

November 28, 2025

Dear Funder or Lender:

Thank you for your continued support of A Community of Friends' (ACOF) 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, 2025.

Please refer to the Parent Company Only financial statements presented on pages 44 through 46 for the results of operations for ACOF.

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

Best regards,



Renae S. DeMent
Chief Financial Officer



**A Community of Friends and Subsidiaries
Consolidated Financial Statements
and Supplementary Information
*As of and for the Year Ended June 30, 2025
with Independent Auditor's Report***

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities	5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	9
SUPPLEMENTARY INFORMATION	
Consolidating Financial Statements	
Consolidating Schedule of Financial Position	40
Consolidating Schedule of Activities	42
A Community of Friends (Parent Organization Only)	
Statement of Financial Position	44
Statement of Activities	45
Statement of Functional Expenses	46
NeighborWorks America Capital Fund	
Schedule of Financial Position	47
Schedule of Activities	48
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 <i>GOVERNMENT AUDITING STANDARDS</i>	49



655 N. Central Avenue
Suite 1550
Glendale, CA 91203

www.vasquez.cpa

213-873-1700
OFFICE

LOS ANGELES
SAN DIEGO
IRVINE
SACRAMENTO
FRESNO
PHOENIX
LAS VEGAS
MANILA, PH

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 Subsidiaries (collectively the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2025, 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 Subsidiaries as of June 30, 2025, 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 Organization 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 18, the 2024 financial statements have been restated to reclassify certain assets with donor restrictions from net assets without donor restrictions to net assets with donor restrictions. 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 Organization'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 Organization'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 Organization'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 40 to 48 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with 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 26, 2025 on our consideration of the Organization'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 Organization'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 Organization's internal control over financial reporting and compliance.

Glendale, California
November 26, 2025

A Community of Friends and Subsidiaries
Consolidated Statement of Financial Position
June 30, 2025

ASSETS

Current assets

Cash and cash equivalents	\$ 4,163,081
Certificates of deposit and other short-term investments	1,307,946
Rental properties reserves	5,019,710
Project receivables - current portion	1,723,751
Partnership receivables - current portion	782,687
Developer fees receivables - current portion, net	4,071,966
Contracts receivable	818,980
Other receivables	1,017,397
Prepaid expenses and deposits	<u>635,945</u>
Total current assets	19,541,463

Noncurrent assets

Long-term project receivables	4,766,546
Long-term partnership receivables	7,236,116
Long-term developer fees receivables, net	946,684
Notes, advances, and interest receivable, net	4,628,502
Investment in limited partnerships	5,973,748
Real estate in development	108,808,579
Property and equipment, net	20,380,497
Right-of-use asset, net	1,335,179
Other long-term assets	<u>20,049</u>
Total assets	\$ <u>173,637,363</u>

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable and accrued expenses	\$ 14,422,040
Current portion of lease liability	164,982
Current portion of notes and interest payable	1,864,203
Other liabilities	<u>277,672</u>
Total current liabilities	16,728,897

Noncurrent liabilities

Deficiency in partnership investments	432,244
Lease liability, net of current portion	1,232,174
Notes and interest payable, net of current portion	<u>111,565,430</u>
Total liabilities	<u>129,958,745</u>

Net assets

Without donor restrictions	(7,689,049)
With donor restrictions	<u>51,367,667</u>
Total net assets	<u>43,678,618</u>
Total liabilities and net assets	\$ <u>173,637,363</u>

See notes to consolidated financial statements.

A Community of Friends and Subsidiaries
Consolidated Statement of Activities
Year ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Government grants and contracts	\$ 5,090,759	\$ 5,155,222	\$ 10,245,981
Foundation grants	576,494	742,500	1,318,994
Developer fees	214,063	-	214,063
Partnership and property management fees	1,429,088	-	1,429,088
Rental income	8,144,133	-	8,144,133
Administrative fees	67,708	-	67,708
Interest income from loans	66,722	-	66,722
Gain on forgiveness of debt	263,744	-	263,744
Other interest income	191,507	-	191,507
General donations	243,880	-	243,880
Miscellaneous	549,222	-	549,222
Net assets released from restriction	590,501	(590,501)	-
Total revenue and support	17,427,821	5,307,221	22,735,042
Functional expenses			
Program services	23,443,750	-	23,443,750
Fund development	444,154	-	444,154
General and administration	2,712,309	-	2,712,309
Total functional expenses	26,600,213	-	26,600,213
Change in net assets before excess of assets acquired over assumed liabilities and income (loss) from investment in partnerships	(9,172,392)	5,307,221	(3,865,171)
Excess of assets acquired over assumed liabilities	775,429	-	775,429
Income from investment in partnerships	785,571	-	785,571
Change in net assets	(7,611,392)	5,307,221	(2,304,171)
Net assets at beginning of year, as restated	(77,657)	46,060,446	45,982,789
Net assets, end of year	\$ (7,689,049)	\$ 51,367,667	\$ 43,678,618

See notes to consolidated financial statements.

A Community of Friends and Subsidiaries
Consolidated Statement of Functional Expenses
Year ended June 30, 2025

	Program Services				Total	Fund Development	General and Administration	Total
	Supportive Services	Real Estate Activities	Property Management	Rental				
Personnel expenses								
Salaries	\$ 2,514,653	\$ 1,341,565	\$ 872,329	\$ 18,775	\$ 4,747,322	\$ 143,556	\$ 1,623,908	\$ 6,514,786
Payroll taxes	186,259	95,686	55,554	1,462	338,961	11,245	110,963	461,169
Employee benefits	453,396	135,583	117,898	2,539	709,416	20,163	213,589	943,168
Total personnel expenses	3,154,308	1,572,834	1,045,781	22,776	5,795,699	174,964	1,948,460	7,919,123
Other expenses								
Advertising	1,458	305	3,759	-	5,522	19,618	18,953	44,093
Auditing and accounting	38,563	10,748	24,775	9,700	83,786	995	10,913	95,694
Auto expense	11,749	3,141	5,215	-	20,105	-	2,113	22,218
Bad debts	-	245,255	-	86,873	332,128	-	-	332,128
Consulting	7,652	115,625	35,403	-	158,680	86,320	60,493	305,493
Contractual-supportive services	1,110,719	-	-	-	1,110,719	-	-	1,110,719
Dues, fees and subscriptions	669	4,450	1,460	11,179	17,758	33,406	77,175	128,339
Employee engagement	89	873	-	-	962	-	9,197	10,159
Equipment leases	5,999	2,557	657	-	9,213	267	2,845	12,325
Fundraising	-	-	-	-	-	67,390	-	67,390
Interest	-	444,339	-	130,782	575,121	-	-	575,121
Legal fees	-	4,896	-	1,200	6,096	-	46,166	52,262
Liability insurance	9,081	79,716	21,265	78,443	188,505	6,637	156,851	351,993
Marketing	-	-	986	-	986	19,003	113	20,102
Meals	4,339	2,149	5,018	-	11,506	172	15,414	27,092
Miscellaneous	181	10,199	2,510	486	13,376	2,895	1,535	17,806
Office expenses	152,061	36,441	28,591	18,216	235,309	4,794	107,330	347,433
Postage and printing	56	7,059	268	-	7,383	77	2,717	10,177
Property maintenance and repairs	-	-	-	248,055	248,055	-	-	248,055
Rent and parking	9,482	66,510	27,545	-	103,537	18,191	129,327	251,055
Resident programs	517,662	-	-	-	517,662	-	4,144	521,806
Security	-	-	-	42,453	42,453	-	-	42,453
Seminars and training	5,659	4,450	3,938	474	14,521	400	3,175	18,096
Taxes and licenses	160	1,925	481	10,728	13,294	160	2,086	15,540
Telephone	57,391	14,463	10,773	9,234	91,861	1,040	35,257	128,158
Temporary staff	-	-	-	48,011	48,011	-	20,859	68,870
Travel	-	212	1,825	-	2,037	-	908	2,945
Utilities	-	-	-	85,012	85,012	-	-	85,012
Worker's compensation insurance	32,154	15,428	41,183	1,693	90,458	1,746	19,802	112,006
Total expenses before depreciation and amortization	5,119,432	2,643,575	1,261,433	805,315	9,829,755	438,075	2,675,833	12,943,663
Depreciation and amortization	3,040	24,317	18,238	148,397	193,992	6,079	36,476	236,547
Total - A Community of Friends	5,122,472	2,667,892	1,279,671	953,712	10,023,747	444,154	2,712,309	13,180,210
Expenses - Subsidiaries								
Rental operations	-	-	-	13,420,003	13,420,003	-	-	13,420,003
Total functional expenses \$	\$ 5,122,472	\$ 2,667,892	\$ 1,279,671	\$ 14,373,715	\$ 23,443,750	\$ 444,154	\$ 2,712,309	\$ 26,600,213

See notes to consolidated financial statements.

