

November 22, 2023

Dear Funder or Lender:

Thank you for your continued support of A Community of Friends' mission to end homelessness.

Included in this package are the audited *consolidated* financial statements of A Community of Friends and Subsidiaries for the year ended June 30, 2023.

The operations of A Community of Friends are reported in the supplementary information section. Please refer to the Parent Company Only financial statements presented on pages 43 through 45.

Please send any questions regarding our audited financial statements to me at rdement@acof.org.

Best regards,



Renae S. DeMent
Chief Financial Officer

ACCOF

A COMMUNITY OF FRIENDS

**A Community of Friends and Subsidiary
Consolidated Financial Statements
and Supplementary Information
As of and for the Year Ended June 30, 2023
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, 2023
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, 2023, 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, 2023, 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 (*Government Auditing Standards*). 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Company adopted the provisions of Accounting Standard Codification (ASC) Topic 842, Leases, effective July 1, 2022. Our opinion is not modified with respect to this matter.



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 financial statements as a whole. The accompanying supplementary information on pages 39 to 47 are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2023 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 Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

**Glendale, California
November 21, 2023**

**A Community of Friends and Subsidiary
Consolidated Statement of Financial Position
June 30, 2023**

ASSETS

Current assets

Cash and cash equivalents	\$	8,796,904
Certificates of deposit and other short-term investments		2,634,088
Rental properties reserves		6,251,231
Project receivables - current portion		2,528,776
Partnership receivables - current portion		1,319,098
Developer fees receivables - current portion, net		2,485,117
Contracts receivable		809,927
Other receivables		1,536,187
Prepaid expenses and deposits		103,056
Total current assets		26,464,384

Noncurrent assets

Long-term project receivables		905,135
Long-term partnership receivables		2,712,389
Long-term developer fees receivables, net		4,363,685
Notes, advances, and interest receivable, net		2,153,560
Investment in limited partnerships		5,970,249
Real estate in development		1,136,264
Property and equipment, net		21,687,720
Right-of-use asset, net		1,670,018
Other long-term assets		12,568
Total assets	\$	67,075,972

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable and accrued expenses	\$	4,044,706
Current portion of lease liability		144,239
Current portion of notes and interest payable		3,145,523
Other liabilities		62,267
Total current liabilities		7,396,735

Noncurrent liabilities

Deficiency in partnership investments		424,666
Lease liability, net of current portion		1,552,340
Notes and interest payable, net of current portion		53,558,832
Total liabilities		62,932,573

Net assets

Without donor restrictions		3,459,652
With donor restrictions		683,747
Total net assets		4,143,399
Total liabilities and net assets	\$	67,075,972

See notes to consolidated financial statements.

**A Community of Friends and Subsidiary
Consolidated Statement of Activities
Year ended June 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support			
Government grants and contracts	\$ 3,872,808	\$ -	\$ 3,872,808
Foundation grants	2,702,000	600,750	3,302,750
Developer fees	4,288,994	-	4,288,994
Partnership and property management fees	985,551	-	985,551
Rental income	7,372,996	-	7,372,996
Administrative fees	75,628	-	75,628
Interest income from loans	77,279	-	77,279
Other interest income	103,985	-	103,985
General donations	420,676	-	420,676
In-kind donations	16,182	-	16,182
Miscellaneous	128,630	-	128,630
Net assets released from restriction	338,047	(338,047)	-
Total revenue and support	<u>20,382,776</u>	<u>262,703</u>	<u>20,645,479</u>
Functional expenses			
Program services	18,337,660	-	18,337,660
Fund development	504,286	-	504,286
General and administration	2,495,056	-	2,495,056
Total functional expenses	<u>21,337,002</u>	<u>-</u>	<u>21,337,002</u>
Change in net assets before income from investment in partnerships	(954,226)	262,703	(691,523)
Income from investment in partnerships	<u>682,230</u>	<u>-</u>	<u>682,230</u>
Change in net assets	(271,996)	262,703	(9,293)
Net assets, beginning of year	3,731,648	421,044	4,152,692
Net assets, end of year	<u>\$ 3,459,652</u>	<u>\$ 683,747</u>	<u>\$ 4,143,399</u>

See notes to consolidated financial statements.

**A Community of Friends and Subsidiary
Consolidated Statement of Functional Expenses
Year ended June 30, 2023**

	Program Services				Total	Fund Development	General and Administration	Total
	Supportive Services	Real Estate Activities	Property Management	Rental				
Personnel expenses								
Salaries	\$ 2,103,074	\$ 1,130,455	\$ 482,427	\$ 2,666	\$ 3,718,622	\$ 225,495	\$ 1,534,050	\$ 5,478,167
Payroll taxes	173,855	86,108	41,305	215	301,483	15,867	108,777	426,127
Employee benefits	341,681	124,652	105,387	573	572,293	14,639	174,914	761,846
Total personnel expenses	2,618,610	1,341,215	629,119	3,454	4,592,398	256,001	1,817,741	6,666,140
Other expenses								
Advertising	20,646	57,917	5,734	-	84,297	161	21,644	106,102
Auditing and accounting	29,974	6,738	11,994	5,000	53,706	2,132	11,001	66,839
Auto expense	10,831	1,811	2,936	-	15,578	258	2,187	18,023
Bad debts	200	168,753	-	7,012	175,965	-	-	175,965
Consulting	-	151,665	-	-	151,665	14,952	75,200	241,817
Contractual-supportive services	1,136,470	-	-	-	1,136,470	-	-	1,136,470
Donated supplies	16,182	-	-	-	16,182	-	-	16,182
Dues, fees and subscriptions	806	1,046	461	6,185	8,498	13,953	68,142	90,593
Employee engagement	2,776	2,001	1,319	-	6,096	442	35,055	41,593
Equipment leases	7,080	4,703	1,480	-	13,263	789	5,355	19,407
Fundraising	-	-	-	-	-	144,791	-	144,791
Interest	-	446,724	-	121,438	568,162	-	-	568,162
Legal fees	-	3,453	-	1,321	4,774	15	-	4,789
Liability insurance	5,227	3,648	3,144	35,345	47,364	1,066	64,594	113,024
Marketing	-	1,000	-	-	1,000	7,181	590	8,771
Meals	2,380	971	33	-	3,384	67	10,078	13,529
Miscellaneous	5,358	442	-	1,624	7,424	4,096	247	11,767
Office expenses	92,877	16,187	9,962	9,934	128,960	12,478	130,840	272,278
Postage and printing	235	5,285	671	-	6,191	4,617	5,098	15,906
Property maintenance and repairs	-	-	-	173,322	173,322	-	-	173,322
Rent and parking	9,455	67,399	28,694	-	105,548	19,044	112,957	237,549
Resident programs	516,809	-	-	594	517,403	-	5,744	523,147
Security	-	-	-	39,793	39,793	-	-	39,793
Seminars and training	3,443	12,230	781	-	16,454	1,638	4,848	22,940
Taxes and licenses	213	1,702	638	9,950	12,503	213	2,340	15,056
Telephone	44,552	14,786	8,158	15,371	82,867	4,281	23,583	110,731
Temporary staff	-	-	-	83,375	83,375	8,635	19,475	111,485
Travel	-	6,810	-	-	6,810	38	9,104	15,952
Utilities	-	-	-	93,945	93,945	-	-	93,945
Worker's compensation insurance	34,482	16,535	25,628	275	76,920	3,580	22,938	103,438
Total expenses before depreciation and amortization	4,558,606	2,333,021	730,752	607,938	8,230,317	500,428	2,448,761	11,179,506
Depreciation and amortization	3,858	19,290	23,148	148,696	194,992	3,858	46,295	245,145
Total - A Community of Friends	4,562,464	2,352,311	753,900	756,634	8,425,309	504,286	2,495,056	11,424,651
Expenses - Subsidiaries								
Rental operations	-	-	-	9,912,351	9,912,351	-	-	9,912,351
Total functional expenses	\$ 4,562,464	\$ 2,352,311	\$ 753,900	\$ 10,668,985	\$ 18,337,660	\$ 504,286	\$ 2,495,056	\$ 21,337,002

See notes to consolidated financial statements.

