A Community of Friends

NeighborWorks®
CHARTERED MEMBER

November 30, 2017

Dear Funder or Lender:

Included in this package are the audited *consolidated* financial statements of A Community of Friends and Subsidiaries for the year ended June 30, 2017. The consolidated financials include the wholly owned limited partnerships of

Parker Hotel, L.P.
Las Palomas Hotel, L.P.
Gower Street Apartments, L.P.
39 West Apartments, L.P.
836 Fedora, L.P.
Figueroa Court Apartments, L.P.
Sonya Gardens, L.P.

For the financial statements of A Community of Friends, please refer to the column titled "A Community of Friends" on pages 35 and 36.

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

Best regards,

Renae S. DeMent
Director of Finance

A Community of Friends
Building Independent Lives

A Community of Friends and Subsidiary
Consolidated Financial Statements
and Supplementary Information
As of and for the Year Ended June 30, 2017
with Report of Independent Auditors

An independently owned member
RSM US Alliance
RSM

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

A Community of Friends and Subsidiary
Consolidated Financial Statements
and Supplementary Information
As of and for the Year Ended June 30, 2017
with Report of Independent Auditors

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

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Report of Independent Auditors

To the Board of Directors
A Community of Friends

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of A Community of Friends and Subsidiary (collectively the "Company"), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of A Community of Friends and Subsidiary as of June 30, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of A Community of Friends and Subsidiary as a whole. The accompanying supplementary information on pages 34 through 38 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017 on our consideration of A Community of Friends and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of A Community of Friends and Subsidiary's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering A Community of Friends and Subsidiary's internal control over financial reporting and compliance.

Vasquez + Company LLP

Los Angeles, California
November 28, 2017

ASSETS		
Current assets		
Cash and cash equivalents	$	1,431,095
Rental properties reserves		3,918,093
Project receivables		146,555
Partnership receivables		59,900
Developer fees receivable, net		2,409,777
Contracts receivable		684,062
Other receivables		88,208
Prepaid expenses and deposits		85,796
Total current assets		8,823,486
Long-term project receivables		1,231,560
Long-term partnership receivables		2,618,299
Long-term developer fees receivables, net		5,820,409
Notes, advances, and interest receivable, net		9,236,912
Investment in limited partnerships		3,767,542
Real estate in development		523,361
Property and equipment, net		13,399,446
Total assets	$	45,421,015
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$	1,431,469
Current portion of notes and interest payable		15,700
Total current liabilities		1,447,169
Deficiency in partnership investments		79,693
Notes and interest payable, net of current portion		32,664,369
Total liabilities		34,191,231
Net assets		
Unrestricted		10,891,996
Temporarily restricted		128,788
Permanently restricted		209,000
Total net assets		11,229,784
Total liabilities and net assets	$	45,421,015

See notes to consolidated financial statements.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Government grants and contracts	$ 1,883,628	$ -	$ -	$ 1,883,628
Foundation grants	671,298	50,000	90,000	811,298
Developer fees	2,753,930	-	-	2,753,930
Partnership and property management fees	1,096,543	-	-	1,096,543
Rental income	2,055,555	-	-	2,055,555
Administrative fees	98,177	-	-	98,177
Interest income from loans	290,521	-	-	290,521
Other interest income	205,894	-	-	205,894
Fundraising	223,020	-	-	223,020
In-kind donations	104,245	-	-	104,245
Miscellaneous	53,406	-	-	53,406
Net assets released from restriction	166,462	(115,462)	(51,000)	-
Total revenue and support	9,602,679	(65,462)	39,000	9,576,217
Functional expenses				
Program services	8,185,194	-	-	8,185,194
Fund development	297,805	-	-	297,805
Administrative services	1,480,005	-	-	1,480,005
Total functional expenses	9,963,004	-	-	9,963,004
Change in net assets before income from investment in partnerships and excess of liabilities over assets acquired	(360,325)	(65,462)	39,000	(386,787)
Excess of assumed liabilities over assets acquired	(317,670)	-	-	(317,670)
Loss from investment in partnerships	(236,799)	-	-	(236,799)
Change in net assets	(914,794)	(65,462)	39,000	(941,256)
Net assets, beginning of year	11,806,790	194,250	170,000	12,171,040
Net assets, end of year	$ 10,891,996	$ 128,788	$ 209,000	$ 11,229,784

See notes to consolidated financial statements.

Cash flows from operating activities		
Change in net assets	$	(941,256)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		729,013
Loss from investment in partnerships		236,799
Excess of assumed liabilities over assets acquired		317,670
Bad debts		362,957
Increase in:		
Receivables		(1,541,612)
Prepaid expenses and deposits		20,874
Interest receivable		953,613
Other assets		10,823
Rental properties reserves		(30,686)
Increase in:		
Accounts payable and accrued expenses		(184,726)
Accrued interest		327,565
Net cash provided by operating activities		261,034
Cash flows from investing activities		
Purchase of property and equipment		(30,431)
Investment in limited partnerships		50,434
Net decrease of notes receivable		(1,755,372)
Real estate in development		35,341
Net cash used in investing activities		(1,700,028)
Cash flows from financing activities		
Proceeds from notes payable		769,980
Payments on notes payable		(190,475)
Net cash provided by financing activities		579,505
Change in cash and cash equivalents		(859,489)
Cash and cash equivalents, beginning of year		2,290,584
Cash and cash equivalents, end of year	$	1,431,095
Supplemental disclosure of cash flow information		
Interest paid	$	19,899
Supplemental disclosure of noncash investing and financing activity		
Net noncash net assets of limited partnerships acquired by Supportive Housing LLC	$	(360,153)

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, and ensuring the provision of supportive services to these households. ACOF provides supportive services in approximately half of the buildings in its portfolio, and partners with community-based social service agencies to provide services in its other 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 fees earned related to development, rents and partnership and property management of its affordable housing projects, grants received from foundations and corporations, and contracts awarded by various federal and local government agencies.