A Community of Friends and Subsidiaries
Consolidated Statement of Cash Flows
Year ended June 30, 2025

Cash flows from operating activities

Change in net assets	\$ (2,304,171)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	2,090,432
Income from investment in partnerships	(785,571)
Excess of assets acquired over assumed liabilities	(775,429)
Bad debts	332,128
Lease expense in accordance with Topic 842	212,074
Forgiven loans	(263,744)
Grants for capital projects	(5,155,222)
(Increase) decrease in:	
Receivables	(2,895,941)
Prepaid expenses and deposits	(452,616)
Other assets	83,583
Increase (decrease) in:	
Accounts payable and accrued expenses	10,306,043
Accrued interest	1,019,057
Other liabilities	126,470
Net cash provided by operating activities	<u>1,537,093</u>

Cash flows from investing activities

Purchase of property and equipment	(474,714)
Investment in limited partnerships	1,574,053
Real estate in development	(22,519,584)
Sale of certificate of deposits	937,093
Net cash used in investing activities	<u>(20,483,152)</u>

Cash flows from financing activities

Proceeds from notes payable	12,778,093
Grants for capital projects	5,155,222
Payments of lease liability	(197,318)
Payments of notes payable	(351,615)
Net cash provided by financing activities	<u>17,384,382</u>

Net decrease in cash, cash equivalents and restricted cash (1,561,677)

Cash, cash equivalents and restricted cash, beginning of year 10,744,468

Cash, cash equivalents and restricted cash, end of year \$ 9,182,791

Supplemental disclosure of cash flow information

Acquisition of properties financed through notes payable	\$ <u>17,364,362</u>
Transfer of real estate and development related to the Kalmia Project to project receivables	\$ <u>1,084,679</u>
Interest paid	\$ <u>158,896</u>

See notes to consolidated financial statements.

A Community of Friends and Subsidiaries
Consolidated Statement of Cash Flows (Continued)
Year ended June 30, 2025

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	\$ 4,163,081
Restricted cash included in rental properties reserves	<u>5,019,710</u>
Total cash, cash equivalent and restricted cash shown in the consolidated statement of cashflows	<u>\$ 9,182,791</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 about 63% 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, 2025, 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.
- La Primavera 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 1 ORGANIZATION (CONTINUED)

In January and February of 2023, ACOF established three additional wholly-owned subsidiaries: Highland PSH LLC, Vanowen CP PSH LLC, and 14510 Garvey LLC. These entities were organized to purchase, develop and manage supportive housing for individuals and families.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of ACOF, its three new subsidiaries and investments in limited partnerships or limited liability companies in which ACOF has a controlling interest (collectively, the "Organization"). 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)
 La Primavera Apartments, L.P. (2023)
Highland PSH, LLC (2023)
Vanowen CP PSH, LLC (2023)
14510 Garvey, LLC (2023)

There are additional 31 limited partnerships in which the Organization has an interest which are not controlled by the Organization 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 40 and 42 under the column title "A Community of Friends." The impact of the consolidation of the entities wherein ACOF has controlling interests is reflected in the Consolidating Statement of Activities on the line "Income (loss) from investment in partnerships". The operational result for ACOF is reflected on the line "Change in net assets before excess of assets acquired over assumed liabilities and income (loss) from investment in partnerships".

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation (Continued)

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 44 to 46.

Basis of Presentation

The Organization'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 Organization to report information regarding its financial position and activities according to the following net asset classifications:

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 Organization. These net assets may be used at the discretion of the Organization'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 Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. As of June 30, 2025, the Organization's net assets with donor restrictions amounted to \$51,367,667.

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

The Organization 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 Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Project Receivables

Project receivables represent advances made by the Organization to the limited partnerships to fund project costs and certain operating expenses. The receivables are reported net of allowance for doubtful accounts, which management estimates based on historical collection experience, and a review of the current status of the accounts. Management periodically reviews the adequacy of the allowance and believes that the receivables are collectible in full, except as provided by the allowance.

Developer Fee Income Recognition/Receivable

The Organization 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.

Contracts and Contracts Receivable

The Organization 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 Organization 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 Organization 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 Organization 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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Real Estate in Development

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

Revenue Recognition

Grants and Contracts

Revenue from cost-reimbursable grants and contracts is recorded to the extent of expenses incurred applicable to the grant or contract. Any difference between expenses incurred and the total funds received (not to exceed the grant or contract maximum) is recorded as a receivable or a deferred revenue, whichever is applicable. Revenue from other grants is recognized on an accrual basis as earned according to the provisions of the grant.

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 the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a 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.

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, 2025, grants and contributions of approximately \$5,288,000 were not yet recognized in the consolidated statement of activities because the conditions on which they depend were not yet met.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Pledges (Continued)

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 Organization receives partnership and management fees for certain management services provided to the limited partnerships. Fees are recognized as the performance obligations are satisfied in accordance with the terms of the related partnership agreements.

Rental Income

The Organization owns and operates supportive housing units that provide affordable housing to individuals and families in the community. Rental income is recognized when earned in accordance with lease agreements with residents. Revenue is recorded net of vacancy losses, concessions, and other tenant allowances.

All leases between the Organization and the residents of the housing units are accounted as operating leases under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842 and are not within the scope of FASB ASC 606.

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 expenses 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, 2025, the Organization did not receive any in-kind donations.

Interest Capitalized

The Organization 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, 2025, interest capitalized in real estate in development amounted to \$1,458,812.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701d of the California Revenue and Taxation Code. Accordingly, ACOF is generally exempt from federal and state income taxes, and no provision for income taxes has been included in the accompanying financial statements. ACOF is classified as a public charity under IRC Sections 509(a)(1) and 170(b)(1)(A)(vi). Supportive Housing LLC, Highland PSH, LLC, Vanowen CP PSH, LLC, and 14510 Garvey, LLC are single-member limited liability companies wholly owned by ACOF and are treated as disregarded entities for federal and state income tax purposes.

Although exempt from income tax, ACOF is subject to income tax on net income generated from unrelated trade or business activities that are regularly carried on and are not substantially related to its exempt purposes. Management has evaluated all sources of revenue and determined that any unrelated business taxable income, if present, would not result in a tax liability material to the consolidated financial statements. Accordingly, no provision for unrelated business income tax has been recorded.

In accordance with FASB ASC Topic 740, Income Taxes, and related guidance on uncertain tax positions, the Organization recognizes the financial statement effects of tax positions only when it is more-likely-than-not that such positions will be sustained upon examination, based on their technical merits. Management has reviewed the Organization's tax positions, including its ongoing qualification for tax-exempt status and whether any unrecorded tax liabilities exist that would be material to the consolidated financial statements. Based on this evaluation, management has concluded that it is more-likely-than-not that all material tax positions would be sustained upon examination; therefore, no reserves for uncertain tax positions have been recorded and no additional disclosures are required.

The Organization's federal information returns remain subject to examination by the Internal Revenue Service for three years from the date of filing, and its state information returns remain subject to examination by California taxing authorities for four years from the date of filing.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Leases

The Organization 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 Organization 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 Organization also considers whether its service arrangements include the right to control the use of an asset.

Right-of-use (ROU) asset and lease liability are measured based on the present value of future lease payments over the lease term. The ROU asset also includes any initial direct costs incurred and lease payments made at or before the commencement date and is reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate.

Recently Adopted Accounting Pronouncements

In March 2023, the FASB issued ASU 2023-01, *Leases (Topic 842): Common Control Arrangements*, which addresses the terms and conditions to be considered when classifying and accounting for leases and leasehold improvements in leases between entities under common control. This ASU was effective for the Organization beginning on July 1, 2024. The adoption of ASU did not have a significant impact on the Organization's financial statements.

In September 2022, the FASB issued ASU 2022-04, *Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*, which requires additional disclosures for a buyer in a supplier finance program related to the program's nature, activity during the period, changes from period to period, and potential magnitude. The ASU is effective for fiscal years beginning after December 15, 2022, with the exception of the amendment on roll forward information, which is effective for fiscal years beginning after December 15, 2023. The adoption of ASU 2022-04 did not have a significant impact on the Organization's financial statements.

New Accounting Pronouncements Effective in Future Years

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, requiring enhanced disclosures about a reporting entity's effective tax rates and income taxes paid (refunded). The ASU is effective for the Organization beginning on July 1, 2026. The Organization is currently evaluating the impact of this new guidance on its financial statements.

NOTE 3 CONCENTRATION OF CREDIT RISK

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

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

At June 30, 2025, the Organization has developer fees receivable from various limited partnerships amounting to \$6,814,801. The partnership agreements allow for the deferred payment of these developer fees over 10 to 12-year periods. The Organization 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, 2025, the Organization 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 Organization 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 \$6,005,000 with interest accrual of \$730,933 at June 30, 2025. See Note 14.

Management believes the notes will be paid upon the ultimate disposition of the property in the limited partnership. The Organization 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, 2025, the Organization established an allowance for doubtful accounts on the notes and interest receivable in the amount of \$3,704,342.