**A Community of Friends and Subsidiary
Consolidated Statement of Cash Flows (Continued)
Year ended June 30, 2023**

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	\$ 8,796,904
Restricted cash included in rental property reserves	<u>6,251,231</u>
Total cash, cash equivalent and restricted cash shown in the statement of cashflows	<u>\$ 15,048,135</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, 2023, 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 upon 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 are presented on pages 39 and 41 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 "Income from investment in partnerships". The operational result for ACOF is reflected on the line "Change in net assets before income from investment in partnerships".

The financial statements of ACOF (parent company) only, excluding its accumulated share in the net income/loss of the limited partnerships wherein it has controlling and non-controlling interests, are presented as a supplemental report on pages 43 to 45. The beginning net asset balance was adjusted to recognize ACOF's capital contributions to the limited partnerships in the previous years.

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, 2023, the Company's net assets with donor restrictions amounted to \$683,747.

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, 2023, grants and contributions of \$2,318,663 were not yet recognized in the consolidated statement of activities because the conditions on which they depend were not yet met.

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

Partnership and Property Management Fees

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

Interest Capitalized

The Company follows the policy of capitalizing interest during predevelopment as a component of the cost of property constructed or as a project receivable from a related limited partnership. For the year ended June 30, 2023, 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 23701d 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 an audit, based on the technical merits of the position. As of and for the year ended June 30, 2023, 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 2019 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, 2023, the total in-kind donations is not material to the financial statements.

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Company adopted Topic 842 on July 1, 2022 using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Company has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Company's historical accounting treatment under ASC Topic 840.

The Company has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

The Company determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Company obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Company also considers whether its service arrangements include the right to control the use of an asset.

ROU asset and lease liability is measured based on the present value of future lease payments over the lease term at July 1, 2022, for existing leases upon the adoption of Topic 842. The ROU asset also includes any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Company made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the remaining term for leases existing upon the adoption of Topic 842.

Adoption of Topic 842 resulted in the recognition of ROU asset and lease liability related to the Company's operating lease both amounting to \$1,831,216, at July 1, 2022. The adoption of the new lease standard did not materially impact consolidated net assets or consolidated cash flows and did not result in a cumulative effect adjustment to the opening balance of net assets.

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).

**A Community of Friends and Subsidiary
Notes to Consolidated Financial Statements
Year ended June 30, 2023**

NOTE 3 CONCENTRATION OF CREDIT RISK (CONTINUED)

At June 30, 2023, the Company has developer fees receivable from various limited partnerships amounting to \$8,644,953. The partnership agreements allow for the deferred payment of these developer fees over 10 to 12-year periods. The Company estimates that for certain 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, 2023, the Company 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 \$1,069,853 at June 30, 2023. See Note 13.

Management believes the notes will be paid upon the ultimate disposition of the property in the limited partnership. The Company reviews notes receivable for impairment whenever events or changes in circumstances indicate that the carrying value of the notes may not be recoverable. At June 30, 2023, the Company established an allowance for doubtful accounts on notes receivable in the amount of \$3,885,604.

NOTE 4 AVAILABILITY OF FINANCIAL ASSETS AND LIQUIDITY

The following represents the Company's financial assets at June 30, 2023:

	<u>ACOF</u>	<u>Subsidiary</u>	<u>Consolidated</u>
Financial assets at year end:			
Cash and cash equivalents	\$ 8,615,650	\$ 181,254	\$ 8,796,904
Certificates of deposit and other short-term investments	2,634,088	-	2,634,088
Rental properties reserves	671,906	5,579,325	6,251,231
Project receivables - current portion	2,528,776	-	2,528,776
Partnership receivables - current portion	1,319,098	-	1,319,098
Developer fees receivables - current portion, net	2,485,117	-	2,485,117
Contracts receivable	809,927	-	809,927
Other receivables	133,463	1,402,724	1,536,187
Total financial assets	<u>19,198,025</u>	<u>7,163,303</u>	<u>26,361,328</u>
Less amounts not available to be used within one year:			
Rental properties reserves	671,906	5,579,325	6,251,231
Net assets with donor restriction	683,747	-	683,747
Less net assets with purpose restrictions to be met in less than a year	<u>(683,747)</u>	<u>-</u>	<u>(683,747)</u>
	<u>671,906</u>	<u>5,579,325</u>	<u>6,251,231</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 18,526,119</u>	<u>\$ 1,583,978</u>	<u>\$ 20,110,097</u>

**A Community of Friends and Subsidiary
Notes to Consolidated Financial Statements
Year ended June 30, 2023**

NOTE 4 AVAILABILITY OF FINANCIAL ASSETS AND LIQUIDITY (CONTINUED)

The Company's goal is to maintain financial assets sufficient to meet 90 days of operating expenses (on a consolidated basis, \$4,700,000). In addition to financial assets available to meet general expenditures over the next 12 months, the Company anticipates collecting sufficient revenue to cover general expenditures and commitments not covered by donor-restricted resources. Any financial assets in excess of cash requirements are invested in certificates of deposit and short-term investments to maximize the return of investments on its funds.

