February 18, 2004. The AHP Note is non-interest bearing, is due February 18, 2034 and is secured by a deed of trust.	-	168,160

NOTE 15      NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
<i>Santos Plaza, L.P. (Continued)</i>		
<p>Note payable to the LAHD was first authorized in the amount of \$725,000 and subsequently increased to \$1,185,000. \$985,000 has been advanced from the City of Los Angeles HOME Funds and is evidenced by a promissory note, the City of Los Angeles HOME Funds Note, and secured by the City Deed of Trust. \$200,000 has also been advanced by a promissory note, the City of Los Angeles CDBG Funds Note, and is secured by the City Deed of Trust. The City Loan shall be a zero percent loan for the first year. Subsequently, the notes shall bear interest at the applicable federal rate prevailing on the date of the execution of the Loan Agreement of 5.46%, compounded annually. The principal and all accrued interest is due and payable on August 14, 2042. The note is secured by a deed of trust.</p>	\$	1,763,401
<p>Note payable to LACDA in the authorized amount of \$453,318 bearing simple interest at 3% per annum. The note matures on March 15, 2036. Commencing on March 15, 2006, annual installments shall be made in an amount equal to 19% of the prior year residual receipts (as defined in the loan agreement) derived from operations. The note is secured by a deed of trust.</p>	239,845	453,318
Total	19,040,371	33,519,383
Less current portion	-	3,781,699
Long-term portion	19,040,371	29,737,684
Less unamortized loan fees	-	4,128
Notes payable long-term, net	\$ 19,040,371	\$ 29,733,556

**NOTE 15      NOTES AND INTEREST PAYABLE (CONTINUED)**

Future maturities of interest and notes payable at June 30, 2022 were as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2023	\$ 3,781,699
2024	2,127,266
2025	959,026
2026	24,399
2027	25,985
Thereafter	<u>45,637,251</u>
Total	<u>\$ 52,555,626</u>

In March 2021, ACOF was granted a second draw of the Paycheck Protection Program (PPP) loan amounting to \$968,000 granted by the Small Business Administration (SBA). The PPP loan is forgivable by SBA if all employee retention criteria are met and the funds are used for eligible expenses. ACOF elected to initially record the loan as a liability in accordance with FASB ASU 2020-09, Debt (Topic 470).

In fiscal year 2022, the loan was forgiven by SBA. Accordingly, ACOF derecognized the liability and recorded the gain from loan extinguishment under miscellaneous income in the consolidated statement of activities.

**NOTE 16      LINES OF CREDIT**

ACOF has lines of credit with non-profit financing institutions that provide for borrowings up to a total of \$2,000,000 to be used for specific purposes described in the agreements. The lines are subject to interest rates of 5.5% and 5% and will expire in July 2023 and October 2024. \$1,000,000 of the credit line is unsecured while the rest is secured by certain assets of ACOF.

As of June 30, 2022, outstanding draws from the lines of credit amounted to \$296,632 and are reported under notes and interest payable in the consolidated statement of financial position (see Note 15).



**NOTE 17      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	\$	1,859,102
Los Angeles County Department of Health Services		1,631,550
Others		24,600
Total	\$	3,515,252

**NOTE 18      NEIGHBORWORKS AMERICA GRANTS**

Since 2015, ACOF had been receiving project funds in the form of expendable grants and capital grants from Neighborworks America (NWA). The expendable grants provide support to ACOF's general operations, while the capital grants are used for loan and real estate development activities. For the year ended June 30, 2022, the expendable grants and capital grants received amounted to \$180,500 and \$203,000, respectively, and they reported under foundation grants in the consolidated statement of activities.

The capital funds of \$203,000 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, 2022, are presented as supplemental report at pages 48 and 49 in the consolidated financial statements.