A Community of Friends and Subsidiaries
Notes to Consolidated Financial Statements
Year ended June 30, 2025

NOTE 4 AVAILABILITY OF FINANCIAL ASSETS AND LIQUIDITY

The following represents the Organization's financial assets at June 30, 2025:

	<u>ACOF</u>	<u>Subsidiaries</u>	<u>Consolidated</u>
Financial assets at year end:			
Cash and cash equivalents	\$ 2,753,680	\$ 1,409,401	\$ 4,163,081
Certificates of deposit and other short-term investments	1,307,946	-	1,307,946
Rental properties reserves	682,417	4,337,293	5,019,710
Project receivables - current portion	2,282,247	(558,496)	1,723,751
Partnership receivables - current portion	1,304,665	(521,978)	782,687
Developer fees receivables - current portion, net	4,509,469	(437,503)	4,071,966
Contracts receivable	818,980	-	818,980
Other receivables	112,171	905,226	1,017,397
Total financial assets	<u>13,771,575</u>	<u>5,133,943</u>	<u>18,905,518</u>
Less amounts not available to be used within one year:			
Rental properties reserves	682,417	4,337,293	5,019,710
Net assets with donor restrictions	846,020	50,521,647	51,367,667
Less net assets with purpose restrictions to be met in less than a year	<u>(846,020)</u>	<u>(50,521,647)</u>	<u>(51,367,667)</u>
	<u>682,417</u>	<u>4,337,293</u>	<u>5,019,710</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 13,089,158</u>	<u>\$ 796,650</u>	<u>\$ 13,885,808</u>

The Organization actively manages its liquidity to ensure that sufficient resources are available to meet operating needs and contractual obligations as they come due. As of June 30, 2025, the Organization's consolidated current assets are sufficient to cover short-term obligations. Although net assets without donor restrictions are below target levels, management closely monitors operating needs, cash flow trends, and funding opportunities to maintain stable liquidity. The Organization continues to implement strategies to strengthen financial performance and enhance its ability to fund ongoing program activities.

Financial assets are structured to be available for general expenditures within one year, which include cash, receivables, and other assets expected to be realized or collected in the near term. Management performs regular cash flow projections, monitors monthly spending patterns, and maintains ongoing communication with funding agencies and lenders to ensure timely access to resources.

Subsequent to year-end, the Organization strengthened liquidity through several key initiatives. In October 2025, ACOF applied for operating assistance and emergency capital funds through the Unified Loan Application - Notice of Funding Availability. Additionally, it is in the process of selling Sonya Gardens LP, which is expected to generate a significant cash infusion. These steps position the Organization to enhance liquidity, support program growth, and achieve long-term stability.

A Community of Friends and Subsidiaries
Notes to Consolidated Financial Statements
Year ended June 30, 2025

NOTE 5 CASH AND CASH EQUIVALENTS

At June 30, 2025, cash and cash equivalents are allocated for the following purposes:

A Community and Friends and Subsidiaries	\$ 2,117,377
Rental Properties' Operations	2,045,704
Total	<u>\$ 4,163,081</u>

NOTE 6 RENTAL PROPERTIES AND SUBSIDIARY RESERVES

At June 30, 2025, rental properties and subsidiary reserves total \$5,019,710 and consisted of the following:

Property	Replacement Reserve	Operating Reserve	Other Reserves	Total
Rental Properties:				
Central Court Apartments	\$ 87,308	\$ 50,030	\$ 2,217	\$ 139,555
Orbison House	14,870	21,148	4,058	40,076
Selby Hotel	152,426	43,728	11,053	207,207
Step Out Apartments	152,569	143,010	-	295,579
Subsidiary - Supportive Housing, LLC:				
39 West Apartments, L.P.	179,354	428,505	11,887	619,746
836 Fedora, L.P.	78,260	144,865	5,554	228,679
Amistad Apartments, L.P.	150,399	170,559	26,541	347,499
Brandon Apartments, L.P.	71,664	1,715	18,516	91,895
California Hotel 1140, L.P.	263,529	305,364	11,036	579,929
Calvert Street Apartments, L.P.	24,208	16,679	13,144	54,031
Figueroa Court Apartments, L.P.	174,166	3,597	13,607	191,370
Fox Normandie Apartments, L.P.	56,789	2,122	12,892	71,803
Gower Street Apartments, L.P.	111,737	226,928	16,508	355,173
La Primavera Apartments, L.P.	169,376	73,296	5,622	248,294
Las Palomas Hotel, L.P.	39,896	243	9,348	49,487
Maryland Apartments, L.P.	51,786	23,857	10,497	86,140
Parker Hotel, L.P.	1,360	3,086	10,031	14,477
Santos Plaza, L.P.	45,307	794	14,330	60,431
Sonya Gardens, L.P.	304,371	209,818	20,355	534,544
V. Nueva, L.P.	161,149	626,881	15,765	803,795
	<u>\$ 2,290,524</u>	<u>\$ 2,496,225</u>	<u>\$ 232,961</u>	<u>\$ 5,019,710</u>

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

NOTE 7 PARTNERSHIP RECEIVABLES

At June 30, 2025, partnership receivables consisted of the following:

Accrued partnership management fees	\$ 5,140,610
Insurance advances	2,488,359
Accrued administrative fees	389,834
Total	<u>8,018,803</u>
Less current portion	782,687
Long-term portion	<u>\$ 7,236,116</u>

NOTE 8 PROJECT RECEIVABLES

At June 30, 2025, project receivables consisted of the following:

In operation:

6604 West PSH, L.P.	\$ 11,231
Berendos, L.P.	350
Cedars Springs, L.P.	1,055
Gateways Housing, L.P.	30,701
Huntington Square, L.P.	38,986
Lorena Plaza L.P.	685,509
Riverside Supportive Housing, L.P.	38,702
Sun Valley Housing, L.P.	2,025
Ventura Veterans, L.P.	1,334,272
Woodland Terrace, L.P.	774,434

In predevelopment and construction:

8022 Vineland, L.P.	581,684
Estrella Azul, L.P.	925,334
Kalmia Supportive Housing, LP	1,464,171
Redlands Supportive Housing, L.P.	42,535
Selby Supportive Housing, L.P.	559,308
Total	<u>6,490,297</u>
Less current portion	1,723,751
Long-term portion	<u>\$ 4,766,546</u>

NOTE 9 DEVELOPER FEES RECEIVABLES

At June 30, 2025, developer fees receivable, which included deferred developer fees, consisted of the following:

<u>In operation in 2025:</u>	
3101 West Venice, L.P.	\$ 306,730
Avalon Apartments, L.P.	1,212,749
Berendos, L.P.	376,466
Beverly PSH, L.P.	55,840
Cedar Springs, L.P.	178,462
Huntington Square, L.P.	681,325
Lorena Plaza, L.P.	1,320,000
Miramonte PSH, L.P.	67,940
Osborne Place, L.P.	203,197
Riverside Supportive Housing, L.P.	313,678
Vendome Palms, L.P.	467,500
Vista Del Rio Housing Partners, L.P.	47,914
Ventura Veterans, L.P.	858,000
<u>In construction in 2025:</u>	
Redlands Supportive Housing, L.P.	693,750
Washington Santa Ana Housing Partners, L.P.	31,250
Total	<u>6,814,801</u>
Less allowance for uncollectible receivables	1,796,151
Less current portion	4,071,966
Long-term portion	<u>\$ 946,684</u>

NOTE 10 INVESTMENT IN LIMITED PARTNERSHIPS

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

NOTE 10 INVESTMENT IN LIMITED PARTNERSHIPS (CONTINUED)

At June 30, 2025, investment in limited partnerships consisted of the following:

In construction/predevelopment:

Redlands Supportive Housing, L.P.	\$	996,120
-----------------------------------	----	---------

In operation:

3101 West Venice, L.P.		39,567
6604 West PSH, L.P.		84,997
AMCAL Avenida Fund, L.P.		(229)
Avalon Apartments, L.P.		(663)
Berendos, L.P.		1,594
Beverly PSH, L.P.		(391,161)
Camino de las Flores, L.P.		(364)
Cedar Springs, L.P.		(294)
Figueroa Court Partners		(31,130)
Fullerton Supportive Housing, L.P.		152,425
Huntington Square, L.P.		(6,529)
Lorena Plaza, L.P.		148,400
Miramonte PSH L.P.		(177)
ND Sepulveda I, L.P.		(7)
ND Sepulveda II, L.P.		81
Osborne Place, L.P.		232,310
Rayen Apartments, L.P.		91,499
Riverside Supportive Housing, L.P.		374,613
Step Up On Fifth, L.P.		12,381
Sun Valley Housing, L.P.		(330)
The Villas at Gower, L.P.		11,621
Vendome Palms, L.P.		257,039
Ventura Veterans, L.P.		499,200
Vista Del Rio Housing Partners, L.P. *		3,071,901
West Villas, L.P.		(382)
Willis Avenue Apartments, L.P.		(649)
Willowbrook Place, L.P.		638
Woodland Terrace, L.P.		(967)
Total	\$	<u>5,541,504</u>

* Due to land donation in 2015.