NOTE 5 CASH AND CASH EQUIVALENTS

At June 30, 2023, cash and cash equivalents are for uses as follows:

A Community and Friends and Subsidiary	\$ 7,716,020
Rental Properties' Operations	1,080,884
Total \$	<u>8,796,904</u>

NOTE 6 RENTAL PROPERTIES AND SUBSIDIARY RESERVES

At June 30, 2023, rental properties and subsidiary reserves total \$6,251,231 and consisted of the following:

Property	Replacement Reserve	Operating Reserve	Other Reserves	Total
Rental Properties:				
Central Court Apartments	\$ 136,513	\$ 143,394	\$ 2,644	\$ 282,551
Orbison House	14,865	21,055	4,058	39,978
Selby Hotel	142,978	68,077	11,475	222,530
Step Out Apartments	79,549	47,298	-	126,847
Subsidiary:				
39 West Apartments, L.P.	301,098	400,919	12,402	714,419
836 Fedora, L.P.	75,539	248,489	5,767	329,795
Amistad Apartments, L.P.	135,469	159,902	27,344	322,715
Brandon Apartments, L.P.	114,858	131,423	14,583	260,864
California Hotel 1140, L.P.	248,296	566,848	10,963	826,107
Calvert Street Apartments, L.P.	29,329	21,973	12,715	64,017
Figuroa Court Apartments, L.P.	282,642	3,596	14,069	300,307
Fox Normandie Apartments, L.P.	115,239	122,839	13,764	251,842
Gower Street Apartments, L.P.	197,353	261,503	15,963	474,819
Las Palomas Hotel, L.P.	95,054	107,725	9,831	212,610
Maryland Apartments, L.P.	58,358	86,401	5,657	150,416
Parker Hotel, L.P.	172,569	77,505	11,950	262,024
Santos Plaza, L.P.	62,219	794	15,195	78,208
Sonya Gardens, L.P.	264,073	192,089	17,390	473,552
V. Nueva, L.P.	193,257	649,139	15,234	857,630
	<u>\$ 2,719,258</u>	<u>\$ 3,310,969</u>	<u>\$ 221,004</u>	<u>\$ 6,251,231</u>

NOTE 6 RENTAL PROPERTIES AND SUBSIDIARY RESERVES (CONTINUED)

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

NOTE 7 PARTNERSHIP RECEIVABLES

At June 30, 2023, partnership receivables consisted of the following:

Accrued partnership management fees	\$	3,779,204
Accrued administrative fees		252,283
	Total	4,031,487
Less current portion		1,319,098
Long-term	\$	2,712,389

NOTE 8 PROJECT RECEIVABLES

At June 30, 2023, project receivables consisted of the following:

In operation:

Avalon Apartments, L.P.	\$	100,000
Beverly PSH, L.P.		476
Gateways Housing, L.P.		30,701
Sun Valley Housing, L.P.		2,025
Woodland Terrace, L.P.		774,434

In predevelopment and construction:

6604 West PSH, L.P.		97,417
8022 Vineland, L.P.		258,465
Estrella Azul, L.P.		928,476
Huntington Square, L.P.		191,669
Lorena Plaza L.P.		502,789
Redlands Supportive Housing, L.P.		40,776
Riverside Supportive Housing, L.P.		22,481
Selby Supportive Housing, L.P.		210,851
Ventura Veterans, L.P.		273,351
	Total	3,433,911

Less current portion		2,528,776
Long-term	\$	905,135

NOTE 9 DEVELOPER FEES RECEIVABLES

At June 30, 2023, developer fees receivable, which included deferred developer fees, consisted of the following:

<u>In operation in 2023:</u>	
3101 West Venice, L.P	\$ 444,317
Avalon Apartments, L.P.	1,212,749
Berendos, L.P.	524,262
Beverly PSH, L.P.	185,840
Cedar Springs, L.P.	462,971
Miramonte PSH, L.P.	67,940
Osborne Place, L.P.	212,454
Vendome Palms, L.P.	467,500
Vista Del Rio Housing Partners, L.P.	47,002
 <u>In construction in 2023:</u>	
6604 West PSH, L.P.	475,000
Huntington Square, L.P.	417,550
Lorena Plaza, L.P.	1,320,000
Redlands Supportive Housing, L.P.	173,437
Riverside Supportive Housing, L.P.	1,736,000
Ventura Veterans, L.P.	679,250
Washington Santa Ana Housing Partners, L.P.	218,681
Total	8,644,953
Less allowance for uncollectible receivables	1,796,151
Less current portion	2,485,117
Long-term	\$ 4,363,685

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.

**A Community of Friends and Subsidiary
Notes to Consolidated Financial Statements
Year ended June 30, 2023**

NOTE 10 INVESTMENT IN LIMITED PARTNERSHIPS (CONTINUED)

At June 30, 2023, investment in limited partnerships consisted of the following:

In construction/predevelopment:

6604 West PSH, L.P.	\$ 83,400
Huntington Square, L.P.	(6,400)
Lorena Plaza, L.P.	148,400
Redlands Supportive Housing, L.P.	996,768
Riverside Supportive Housing, L.P.	370,300
Ventura Veterans, L.P.	499,200

In operation:

3101 West Venice, L.P.	39,670
AMCAL Avenida Fund, L.P.	(172)
Avalon Apartments, L.P.	(569)
Berendos, L.P.	1,648
Beverly PSH, L.P.	(391,108)
Camino de las Flores, L.P.	(317)
Cedar Springs, L.P.	(244)
Fullerton Supportive Housing, L.P.	152,553
Figueroa Court Partners	(23,751)
Gateways Housing, L.P.	-
La Primavera Apartments, L.P.	(204)
Miramonte PSH L.P.	(40)
ND Sepulveda I, L.P.	58
ND Sepulveda II, L.P.	137
Osborne Place, L.P.	232,366
Rayen Apartments, L.P.	91,619
Step Up On Fifth, L.P.	12,734
Sun Valley Housing, L.P.	(187)
The Villas at Gower, L.P.	11,712
Vendome Palms, L.P.	257,151
Vista Del Rio Housing Partners, L.P. *	3,071,842
West Villas, L.P.	(281)
Willis Avenue Apartments, L.P.	(526)
Willowbrook Place, L.P.	691
Woodland Terrace, L.P.	(867)
Total	<u>\$ 5,545,583</u>

* Due to land donation in 2015.

At June 30, 2023, the above is summarized in the financial statements as follows:

Investment in limited partnerships (assets)	\$ 5,970,249
Deficiency in partnership investments (liability)	(424,666)
	<u>\$ 5,545,583</u>

**A Community of Friends and Subsidiary
Notes to Consolidated Financial Statements
Year ended June 30, 2023**

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, 2022:

	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.	\$ 15,239,896	\$ 4,879,084	\$ 8,656,926	\$ 681,286	\$ (794,832)	\$ (79)
6604 West PSH, L.P.	24,443,498	20,195,780	1,275,179	-	(800)	-
AMCAL Avenida Fund, L.P.	9,376,606	7,269,805	1,192,716	560,539	(293,071)	(14)
Avalon Apartments, L.P.	17,093,744	9,826,777	5,500,484	871,201	(845,075)	(85)
Berends, L.P.	13,455,170	8,634,989	1,646,600	978,372	(170,745)	(17)
Beverly PSH, L.P.	18,933,990	12,101,963	6,016,869	754,355	(675,536)	(33)
Camino de las Flores, L.P.	5,520,980	7,235,764	(2,318,824)	319,763	(437,754)	(52,342)
Cedar Springs, L.P.	16,992,803	8,706,407	7,236,036	698,593	(625,193)	(32)
Figuroa Court Partners	62,314	165	(118,874)	-	-	(23)
Fullerton Supportive Housing, L.P.	16,571,526	7,942,745	8,256,397	612,094	(553,859)	(55)
Gateways Housing, L.P.	2,330,614	1,103,931	(441,585)	243,409	(253,659)	-
Huntington Square, L.P.	5,309,071	-	(6,400)	-	(800)	(800)
La Primavera Apartments, L.P.	3,301,753	1,587,683	792,213	376,857	(202,084)	(20)
Lorena Plaza, L.P.	10,551,763	1,700,000	2,572,919	-	(800)	-
Miramonte PSH, L.P.	21,458,362	14,886,422	6,079,956	754,411	(726,877)	(73)
ND Sepulveda I, L.P.	18,625,733	9,630,871	8,548,841	1,147,804	(543,124)	(38)
ND Sepulveda II, L.P.	17,114,253	8,484,413	8,192,946	1,146,109	(457,697)	(34)
Osborne Place, L.P.	17,513,234	10,812,566	5,620,529	1,204,833	(750,738)	(75)
Rayen Apartments, L.P.	8,145,976	7,910,319	(20,679)	826,556	(717,499)	(72)
Redlands Supportive Housing, L.P.	4,059,362	-	(6,400)	-	(800)	(404)
Riverside Supportive Housing, L.P.	27,597,161	-	2,540,200	-	(800)	-
Step Up On Fifth, L.P.	11,328,120	14,961,565	(6,046,895)	459,096	(969,870)	(50)
Sun Valley Housing, L.P.	20,405,965	14,454,757	5,437,138	804,687	(731,420)	(73)
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.	10,623,696	11,192,240	(1,419,410)	415,588	(512,117)	(50)
Ventura Veterans, L.P.	21,502,111	3,575,205	5,756,153	-	(800)	1,600
Vista Del Rio Housing Partners, L.P.	10,374,285	3,238,317	6,078,037	468,295	(364,096)	(18)
West Villas, L.P.	16,950,697	5,107,207	11,640,400	914,107	(702,132)	(70)
Willis Avenue Apartments, L.P.	11,646,257	9,451,378	2,006,501	699,493	(601,432)	(60)
Willowbrook Place, L.P.	4,299,792	4,055,866	(1,205,640)	383,285	(188,891)	(301,751)
Woodland Terrace, L.P.	6,372,961	7,571,982	(3,308,404)	695,289	(473,370)	(46)
	<u>\$ 410,981,135</u>	<u>\$ 232,291,148</u>	<u>\$ 96,122,812</u>	<u>\$ 17,047,798</u>	<u>\$ (13,347,689)</u>	<u>\$ (354,752)</u>

**A Community of Friends and Subsidiary
Notes to Consolidated Financial Statements
Year ended June 30, 2023**

NOTE 11 REAL ESTATE IN DEVELOPMENT

At June 30, 2023, real estate in development consisted of the following:

Land	\$ 900,000
Predevelopment costs	<u>236,264</u>
Total	<u><u>1,136,264</u></u>

NOTE 12 PROPERTY AND EQUIPMENT

At June 30, 2023, property and equipment consisted of the following:

Land, buildings, and improvements	\$ 70,272,905
Furniture and equipment	<u>2,871,130</u>
Total	73,144,035
Less accumulated depreciation and amortization	<u>51,456,315</u>
Property and equipment, net	<u><u>21,687,720</u></u>

For the year ended June 30, 2023, the provision for depreciation and amortization amounted to \$2,219,674.

NOTE 13 NOTES, ADVANCES, AND INTEREST RECEIVABLE

At June 30, 2023, notes, advances, and interest receivable consisted of the following:

	Interest Receivable	Principal
As discussed in Note 3, the funding for the following notes receivable originated from grant funds. All these notes are secured by deeds of trust on real property located in Los Angeles, California. The notes are:		
Notes receivable from The Villas at Gower, L.P., with interest at 0% and matures in 2065. The note was funded by the California Department of Housing and Community Development's Infill Infrastructure Grant Program.	\$ -	\$ 1,810,000
Notes receivable from La Primavera Apartments, L.P., interest accrues at 4.92% per annum and matures in December 2032.	414,920	400,000
Notes receivable from Willowbrook Place, L.P., interest accrues at 5.0% per annum and matures in October 2060.	334,707	400,000

**A Community of Friends and Subsidiary
Notes to Consolidated Financial Statements
Year ended June 30, 2023**

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

	Interest Receivable	Principal
Notes receivable from Woodland Terrace, L.P., interest accrues at 5.0% per annum and matures in December 2060.	\$ 320,226	\$ 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>127,527</u>	<u>470,000</u>
Total	<u>1,197,380</u>	<u>4,841,784</u>
Less: allowance for uncollectible notes and interest receivable	<u>1,153,520</u>	<u>2,732,084</u>
Net notes, advances and interest receivable	<u>\$ 43,860</u>	<u>\$ 2,109,700</u>

NOTE 14 NOTES AND INTEREST PAYABLE

At June 30, 2023, notes and interest payable consisted of the following:

	Interest Payable	Principal
<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	\$ 709,013	\$ 1,497,333
Las Palomas Hotel, L.P., due in June 2051	2,722,508	2,100,081
V. Nueva, L.P., due August 2040	1,440,841	1,599,182
Calvert Street Apartments, L.P., due July 2041	1,474,342	1,440,450
Note payable to Bank of America with no interest or principal payments due until maturity. Interest accrues at the rate charged by the Federal Home Loan Bank of San Francisco per annum on the unpaid portion of the outstanding principal. Should ACOF comply with requirements as stated in the loan agreement, this note becomes interest free. The loan matures in December 2052 and is collateralized by a deed of trust on the California Hotel 1140, L.P. property. Management does not anticipate having to pay interest, and therefore, has not accrued interest on this loan.	-	194,079

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
<p>Note payable to U.S. Bank. The loan balance will be forgiven if ACOF complies with the requirements stated in the loan agreement. The note is collateralized by a deed of trust on the Maryland Apartments, L.P. property. The principal balance of the note matured in December 2021. Management anticipates that the note will be forgiven and is currently working on the related documentation requirements.</p>	\$ -	\$ 162,986

Notes payable to the California Department of Housing and Community Development (HCD). Interest accrues at a simple interest rate of 3% per annum. Interest payments are due annually unless a written request for a deferral of interest payments is submitted. The outstanding principal is to be repaid exclusively from residual receipts (as defined in the loan agreement) and is due upon maturity. The notes payable are collateralized by trust deeds on the property and are as follows:

Orbison House property, due in March 2031	334,546	345,000
Selby property, due in July 2031	693,090	725,000

Notes payable to LAHD, principal and interest due in annual payments made exclusively from residual receipts (as defined in the loan agreement) derived from the project at the financed property, collateralized by a deed of trust. Interest accrues annually on the outstanding principal balance at 3% per annum until the final sale of the property or refinancing of the loan. Any unpaid accrued interest will be rolled over into the principal balances at the beginning of each calendar year. The notes payable matured in December 2019 and July 2021. Management anticipates that the notes will be forgiven and is currently working on the

Orbison House property, due in December 2019	207,865	204,000
Selby property, due in July 2021	375,171	325,000

NOTE 14 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>			
	129,723		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>			
	609,526		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>			
	34,815		176,893

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
<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>	261,230	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>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