**NOTE 19      NET ASSETS WITH DONOR RESTRICTIONS**

At June 30, 2022, net assets with donor restrictions are available for the following purpose or period:

Supportive housing projects	\$	250,000
Alternate financing		36,366
Others		34,678
Restricted as to time (July 1, 2022 to June 30, 2023)		100,000
Total	\$	421,044

**NOTE 20      COMMITMENTS AND CONTINGENCIES**

**Leases**

ACOF is leasing its office under a non-cancelable operating lease that expires in June 2032. The future annual minimum lease payments under the said lease are as follows:

Year ending June 30,	Amount
2023	\$ 185,513
2024	191,415
2025	197,318
2026	203,221
2027	209,124
Thereafter	1,134,158
Total	\$ <u>2,120,749</u>

**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, 2022, contingent liability related to operating deficits approximates to \$623,086. Management believes the reserves are adequate, and it is unlikely the Company will be called upon to pay on the guarantees.

At June 30, 2022, ACOF was contingently liable for approximately \$2,135,306 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, 2022.

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 \$10,835,645 at June 30, 2022. Management believes the likelihood of funding a material amount of any of the guarantees is remote.

**NOTE 21      RELATED PARTY TRANSACTIONS**

ACOF receives fees for certain services performed by ACOF on behalf of the partnerships. The partnership, property management and developer fees are paid to ACOF from positive cash flow, while the administrative fees are charged by ACOF from federal grants. For the year ended June 30, 2022, the following fees were earned by ACOF:

Partnership and property management fees	\$	979,274
Developer fees		5,398,210
Administrative fees		<u>122,940</u>
Total fees earned from partnerships	\$	<u><u>6,500,424</u></u>

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 Court Apartments, 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.

For the year ended June 30, 2022, ACOF earned property management fees under this agreement in the amount of \$231,140.

**NOTE 22      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, 2022, ACOF's contributions to the plan amounted to \$218,488.

**NOTE 23      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, 2022 consolidated financial statements.

**NOTE 24      SUBSEQUENT EVENTS**

The Company has evaluated events or transactions that occurred subsequent to June 30, 2022 through November 29, 2022, the date the accompanying consolidated financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined that, other than the information disclosed in Note 15, 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, 2022**