At June 30, 2025, the above is summarized in the financial statements as follows:

Investment in limited partnerships (assets)	\$	5,973,748
Deficiency in partnership investments (liability)		<u>(432,244)</u>
Net investment in limited partnerships	\$	<u>5,541,504</u>

A Community of Friends and Subsidiaries
Notes to Consolidated Financial Statements
Year ended June 30, 2025

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, 2024:

	Total Assets	Non- Recourse Debt	Total Capital (Deficit)	Revenues	Net Income (Loss)	Allocated Share of Organization's Income (Loss)
3101 West Venice, L.P.	\$ 14,555,223	\$ 4,974,672	\$ 7,627,441	\$ 991,998	\$ (536,236)	\$ (53)
6604 West PSH, L.P.	30,005,596	20,074,156	9,111,207	1,566,958	(805,399)	(1)
AMCAL Avenida Fund, L.P.	8,477,104	7,361,669	44,120	495,383	(438,672)	(22)
Avalon Apartments, L.P.	15,650,546	10,294,833	3,739,095	1,362,273	(436,160)	(44)
Berendos, L.P.	13,158,923	8,824,990	1,227,350	1,152,233	(341,280)	(32)
Beverly PSH, L.P.	17,799,635	12,072,243	4,971,061	968,182	(703,763)	(36)
Camino de las Flores, L.P.	5,011,834	7,513,106	(3,267,118)	359,425	(447,142)	(437,523)
Cedar Springs, L.P.	16,531,736	8,976,789	6,247,227	828,397	(636,273)	(30)
Figueroa Court Partners	45,853	45	(155,771)	-	-	(5)
Fullerton Supportive Housing, L.P.	15,554,901	8,307,514	6,974,222	279,857	(974,605)	(96)
Gateways Housing, L.P.	2,057,295	1,146,587	(963,824)	327,753	(171,497)	-
Huntington Square, L.P.	28,533,342	-	1,808,600	-	(800)	-
Kalmia Supportive Housing, L.P.	1,536,516	-	-	-	-	-
Lorena Plaza, L.P.	36,407,757	8,304,347	2,721,319	-	(800)	-
Miramonte PSH, L.P.	19,891,982	14,784,569	4,708,060	980,639	(605,983)	(61)
ND Sepulveda I, L.P.	17,706,615	9,967,593	7,223,991	1,326,740	(521,924)	(34)
ND Sepulveda II, L.P.	16,348,514	8,700,024	7,098,209	1,328,435	(472,610)	(29)
Osborne Place, L.P.	17,247,129	11,161,680	5,055,678	1,647,775	(324,830)	(30)
Rayen Apartments, L.P.	7,606,568	8,596,024	(1,224,352)	1,208,161	(600,729)	(57)
Redlands Supportive Housing, L.P.	22,987,348	-	992,800	-	(800)	(404)
Riverside Supportive Housing, L.P.	46,179,584	-	8,977,907	35,890	(947,705)	(88)
Step Up On Fifth, L.P.	10,136,667	15,756,390	(8,123,641)	525,333	(1,076,056)	(53)
Sun Valley Housing, L.P.	19,549,057	14,572,490	4,158,607	1,007,849	(708,655)	(70)
The Villas at Gower, L.P.	18,950,334	13,787,477	2,973,867	1,961,175	(2,185,637)	(109)
Vendome Palms, L.P.	10,177,676	11,437,346	(2,422,635)	482,508	(525,430)	(123,292)
Ventura Veterans, L.P.	50,371,633	-	5,755,353	-	(800)	-
Vista Del Rio Housing Partners, L.P.	9,645,349	3,234,125	5,239,211	481,999	(532,735)	(13)
West Villas, L.P.	16,105,171	5,166,609	10,627,965	1,111,983	(592,849)	(59)
Willis Avenue Apartments, L.P.	11,072,850	9,980,539	777,714	854,429	(493,112)	(48)
Willowbrook Place, L.P.	3,961,597	4,155,069	(1,732,736)	606,567	(268,752)	638
Woodland Terrace, L.P.	5,906,737	7,896,717	(4,308,530)	775,234	(479,165)	(44)
	<u>\$ 509,171,072</u>	<u>\$ 237,047,603</u>	<u>\$ 85,862,397</u>	<u>\$ 22,667,176</u>	<u>\$ (15,830,399)</u>	<u>\$ (561,595)</u>

NOTE 11 BUSINESS COMBINATION

Hudson SLP, LLC. and Hudson Housing Los Angeles Revitalization Fund, L.P., the limited partners of La Primavera Apartments, L.P., withdrew their partnership interests from the limited partnership and assigned their interests to Supportive Housing, LLC.

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

At acquisition date, the assets acquired exceeded the assumed liabilities in the amount of \$775,429 and are shown as excess of assets acquired in the acquisition in the accompanying consolidated statement of activities.

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

Cash	\$	4,326
Accounts receivable		18,637
Prepaid expenses and other assets		10,922
Rental properties reserves		349,754
Property and equipment, net		2,892,157
	subtotal	<u>3,275,796</u>
Accounts payable and accrued expenses		101,768
Notes and interest payable		2,398,804
	subtotal	<u>2,500,572</u>
Net assets		775,224
A Community of Friends' existing interest		<u>(205)</u>
Excess of assets acquired over liabilities assumed	\$	<u><u>775,429</u></u>

NOTE 12 REAL ESTATE IN DEVELOPMENT

At June 30, 2025, real estate in development consisted of the following:

Land	\$ 11,383,190
Development costs	<u>97,425,389</u>
Total	<u>\$ 108,808,579</u>

In fiscal year 2024, three Project Homekey buildings were acquired for a total cost in the amount of \$84,997,687. When the buildings are placed in service, the cost will move to land, buildings, and improvements.

NOTE 13 PROPERTY AND EQUIPMENT

At June 30, 2025, property and equipment consisted of the following:

Land, buildings, and improvements	\$ 75,767,607
Furniture and equipment	<u>3,094,023</u>
	Total <u>78,861,630</u>
Less accumulated depreciation and amortization	<u>(58,481,133)</u>
Property and equipment, net	<u>\$ 20,380,497</u>

For the year ended June 30, 2025, the provision for depreciation and amortization amounted to \$2,090,432.

A Community of Friends and Subsidiaries
Notes to Consolidated Financial Statements
Year ended June 30, 2025

NOTE 14 NOTES, ADVANCES, AND INTEREST RECEIVABLE

At June 30, 2025, notes, advances, and interest receivable consisted of the following:

	<u>Interest Receivable</u>	<u>Principal</u>
As discussed in Note 3, the funding for the following notes receivable originated from grant funds. All these notes are secured by deeds of trust on real property located in Los Angeles, California. The notes are:		
Notes receivable from The Villas at Gower, L.P., with interest at 0% and matures in 2065. The note was funded by the California Department of Housing and Community Development's Infill Infrastructure Grant Program.	\$ -	\$ 1,810,000
Notes receivable from Willowbrook Place, L.P., interest accrues at 5.0% per annum and matures in October 2060.	374,707	400,000
Notes receivable from Woodland Terrace, L.P., interest accrues at 5.0% per annum and matures in December 2060.	356,226	400,000
Notes receivable from Osborne Place, L.P., interest is at 0% and matures in 2068.	-	400,000
Notes receivable from Lorena Plaza, L.P., interest is at 0% and matures in 2076.	-	2,995,000
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.	165,127	470,000
Total	896,060	7,436,784
Less: allowance for uncollectible notes and interest receivable	896,060	2,808,282
Net notes, advances and interest receivable	\$ -	\$ 4,628,502

NOTE 15 NOTES AND INTEREST PAYABLE

At June 30, 2025, notes and interest payable consisted of the following:

	<u>Interest Payable</u>	<u>Principal</u>
<u><i>A Community of Friends</i></u>		
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	\$ 783,880	\$ 1,497,333
Las Palomas Hotel, L.P., due in June 2051	2,932,508	2,100,081
V. Nueva, L.P., due August 2040	1,600,759	1,599,182
Calvert Street Apartments, L.P., due July 2041	1,620,586	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 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.		
	-	162,986

A Community of Friends and Subsidiaries
Notes to Consolidated Financial Statements
Year ended June 30, 2025

NOTE 15 NOTES AND INTEREST PAYABLE (CONTINUED)

	<u>Interest Payable</u>	<u>Principal</u>
Notes payable to the California Department of Housing and Community Development (HCD). Interest accrues at a simple interest rate of 3% per annum. Interest payment is deferred as approved by HCD. 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	\$ 355,246	\$ 345,000
Selby property, due in July 2031	736,590	725,000
Notes payable to LAHD, principal and interest due in annual payments made exclusively from residual receipts (as defined in the loan agreement) derived from the project at the financed property, collateralized by a deed of trust. Interest accrues annually on the outstanding principal balance at 3% per annum until the final sale of the property or refinancing of the loan. Any unpaid accrued interest will be rolled over into the principal balances at the beginning of each calendar year. The notes payable matured in December 2019 and July 2021 but were extended until 2029.		
Orbison House property, due date extended to December 2029	220,105	204,000
Selby property, due date extended to June 2029	394,671	325,000
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 ten years until February 2029.		
Selby property, extended in February 2029	-	413,250
Selby property, extended in February 2029	-	50,000
Note payable to HCD for affordable housing related to the Step Out Apartments. Interest accrues at 3% per annum and is payable at 0.42% of the principal on an annual basis. The note is collateralized by a deed of trust on the property and matures in 2055.		
	98,431	516,851

A Community of Friends and Subsidiaries
Notes to Consolidated Financial Statements
Year ended June 30, 2025

NOTE 15 NOTES AND INTEREST PAYABLE (CONTINUED)