In August 2011, ACOF formed Supportive Housing LLC to be the limited partner for acquisitions and for partnerships where the investor limited partner exits at the end of the 15-year tax credit compliance period. During the fiscal years 2012 to 2017, Supportive Housing LLC purchased the limited partner interests (99% to 99.99%) in Parker Hotel, L.P., Las Palomas Hotel, L.P., 235 Berendo, L.P., Gower Street Apartments L.P., 39 West Apartments, L.P., 836 Fedora, L.P., Figueroa Court Apartments, L.P. and Sonya Gardens, L.P. Except for Figueroa Court Apartments, LP, ACOF holds the remaining percentage of interest (0.01% to 1%) in the partnerships. Supportive Housing LLC also functions as the general partner in some of the limited partnerships that own the building developed as affordable housing.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation (continued)

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. (September 2011)
  - Las Palomas Hotel, L.P. (October 2011)
  - Gower Street Apartments, L.P. (October 2012)
  - 39 West Apartments, L.P. (July 2013)
  - 836 Fedora, L.P. (May 2017)
  - Figueroa Court Apartments, L.P. (May 2017)
  - Sonya Gardens, L.P. (June 2017)

There are additional 37 limited partnerships in which the Company has an interest which are not controlled by the Company and do not require inclusion in the consolidated statements in the current year. (See Note 9).

Basis of Presentation

The Company reports information regarding its financial position and activities according to three classes of net assets: *unrestricted, temporarily restricted, and permanently restricted net assets*. Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Method of Accounting

The Company’s consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Developer Fee Income Recognition/Receivable

The Company receives developer fees in connection with overseeing construction projects from initial identification through purchase, construction and occupancy. Although development efforts begin prior to the purchase of property, the related developer fees are generally not determined until after partnerships are formed and/or 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 obtaining project financing, and to recognize the remaining income ratably over the succeeding 16 months. Management establishes a reserve on developer fees receivables based on the limited partnerships’ ability to generate sufficient future cash flows for payment.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Pledges

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Conditional contributions are recorded as support in the period the condition is met. Such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the restriction, usually when the funds are spent. Management has elected to present temporarily restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

Partnership and Property Management Fees

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

Cash and Cash Equivalents

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

The Company places its cash and cash equivalents with major, national financial institutions. Except for the $100,000 deposit with Enterprise Community Loan Fund, Inc., the balances at the institutions are insured by the Federal Deposit Insurance Corporation up to $250,000 at each bank. At times, cash balances are in excess of the insured limit. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Contracts and Contracts Receivable

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

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

Interest Capitalized

The Company follows the policy of capitalizing interest during predevelopment as a component of the cost of property constructed or as a project receivable from a related limited partnership. For the year ended June 30, 2017, there was no interest capitalized in real estate in development.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment
Property and equipment are stated at cost, less accumulated depreciation and amortization. The Company capitalizes all purchases of property and equipment with a cost of $1,000 or more. 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

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

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

Functional Allocation of Expenses
The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and administrative services benefited.

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

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

Generally accepted accounting principles prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended June 30, 2017 the Company had no unrecognized tax benefits or tax penalties or interest.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (continued)
ACOF and Supportive Housing LLC's federal and state income tax returns for 2013 and subsequent years are subject to examination by the regulatory agencies, generally for three years and four years after they were filed for federal and state, respectively.

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

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

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

NOTE 3 CONCENTRATION OF CREDIT RISK

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

The receivables from the limited partnerships include project receivables, developer fees receivables, notes and interest receivables, and partnership receivables. The credit risk of these receivables from the limited partnerships is affected by the cash flows of the limited partnerships (See Note 9 for financial information regarding the limited partnerships).

At June 30, 2017, the Company has developer fees receivable from various limited partnerships amounting to $8,230,186. The partnership agreements allow for the deferred payment of these developer fees over 10 to 12-year periods. The Company estimates that for certain of the limited partnerships, overall project cash flows will increase after the limited partnerships' permanent loans are paid off, after which deferred developer fee payments will increase. At June 30, 2017, the Company has recognized a reserve on the developer fees receivable from these various limited partnerships amounting to $745,978 (See Note 8).

NOTE 3 CONCENTRATION OF CREDIT RISK (CONTINUED)

Notes receivable are from related partnerships. The Company receives funds to loan to the partnerships either by borrowing the funds (mirror loans), or by receiving a government grant. The notes receivable where funds were received by grants represent the greater credit risk. The total of such notes receivable is $4,610,000 with interest accrual of $1,350,620 at June 30, 2017 (see Note 13).

Management believes the notes will be paid upon the ultimate disposition of the property in the limited partnership. The Company reviews notes receivable for impairment whenever events or changes in circumstances indicate that the carrying value of the notes may not be recoverable. During the year ended June 30, 2017, no such events occurred, and accordingly no impairment loss was recognized for the year then ended.

NOTE 4 CASH AND CASH EQUIVALENTS

At June 30, 2017, cash and cash equivalents are for uses as follows:

A Community of Friends and Subsidiary	$	1,074,841
Rental Properties' Operations		356,254
Total	$	1,431,095

NOTE 5 RENTAL PROPERTIES AND SUBSIDIARY RESERVES

At June 30, 2017, rental properties and subsidiary reserves total $3,918,093 and consisted of the following:

Property	Replacement Reserve	Operating Reserve	Other Reserves
Central Court Apartments	$ 45,239	$ 47,418	$ 3,565
Figueroa Court Apartments	-	-	16,559
Selby Hotel	136,298	64,951	11,596
Step Out Apartments	93,318	143,316	10,247
39 West Apartments	239,922	350,585	11,215
836 Fedora	79,596	287,702	5,332
Figueroa Court Apartments	256,269	308,244	14,116
Gower St. Apartments	191,704	436,443	10,395
Las Palomas Hotel	75,912	366,639	10,937
Orbison House	6,409	16,075	4,058
Parker Hotel	183,829	144,885	12,897
Sonya Gardens	169,696	149,386	13,340
	$ 1,478,192	$ 2,315,644	$ 124,257