	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.	
<b>ASSETS</b>										
<b>Current assets</b>										
Cash and cash equivalents	\$ 4,685,744	\$ 71,200	\$ 1,437	\$ 3,343	\$ 1,634	\$ 1,446	\$ 2,447	\$ 1,833	\$ 20,032	
Certificates of deposit and other short-term investments	1,908,802	-	-	-	-	-	-	-	-	
Rental properties reserves	654,994	680,517	385,917	250,267	800,117	509,670	430,689	603,282	269,824	
Project receivables - current portion	4,671,927	-	-	-	-	-	-	-	-	
Partnership receivables - current portion	985,393	-	-	-	-	-	-	-	-	
Developer fees receivable - current portion, net	1,614,410	-	-	-	-	-	-	-	-	
Contracts receivable	902,626	-	-	-	-	-	-	-	-	
Other receivables	25,197	9,451	16,790	48,583	11,400	33,567	57,238	36,321	88,454	
Prepaid expenses and deposits	126,269	5,939	5,077	6,748	4,887	5,471	7,552	8,166	8,182	
<b>Total current assets</b>	<b>15,575,362</b>	<b>767,107</b>	<b>409,221</b>	<b>308,941</b>	<b>818,038</b>	<b>550,154</b>	<b>497,926</b>	<b>649,602</b>	<b>386,492</b>	
Long-term project receivables	868,838	-	-	-	-	-	-	-	-	
Long-term partnership receivables	4,929,544	-	-	-	-	-	-	-	-	
Long-term developer fees receivables, net	5,061,608	-	-	-	-	-	-	-	-	
Notes, advances, and interest receivable, net	17,893,531	-	-	-	-	-	-	-	-	
Investment in limited partnerships	7,825,054	-	-	-	-	-	-	-	-	
Real estate in development	202,727	-	-	-	-	-	-	-	-	
Property and equipment, net	2,481,378	1,188,197	494,919	1,822,445	764,547	1,666,717	1,277,740	795,952	784,178	
Other long-term assets	-	-	-	4,423	1,609	-	-	-	960	
<b>Total assets</b>	<b>\$ 54,838,042</b>	<b>\$ 1,955,304</b>	<b>\$ 904,140</b>	<b>\$ 2,135,809</b>	<b>\$ 1,584,194</b>	<b>\$ 2,216,871</b>	<b>\$ 1,775,666</b>	<b>\$ 1,445,554</b>	<b>\$ 1,171,630</b>	
<b>LIABILITIES AND NET ASSETS</b>										
<b>Current liabilities</b>										
Accounts payable and accrued expenses	\$ 1,226,509	\$ 23,635	\$ 63,517	\$ 250,573	\$ 70,211	\$ 360,514	\$ 49,792	\$ 666,372	\$ 1,147,041	
Current portion of notes and interest payable	3,413,706	182,794	-	-	-	-	-	-	-	
Other liabilities	61,834	-	-	-	-	-	-	-	-	
<b>Total current liabilities</b>	<b>4,702,049</b>	<b>206,429</b>	<b>63,517</b>	<b>250,573</b>	<b>70,211</b>	<b>360,514</b>	<b>49,792</b>	<b>666,372</b>	<b>1,147,041</b>	
Deficiency in partnership investments	23,201,883	-	-	-	-	-	-	-	-	
Notes and interest payable, net of current portion	23,176,224	2,106,329	1,573,076	3,113,833	3,112,127	3,778,583	263,744	1,966,940	4,717,588	
<b>Total liabilities</b>	<b>51,080,156</b>	<b>2,312,758</b>	<b>1,636,593</b>	<b>3,364,406</b>	<b>3,182,338</b>	<b>4,139,097</b>	<b>313,536</b>	<b>2,633,312</b>	<b>5,864,629</b>	
<b>Net assets (deficit)</b>										
Without donor restrictions	3,336,842	(357,454)	(732,453)	(1,228,597)	(1,598,144)	(1,922,226)	1,462,130	(1,187,758)	(4,692,999)	
With donor restrictions	421,044	-	-	-	-	-	-	-	-	
<b>Total net assets</b>	<b>3,757,886</b>	<b>(357,454)</b>	<b>(732,453)</b>	<b>(1,228,597)</b>	<b>(1,598,144)</b>	<b>(1,922,226)</b>	<b>1,462,130</b>	<b>(1,187,758)</b>	<b>(4,692,999)</b>	
<b>Total liabilities and net assets</b>	<b>\$ 54,838,042</b>	<b>\$ 1,955,304</b>	<b>\$ 904,140</b>	<b>\$ 2,135,809</b>	<b>\$ 1,584,194</b>	<b>\$ 2,216,871</b>	<b>\$ 1,775,666</b>	<b>\$ 1,445,554</b>	<b>\$ 1,171,630</b>	

See independent auditor's report.