	<u>Interest Payable</u>	<u>Principal</u>
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.	\$ 533,556	\$ 1,063,688
Note payable to LACDA used for acquisition of the Step Out Apartments property. Interest accrues at a simple interest rate of 3% per annum. Principal and interest are due in annual payments made exclusively from residual receipts (as defined in the loan agreement) derived from the project and are due March 2031. The note is collateralized by a deed of trust on the Step Out Apartments.	4,589	152,982
Notes payable to LAHD, to be used in financing the acquisition of Central Court Apartments and partially finance the rehabilitation and permanent costs. The loans are non-interest bearing and annual principal payments are made exclusively from residual receipts (as defined in the loan agreement) derived from the project at the financed property. The notes are collateralized by a deed of trust on the Central Court property. Both notes mature in February 2059.	-	725,808
Note payable to HCD for affordable housing related to Central Court Apartments. Interest accrues at 3% per annum and is payable at 0.42% of the principal on an annual basis. The note is collateralized by a deed of trust on the property and matures on the 55th anniversary of the date of recordation (September 2062) of the Regulatory Agreement or such later date as may be approved in writing by HCD.	300,402	689,200
Note payable to Los Angeles Homeless Services Authority (LAHSA) wherein the proceeds were loaned directly to Osborne Place, L.P. for project development. The note bears 0% interest rate per annum, is collateralized by a deed of trust on real property of Osborne Place, L.P. and is payable to LAHSA on the earliest of (a) the date the Property ceases to operate as initially funded under SHP grant within 20 years from operating start date (March 2014), (b) the date the Property is sold or refinanced and (c) on event of default by ACOF.	-	400,000

A Community of Friends and Subsidiaries
Notes to Consolidated Financial Statements
Year ended June 30, 2025

NOTE 15 NOTES AND INTEREST PAYABLE (CONTINUED)

	<u>Interest Payable</u>	<u>Principal</u>
Note payable to Citibank, N.A., wherein proceeds were loaned directly to 3101 West Venice, L.P. The loan does not bear interest and will not amortize, except as provided in the loan agreement. Principal is payable in full on maturity date, which is the later of end of retention period or December 2070. The loan is secured by a deed of trust.	\$ -	\$ 470,000
Equity investment structured as loan, obtained from US Bank. 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, 2025 but extended for a year until 2026.	3,750	500,000
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 2027.	9,167	2,000,000
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.	-	3,000,000
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.	-	2,000,000
Note payable to NeighborWorks Capital Corporation to support ACOF's implementation of a plan to improve portfolio performance and strengthen its financial position. The loan accrues interest at 7.25% per annum payable monthly. The principal balance of loan is due in July 2029 and is secured by a deed of trust.	-	2,000,000
<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.	2,306,793	1,605,167

A Community of Friends and Subsidiaries
Notes to Consolidated Financial Statements
Year ended June 30, 2025

NOTE 15 NOTES AND INTEREST PAYABLE (CONTINUED)

	<u>Interest Payable</u>	<u>Principal</u>
<u><i>Gower Street Apartments, L.P.</i></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, 2025, no interest was accrued because the current market value of the property is lower than the loan balance.	\$ -	\$ 1,968,068
<u><i>39 West Apartments, L.P.</i></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.	1,193,046	1,056,484
<u><i>836 Fedora, L.P.</i></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.	909,024	\$ 759,000
<u><i>Figueroa Court Apartments, L.P.</i></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><i>Sonya Gardens, L.P.</i></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.	1,814	72,806
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.	170,100	525,000

NOTE 15 NOTES AND INTEREST PAYABLE (CONTINUED)

	<u>Interest Payable</u>	<u>Principal</u>
<u>Brandon Apartments, L.P.</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.	\$ 1,122,074	\$ 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.	-	31,042
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>California Hotel 1140, L.P.</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.	1,370,957	1,161,626
<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.	718,029	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 2025. 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

A Community of Friends and Subsidiaries
Notes to Consolidated Financial Statements
Year ended June 30, 2025

NOTE 15 NOTES AND INTEREST PAYABLE (CONTINUED)

	<u>Interest Payable</u>	<u>Principal</u>
<u><i>Amistad Apartments, L.P.</i></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.	\$ 1,323,693	\$ 2,169,998
Note payable to Bank of America. The note is non-interest bearing as long as the Affordable Housing Program (AHP) requirements are met. If AHP requirements are not met, the note bears interest at the AHP subsidy rate. The note is secured by deed of trust and matures on December 27, 2041.	-	300,000
<u><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-interest 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.	2,262,557	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.	280,643	453,318

NOTE 15 NOTES AND INTEREST PAYABLE (CONTINUED)

	<u>Interest Payable</u>	<u>Principal</u>
<u><i>La Primavera Apartments, L.P.</i></u>		
Note payable to Bank of America in the original amount of \$315,000 for construction of affordable housing. The note is non-interest bearing as long as the Affordable Housing Program (AHP) requirements are met. If the requirements are not met, the note will bear interest at the AHP subsidy rate. Management anticipates the note will be forgiven in 2025. The note is secured by a deed of trust.	\$ -	\$ 315,000
Note payable to the Los Angeles County Development Authority (LACDA) for the construction of affordable housing, bearing interest at 3% per annum. Principal and interest are due annually from residual receipts (as defined in the loan agreement) derived from the operations of the Partnership through March 15, 2034. The note is secured by a deed of trust.	458,201	880,243
<u><i>Highland PSH, LLC</i></u>		
Note payable to Genesis LA Economic Growth Corporation in the authorized amount of \$6,375,000 bearing simple interest at 6.5% per annum. Monthly interest payment will commence the month following the disbursement date. Monthly payment of principal will commence after the expiration of construction period until the maturity date in October 31, 2040, but in the event lender grants borrower the construction period extension, the Maturity Date shall be April 30, 2041. The note is secured by deed of trust, assignment of rents and security agreement, and is guaranteed by ACOF.	95,642	2,746,598
Note payable to the City of Los Angeles in the authorized amount of \$5,225,000 for construction, rehabilitation and permanent costs at simple interest rate of 3% per annum. The principal and interest is due and payable on maturity date in December 2082. The note is secured by a deed of trust.	92,616	4,508,684
Note payable to the City of Los Angeles in the authorized amount of \$6,910,602 for the acquisition of real property described in the agreement, bearing simple interest at 3% per annum. The principal and interest is due and payable no later than the maturity date in December 2082. The note is secured by a deed of trust.	293,701	6,910,602

A Community of Friends and Subsidiaries
Notes to Consolidated Financial Statements
Year ended June 30, 2025

NOTE 15 NOTES AND INTEREST PAYABLE (CONTINUED)

	<u>Interest Payable</u>	<u>Principal</u>
<u>Vanowen CP PSH, LLC</u>		
Note payable to the City of Los Angeles in the authorized amount of \$3,752,413 bearing simple interest at 3% per annum. The principal and interest is due and payable no later than the maturity date in December 2082. The note is secured by a deed of trust.	\$ 61,836	\$ 2,948,930
Note payable to the City of Los Angeles in the authorized amount of \$33,928,936 for the acquisition of real property described in the agreement, bearing simple interest at 3% per annum. The principal and interest is due and payable no later than the maturity date in December 2082. The note is secured by a deed of trust.		
HHH Bond Proceeds	990,665	23,309,756
City Reserve Fund	281,256	8,780,932
Note payable to the Raza Development Fund Inc. for the construction of 101 apartment units described in the agreement, bearing simple interest at 7.8% per annum. The principal and interest is due and payable no later than the maturity date in 2025. The note is secured by a deed of trust.		
	44,305	1,643,995
Total	23,571,192	89,935,991
Less current portion	-	1,864,203
Long-term portion	23,571,192	88,071,788
Less unamortized loan fees	-	77,550
Notes payable long-term, net	\$ 23,571,192	\$ 87,994,238

Future maturities of interest and notes payable at June 30, 2025 were as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2026	\$ 1,864,203
2027	1,250,000
2028	4,250,000
2029	1,182,921
2030	4,424,105
Thereafter	100,458,404
Total	\$ 113,429,633

NOTE 16 GOVERNMENT/FOUNDATION GRANTS AND CONTRACTS

For the year ended June 30, 2025, revenues from government grants and contracts consisted of the following:

<u>Program and Funding Agency</u>	
Supportive Housing Program:	
Housing Authority of the City of Los Angeles (HACLA)	\$ 5,155,222
U.S. Department of Housing and Urban Development	2,007,763
Los Angeles County Department of Health Services	3,050,196
Others	32,800
Total \$	<u>10,245,981</u>

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, 2025, the expendable grants received amounted to \$331,750 and they are reported under foundation grants in the consolidated statement of activities. There were no capital grants received for the year ended June 30, 2025.

NOTE 18 NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2025, net assets with donor restrictions are available for the following purpose or period:

Acquisition and rehabilitation of supportive housing projects	\$ 50,521,647
Professional and development program	97,232
Substance use and recovery program	177,566
Supportive housing program	483,235
Miscellaneous programs	7,838
Restricted as to time (July 1, 2025 to June 30, 2026)	80,149
Total \$	<u>51,367,667</u>

During the year, management of the Organization reviewed the classification of certain assets funded by donor-restricted grants and adjusted the prior year presentation to reflect them as net assets with donor restrictions. The adjustments are reflected in the opening net asset balances, resulting in an increase of \$45,366,425 in net assets with donor restrictions and a corresponding decrease in net assets without donor restrictions. The restatement did not affect the overall balances of reported net assets.