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
<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>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 payable in quarterly installments beginning March 2024 until December 2025.</p>	18,944	2,000,000
<p>Note payable to Conrad N. Hilton Foundation to finance the Alternative Supportive Housing Production (ASHP) Projects to be piloted by ACOF. The loan is unsecured and accrues interest at 2% per annum payable quarterly. The principal balance of loan is due in March 2028.</p>	15,000	3,000,000
<p>Note payable to The Housing Partnership Fund, Inc. to support ACOF's acquisition, mezzanine, equity, and predevelopment financing. The loan is unsecured and accrues interest at 4.5% per annum payable monthly. The principal balance of loan is due in January 2030.</p>	250	2,000,000

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
<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.	\$ 2,140,377	\$ 1,605,167
<u>Gower Street Apartments, L.P.</u>		
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, 2023, no interest was accrued because the current market value of the property is lower than the loan balance.	-	1,968,068
<u>39 West Apartments, L.P.</u>		
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.	1,087,397	1,056,484
Non-interest bearing note payable to Citibank, collateralized by a deed of trust on the property. The note matured in March 2019. Management anticipates that the note will be forgiven and is currently working on the related documentation requirements.	-	182,794

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
<u>836 Fedora, L.P.</u>		
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.	\$ 812,021	\$ 759,000
<u>Figueroa Court Apartments, L.P.</u>		
Note payable to Citibank dated November 1, 1998, bearing 0% interest rate. The note is due on October 1, 2028 and secured by a second deed of trust.	-	281,345
<u>Sonya Gardens, L.P.</u>		
Note payable to California Community Reinvestment Corporation, at initial interest rate of 7.71% per annum until July 2017 and thereafter, interest shall be adjusted to a per annum rate based on the Index described in the loan agreement plus 2.5%. Principal and interest are payable in equal monthly installments until maturity date on July 1, 2027. The loan is secured by a deed of trust.	1,816	120,794
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.	287	24,711
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.	301,432	525,000

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
<u><i>Brandon Apartments, L.P.</i></u>		
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.	\$ 1,014,075	\$ 1,799,978
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.	-	32,867
Note payable to Bank of America for the construction of affordable housing. If Partnership complies with the note agreement, interest and principal shall be due not later than maturity date in September 2041. Principal and interest are due monthly in arrears. The note is collateralized by a deed of trust.	-	320,000
<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.	1,254,142	1,161,626
<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.	-	263,744

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
<u>Maryland Apartments, L.P.</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.	\$ 659,009	\$ 1,045,500
<u>V. Nueva, L.P.</u>		
Non-interest bearing note payable to Bank of America Community Development. Management anticipates that the note will be forgiven in 2023. The note is collateralized by a second deed of trust.	-	165,000
<u>Calvert Street 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.	1,193,493	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

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
<u><i>Santos Plaza, L.P.</i></u>		
Note payable to Affinity Bank in the authorized amount of \$168,160, dated February 18, 2004. The AHP Note is non-interesting bearing, is due February 18, 2034 and is secured by a deed of trust.	\$ -	\$ 168,160
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.	1,920,749	1,185,000
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.	253,444	453,318
Total	19,668,856	37,036,224
Less current portion	-	3,145,523
Long-term portion	19,668,856	33,890,701
Less unamortized loan fees	-	725
Notes payable long-term, net	\$ 19,668,856	\$ 33,889,976

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

Future maturities of interest and notes payable at June 30, 2023 were as follows:

Year ending June 30,	Amount
2024	\$ 3,145,523
2025	1,622,910
2026	524,399
2027	775,985
2028	37,763
Thereafter	50,597,775
Total	\$ 56,704,355

NOTE 15 LINES OF CREDIT

ACOF has lines of credit with two 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%. One line credit amounting to \$1,000,000 is unsecured and it expired in July 2023. The remaining \$1,000,000 line of credit is secured by certain assets of ACOF and will expire in October 2024.

As of June 30, 2023, there were no outstanding draws from the lines of credit.

NOTE 16 GOVERNMENT/FOUNDATION GRANTS AND CONTRACTS

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

Program and Funding Agency	
Supportive Housing Program:	
U.S. Department of Housing and Urban Development	\$ 1,965,383
Los Angeles County Department of Health Services	1,866,425
Others	41,000
Total	\$ 3,872,808

NOTE 17 NEIGHBORWORKS AMERICA GRANTS

Since 2015, ACOF has been receiving project funds in the form of expendable grants and capital grants from NeighborWorks America (NWA). The expendable grants provide support for ACOF's general operations, while the capital grants are designated for loan and real estate development activities. For the year ended June 30, 2023, the expendable grants and capital grants received amounted to \$217,750 and \$132,000, respectively, and they are reported under foundation grants in the consolidated statement of activities.

The capital funds of \$162,022 were spent on 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, 2023, are presented as supplemental reports on pages 46 and 47 in the consolidated financial statements.

NOTE 18 NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2023, net assets with donor restrictions are available for the following purpose or period:

Professional and development program	\$	288,006
Supportive housing projects		174,260
Family and children services		10,947
Others		40,534
Restricted as to time (July 1, 2023 to June 30, 2024)		170,000
Total \$		<u>683,747</u>

NOTE 19 COMMITMENTS AND CONTINGENCIES

Leases

The Company is leasing its office space under an operating lease agreement commencing on July 1, 2022, and expiring on June 30, 2032. The operating lease agreement generally does not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. For the year ended June 30, 2023, the rent expense amounted to \$212,075.

The Company used a weighted average discount rate of 2.9% to calculate the present value of future lease payments.

NOTE 19 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Leases (Continued)

Maturities of the lease liabilities under noncancellable operating lease at June 30, 2023 are as follows:

Year ending June 30	Amount
2024	\$ 191,415
2025	197,318
2026	203,221
2027	209,124
2028	215,026
Thereafter	919,132
Total undiscounted lease payments	1,935,236
Less effects of discounting	(238,657)
Total lease liability	1,696,579
Total current portion of lease liability	144,239
Total lease liability, net of current portion	\$ 1,552,340

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, 2023, contingent liability related to operating deficits approximates to \$1,036,706. Management believes the reserves are adequate, and it is unlikely the Company will be called upon to pay on the guarantees.

At June 30, 2023, ACOF was contingently liable for approximately \$2,209,704 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, 2023.

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 \$57,289,465 at June 30, 2023. Management believes the likelihood of funding a material amount of any of the guarantees is remote.

NOTE 20 RELATED PARTY TRANSACTIONS

ACOF receives fees for certain services performed by ACOF on behalf of the partnerships. The 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, 2023, the following fees were earned by ACOF:

Partnership and property management fees	\$	985,551
Developer fees		4,288,994
Administrative fees		<u>75,628</u>
Total fees earned from partnerships	\$	<u><u>5,350,173</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. Beginning

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, 2023, ACOF earned property management fees under this agreement in the amount of \$175,968.

Beginning October 26, 2023, ACOF took over as the management company of record for the supportive housing developments.

NOTE 21 EMPLOYEE RETIREMENT PLAN

ACOF has a profit sharing plan for all eligible employees. Contributions to the plan are discretionary with the rates determined by the Board of Directors. For the year ended June 30, 2023, ACOF's contributions to the plan amounted to \$218,766.