**A Community of Friends and Subsidiary  
Consolidating Schedule of Financial Position (Continued)  
June 30, 2021**

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	Santos Plaza, LP	Eliminations	Consolidated
<b>ASSETS</b>									
<b>Current assets</b>									
Cash and cash equivalents	\$ 2,559	\$ 2,443	\$ 141,448	\$ 129,882	\$ 1,354	\$ 6,271	\$ 2,768	\$ -	\$ 5,075,841
Certificates of deposit and other short-term investments	-	-	-	-	-	-	-	-	1,908,802
Rental properties reserves	146,741	398,673	446,306	818,317	58,701	326,174	174,350	-	6,954,539
Project receivables - current portion	-	-	-	-	-	-	-	-	4,671,927
Partnership receivables - current portion	-	-	-	-	-	-	-	-	985,393
Developer fees receivable - current portion, net	-	-	-	-	-	-	-	-	1,614,410
Contracts receivable	-	-	-	-	-	-	-	-	902,626
Other receivables	8,691	58,393	17,901	88,858	227	-	40,825	-	541,896
Prepaid expenses and deposits	8,521	3,460	8,290	5,941	6,279	9,776	3,870	-	224,428
<b>Total current assets</b>	<b>166,512</b>	<b>462,969</b>	<b>613,945</b>	<b>1,042,998</b>	<b>66,561</b>	<b>342,221</b>	<b>221,813</b>	<b>-</b>	<b>22,879,862</b>
Long-term project receivables	-	-	-	-	-	-	-	(838,138)	30,700
Long-term partnership receivables	-	-	-	-	-	-	-	(2,681,216)	2,248,328
Long-term developer fees receivables, net	-	-	-	-	-	-	-	-	5,061,608
Notes, advances, and interest receivable, net	-	-	-	-	-	-	-	(15,739,818)	2,153,713
Investment in limited partnerships	-	-	-	-	-	-	-	(3,500,534)	4,324,520
Real estate in development	-	-	-	-	-	-	-	-	202,727
Property and equipment, net	963,124	440,753	1,956,247	1,600,906	2,686,281	3,035,875	2,767,428	(1,199,849)	23,526,838
Other long-term assets	500	823	555	-	-	4,186	-	-	13,056
<b>Total assets</b>	<b>\$ 1,130,136</b>	<b>\$ 904,545</b>	<b>\$ 2,570,747</b>	<b>\$ 2,643,904</b>	<b>\$ 2,752,842</b>	<b>\$ 3,382,282</b>	<b>\$ 2,989,241</b>	<b>\$ (23,959,555)</b>	<b>\$ 60,441,352</b>
<b>LIABILITIES AND NET ASSETS</b>									
<b>Current liabilities</b>									
Accounts payable and accrued expenses	\$ 397,735	\$ 202,716	\$ 46,574	\$ 75,747	\$ 613,621	\$ 322,690	\$ 1,149,513	\$ (3,519,354)	\$ 3,147,406
Current portion of notes and interest payable	-	-	20,199	165,000	-	-	-	-	3,781,699
Other liabilities	-	-	-	-	-	-	-	-	61,834
<b>Total current liabilities</b>	<b>397,735</b>	<b>202,716</b>	<b>66,773</b>	<b>240,747</b>	<b>613,621</b>	<b>322,690</b>	<b>1,149,513</b>	<b>(3,519,354)</b>	<b>6,990,939</b>
Deficiency in partnership investments	-	-	-	-	-	-	-	(22,678,089)	523,794
Notes and interest payable, net of current portion	1,853,778	3,665,285	936,952	3,128,468	3,899,049	4,437,576	4,209,724	(17,165,349)	48,773,927
<b>Total liabilities</b>	<b>2,251,513</b>	<b>3,868,001</b>	<b>1,003,725</b>	<b>3,369,215</b>	<b>4,512,670</b>	<b>4,760,266</b>	<b>5,359,237</b>	<b>(43,362,792)</b>	<b>56,288,660</b>
<b>Net assets (deficit)</b>									
Without donor restrictions	(1,121,377)	(2,963,456)	1,567,022	(725,311)	(1,759,828)	(1,377,984)	(2,369,996)	19,403,237	3,731,648
With donor restrictions	-	-	-	-	-	-	-	-	421,044
<b>Total net assets</b>	<b>(1,121,377)</b>	<b>(2,963,456)</b>	<b>1,567,022</b>	<b>(725,311)</b>	<b>(1,759,828)</b>	<b>(1,377,984)</b>	<b>(2,369,996)</b>	<b>19,403,237</b>	<b>4,152,692</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,130,136</b>	<b>\$ 904,545</b>	<b>\$ 2,570,747</b>	<b>\$ 2,643,904</b>	<b>\$ 2,752,842</b>	<b>\$ 3,382,282</b>	<b>\$ 2,989,241</b>	<b>\$ (23,959,555)</b>	<b>\$ 60,441,352</b>

See independent auditor's report.