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 6 PARTNERSHIP RECEIVABLES

At June 30, 2017, partnership receivables consisted of the following:

Accrued partnership management fees	$	2,633,615
Accrued administrative fees		44,584
Total		2,678,199
Less current portion		59,900
Long-term	$	2,618,299

NOTE 7 PROJECT RECEIVABLES

At June 30, 2017, project receivables consisted of the following:

In operation:		
Berendos, L.P.	$	234,840
Calvert Street Apartments, L.P.		33,305
Cedar Springs, L.P.		8,154
Gateways Housing, L.P.		30,701
Santos Plaza, L.P.		360,053
In predevelopment and construction:		
Beverly PSH, L.P.		800
Fullerton Supportive Housing, L.P.		14,262
Huntington Square, L.P.		454,464
Redlands Supportive Housing, L.P.		129,466
Riverside Supportive Housing, L.P.		112,070
Total		1,378,115
Less current portion		146,555
Long-term	$	1,231,560

NOTE 8 DEVELOPER FEES RECEIVABLE

At June 30, 2017, developer fees receivable, which included deferred developer fees, consisted of the following:

In operation:		
Avalon Apartments, L.P.	$	1,212,749
Berendos, L.P.		204,959
Camino de las Flores, L.P.		231
Jackson Aisle Apartments, L.P.		2,474
ND Sepulveda I, L.P.		101,150
Osborne Place, L.P.		650,639
Santos Plaza, L.P.		120,736
Vendome Palms, L.P.		467,500
Vista Del Rio Housing Partners, L.P.		57,317
Woodland Terrace, L.P.		719,064
In construction:		
Beverly PSH, L.P		1,524,966
Cedar Springs, L.P.		473,970
Fullerton Supportive Housing, L.P.		884,600
West Villas, L.P		1,300,000
3101 West Venice, L.P		1,255,809
Total		8,976,164
Less allowance for uncollectible receivables		745,978
Less current portion		2,409,777
Long-term	$	5,820,409

NOTE 9 INVESTMENT IN LIMITED PARTNERSHIPS

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

NOTE 9 INVESTMENT IN LIMITED PARTNERSHIPS (CONTINUED)

At June 30, 2017, investment in limited partnerships consisted of the following:

In construction:	
3101 West Venice, L.P.	$ 40,000
Beverly PSH, L.P.	893
Fullerton Supportive Housing, L.P.	152,856
Huntington Square, L.P.	(1,600)
Redlands Supportive Housing, L.P.	(808)
Riverside Supportive Housing, L.P.	(1,600)
Sun Valley Housing, L.P.	(872)
West Villas, L.P.	11,245
In operation:	
AMCAL Avenida Fund, L.P.	(76)
Amistad Apartments, L.P.	(2,115)
Avalon Apartments, L.P.	(161)
Berendos, L.P.	1,839
Brandon Apartments, L.P.	(1,683)
California Hotel 1140, L.P.	(33,928)
Calvert Street Apartments, L.P.	(220)
Camino de las Flores, L.P.	(187)
Cedar Springs, L.P.	25
Figueroa Court Partners	(21,078)
Fox Normandie Apartments, L.P.	(4,392)
Gateways Housing, L.P.	91,407
Jackson Aisle Apartments, L.P.	(61)
La Primavera Apartments, L.P.	(127)
Maryland Apartments, L.P.	(1,490)
ND Sepulveda I, L.P.	275
ND Sepulveda II, L.P.	295
Osborne Place, L.P.	(4,312)
Rayen Apartments, L.P.	91,281
Santos Plaza, L.P.	4,607
Step Up On Fifth, L.P.	13,092
The Villas at Gower, L.P.	23,620
Tyrol Plaza, L.P.	6,617
Vendome Palms, L.P.	257,423
Vista Del Rio Housing Partners, L.P.	3,071,965
V. Nueva, L.P.	(4,320)
Willis Avenue Apartments, L.P.	(149)
Willowbrook Place, L.P.	102
Woodland Terrace, L.P.	(514)
Total	$ 3,687,849

At June 30, 2017, the above is summarized in the financial statements as follows:

Investment in limited partnerships (assets)	$ 3,767,542
Deficiency in partnership investments (liability)	(79,693)
	$ 3,687,849

NOTE 9 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, 2016:

	Total Assets	Non-Recourse Debt	Total Capital (Deficit)	Revenues	Net Income (Loss)	Company's Allocated Share of Partnership Income (Loss)
3101 West Venice, L.P.	$ 11,101,344	$ 8,542,168	$ 1,239,554	$ 3,850	$ 3,050	$ -
AMCAL Avenida Fund, L.P.	10,752,631	6,996,296	3,159,255	397,997	(348,588)	(18)
Amistad Apartments, L.P.	5,085,647	3,319,839	783,682	442,289	(478,617)	(51)
Avalon Apartments, L.P.	19,463,223	9,268,150	8,758,252	833,283	(996,923)	(70)
Berendos, L.P.	15,056,806	8,053,602	3,348,779	620,398	(625,298)	(65)
Beverly PSH, L.P.	9,877,204	6,501,351	1,971,869	200	(600)	-
Brandon Apartments, L.P.	3,051,541	2,897,995	92,850	344,348	(234,801)	(25)
California Hotel 1140, L.P.	2,084,263	2,050,130	(691,700)	334,332	(117,734)	(1,158)
Calvert Street Apartments, L.P.	3,766,856	529,536	136,494	261,663	(257,751)	(28)
Camino de las Flores, L.P.	7,099,264	6,486,772	338,698	349,136	(391,319)	(21)
Cedar Springs, L.P.	19,937,776	-	1,755,139	190,207	(553,955)	(26)
Figueroa Court Partners	(105,520)	169	(105,520)	-	-	(23)
Fox Normandie Apartments, L.P.	2,524,407	1,657,467	669,143	448,565	(201,345)	(171)
Fullerton Supportive Housing, L.P.	5,198,045	3,168,026	1,934,056	84,960	65,823	151,994
Gateways Housing, L.P.	3,379,980	991,095	1,318,552	230,126	(235,548)	(15)
Huntington Square, L.P.	2,458,625	2,393,006	(1,600)	-	(800)	-
Jackson Aisle Apartments, L.P.	2,965,528	1,499,352	176,590	326,534	(145,827)	(12)
La Primavera Apartments, L.P.	3,825,549	1,544,146	1,561,445	336,565	(118,062)	(7)
Maryland Apartments, L.P.	1,678,096	1,507,990	(243,166)	237,879	(130,015)	(15)
ND Sepulveda I, L.P.	21,909,041	8,589,717	12,851,492	722,583	(1,010,160)	(51)
ND Sepulveda II, L.P.	19,484,807	7,722,016	11,320,601	779,589	(835,648)	(41)
Osborne Place, L.P.	19,931,726	9,830,258	8,601,574	812,809	(857,286)	(80)
Rayen Apartments, L.P.	10,718,849	6,048,688	4,574,667	729,422	(683,211)	(68)
Redlands Supportive Housing, L.P.	2,014,779	1,988,937	(1,600)	-	(800)	(396)
Riverside Supportive Housing, L.P.	2,084,284	2,084,284	(1,600)	-	(800)	(800)
Santos Plaza, L.P.	4,163,167	3,011,700	(110,207)	359,412	(338,550)	(38)
Step Up On Fifth, L.P.	14,698,782	12,626,780	96,913	486,648	(848,765)	(45)
Sun Valley Housing, L.P.	2,012,058	2,012,058	(872)	-	(812)	(872)
The Villas at Gower, L.P.	26,667,940	15,249,311	9,448,744	894,068	(677,206)	(32)
Tyrol Plaza, L.P.	6,734,428	1,662,223	4,368,428	857,332	(143,883)	(7)
Vendome Palms, L.P.	12,372,781	10,471,722	1,308,839	334,907	(462,753)	(47)
Vista Del Rio Housing Partners, L.P.	11,903,111	2,809,759	7,859,672	382,005	(404,564)	(8)
V. Nueva, L.P.	3,202,086	165,000	161,367	527,814	(134,190)	(130)
West Villas, L.P.	11,568,188	-	1,530,507	5,400	(2,770)	-
Willis Avenue Apartments, L.P.	13,871,737	8,033,717	5,768,504	537,019	(526,281)	(52)
Willowbrook Place, L.P.	5,349,989	3,617,182	793,267	290,157	(372,714)	(40)
Woodland Terrace, L.P.	8,442,974	6,588,140	210,519	541,462	(593,404)	(62)
	$ 326,331,992	$ 169,918,582	$ 94,983,187	$ 13,702,959	$ (12,662,107)	$ 147,520

NOTE 10 BUSINESS COMBINATIONS

836 Fedora, L.P.
During fiscal year 2017, Enterprise Housing Partners VII Limited Partnership withdrew its 99.9% limited partnership interest from 836 Fedora, L.P. and assigned its interest to Supportive Housing, LLC.

Management treated the transfer as a business combination achieved without transfer of consideration. Since the business combination involved an acquisition of affordable housing with long term restrictions on affordability and use, there was no readily available market information with similar terms and restrictions. Thus, all identifiable assets acquired and liabilities assumed were measured at the acquisition-date carrying value. The assumed liabilities exceeded the assets acquired at the acquisition date by $265,952. The amount is shown as excess of liabilities assumed in acquisition in the accompanying consolidated statement of activities.

The carrying value of the identifiable assets and liabilities of the business combination at acquisition date in May 2017 was as follows:

Cash	$	12,054
Accounts receivable		5,649
Prepaid expenses		835
Restricted deposits and funded reserves		372,230
Rental property		778,612
Subtotal		1,169,380
Mortgage and interest payable		1,406,030
Other liabilities		27,397
Subtotal		1,433,427
Net assets		(264,047)
A Community of Friends' existing interest		1,905
Excess of liabilities assumed over assets acquired	$	(265,952)

From the date of acquisition through June 30, 2017, the Company's share in net loss of 836 Fedora, L.P. amounted to $17,249.

NOTE 10 BUSINESS COMBINATIONS (CONTINUED)

Figueroa Court Apartments, L.P.
During fiscal year 2017, Corporate Housing Initiatives II Limited Partnership withdrew its 99.9% limited partnership interest from Figueroa Court Apartments, L.P. and assigned its interest to Supportive Housing, LLC.

Management treated the transfer as a business combination achieved without transfer of consideration. Since the business combination involved an acquisition of affordable housing with long term restrictions on affordability and use, there was no readily available market information with similar terms and restrictions. Thus, all identifiable assets acquired and liabilities assumed were measured at the acquisition-date carrying value. The assumed liabilities exceeded the assets acquired at the acquisition date by $1,008,668. The amount is shown as excess of liabilities assumed in acquisition in the accompanying consolidated statement of activities.

The carrying value of the identifiable assets and liabilities of the business combination at acquisition date in May 2017 was as follows:

Cash	$	19,682
Accounts receivable		5,647
Prepaid expenses		169
Restricted deposits and funded reserves		578,180
Rental property		2,053,058
Subtotal		2,656,736
Mortgage and interest payable		3,436,045
Other liabilities		227,252
Subtotal		3,663,297
Net assets		(1,006,561)
A Community of Friends' existing interest		2,107
Excess of liabilities assumed over assets acquired	$	(1,008,668)

From the date of acquisition through June 30, 2017, the Company's share in net loss of Figueroa Court Apartments, L.P. amounted to $11,850.

NOTE 10 BUSINESS COMBINATIONS (CONTINUED)

Sonya Gardens, L.P.

During fiscal year 2017, Banc of America Housing Fund IIID Limited Partnership withdrew its 99.99% limited partnership interest from Sonya Gardens, L.P. and assigned its interest to Supportive Housing, LLC.