NOTE 18 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

The impact of the reclassification is as follows:

	Net assets without donor restrictions	Net assets with donor restrictions	Total net assets
Net assets, June 30, 2024	\$ 45,288,768	\$ 694,021	\$ 45,982,789
Reclassification	(45,366,425)	45,366,425	-
Net assets, June 30, 2024	<u>\$ (77,657)</u>	<u>\$ 46,060,446</u>	<u>\$ 45,982,789</u>

NOTE 19 COMMITMENTS AND CONTINGENCIES

Leases

The Organization 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, 2025, the rent expense amounted to \$212,075.

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

Maturities of the lease liabilities under noncancellable operating leases at June 30, 2025 are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2026	\$ 203,221
2027	209,124
2028	215,026
2029	220,929
2030	226,832
Thereafter	471,370
Total undiscounted lease payments	1,546,502
Less effects of discounting	(149,346)
Total lease liability	1,397,156
Total current portion of lease liability	164,982
Total lease liability, net of current portion	<u>\$ 1,232,174</u>

NOTE 19 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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, 2025, contingent liability related to operating deficits approximates \$1,264,621. Management believes the reserves are adequate, and it is unlikely that the Organization will be called upon to pay on the guarantees.

At June 30, 2025, ACOF was contingently liable for approximately \$2,375,721 in interest related to various notes payable. Management believes the likelihood that 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, 2025.

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 \$99,758,180 at June 30, 2025. 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, 2025, the following fees were earned by ACOF:

Partnership and property management fees	\$ 1,429,088
Developer fees	214,063
Administrative fees	67,708
Total fees earned from partnerships	<u>\$ 1,710,859</u>

As of June 30, 2025, ACOF provides property management services to the following 21 supportive housing developments: 39 West Apartments, Amistad Apartments, Arlington Square, Beverly PSH, L.P., Brandon Apartments, L.P., California Hotel 1140, L.P., Camino de Las Flores Apartments, Cornerstone Apartments, Fedora Apartments, Figueroa Court Apartments, Fox Normandie Apartments, Gower Street Apartments, L.P., La Primavera Apartments, L.P., Las Palomas Hotel, Maryland Apartments, L.P., Parker Hotel, L.P., Santos Plaza Apartments, Vendome Palms Apartments, Vista Nueva Apartments, and Willow Apartments, Woodland Terrace.

For the year ended June 30, 2025, the related property management fees earned by ACOF amounted to \$487,968.

NOTE 21 EMPLOYEE RETIREMENT PLAN

ACOF has a profit sharing plan for all eligible employees. Contributions to the plan are discretionary, with the contribution rates determined by the Board of Directors. For the year ended June 30, 2025, ACOF's contributions to the plan amounted to \$217,434.

NOTE 22 SUBSEQUENT EVENTS

The Organization has evaluated events or transactions that occurred subsequent to June 30, 2025 through November 26, 2025, 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 4 and 15, no subsequent events required disclosure or adjustment to the accompanying consolidated financial statements.

SUPPLEMENTARY INFORMATION

A Community of Friends and Subsidiaries
Consolidating Schedule of Financial Position
June 30, 2025

Supportive Housing, LLC											
	A Community of Friends	Highland PSH, LLC	Vanowen CP PSH, LLC	14510 Garvey LLC	39 West Apartments, L.P.	836 Fedora, L.P.	Brandon Apartments, L.P.	California Hotel 1140, L.P.	Figueroa Court Apartments, L.P.	Fox Normandie Apartments, L.P.	Gower Street Apartments, L.P.
ASSETS											
Current assets											
Cash and cash equivalents	\$ 2,753,680	\$ 238,752	\$ 297,942	\$ 138,603	\$ 55,088	\$ 20,846	\$ 37,439	\$ 6,825	\$ 27,858	\$ 3,175	\$ 1,207
Certificates of deposit and other short-term investments	1,307,946	-	-	-	-	-	-	-	-	-	-
Rental properties reserves	682,417	-	-	-	619,746	228,679	91,895	579,929	191,370	71,803	355,173
Project receivables - current portion	2,282,247	-	-	-	-	-	-	-	-	-	-
Partnership receivables - current portion	1,304,665	-	-	-	-	-	-	-	-	-	-
Developer fees receivable - current portion, net	4,509,469	-	-	-	-	-	-	-	-	-	-
Contracts receivable	818,980	-	-	-	-	-	-	-	-	-	-
Other receivables	112,171	-	-	-	592	45,608	94,342	48,165	20,815	89,634	116,513
Prepaid expenses and deposits	560,280	-	-	-	7,332	1,733	7,850	3,650	7,409	4,947	8,624
Total current assets	14,331,855	238,752	297,942	138,603	682,758	296,866	231,526	638,569	247,452	169,559	481,517
Long-term project receivables	4,895,184	-	-	-	-	-	-	-	-	-	-
Long-term partnership receivables	13,071,952	-	-	-	-	-	-	-	-	-	-
Long-term developer fees receivables, net	946,684	-	-	-	-	-	-	-	-	-	-
Notes, advances, and interest receivable, net	21,692,424	-	-	-	-	-	-	-	-	-	-
Investment in limited partnerships	9,071,266	-	-	-	-	-	-	-	-	-	-
Real estate in development	11,950	34,303,731	67,083,407	8,156,991	-	-	-	-	-	-	-
Property and equipment, net	2,085,780	-	-	-	1,042,593	289,092	1,265,812	440,301	1,597,315	754,231	444,434
Right-of-use asset, net	1,335,179	-	-	-	-	-	-	-	-	-	-
Other long-term assets	-	-	-	-	-	-	4,423	2,070	-	7,659	-
Total assets	\$ 67,442,274	\$ 34,542,483	\$ 67,381,349	\$ 8,295,594	\$ 1,725,351	\$ 585,958	\$ 1,501,761	\$ 1,080,940	\$ 1,844,767	\$ 931,449	\$ 925,951
LIABILITIES AND NET ASSETS											
Current liabilities											
Accounts payable and accrued expenses	\$ 3,891,512	\$ 2,367,833	\$ 2,862,156	\$ 1,735,048	\$ 68,206	\$ 194,071	\$ 704,282	\$ 148,337	\$ 399,703	\$ 666,019	\$ 1,435,898
Current portion of lease liability	164,982	-	-	-	-	-	-	-	-	-	-
Current portion of notes and interest payable	175,903	-	1,688,300	-	-	-	-	-	-	-	-
Other liabilities	87,455	-	-	-	-	-	-	-	-	9,158	-
Total current liabilities	4,319,852	2,367,833	4,550,456	1,735,048	68,206	194,071	704,282	148,337	399,703	675,177	1,435,898
Deficiency in partnership investments	36,125,180	-	-	-	-	-	-	-	-	-	-
Lease liability, net of current portion	1,232,174	-	-	-	-	-	-	-	-	-	-
Notes and interest payable, net of current portion	31,915,677	14,672,297	36,393,660	83,899	2,249,530	1,668,024	3,273,094	3,309,838	3,998,210	-	1,968,068
Total liabilities	73,592,883	17,040,130	40,944,116	1,818,947	2,317,736	1,862,095	3,977,376	3,458,175	4,397,913	675,177	3,403,966
Net assets (deficit)											
Without donor restrictions	(6,996,629)	(67,647)	(37,767)	-	(592,385)	(1,276,137)	(2,475,615)	(2,377,235)	(2,553,146)	256,272	(2,478,015)
With donor restrictions	846,020	17,570,000	26,475,000	6,476,647	-	-	-	-	-	-	-
Total net assets	(6,150,609)	17,502,353	26,437,233	6,476,647	(592,385)	(1,276,137)	(2,475,615)	(2,377,235)	(2,553,146)	256,272	(2,478,015)
Total liabilities and net assets	\$ 67,442,274	\$ 34,542,483	\$ 67,381,349	\$ 8,295,594	\$ 1,725,351	\$ 585,958	\$ 1,501,761	\$ 1,080,940	\$ 1,844,767	\$ 931,449	\$ 925,951

See independent auditor's report.