**A Community of Friends and Subsidiary  
Consolidating Schedule of Activities  
Year ended June 30, 2022**

	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.
<b>Revenue and support</b>									
Government grants and contracts	\$ 3,515,252	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Foundation grants	1,390,677	-	-	-	-	-	-	-	-
Developer fees	5,398,210	-	-	-	-	-	-	-	-
Partnership and property management fees	1,361,970	-	-	-	-	-	-	-	-
Rental income	518,925	394,705	207,162	397,043	348,500	369,112	501,107	513,298	508,466
Administrative fees	122,940	-	-	-	-	-	-	-	-
Interest income from loans	464,284	-	-	-	-	-	-	-	-
Other interest income	53,218	-	-	-	-	-	-	-	-
General donations	196,247	-	-	-	-	-	-	-	-
In-kind donations	258,579	-	-	-	-	-	-	-	-
Miscellaneous	980,975	-	-	-	-	-	-	-	-
<b>Total revenue and support</b>	<b>14,261,277</b>	<b>394,705</b>	<b>207,162</b>	<b>397,043</b>	<b>348,500</b>	<b>369,112</b>	<b>501,107</b>	<b>513,298</b>	<b>508,466</b>
<b>Functional expenses</b>									
Program services	7,814,925	482,077	366,810	731,616	613,232	632,042	670,498	890,026	1,100,894
Fund development	337,534	-	-	-	-	-	-	-	-
General and administration	1,977,224	-	-	-	-	-	-	-	-
<b>Total functional expenses</b>	<b>10,129,683</b>	<b>482,077</b>	<b>366,810</b>	<b>731,616</b>	<b>613,232</b>	<b>632,042</b>	<b>670,498</b>	<b>890,026</b>	<b>1,100,894</b>
<b>Change in net assets before income (loss) from investment in partnerships and excess of assumed liabilities over assets acquired</b>	<b>4,131,594</b>	<b>(87,372)</b>	<b>(159,648)</b>	<b>(334,573)</b>	<b>(264,732)</b>	<b>(262,930)</b>	<b>(169,391)</b>	<b>(376,728)</b>	<b>(592,428)</b>
<b>Excess of assumed liabilities over assets acquired</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Loss from investment in partnerships</b>	<b>(5,933,150)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>(1,801,556)</b>	<b>(87,372)</b>	<b>(159,648)</b>	<b>(334,573)</b>	<b>(264,732)</b>	<b>(262,930)</b>	<b>(169,391)</b>	<b>(376,728)</b>	<b>(592,428)</b>
Net assets (deficit), beginning 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)
Net assets (deficit), end of year	<b>\$ 3,757,886</b>	<b>\$ (357,454)</b>	<b>\$ (732,453)</b>	<b>\$ (1,228,597)</b>	<b>\$ (1,598,144)</b>	<b>\$ (1,922,226)</b>	<b>\$ 1,462,130</b>	<b>\$ (1,187,758)</b>	<b>\$ (4,692,999)</b>

See independent auditor's report.