NOTE 22 SUBSEQUENT EVENTS

The Company has evaluated events or transactions that occurred subsequent to June 30, 2023 through November 21, 2023, the date the accompanying consolidated financial statements were available to be issued, for potential recognition or disclosure in the consolidated financial statements and determined that, other than the information disclosed in Notes 14 and 20, 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, 2023**

	Supportive Housing, LLC									
	A Community of Friends	39 West Apartments, L.P.	836 Fedora, L.P.	Brandon Apartments, L.P.	California Hotel 1140, L.P.	Figueroa Court Apartments, L.P.	Fox Normandie Apartments, L.P.	Gower Street Apartments, L.P.	Las Palomas Hotel, L.P.	
ASSETS										
Current assets										
Cash and cash equivalents	\$ 8,615,650	\$ 59,467	\$ 1,082	\$ 1,243	\$ 1,432	\$ 3,291	\$ 2,304	\$ 2,329	\$ 5,471	
Certificates of deposit and other short-term investments	2,634,088	-	-	-	-	-	-	-	-	-
Rental properties reserves	671,906	714,419	329,795	260,864	826,107	300,307	251,842	474,819	212,610	
Project receivables - current portion	2,528,776	-	-	-	-	-	-	-	-	
Partnership receivables - current portion	1,319,098	-	-	-	-	-	-	-	-	
Developer fees receivable - current portion, net	2,485,117	-	-	-	-	-	-	-	-	
Contracts receivable	809,927	-	-	-	-	-	-	-	-	
Other receivables	133,463	15,460	61,092	151,236	32,019	32,101	212,526	70,426	159,383	
Prepaid expenses and deposits	91,876	-	2,038	-	-	-	-	-	-	
Total current assets	19,289,901	789,346	394,007	413,343	859,558	335,699	466,672	547,574	377,464	
Long-term project receivables	1,743,273	-	-	-	-	-	-	-	-	
Long-term partnership receivables	5,775,951	-	-	-	-	-	-	-	-	
Long-term developer fees receivables, net	4,363,685	-	-	-	-	-	-	-	-	
Notes, advances, and interest receivable, net	18,106,380	-	-	-	-	-	-	-	-	
Investment in limited partnerships	9,062,645	-	-	-	-	-	-	-	-	
Real estate in development	1,136,264	-	-	-	-	-	-	-	-	
Property and equipment, net	2,556,621	1,095,793	421,370	1,636,869	667,433	1,596,676	1,093,918	629,823	629,675	
Right-of-use asset, net	1,670,018	-	-	-	-	-	-	-	-	
Other long-term assets	-	-	-	4,423	1,513	-	-	-	960	
Total assets	\$ 63,704,738	\$ 1,885,139	\$ 815,377	\$ 2,054,635	\$ 1,528,504	\$ 1,932,375	\$ 1,560,590	\$ 1,177,397	\$ 1,008,099	
LIABILITIES AND NET ASSETS										
Current liabilities										
Accounts payable and accrued expenses	\$ 1,476,170	\$ 25,195	\$ 112,724	\$ 449,373	\$ 251,961	\$ 269,561	\$ 239,637	\$ 722,123	\$ 1,216,401	
Current portion of lease liability	144,239	-	-	-	-	-	-	-	-	
Current portion of notes and interest payable	2,776,217	182,794	-	-	-	-	-	-	-	
Other liabilities	62,267	-	-	-	-	-	-	-	-	
Total current liabilities	4,458,893	207,989	112,724	449,373	251,961	269,561	239,637	722,123	1,216,401	
Deficiency in partnership investments	27,210,084	-	-	-	-	-	-	-	-	
Lease liability, net of current portion	1,552,340	-	-	-	-	-	-	-	-	
Notes and interest payable, net of current portion	27,453,198	2,143,881	1,571,021	3,166,920	3,178,031	3,846,052	263,744	1,968,068	4,822,591	
Total liabilities	60,674,515	2,351,870	1,683,745	3,616,293	3,429,992	4,115,613	503,381	2,690,191	6,038,992	
Net assets (deficit)										
Without donor restrictions	2,346,476	(466,731)	(868,368)	(1,561,658)	(1,901,488)	(2,183,238)	1,057,209	(1,512,794)	(5,030,893)	
With donor restrictions	683,747	-	-	-	-	-	-	-	-	
Total net assets	3,030,223	(466,731)	(868,368)	(1,561,658)	(1,901,488)	(2,183,238)	1,057,209	(1,512,794)	(5,030,893)	
Total liabilities and net assets	\$ 63,704,738	\$ 1,885,139	\$ 815,377	\$ 2,054,635	\$ 1,528,504	\$ 1,932,375	\$ 1,560,590	\$ 1,177,397	\$ 1,008,099	

See independent auditor's report.

**A Community of Friends and Subsidiary
Consolidating Schedule of Financial Position (Continued)
June 30, 2023**

	Supportive Housing, LLC								Eliminations	Consolidated
	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			
ASSETS										
Current assets										
Cash and cash equivalents	\$ 832	\$ 9,470	\$ 54,118	\$ 4,313	\$ 866	\$ 30,545	\$ 4,491	\$ -	\$ -	8,796,904
Certificates of deposit and other short-term investments	-	-	-	-	-	-	-	-	-	2,634,088
Rental properties reserves	150,416	262,024	473,552	857,630	64,017	322,715	78,208	-	-	6,251,231
Project receivables - current portion	-	-	-	-	-	-	-	-	-	2,528,776
Partnership receivables - current portion	-	-	-	-	-	-	-	-	-	1,319,098
Developer fees receivable - current portion, net	-	-	-	-	-	-	-	-	-	2,485,117
Contracts receivable	-	-	-	-	-	-	-	-	-	809,927
Other receivables	28,293	110,980	348,914	89,180	6,915	6,968	77,231	-	-	1,536,187
Prepaid expenses and deposits	-	-	9,142	-	-	-	-	-	-	103,056
Total current assets	179,541	382,474	885,726	951,123	71,798	360,228	159,930	-	-	26,464,384
Long-term project receivables	-	-	-	-	-	-	-	(838,138)	-	905,135
Long-term partnership receivables	-	-	-	-	-	-	-	(3,063,562)	-	2,712,389
Long-term developer fees receivables, net	-	-	-	-	-	-	-	-	-	4,363,685
Notes, advances, and interest receivable, net	-	-	-	-	-	-	-	(15,952,820)	-	2,153,560
Investment in limited partnerships	-	-	-	-	-	-	-	(3,092,396)	-	5,970,249
Real estate in development	-	-	-	-	-	-	-	-	-	1,136,264
Property and equipment, net	860,335	404,855	1,803,715	1,448,930	2,607,812	2,719,321	2,560,944	(1,046,370)	-	21,687,720
Right-of-use asset, net	-	-	-	-	-	-	-	-	-	1,670,018
Other long-term assets	500	823	555	-	-	3,794	-	-	-	12,568
Total assets	\$ 1,040,376	\$ 788,152	\$ 2,689,996	\$ 2,400,053	\$ 2,679,610	\$ 3,083,343	\$ 2,720,874	\$ (23,993,286)	\$ -	\$ 67,075,972
LIABILITIES AND NET ASSETS										
Current liabilities										
Accounts payable and accrued expenses	\$ 447,428	\$ 302,140	\$ 49,790	\$ 121,278	\$ 722,708	\$ 394,180	\$ 1,145,737	\$ (3,901,700)	\$ -	4,044,706
Current portion of lease liability	-	-	-	-	-	-	-	-	-	144,239
Current portion of notes and interest payable	-	-	21,512	165,000	-	-	-	-	-	3,145,523
Other liabilities	-	-	-	-	-	-	-	-	-	62,267
Total current liabilities	447,428	302,140	71,302	286,278	722,708	394,180	1,145,737	(3,901,700)	-	7,396,735
Deficiency in partnership investments	-	-	-	-	-	-	-	(26,785,418)	-	424,666
Lease liability, net of current portion	-	-	-	-	-	-	-	-	-	1,552,340
Notes and interest payable, net of current portion	1,885,958	3,745,544	951,803	3,135,274	3,994,009	4,522,692	4,380,671	(17,470,625)	-	53,558,832
Total liabilities	2,333,386	4,047,684	1,023,105	3,421,552	4,716,717	4,916,872	5,526,408	(48,157,743)	-	62,932,573
Net assets (deficit)										
Without donor restrictions	(1,293,010)	(3,259,532)	1,666,891	(1,021,499)	(2,037,107)	(1,833,529)	(2,805,534)	24,164,457	-	3,459,652
With donor restrictions	-	-	-	-	-	-	-	-	-	683,747
Total net assets	(1,293,010)	(3,259,532)	1,666,891	(1,021,499)	(2,037,107)	(1,833,529)	(2,805,534)	24,164,457	-	4,143,399
Total liabilities and net assets	\$ 1,040,376	\$ 788,152	\$ 2,689,996	\$ 2,400,053	\$ 2,679,610	\$ 3,083,343	\$ 2,720,874	\$ (23,993,286)	\$ -	\$ 67,075,972