A Community of Friends and Subsidiaries
Consolidating Schedule of Financial Position (Continued)
June 30, 2025

Supportive Housing, LLC											
	Las Palomas Hotel, L.P.	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	La Primavera Apartments, L.P.	Eliminations	Consolidated
ASSETS											
Current assets											
Cash and cash equivalents	\$ 929	\$ 15,502	\$ 40,112	\$ 434,863	\$ 39,974	\$ 19,071	\$ 22,299	\$ 7,336	\$ 1,580	\$ -	\$ 4,163,081
Certificates of deposit and other short-term investments	-	-	-	-	-	-	-	-	-	-	1,307,946
Rental properties reserves	49,487	86,140	14,477	534,544	803,795	54,031	347,499	60,431	248,294	-	5,019,710
Project receivables - current portion	-	-	-	-	-	-	-	-	-	(558,496)	1,723,751
Partnership receivables - current portion	-	-	-	-	-	-	-	-	-	(521,978)	782,687
Developer fees receivable - current portion, net	-	-	-	-	-	-	-	-	-	(437,503)	4,071,966
Contracts receivable	-	-	-	-	-	-	-	-	-	-	818,980
Other receivables	-	92,861	52,164	-	135,484	6,483	9,351	113,432	79,782	-	1,017,397
Prepaid expenses and deposits	3,341	3,283	2,131	-	4,683	4,341	9,132	3,189	4,020	-	635,945
Total current assets	53,757	197,786	108,884	969,407	983,936	83,926	388,281	184,388	333,676	(1,517,977)	19,541,463
Long-term project receivables	-	-	-	-	-	-	-	-	-	(128,638)	4,766,546
Long-term partnership receivables	-	-	-	-	-	-	-	-	-	(5,835,836)	7,236,116
Long-term developer fees receivables, net	-	-	-	-	-	-	-	-	-	-	946,684
Notes, advances, and interest receivable, net	-	-	-	-	-	-	-	-	-	(17,063,922)	4,628,502
Investment in limited partnerships	-	-	-	-	-	-	-	-	-	(3,097,518)	5,973,748
Real estate in development	-	-	-	-	-	-	-	-	-	(747,500)	108,808,579
Property and equipment, net	370,789	648,273	368,762	1,564,959	1,132,665	2,224,665	2,119,055	2,135,960	2,665,578	(769,767)	20,380,497
Right-of-use asset, net	-	-	-	-	-	-	-	-	-	-	1,335,179
Other long-term assets	960	500	-	-	-	100	3,009	-	1,328	-	20,049
Total assets	\$ 425,506	\$ 846,559	\$ 477,646	\$ 2,534,366	\$ 2,116,601	\$ 2,308,691	\$ 2,510,345	\$ 2,320,348	\$ 3,000,582	\$ (29,161,158)	\$ 173,637,363
LIABILITIES AND NET ASSETS											
Current liabilities											
Accounts payable and accrued expenses	\$ 1,808,489	\$ 618,360	\$ 855,538	\$ 71,213	\$ 578,371	\$ 920,219	\$ 479,197	\$ 1,428,571	\$ 542,830	\$ (7,353,813)	\$ 14,422,040
Current portion of lease liability	-	-	-	-	-	-	-	-	-	-	164,982
Current portion of notes and interest payable	-	-	-	-	-	-	-	-	-	-	1,864,203
Other liabilities	76,201	-	-	103,730	-	-	-	1,128	-	-	277,672
Total current liabilities	1,884,690	618,360	855,538	174,943	578,371	920,219	479,197	1,429,699	542,830	(7,353,813)	16,728,897
Deficiency in partnership investments	-	-	-	-	-	-	-	-	-	(35,692,936)	432,244
Lease liability, net of current portion	-	-	-	-	-	-	-	-	-	-	1,232,174
Notes and interest payable, net of current portion	5,032,599	1,946,608	3,911,960	769,720	3,380,230	4,214,654	4,697,692	4,749,678	2,506,084	(19,176,092)	111,565,430
Total liabilities	6,917,289	2,564,968	4,767,498	944,663	3,958,601	5,134,873	5,176,889	6,179,377	3,048,914	(62,222,841)	129,958,745
Net assets (deficit)											
Without donor restrictions	(6,491,783)	(1,718,409)	(4,289,852)	1,589,703	(1,842,000)	(2,826,182)	(2,666,544)	(3,859,029)	(48,332)	33,061,683	(7,689,049)
With donor restrictions	-	-	-	-	-	-	-	-	-	-	51,367,667
Total net assets	(6,491,783)	(1,718,409)	(4,289,852)	1,589,703	(1,842,000)	(2,826,182)	(2,666,544)	(3,859,029)	(48,332)	33,061,683	43,678,618
Total liabilities and net assets	\$ 425,506	\$ 846,559	\$ 477,646	\$ 2,534,366	\$ 2,116,601	\$ 2,308,691	\$ 2,510,345	\$ 2,320,348	\$ 3,000,582	\$ (29,161,158)	\$ 173,637,363

See independent auditor's report.

A Community of Friends and Subsidiaries
Consolidating Schedule of Activities
Year ended June 30, 2025

	Supportive Housing, LLC										
	A Community of Friends	Highland PSH, LLC	Vanowen CP PSH, LLC	14510 Garvey LLC	39 West Apartments, L.P.	836 Fedora, L.P.	Brandon Apartments, L.P.	California Hotel 1140, L.P.	Figueroa Court Apartments,	Fox Normandie Apartments,	Gower Street Apartments, L.P.
Revenue and support											
Government grants and contracts	\$ 5,090,759	\$ -	\$ -	\$ 5,155,222	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Foundation grants	1,318,994	-	-	-	-	-	-	-	-	-	-
Developer fees	961,563	-	-	-	-	-	-	-	-	-	-
Partnership and property management fees	2,034,854	-	-	-	-	-	-	-	-	-	-
Rental income	694,191	-	-	-	378,156	221,031	555,974	378,817	492,456	497,229	643,547
Administrative fees	118,465	-	-	-	-	-	-	-	-	-	-
Interest income from loans	464,266	-	-	-	-	-	-	-	-	-	-
Gain on forgiveness of debt	-	-	-	-	-	-	-	-	-	263,744	-
Other interest income	77,744	-	-	-	18,002	5,873	2,273	22,375	7,025	-	14,210
General donations	243,880	-	-	-	-	-	-	-	-	-	-
Miscellaneous	311,226	-	37,800	-	736	46,923	30,215	2,472	-	-	58
Total revenue and support	11,315,942	-	37,800	5,155,222	396,894	273,827	588,462	403,664	499,481	760,973	657,815
Functional expenses											
Program services	10,023,747	67,647	75,567	-	567,729	435,767	1,010,584	651,019	635,851	1,367,104	1,240,485
Fund development	444,154	-	-	-	-	-	-	-	-	-	-
General and administration	2,712,309	-	-	-	-	-	-	-	-	-	-
Total functional expenses	13,180,210	67,647	75,567	-	567,729	435,767	1,010,584	651,019	635,851	1,367,104	1,240,485
Change in net assets before excess of assets acquired over assumed liabilities and income (loss) from investment in partnerships	(1,864,268)	(67,647)	(37,767)	5,155,222	(170,835)	(161,940)	(422,122)	(247,355)	(136,370)	(606,131)	(582,670)
Excess of assets acquired over assumed liabilities	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from investment in partnerships	(4,508,165)	-	-	-	-	-	-	-	-	-	-
Change in net assets	(6,372,433)	(67,647)	(37,767)	5,155,222	(170,835)	(161,940)	(422,122)	(247,355)	(136,370)	(606,131)	(582,670)
Net assets (deficit), beginning of year	221,824	17,570,000	26,475,000	1,321,425	(421,550)	(1,114,197)	(2,053,493)	(2,129,880)	(2,416,776)	862,403	(1,895,345)
Net assets (deficit), end of year	\$ (6,150,609)	\$ 17,502,353	\$ 26,437,233	\$ 6,476,647	\$ (592,385)	\$ (1,276,137)	\$ (2,475,615)	\$ (2,377,235)	\$ (2,553,146)	\$ 256,272	\$ (2,478,015)

See independent auditor's report.

A Community of Friends and Subsidiaries
Consolidating Schedule of Activities (Continued)
Year ended June 30, 2025

	Supportive Housing, LLC									Eliminations	Consolidated
	Las Palomas Hotel, L.P.	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	La Primavera Apartments, L.P.		
Revenue and support											
Government grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	10,245,981
Foundation grants	-	-	-	-	-	-	-	-	-	-	1,318,994
Developer fees	-	-	-	-	-	-	-	-	-	(747,500)	214,063
Partnership and property management fees	-	-	-	-	-	-	-	-	-	(605,766)	1,429,088
Rental income	639,502	267,267	148,332	958,735	617,445	287,378	536,480	477,452	350,141	-	8,144,133
Administrative fees	-	-	-	-	-	-	-	-	-	(50,757)	67,708
Interest income from loans	-	-	-	-	-	-	-	-	-	(397,544)	66,722
Gain on forgiveness of debt	-	-	-	-	-	-	-	-	-	-	263,744
Other interest income	1,629	857	2,782	11,593	21,223	1,061	4,697	142	21	-	191,507
General donations	-	-	-	-	-	-	-	-	-	-	243,880
Miscellaneous	4,190	-	56	3,563	343	4,428	7,952	47,916	51,344	-	549,222
Total revenue and support	<u>645,321</u>	<u>268,124</u>	<u>151,170</u>	<u>973,891</u>	<u>639,011</u>	<u>292,867</u>	<u>549,129</u>	<u>525,510</u>	<u>401,506</u>	<u>(1,801,567)</u>	<u>22,735,042</u>
Functional expenses											
Program services	1,492,988	473,116	860,340	1,443,397	1,073,594	669,308	950,185	1,026,012	750,075	(1,370,765)	23,443,750
Fund development	-	-	-	-	-	-	-	-	-	-	444,154
General and administration	-	-	-	-	-	-	-	-	-	-	2,712,309
Total functional expenses	<u>1,492,988</u>	<u>473,116</u>	<u>860,340</u>	<u>1,443,397</u>	<u>1,073,594</u>	<u>669,308</u>	<u>950,185</u>	<u>1,026,012</u>	<u>750,075</u>	<u>(1,370,765)</u>	<u>26,600,213</u>
Change in net assets before excess of assets acquired over assumed liabilities and income (loss) from investment in partnerships	(847,667)	(204,992)	(709,170)	(469,506)	(434,583)	(376,441)	(401,056)	(500,502)	(348,569)	(430,802)	(3,865,171)
Excess of assets acquired over assumed liabilities	-	-	-	-	-	-	-	-	-	775,429	775,429
Income (loss) from investment in partnerships	-	-	-	-	-	-	-	-	-	5,293,736	785,571
Change in net assets	(847,667)	(204,992)	(709,170)	(469,506)	(434,583)	(376,441)	(401,056)	(500,502)	(348,569)	5,638,363	(2,304,171)
Net assets (deficit), beginning of year	(5,644,116)	(1,513,417)	(3,580,682)	2,059,209	(1,407,417)	(2,449,741)	(2,265,488)	(3,358,527)	300,237	27,423,320	45,982,789
Net assets (deficit), end of year	<u>\$ (6,491,783)</u>	<u>\$ (1,718,409)</u>	<u>\$ (4,289,852)</u>	<u>\$ 1,589,703</u>	<u>\$ (1,842,000)</u>	<u>\$ (2,826,182)</u>	<u>\$ (2,666,544)</u>	<u>\$ (3,859,029)</u>	<u>(48,332)</u>	<u>\$ 33,061,683</u>	<u>\$ 43,678,618</u>