Management treated the transfer as business combination achieved without transfer of consideration. Since the business combination involved an acquisition of affordable housing with long term restrictions on affordability and use, there was no readily available market information with similar terms and restrictions. Thus, all identifiable assets acquired and liabilities assumed were measured at the acquisition-date carrying value. The assets acquired exceeded the assumed liabilities at the acquisition date by $956,950. The amount is netted against the excess of liabilities assumed over assets acquired in acquisition in the accompanying consolidated statement of activities.

The carrying value of the identifiable assets and liabilities of the business combination at acquisition date in June 2017 was as follows:

Cash	$	10,853
Accounts receivable		
Prepaid expenses		28,894
Restricted deposits and funded reserves		332,422
Rental property		2,570,602
Subtotal		2,942,771
Mortgage and interest payable		1,944,831
Other liabilities		44,896
Subtotal		1,989,727
Net assets		953,044
A Community of Friends' existing interest		(3,906)
Excess of assets acquired over liabilities assumed	$	956,950

NOTE 11 REAL ESTATE IN DEVELOPMENT

At June 30, 2017, real estate in development consisted of:

Land	$	116,640
Buildings		406,721
Total	$	523,361

NOTE 12 PROPERTY AND EQUIPMENT

At June 30, 2017, property and equipment consisted of the following:

Land, buildings, and improvements		$	29,713,800
Furniture and equipment			1,076,783
			30,790,583
Less accumulated depreciation and amortization			17,391,137
	Total	$	13,399,446

For the year ended June 30, 2017, provision for depreciation and amortization amounted to $729,013.

NOTE 13 NOTES, ADVANCES, AND INTEREST RECEIVABLE

At June 30, 2017, notes, advances, and interest receivable consisted of the following:

		Interest Receivable		Principal
Notes receivable from limited partnerships are proceeds from notes payable to Los Angeles Housing and Community Investment Department (HCID) and are loaned directly to the limited partnerships with the same terms as the notes payable (see Note 14). Interest accrues at 5% annually on the outstanding principal balance. These notes receivable are from the following limited partnerships and matures as stated below:				
V. Nueva, L.P., due in August 2040	$	1,153,649	$	1,599,182
Calvert Street Apartments, L.P., due in July 2041		1,053,706		1,440,450

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

	Interest Receivable	Principal
Notes receivable from California Hotel 1140, L.P. proceeds from note payable to Bank of America Community Development Bank loaned directly to California Hotel 1140, L.P. Interest accrues at 3% annually. The principal balance and any accrued and unpaid interest matures on December 15, 2047.	$ 90,900	$ 194,079
Notes receivable from Maryland Apartments, L.P. proceeds from note payable to U.S. Bank loaned directly to Maryland Apartments, L.P. Interest accrues at 0.5% per annum and matures in December 2021.	13,635	162,986
Notes receivable from V. Nueva, L.P., interest accrues at 1% per annum and matures in December 2018.	14,072	75,000
Notes receivable from Osborne Place, L.P. proceeds from note payable to Los Angeles Homeless Services Authority loaned directly to Osborne Place, L.P. Interest is at 0% and matures in 2068.	-	400,000
As discussed in Note 3, the funding for the following notes receivable originated from grant funds:		
Notes receivable from The Villas at Gower, L.P., collateralized by a deed of trust on a certain property located in Los Angeles, California 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

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

	Interest Receivable	Principal
Notes receivable from California Hotel 1140, L.P., interest accrues at 0.5% per annum and matures in December 2017.	$ 31,001	$ 400,000
Notes receivable from Amistad Apartments, L.P., interest accrues at 5.6% per annum and matures in December 2033.	326,667	400,000
Notes receivable from Calvert Street Apartments, L.P., interest accrues at 5.46% per annum and matures in December 2032.	271,179	400,000
Notes receivable from La Primavera Apartments, L.P., interest accrues at 4.92% per annum and matures in December 2032.	296,840	400,000
Notes receivable from Willowbrook Place, L.P., interest accrues at 5.0% per annum and matures in October 2060.	214,707	400,000
Notes receivable from Woodland Terrace, L.P., interest accrues at 5.0% per annum and matures in December 2060.	210,226	400,000
Notes receivable from Santos Plaza, L.P., interest is at 0% and matures in 2034.	-	400,000
Notes receivable from Berendos, L.P., interest accrues at 0% per annum and matures in October 2071. Payments shall be made annually based on net cash flow the previous year and any unpaid principal shall be due in full on maturity date.	-	961,784

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

	Interest Receivable	Principal
Notes receivable from Fox Normandie Apartments, L.P.,proceeds from NeighborWorks Capital funds loaned directly to Fox Normandie Apartments, L.P.; bears interest equal to the lesser of 18% per annum or the maximum statutory rate allowable by law. Entire unpaid principal balance is due on May 16, 2020.	$ -	$ 45,000
Notes receivable from Calvert Street Apartments, L.P., proceeds from NeighborWorks Capital funds loaned directly to Calvert Street Apartments, L.P.; bears interest equal to the lesser of 10% per annum or the maximum statutory rate allowable by law. Entire unpaid principal balance is due on October 11, 2021.	-	25,000
Notes receivable from 3101 West Venice, L.P., proceeds from Federal 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.	14,727	470,000
Total	3,691,309	9,983,481
Less: allowance for uncollectible notes and interest receivable	1,674,277	2,763,601
Net notes, advances and interest receivable	$ 2,017,032	$ 7,219,880

NOTE 14 NOTES AND INTEREST PAYABLE

At June 30, 2017, notes and interest payable consisted of the following:

	Interest Payable	Principal
A Community of Friends		
Notes payable to HCID, principal and interest due in annual payments (as defined in the loan agreements) derived from the cashflows 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 (see Note 13) 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	$ 536,500	$ 1,497,333
Las Palomas Hotel, L.P., due in June 2051	2,095,860	2,100,081
V. Nueva, L.P., due August 2040	1,153,649	1,599,182
Calvert Street Apartments., due July 2041	1,053,706	1,440,450
Note payable to Bank of America with no interest or principal payments due until maturity. Interest accrues at the rate charged by the Federal Home Loan Bank of San Francisco per annum on the unpaid portion of the outstanding principal. Should ACOF comply with requirements as stated in the loan agreement, this note becomes interest free. The loan matures in December 2052 and is collateralized by a deed of trust on the California Hotel 1140, L.P. property. Management does not anticipate having to pay interest, and therefore, has not accrued interest on this loan.	-	194,079

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
Note payable to U.S. Bank. Should ACOF comply with requirements as stated in the loan agreement, the loan balance will be forgiven, otherwise principal is payable in full in December 2021. The note is collateralized by a deed of trust on the Maryland Apartments, L.P. property.	$ -	$ 162,986
Notes payable to the California Department of Housing and Community Development (HCD). Interest accrues at a simple interest rate of 3% per annum. Interest payments are due annually unless a written request for a deferral of interest payments is submitted. The outstanding principal is to be repaid exclusively from residual receipts (as defined in the loan agreement) and is due upon maturity. The notes payable are collateralized by trust deeds on the property and are as follows:		
Orbison House property, due in March 2031	272,446	345,000
Selby property, due in July 2031	562,590	725,000
Notes payable to HCID, 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 mature as follows:		
Orbison House property, due in December 2019	202,164	204,000
Selby property, due in July 2021	316,671	325,000

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
Notes payable to HCID 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 originally due in February 2012 was extended as follows:		
February 2019	$ -	$ 413,250
February 2019	-	50,000
Note payable to HCD for affordable housing related to the Step Out Apartments. Interest accrues at 3% per annum and is payable at 0.42% of the principal on an annual basis. The note is collateralized by a deed of trust on the property and matures in 2043.	193,110	516,851
Note payable to Housing Authority of the County of Los Angeles. 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.	456,588	1,063,688
Note payable to the Community Development Commission of the County of Los Angeles 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.	72,363	176,893

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
Note payable to Bank of America. Interest accrues at the Affordable Housing Program ("AHP") subsidy rate if AHP requirements are not met. If AHP requirements are met, principal and interest will be forgiven. The loan is collateralized by a deed of trust on the Step Out Apartments property and matures in March 2020.	$ -	$ 280,000
Notes payable to HCID, to be used in the financing acquisition of the Central Court Apartment 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. 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.	150,254	689,200
Note payable to Wells Fargo Bank to be used for predevelopment and land acquisition for affordable housing projects. The unsecured note accrues interest at 2% per annum and matures in October 2018. The interest is payable on a quarterly basis and the principal is due at maturity.	-	600,000

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
Unsecured working capital and predevelopment loan payable to Enterprise Community Partners, Inc. at annual interest rate of 0%. The note matures on December 31, 2018.	$ -	$ 400,000
Drawings from line of credit maintained with Enterprise Community Loan Fund, Inc. wherein the proceeds were loaned directly to specified limited partnerships listed below, and shall be used for project development. The note bears simple interest rate of 7% per annum, secured by Assignment of Developer Fees executed by ACOF. The credit line will expire on October 31, 2018. (see note 15)		
Riverside Supportive Housing, L.P.	-	62,070
Huntington Square, L.P.	-	244,405
Note payable to Los Angeles Homeless Services Authority (LAHSA) wherein the proceeds were loaned directly to Osborne Place, L.P. for project predevelopment (see Note 13). 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, (b) the date the Property is sold or refinanced and (c) on event of default by ACOF.	-	400,000
Note payable to Citibank, N.A., wherein proceeds were loaned directly to 3101 West Venice, L.P. The loan does not bear interest and will not amortize, except as provided in the loan agreement. Principal is payable in full on maturity date, which is the later of end of retention period or December 2070. The loan is secured by deed of trust.	-	470,000

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED

	Interest Payable	Principal
Parker Hotel, L.P. Note payable to the City of Los Angeles at 5% interest per annum. Principal and interest are paid annually, from residual receipts sourced from operations. The note matures in March 2035 and is collateralized by a deed of trust.	$ 1,691,389	1,605,167
Gower Street Apartments, L.P. Note payable to the City of Los Angeles at an interest rate of 5% per annum. Payment of principal and interest is sourced from 50% of the residual receipts. The note secured by a deed of trust on real property will mature in June 2037 and any unpaid interest at maturity date will be forgiven if fair market value of the collateral property is less than the principal balance of the note and all other indebtedness secured by the property. As of June 30, 2017, no interest was accrued because the current market value of the property is lower than the loan balance.	-	1,968,068
39 West Apartments, L.P. Note payable to HCID, 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.	826,749	1,056,484
Non-interest bearing note payable to Citbank, collateralized by a deed of trust on the property. All payments are deferred until due date in March 2019.	-	182,794
836 Fedora, L.P. Note payable to HCID, acquired for real property improvements, bearing simple interest rate of 5% per annum, secured by deed of trust and matures on April 3, 2040. Annual payments to the loan is from residual receipts.	651,231	759,000

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
Figueroa Court Apartments, L.P. Note payable to Citibank dated November 1, 1998, bearing 0% interest rate. The note is due on October 1, 2028 and secured by second deed of trust.	$ -	$ 281,345
Sonya Gardens, L.P. Note payable to California Community Reinvestment Corporation, at initial interest rate of 7.71% per annum until July 2017 and thereafter, interest shall be adjusted to a per annum rate based on the Index described in the loan agreement plus 2.5%. Principal and interest are payable in equal monthly installments until maturity date on July 1, 2027. The loan is secured by deed of trust.	1,817	236,294
Note payable to the State of California, Department of Housing and Community Development (HCD), bearing interest rate of 3% per annum. Payments in the amount of 0.42% of the unpaid balance is due annually, as well as residual receipt payments as provided in the regulatory agreement, through December 2030. Thereafter, annual payments are based on residual receipts. The is secured by deed of trust and matures in December 2055.	11,259	746,825
Note payable to the City of Los Angeles Housing and Community Investment Department (HCID), 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 deed of trust.	425,440	525,000
Total	10,673,786	22,046,253
Less current portion	-	15,700
Long-term portion	10,673,786	22,030,553
Less unamortized loan fees	-	39,970
Notes payable long-term, net	$ 10,673,786	$ 21,990,583