See independent auditor's report.

**A Community of Friends and Subsidiary
Consolidating Schedule of Activities
Year ended June 30, 2023**

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.
Revenue and support									
Government grants and contracts	\$ 3,872,808	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Foundation grants	3,302,750	-	-	-	-	-	-	-	-
Developer fees	4,288,994	-	-	-	-	-	-	-	-
Partnership and property management fees	1,340,344	-	-	-	-	-	-	-	-
Rental income	558,750	452,879	213,631	468,514	395,706	394,629	519,301	559,775	637,726
Administrative fees	125,125	-	-	-	-	-	-	-	-
Interest income from loans	464,254	-	-	-	-	-	-	-	-
Other interest income	103,985	-	-	-	-	-	-	-	-
General donations	420,676	-	-	-	-	-	-	-	-
In-kind donations	16,182	-	-	-	-	-	-	-	-
Miscellaneous	128,630	-	-	-	-	-	-	-	-
Total revenue and support	14,622,498	452,879	213,631	468,514	395,706	394,629	519,301	559,775	637,726
Functional expenses									
Program services	8,425,309	562,156	349,546	801,575	699,050	655,641	924,222	884,811	975,620
Fund development	504,286	-	-	-	-	-	-	-	-
General and administration	2,495,056	-	-	-	-	-	-	-	-
Total functional expenses	11,424,651	562,156	349,546	801,575	699,050	655,641	924,222	884,811	975,620
Change in net assets before (loss) income from investment in partnerships	3,197,847	(109,277)	(135,915)	(333,061)	(303,344)	(261,012)	(404,921)	(325,036)	(337,894)
(Loss) income from investment in partnerships	(3,925,510)	-	-	-	-	-	-	-	-
Change in net assets	(727,663)	(109,277)	(135,915)	(333,061)	(303,344)	(261,012)	(404,921)	(325,036)	(337,894)
Net assets (deficit), beginning of year	3,757,886	(357,454)	(732,453)	(1,228,597)	(1,598,144)	(1,922,226)	1,462,130	(1,187,758)	(4,692,999)
Net assets (deficit), end of year	\$ 3,030,223	\$ (466,731)	\$ (868,368)	\$ (1,561,658)	\$ (1,901,488)	\$ (2,183,238)	\$ 1,057,209	\$ (1,512,794)	\$ (5,030,893)

See independent auditor's report.

**A Community of Friends and Subsidiary
Consolidating Schedule of Activities (Continued)
Year ended June 30, 2023**

	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
Revenue and support									
Government grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	3,872,808
Foundation grants	-	-	-	-	-	-	-	-	3,302,750
Developer fees	-	-	-	-	-	-	-	-	4,288,994
Partnership and property management fees	-	-	-	-	-	-	-	(354,793)	985,551
Rental income	267,959	271,763	859,818	624,865	261,055	493,317	393,308	-	7,372,996
Administrative fees	-	-	-	-	-	-	-	(49,497)	75,628
Interest income from loans	-	-	-	-	-	-	-	(386,975)	77,279
Other interest income	-	-	-	-	-	-	-	-	103,985
General donations	-	-	-	-	-	-	-	-	420,676
In-kind donations	-	-	-	-	-	-	-	-	16,182
Miscellaneous	-	-	-	-	-	-	-	-	128,630
Total revenue and support	<u>267,959</u>	<u>271,763</u>	<u>859,818</u>	<u>624,865</u>	<u>261,055</u>	<u>493,317</u>	<u>393,308</u>	<u>(791,265)</u>	<u>20,645,479</u>
Functional expenses									
Program services	439,592	567,839	759,949	921,053	538,334	948,862	828,846	(944,745)	18,337,660
Fund development	-	-	-	-	-	-	-	-	504,286
General and administration	-	-	-	-	-	-	-	-	2,495,056
Total functional expenses	<u>439,592</u>	<u>567,839</u>	<u>759,949</u>	<u>921,053</u>	<u>538,334</u>	<u>948,862</u>	<u>828,846</u>	<u>(944,745)</u>	<u>21,337,002</u>
Change in net assets before (loss) income from investment in partnerships	(171,633)	(296,076)	99,869	(296,188)	(277,279)	(455,545)	(435,538)	153,480	(691,523)
(Loss) income from investment in partnerships	-	-	-	-	-	-	-	4,607,740	682,230
Change in net assets	(171,633)	(296,076)	99,869	(296,188)	(277,279)	(455,545)	(435,538)	4,761,220	(9,293)
Net assets (deficit), beginning of year	(1,121,377)	(2,963,456)	1,567,022	(725,311)	(1,759,828)	(1,377,984)	(2,369,996)	19,403,237	4,152,692
Net assets (deficit), end of year	<u>\$ (1,293,010)</u>	<u>\$ (3,259,532)</u>	<u>\$ 1,666,891</u>	<u>\$ (1,021,499)</u>	<u>\$ (2,037,107)</u>	<u>\$ (1,833,529)</u>	<u>\$ (2,805,534)</u>	<u>\$ 24,164,457</u>	<u>\$ 4,143,399</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, 2023**