See independent auditor's report.

A Community of Friends and Subsidiaries
A Community of Friends
(Parent Company Only)
Statement of Financial Position
June 30, 2025

ASSETS

Current assets

Cash and cash equivalents	\$ 2,753,680
Certificates of deposit and other short-term investments	1,307,946
Rental properties reserves	682,417
Project receivables - current portion	2,282,247
Partnership receivables - current portion	1,304,665
Developer fees receivables - current portion, net	4,509,469
Contracts receivable	818,980
Other receivables	112,171
Prepaid expenses and deposits	560,280
Total current assets	14,331,855

Noncurrent assets

Long-term project receivables	4,895,184
Long-term partnership receivables	13,071,952
Long-term developer fees receivables, net	946,684
Notes, advances, and interest receivable, net	21,692,424
Investment in limited partnerships	1,962,507
Real estate in development	11,950
Property and equipment, net	2,085,780
Right-of-use asset, net	1,335,179
Total assets \$	60,333,515

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable and accrued expenses	\$ 3,891,512
Current portion of lease liability	164,982
Current portion of notes and interest payable	175,903
Other liabilities	87,455
Total current liabilities	4,319,852

Noncurrent liabilities

Lease liability, net of current portion	1,232,174
Notes and interest payable, net of current portion	31,915,677
Total liabilities	37,467,703

Net assets

Without donor restrictions	22,019,792
With donor restrictions	846,020
Total net assets	22,865,812
Total liabilities and net assets \$	60,333,515

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 Subsidiaries 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 Subsidiaries
A Community of Friends
(Parent Company Only)
Statement of Activities
Year ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Government grants and contracts	\$ 5,090,759	\$ -	\$ 5,090,759
Foundation grants	576,494	742,500	1,318,994
Developer fees	961,563	-	961,563
Partnership and property management fees	2,034,854	-	2,034,854
Rental income	694,191	-	694,191
Administrative fees	118,465	-	118,465
Interest income from loans	464,266	-	464,266
Other interest income	361,492	-	361,492
General donations	243,880	-	243,880
Miscellaneous	311,226	-	311,226
Net assets released from restriction	590,501	(590,501)	-
Total revenue and support	11,447,691	151,999	11,599,690
Functional expenses			
Program services	10,023,747	-	10,023,747
Fund development	444,154	-	444,154
General and administration	2,712,309	-	2,712,309
Total functional expenses	13,180,210	-	13,180,210
Change in net assets	(1,732,519)	151,999	(1,580,520)
Net assets, beginning of year	23,752,311	694,021	24,446,332
Net assets, end of year	\$ 22,019,792	\$ 846,020	\$ 22,865,812

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 Subsidiaries 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 Subsidiaries
A Community of Friends
(Parent Company Only)
Statement of Functional Expenses
Year ended June 30, 2025

	Program Services								
	Supportive Services	Real Estate Activities	Property Management	Rental	Total	Fund Development	General and Administration	Total	
Personnel expenses									
Salaries	\$ 2,514,653	\$ 1,341,565	\$ 872,329	\$ 18,775	\$ 4,747,322	\$ 143,556	\$ 1,623,908	\$ 6,514,786	
Payroll taxes	186,259	95,686	55,554	1,462	338,961	11,245	110,963	461,169	
Employee benefits	453,396	135,583	117,898	2,539	709,416	20,163	213,589	943,168	
Total personnel expenses	3,154,308	1,572,834	1,045,781	22,776	5,795,699	174,964	1,948,460	7,919,123	
Other expenses									
Advertising	1,458	305	3,759	-	5,522	19,618	18,953	44,093	
Auditing and accounting	38,563	10,748	24,775	9,700	83,786	995	10,913	95,694	
Auto expense	11,749	3,141	5,215	-	20,105	-	2,113	22,218	
Bad debts	-	245,255	-	86,873	332,128	-	-	332,128	
Consulting	7,652	115,625	35,403	-	158,680	86,320	60,493	305,493	
Contractual-supportive services	1,110,719	-	-	-	1,110,719	-	-	1,110,719	
Dues, fees and subscriptions	669	4,450	1,460	11,179	17,758	33,406	77,175	128,339	
Employee engagement	89	873	-	-	962	-	9,197	10,159	
Equipment leases	5,999	2,557	657	-	9,213	267	2,845	12,325	
Fundraising	-	-	-	-	-	67,390	-	67,390	
Interest	-	444,339	-	130,782	575,121	-	-	575,121	
Legal fees	-	4,896	-	1,200	6,096	-	46,166	52,262	
Liability insurance	9,081	79,716	21,265	78,443	188,505	6,637	156,851	351,993	
Marketing	-	-	986	-	986	19,003	113	20,102	
Meals	4,339	2,149	5,018	-	11,506	172	15,414	27,092	
Miscellaneous	181	10,199	2,510	486	13,376	2,895	1,535	17,806	
Office expenses	152,061	36,441	28,591	18,216	235,309	4,794	107,330	347,433	
Postage and printing	56	7,059	268	-	7,383	77	2,717	10,177	
Property maintenance and repairs	-	-	-	248,055	248,055	-	-	248,055	
Rent and parking	9,482	66,510	27,545	-	103,537	18,191	129,327	251,055	
Resident programs	517,662	-	-	-	517,662	-	4,144	521,806	
Security	-	-	-	42,453	42,453	-	-	42,453	
Seminars and training	5,659	4,450	3,938	474	14,521	400	3,175	18,096	
Taxes and licenses	160	1,925	481	10,728	13,294	160	2,086	15,540	
Telephone	57,391	14,463	10,773	9,234	91,861	1,040	35,257	128,158	
Temporary staff	-	-	-	48,011	48,011	-	20,859	68,870	
Travel	-	212	1,825	-	2,037	-	908	2,945	
Utilities	-	-	-	85,012	85,012	-	-	85,012	
Worker's compensation insurance	32,154	15,428	41,183	1,693	90,458	1,746	19,802	112,006	
Total expenses before depreciation and amortization	5,119,432	2,643,575	1,261,433	805,315	9,829,755	438,075	2,675,833	12,943,663	
Depreciation and amortization	3,040	24,317	18,238	148,397	193,992	6,079	36,476	236,547	
Total functional expenses \$	\$ 5,122,472	\$ 2,667,892	\$ 1,279,671	\$ 953,712	\$ 10,023,747	\$ 444,154	\$ 2,712,309	\$ 13,180,210	

The above statement of functional expenses 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 Subsidiaries 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 Subsidiaries
NeighborWorks America Capital Fund
Schedule of Financial Position
June 30, 2025**

	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 Subsidiaries
NeighborWorks America Capital Fund
Schedule of Activities
Year ended June 30, 2025**

Revenue, gains, other support and release of capital:

Capital Grant - NeighborWorks America - Beginning Balance	\$ -
Additions	-
Release of capital	-
Net assets at end of year	<u>\$ -</u>

See independent auditor's report.



655 N. Central Avenue
Suite 1550
Glendale, CA 91203

www.vasquez.cpa

213-873-1700
OFFICE

LOS ANGELES
SAN DIEGO
IRVINE
SACRAMENTO
FRESNO
PHOENIX
LAS VEGAS
MANILA, PH

**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 Subsidiaries, which comprise A Community of Friends and Subsidiaries' consolidated statement of financial position as of June 30, 2025, 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 26, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered A Community of Friends and Subsidiaries' 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 Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of A Community of Friends and Subsidiaries' 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 Subsidiaries' 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 26, 2025**



www.vasquez.cpa