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

Future maturities of interest and notes payable at June 30, 2017 were as follows:

Year ending June 30,		Amount
2018	$	15,700
2019		1,969,241
2020		297,808
2021		18,966
2022		20,202
Thereafter		30,398,122
Total	$	32,720,039

NOTE 15 LINES OF CREDIT

ACOF has lines of credit with non-profit financing institutions that provide for borrowings up to a total of $4,000,000 to be used for specific purposes described in the agreement. The lines are subject to simple interest ranging from 6% to 7%, secured by certain properties of ACOF and will expire in August and October 2018. As of June 30, 2017, outstanding drawings from the lines of credit amounted to $306,475 and is reported under notes payable in the statement of financial position (see note 14).

NOTE 16 GOVERNMENT/FOUNDATION GRANTS AND CONTRACTS

Unrestricted revenue from government grants and contracts consisted of the following:

Program and Funding Agency		
Supportive Housing Program:		
U.S. Department of Housing and Urban Development	$	1,604,893
Los Angeles County Department of Mental Health		196,935
Others		81,800
Total	$	1,883,628

During the fiscal year, ACOF received grants amounting to $232,500 from NeighborWorks America and were recorded as foundation grants in the Consolidated Statement of Activities. As provided for in the grant agreement, $142,500 of the grant were classified as unrestricted revenue and $90,000 were permanently restricted. (see Note 18).

NOTE 17 TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2017, temporarily restricted net assets are available for the following purposes or periods:

Tenant services	$	26,288
Building improvements		15,000
July 1, 2016 to June 30, 2018		87,500
Total	$	128,788

NOTE 18 PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2017, permanently restricted net assets consist of Capital Grant Funds of $209,000 received from NeighborWorks America. As provided for in the grant letter, the funds shall be held in perpetuity and shall be used for eligible capital purposes described in the grant agreement.

NOTE 19 COMMITMENTS AND CONTINGENCIES

Leases

ACOF is leasing its office under a non-cancelable operating lease that expires in April 2022. The annual future annual minimum lease payments under the said lease are as follows:

Year ending June 30,		Amount
2018	$	209,798
2019		215,443
2020		221,088
2021		226,732
2022		192,860
Total	$	1,065,921

For the year ended June 30, 2017, rent expense charged to operations amounted to $225,262.

Contingencies

ACOF is contingently liable for all obligations of the partnerships relating to certain recourse notes payable. In some cases, ACOF, as General Partner, 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. Management believes the reserves are adequate, and it is unlikely the Company will be called upon to pay on the guarantees.

NOTE 19 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Contingencies (continued)

At June 30, 2017, ACOF was contingently liable for approximately $1,903,693 in interest related to various notes payable. Management believes the likelihood ACOF will be required to pay the interest is remote and has not recorded such interest on the consolidated statement of financial position at June 30, 2017.

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 $28,915,099 at June 30, 2017. Management believes the likelihood of funding a material amount of any of the guarantees is remote.

ACOF is involved in a pending litigation arising from the normal course of business. The case is ongoing, and the management and its legal counsel are unable to reasonably estimate the amount of liability which may be incurred if an adverse opinion is rendered. ACOF, though, intends to defend the matter vigorously.

NOTE 20 RELATED PARTY TRANSACTIONS

ACOF receives fees for certain services performed by ACOF on behalf of the partnerships. The fees are to be paid to ACOF from positive cash flow. The following fees were earned by ACOF for the year ended June 30, 2017.

Partnership and property management fees	$	1,096,543
Developer fees		2,753,930
Administrative fees		98,177
Total fees earned from partnerships	$	3,948,650

In October 2009, ACOF entered a Memorandum of Understanding – Subcontract for Property Management Services (MOU) with Barker Management, Inc. (BMI). In accordance with the MOU and subsequent amendments thereto, ACOF and BMI collaborate to provide management services to the following supportive housing developments: Amistad Apartments, Camino de Las Flores Apartments, Las Palomas Hotel, 235 Berendo, Fedora Apartments, Fox Normandie Apartments, Vista Nueva Apartments, Willow Apartments, Figueroa Courts, 39 West Apartments, Santos Plaza Apartments, Vendome Palms and Jackson Aisle Apartments.

NOTE 20 RELATED PARTY TRANSACTIONS (CONTINUED)

The amended MOU also revised the compensation of BMI to a flat rate of $25 per unit per month ($15 per month for 235 Berendo) with ACOF receiving the balance of the management fees earned beginning January 1, 2011. The amendment also provided for the automatic renewal of the MOU for each successive one-year term, unless terminated as provided in the original MOU.

For the year ended June 30, 2017, ACOF earned property management fees under this agreement in the amount of $239,201.

NOTE 21 EMPLOYEE RETIREMENT PLAN

ACOF has a profit sharing plan for all eligible employees. Contributions to the plan are discretionary with the rates determined by the Board of Directors. For the year ended June 30, 2017, ACOF's contributions to the plan amounted to $181,156.

NOTE 22 SUBSEQUENT EVENTS

The Company has evaluated events or transactions that occurred subsequent to the statement of financial position date through November 28, 2017, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined that no other subsequent matters required disclosure or adjustment to the accompanying financial statements.