ASSETS

Current assets

Cash and cash equivalents	\$ 8,615,650
Certificates of deposit and other short-term investments	2,634,088
Rental properties reserves	671,906
Project receivables - current portion	2,528,776
Partnership receivables - current portion	1,319,098
Developer fees receivables - current portion, net	2,485,117
Contracts receivable	809,927
Other receivables	133,463
Prepaid expenses and deposits	91,876
Total current assets	19,289,901

Noncurrent assets

Long-term project receivables	1,743,273
Long-term partnership receivables	5,775,951
Long-term developer fees receivables, net	4,363,685
Notes, advances, and interest receivable, net	18,106,380
Investment in limited partnerships	1,867,516
Real estate in development	1,136,264
Property and equipment, net	2,556,621
Right-of-use asset, net	1,670,018
Total assets	\$ 56,509,609

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable and accrued expenses	\$ 1,476,170
Current portion of lease liability	144,239
Current portion of notes and interest payable	2,776,217
Other liabilities	62,267
Total current liabilities	4,458,893

Noncurrent liabilities

Lease liability, net of current portion	1,552,340
Notes and interest payable, net of current portion	27,453,198
Total liabilities	33,464,431

Net assets

Without donor restrictions	22,361,431
With donor restrictions	683,747
Total net assets	23,045,178
Total liabilities and net assets	\$ 56,509,609

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 accumulated share in the net income/loss of the 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, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Government grants and contracts	\$ 3,872,808	\$ -	\$ 3,872,808
Foundation grants	2,702,000	600,750	3,302,750
Developer fees	4,288,994	-	4,288,994
Partnership and property management fees	1,340,344	-	1,340,344
Rental income	558,750	-	558,750
Administrative fees	125,125	-	125,125
Interest income from loans	464,254	-	464,254
Other interest income	103,985	-	103,985
General donations	420,676	-	420,676
In-kind donations	16,182	-	16,182
Miscellaneous	128,630	-	128,630
Net assets released from restriction	338,047	(338,047)	-
Total revenue and support	14,359,795	262,703	14,622,498
Functional expenses			
Program services	8,425,309	-	8,425,309
Fund development	504,286	-	504,286
General and administration	2,495,056	-	2,495,056
Total functional expenses	11,424,651	-	11,424,651
Change in net assets	2,935,144	262,703	3,197,847
Net assets:			
Net assets, beginning of year (as reported)	18,713,671	421,044	19,134,715
Prior period adjustment	712,616	-	712,616
Net assets, beginning of year (as restated)	19,426,287	421,044	19,847,331
Net assets, end of year	\$ 22,361,431	\$ 683,747	\$ 23,045,178

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 accumulated share in the net income/loss of the 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, 2023**

	Program Services				Total	Fund Development	General and Administration	Total
	Supportive Services	Real Estate Activities	Property Management	Rental				
Personnel expenses								
Salaries	\$ 2,103,074	\$ 1,130,455	\$ 482,427	\$ 2,666	\$ 3,718,622	\$ 225,495	\$ 1,534,050	\$ 5,478,167
Payroll taxes	173,855	86,108	41,305	215	301,483	15,867	108,777	426,127
Employee benefits	341,681	124,652	105,387	573	572,293	14,639	174,914	761,846
Total personnel expenses	2,618,610	1,341,215	629,119	3,454	4,592,398	256,001	1,817,741	6,666,140
Other expenses								
Advertising	20,646	57,917	5,734	-	84,297	161	21,644	106,102
Auditing and accounting	29,974	6,738	11,994	5,000	53,706	2,132	11,001	66,839
Auto expense	10,831	1,811	2,936	-	15,578	258	2,187	18,023
Bad debts	200	168,753	-	7,012	175,965	-	-	175,965
Consulting	-	151,665	-	-	151,665	14,952	75,200	241,817
Contractual-supportive services	1,136,470	-	-	-	1,136,470	-	-	1,136,470
Donated supplies	16,182	-	-	-	16,182	-	-	16,182
Dues, fees and subscriptions	806	1,046	461	6,185	8,498	13,953	68,142	90,593
Employee engagement	2,776	2,001	1,319	-	6,096	442	35,055	41,593
Equipment leases	7,080	4,703	1,480	-	13,263	789	5,355	19,407
Fundraising	-	-	-	-	-	144,791	-	144,791
Interest	-	446,724	-	121,438	568,162	-	-	568,162
Legal fees	-	3,453	-	1,321	4,774	15	-	4,789
Liability insurance	5,227	3,648	3,144	35,345	47,364	1,066	64,594	113,024
Marketing	-	1,000	-	-	1,000	7,181	590	8,771
Meals	2,380	971	33	-	3,384	67	10,078	13,529
Miscellaneous	5,358	442	-	1,624	7,424	4,096	247	11,767
Office expenses	92,877	16,187	9,962	9,934	128,960	12,478	130,840	272,278
Postage and printing	235	5,285	671	-	6,191	4,617	5,098	15,906
Property maintenance and repairs	-	-	-	173,322	173,322	-	-	173,322
Rent and parking	9,455	67,399	28,694	-	105,548	19,044	112,957	237,549
Resident programs	516,809	-	-	594	517,403	-	5,744	523,147
Security	-	-	-	39,793	39,793	-	-	39,793
Seminars and training	3,443	12,230	781	-	16,454	1,638	4,848	22,940
Taxes and licenses	213	1,702	638	9,950	12,503	213	2,340	15,056
Telephone	44,552	14,786	8,158	15,371	82,867	4,281	23,583	110,731
Temporary staff	-	-	-	83,375	83,375	8,635	19,475	111,485
Travel	-	6,810	-	-	6,810	38	9,104	15,952
Utilities	-	-	-	93,945	93,945	-	-	93,945
Worker's compensation insurance	34,482	16,535	25,628	275	76,920	3,580	22,938	103,438
Total expenses before depreciation and amortization	4,558,606	2,333,021	730,752	607,938	8,230,317	500,428	2,448,761	11,179,506
Depreciation and amortization	3,858	19,290	23,148	148,696	194,992	3,858	46,295	245,145
Total functional expenses	\$ 4,562,464	\$ 2,352,311	\$ 753,900	\$ 756,634	\$ 8,425,309	\$ 504,286	\$ 2,495,056	\$ 11,424,651

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 accumulated share in the net income/loss of the 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, 2023**

ASSETS

Real estate in development	\$ <u> -</u>
Total assets	\$ <u><u> -</u></u>

NET ASSETS

Without donor restriction	\$ <u> -</u>
Total net assets	\$ <u><u> -</u></u>

See independent auditor's report.

**A Community of Friends and Subsidiary
NeighborWorks America Capital Fund
Schedule of Activities
Year ended June 30, 2023**

Revenue, gains, other support and releases of capital:

Capital Grant - NeighborWorks America, beginning of year	\$ 30,022
Additions	132,000
Releases	<u>(162,022)</u>
Net assets, end of year	<u>\$ -</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, 2023, 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), and have issued our report thereon dated November 21, 2023.

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 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 were not identified.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether A Community of Friends and Subsidiary's 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 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 21, 2023



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