**A Community of Friends and Subsidiary  
Consolidating Schedule of Activities (Continued)  
Year ended June 30, 2021**

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.	Santos Plaza, LP	Eliminations	Consolidated
<b>Revenue and support</b>									
Government grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,515,252
Foundation grants	-	-	-	-	-	-	-	-	1,390,677
Developer fees	-	-	-	-	-	-	-	-	5,398,210
Partnership and property management fees	-	-	-	-	-	-	-	(382,696)	979,274
Rental income	241,707	240,962	820,270	558,519	135,336	440,072	286,204	-	6,481,388
Administrative fees	-	-	-	-	-	-	-	-	122,940
Interest income from loans	-	-	-	-	-	-	-	(386,976)	77,308
Other interest income	-	-	-	-	-	-	-	-	53,218
General donations	-	-	-	-	-	-	-	-	196,247
In-kind donations	-	-	-	-	-	-	-	-	258,579
Miscellaneous	-	-	-	-	-	-	-	-	980,975
<b>Total revenue and support</b>	<u>241,707</u>	<u>240,962</u>	<u>820,270</u>	<u>558,519</u>	<u>135,336</u>	<u>440,072</u>	<u>286,204</u>	<u>(769,672)</u>	<u>19,454,068</u>
<b>Functional expenses</b>									
Program services	394,365	429,432	662,249	780,248	544,410	845,094	566,259	(922,015)	16,602,162
Fund development	-	-	-	-	-	-	-	-	337,534
General and administration	-	-	-	-	-	-	-	-	1,977,224
<b>Total functional expenses</b>	<u>394,365</u>	<u>429,432</u>	<u>662,249</u>	<u>780,248</u>	<u>544,410</u>	<u>845,094</u>	<u>566,259</u>	<u>(922,015)</u>	<u>18,916,920</u>
<b>Change in net assets before income (loss) from investment in partnerships and excess of assumed liabilities over assets acquired</b>	(152,658)	(188,470)	158,021	(221,729)	(409,074)	(405,022)	(280,055)	152,343	537,148
<b>Excess of assumed liabilities over assets acquired</b>	-	-	-	-	-	-	-	(1,959,668)	(1,959,668)
<b>Loss from investment in partnerships</b>	-	-	-	-	-	-	-	5,530,463	(402,687)
<b>Change in net assets</b>	(152,658)	(188,470)	158,021	(221,729)	(409,074)	(405,022)	(280,055)	3,723,138	(1,825,207)
Net assets (deficit), beginning of year	(968,719)	(2,774,986)	1,409,001	(503,582)	(1,350,754)	(972,962)	(2,089,941)	15,680,099	5,977,899
Net assets (deficit), end of year	<u>\$ (1,121,377)</u>	<u>\$ (2,963,456)</u>	<u>\$ 1,567,022</u>	<u>\$ (725,311)</u>	<u>\$ (1,759,828)</u>	<u>\$ (1,377,984)</u>	<u>\$ (2,369,996)</u>	<u>\$ 19,403,237</u>	<u>\$ 4,152,692</u>

See independent auditor's report.

**A Community of Friends and Subsidiary**  
**A Community of Friends**  
**(Parent Company Only)**  
**Statement of Financial Position**  
**June 30, 2022**

**ASSETS**

**Current assets**

Cash and cash equivalents	\$ 4,685,744
Certificates of deposit and other short-term investments	1,908,802
Rental properties reserves	654,994
Project receivables - current portion	4,671,927
Partnership receivables - current portion	985,393
Developer fees receivable - current portion, net	1,614,410
Contracts receivable	902,626
Other receivables	25,197
Prepaid expenses and deposits	126,269

**Total current assets** 15,575,362

Long-term project receivables	868,838
Long-term partnership receivables	4,929,544
Long-term developer fees receivables, net	5,061,608
Notes, advances, and interest receivable, net	17,893,531
Real estate in development	202,727
Property and equipment, net	2,481,378

**Total assets** \$ 47,012,988

**LIABILITIES AND NET ASSETS**

**Current liabilities**

Accounts payable and accrued expenses	\$ 1,226,509
Current portion of notes and interest payable	3,413,706
Other liabilities	61,834

**Total current liabilities** 4,702,049

Notes and interest payable, net of current portion	<u>23,176,224</u>
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**Total liabilities** 27,878,273

**Net assets**

Without donor restrictions	18,713,671
With donor restrictions	421,044

**Total net assets** 19,134,715

**Total liabilities and net assets** \$ 47,012,988

*The above statement of financial position is that of A Community of Friends (ACOF) (parent company) only and is not that of the primary reporting entity. ACOF's investments in limited partnerships wherein it has controlling and non-controlling interests are not included in the above statement. The consolidated financial statements of ACOF and its Subsidiary are shown at pages 4 to 6 and should be read in conjunction with the above parent company only financial statements.*

*See independent auditor's report.*

**A Community of Friends and Subsidiary  
A Community of Friends  
(Parent Company Only)  
Statement of Activities  
Year ended June 30, 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue and support</b>			
Government grants and contracts	\$ 3,515,252	\$ -	\$ 3,515,252
Foundation grants	960,677	430,000	1,390,677
Developer fees	5,398,210	-	5,398,210
Partnership and property management fees	1,361,970	-	1,361,970
Rental income	518,925	-	518,925
Administrative fees	122,940	-	122,940
Interest income from loans	464,284	-	464,284
Other interest income	53,218	-	53,218
General donations	196,247	-	196,247
In-kind donations	258,579	-	258,579
Miscellaneous	980,975	-	980,975
Net assets released from restriction	79,907	(79,907)	-
<b>Total revenue and support</b>	<b>13,911,184</b>	<b>350,093</b>	<b>14,261,277</b>
<b>Functional expenses</b>			
Program services	7,814,925	-	7,814,925
Fund development	337,534	-	337,534
General and administration	1,977,224	-	1,977,224
<b>Total functional expenses</b>	<b>10,129,683</b>	<b>-</b>	<b>10,129,683</b>
<b>Change in net assets</b>	3,781,501	350,093	4,131,594
<b>Net assets, beginning of year</b>	14,932,170	70,951	15,003,121
<b>Net assets, end of year</b>	\$ 18,713,671	\$ 421,044	\$ 19,134,715

*The above statement of activities is that of A Community of Friends (ACOF) (parent company) only and is not that of the primary reporting entity. ACOF's investments in limited partnerships wherein it has controlling and non-controlling interests are not included in the above statement. The consolidated financial statements of ACOF and its Subsidiary are shown at pages 4 to 6 and should be read in conjunction with the above parent company only financial statements.*

*See independent auditor's report.*

**A Community of Friends and Subsidiary  
A Community of Friends  
(Parent Company Only)  
Statement of Functional Expenses  
Year ended June 30, 2022**

	Program Services				Total	Fund Development	General and Administration	Total
	Supportive Services	Real Estate Activities	Property Management	Rental				
<b>Personnel expenses</b>								
Salaries	\$ 1,933,999	\$ 927,051	\$ 428,189	\$ 5,366	\$ 3,294,605	\$ 228,171	\$ 1,271,730	\$ 4,794,506
Payroll taxes	161,436	73,673	35,985	438	271,532	18,605	94,292	384,429
Employee benefits	352,615	88,203	110,636	1,102	552,556	20,441	150,284	723,281
<b>Total personnel expenses</b>	<b>2,448,050</b>	<b>1,088,927</b>	<b>574,810</b>	<b>6,906</b>	<b>4,118,693</b>	<b>267,217</b>	<b>1,516,306</b>	<b>5,902,216</b>
<b>Other expenses</b>								
Advertising	9,614	157	1,834	-	11,605	136	13,298	25,039
Auditing and accounting	29,115	9,381	10,498	5,000	53,994	1,926	10,233	66,153
Auto expense	9,876	382	-	-	10,258	-	2,483	12,741
Bad debts	-	258,238	-	22,143	280,381	-	-	280,381
Consulting	-	139,643	-	-	139,643	9,345	18,510	167,498
Contractual-supportive services	1,023,552	-	-	-	1,023,552	-	-	1,023,552
Donated supplies	258,579	-	-	-	258,579	-	-	258,579
Dues, fees and subscriptions	828	3,658	318	4,719	9,523	6,354	48,275	64,152
Employee engagement	-	569	68	-	637	-	16,450	17,087
Equipment leases	6,313	6,060	1,367	-	13,740	804	4,292	18,836
Fundraising	-	-	-	-	-	5,660	-	5,660
Interest	-	367,530	-	121,444	488,974	-	-	488,974
Legal fees	-	6,834	-	5,464	12,298	-	17,500	29,798
Liability insurance	1,033	2,975	1,239	32,528	37,775	563	39,483	77,821
Marketing	-	-	-	-	-	14,668	-	14,668
Meals	3,500	764	-	-	4,264	87	6,103	10,454
Miscellaneous	805	116	390	25	1,336	1,159	27,109	29,604
Office expenses	106,664	17,335	13,514	11,595	149,108	6,938	77,759	233,805
Postage and printing	450	4,162	470	-	5,082	922	2,746	8,750
Property maintenance and repairs	-	-	-	140,427	140,427	-	-	140,427
Rent and parking	11,571	94,692	64,401	-	170,664	8,600	102,382	281,646
Resident programs	367,555	-	-	492	368,047	-	480	368,527
Security	-	-	-	44,840	44,840	-	-	44,840
Seminars and training	2,993	7,604	2,043	-	12,640	933	1,562	15,135
Taxes and licenses	138	1,105	414	9,622	11,279	276	1,657	13,212
Telephone	33,504	15,994	6,314	10,162	65,974	4,172	20,330	90,476
Temporary staff	-	-	-	65,750	65,750	-	5,528	71,278
Utilities	-	-	-	85,021	85,021	-	-	85,021
Worker's compensation insurance	24,696	11,961	15,512	531	52,700	2,823	15,031	70,554
<b>Total expenses before depreciation</b>	<b>4,338,836</b>	<b>2,038,087</b>	<b>693,192</b>	<b>566,669</b>	<b>7,636,784</b>	<b>332,583</b>	<b>1,947,517</b>	<b>9,916,884</b>
Depreciation and amortization	2,476	14,853	12,378	148,434	178,141	4,951	29,707	212,799
<b>Total functional expenses</b>	<b>\$ 4,341,312</b>	<b>\$ 2,052,940</b>	<b>\$ 705,570</b>	<b>\$ 715,103</b>	<b>\$ 7,814,925</b>	<b>\$ 337,534</b>	<b>\$ 1,977,224</b>	<b>\$ 10,129,683</b>

*The above statement of functional expenses are that of A Community of Friends (ACOF) (parent company) only and is not that of the primary reporting entity. ACOF's investments in limited partnerships wherein it has controlling and non-controlling interests are not included in the above statement. The consolidated financial statements of ACOF and its Subsidiary are shown at pages 4 to 6 and should be read in conjunction with the above parent company only financial statements.*

See independent auditor's report.

**A Community of Friends and Subsidiary  
NeighborWorks America Capital Fund  
Schedule of Financial Position  
June 30, 2022**

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<b>ASSETS</b>		
Real estate in development		\$ <u>30,022</u>
	<b>Total assets</b>	<b>\$ <u>30,022</u></b>
<b>NET ASSETS</b>		
Without donor restriction		\$ <u>30,022</u>
	<b>Total net assets</b>	<b>\$ <u>30,022</u></b>

*See independent auditor's report.*

**A Community of Friends and Subsidiary  
NeighborWorks America Capital Fund  
Schedule of Activities  
Year ended June 30, 2022**

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**Revenue, gains, other support and releases of capital:**

Capital Grant - NeighborWorks America, beginning of year	\$	105,498
Additions		203,000
Releases		<u>(278,476)</u>
Net assets, end of year	\$	<u>30,022</u>

*See independent auditor's report.*



## 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, 2022, 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 29, 2022.

### Report on 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 or significant deficiencies may exist that have not been identified.



## **Report on 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.

**Glendale, California  
November 29, 2022**





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