SUPPLEMENTARY INFORMATION

A Community of Friends and Subsidiary
Schedule of Consolidated Functional Expenses
Year ended June 30, 2017

	Program Services							
	Supportive Housing	Real Estate Activities	Property Management	Rental	Total	Fund Development	Administrative Services	Total
Personnel expenses								
Salaries	$ 1,336,898	$ 801,210	$ 420,571	$ 42,569	$ 2,601,248	$ 161,765	$ 904,818	$ 3,667,831
Payroll taxes	101,894	66,004	32,278	2,509	202,685	13,957	68,462	285,104
Employee benefits	229,939	87,174	47,742	10,300	375,155	20,459	117,137	512,751
Total personnel expenses	1,668,731	954,388	500,591	55,378	3,179,088	196,181	1,090,417	4,465,686
Other expenses								
Advertising	5,749	4,783	1,035	-	11,567	-	9,308	20,875
Auditing and accounting	20,261	15,016	9,406	4,500	49,183	5,610	16,831	71,624
Auto expense	21,939	4,964	2,625	-	29,528	122	3,466	33,116
Bad debts	-	361,827	-	1,130	362,957	-	-	362,957
Cash match	488	-	-	-	488	-	-	488
Consulting	-	37,184	2,525	-	39,709	1,274	490	41,473
Contractual-supportive services	397,682	-	-	-	397,682	-	-	397,682
Donated supplies	101,104	-	-	-	101,104	-	-	101,104
Dues, fees and subscriptions	288	1,418	534	-	2,240	5,292	30,826	38,358
Equipment leases	2,347	6,669	2,411	-	11,427	709	3,431	15,567
Fundraising	-	-	-	-	-	38,762	-	38,762
Interest	-	307,998	-	121,805	429,803	-	99	429,902
Legal fees	-	-	-	1,065	1,065	-	-	1,065
Liability insurance	400	5,086	3,125	16,813	25,424	1,201	25,001	51,626
Marketing	-	1,858	-	-	1,858	9,259	-	11,117
Meals	863	802	479	-	2,144	398	11,377	13,919
Miscellaneous	14,692	28,365	14,453	-	57,510	325	24,429	82,264
Office expenses	58,695	21,386	8,604	7,889	96,574	7,058	69,376	173,008
Postage and printing	-	2,925	1,142	1,224	5,291	1,702	2,633	9,626
Property maintenance and repairs	-	-	-	97,873	97,873	-	-	97,873
Rent and parking	7,751	76,020	61,268	-	145,039	17,143	87,370	249,552
Rental operations	195,012	-	-	-	195,012	-	-	195,012
Resident programs	248,592	-	-	579	249,171	-	17,315	266,486
Security	-	-	-	27,450	27,450	-	-	27,450
Seminars and training	9,077	7,808	2,641	95	19,621	564	11,696	31,881
Taxes and licenses	-	-	-	4,177	4,177	-	-	4,177
Telephone	9,346	16,871	7,530	9,316	43,063	3,244	16,484	62,791
Temporary staff	-	-	-	-	-	-	9,210	9,210
Travel	4,321	6,961	2,562	-	13,844	-	7,585	21,429
Utilities	-	-	-	50,082	50,082	-	-	50,082
Worker's compensation insurance	29,690	15,717	17,132	5,824	68,363	3,926	17,487	89,776
Total expenses before depreciation	2,797,028	1,878,046	638,063	405,200	5,718,337	292,770	1,454,831	7,465,938
Depreciation	1,678	18,461	8,392	219,223	247,754	5,035	25,174	277,963
Total - A Community of Friends	2,798,706	1,896,507	646,455	624,423	5,966,091	297,805	1,480,005	7,743,901
Expenses - Subsidiaries								
Rental operations	-	-	-	2,219,103	2,219,103	-	-	2,219,103
Total functional expenses	$ 2,798,706	$ 1,896,507	$ 646,455	$ 2,843,526	$ 8,185,194	$ 297,805	$ 1,480,005	$ 9,963,004

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A Community of Friends and Subsidiary
Consolidating Schedule of Financial Position
June 30, 2017

		Supportive Housing LLC								
	A Community of Friends	Parker Hotel, L.P.	Las Palomas Hotel, L.P.	Gower Street Apartments, L.P.	39 West Apartments, L.P.	836 Fedora, L.P.	Figueroa Court Apartments, L.P.	Sonya Gardens, L.P.	Eliminations	Consolidated
ASSETS										
Current assets										
Cash and cash equivalents	$ 1,283,218	$ 40,655	$ 12,071	$ 6,876	$ 20,478	$ 24,353	$ 32,591	$ 10,853	$ -	$ 1,431,095
Rental properties reserves	599,049	341,611	453,488	638,542	601,722	372,630	578,629	332,422	-	3,918,093
Project receivables	146,555	-	-	-	-	-	-	-	-	146,555
Partnership receivables	59,900	-	-	-	-	-	-	-	-	59,900
Developer fees receivable, net	2,409,777	-	-	-	-	-	-	-	-	2,409,777
Contracts receivable	684,062	-	-	-	-	-	-	-	-	684,062
Other receivables	7,658	3,259	54,156	6,453	6,384	6,350	3,948	-	-	88,208
Prepaid expenses and deposits	71,499	1,441	2,206	4,727	770	605	-	28,894	(24,346)	85,796
Total current assets	5,261,718	386,966	521,921	656,598	629,354	403,938	615,168	372,169	(24,346)	8,823,486
Long-term project receivables	1,232,242	-	-	-	-	-	-	-	(682)	1,231,560
Long-term partnership receivables	3,244,915	-	-	-	-	-	-	-	(626,616)	2,618,299
Long-term developer fees receivables, net	5,820,409	-	-	-	-	-	-	-	-	5,820,409
Notes, advances, and interest receivable, net	16,620,291	-	-	-	-	-	-	-	(7,383,379)	9,236,912
Investment in partnerships	5,260,301	-	-	-	-	-	-	-	(1,492,759)	3,767,542
Real estate in development	523,361	-	-	-	-	-	-	-	-	523,361
Property and equipment, net	3,250,670	721,905	1,601,363	1,488,553	1,584,087	768,063	2,045,926	2,570,602	(631,723)	13,399,446
Total assets	$ 41,213,907	$ 1,108,871	$ 2,123,284	$ 2,145,151	$ 2,213,441	$ 1,172,001	$ 2,661,094	$ 2,942,771	$ (10,159,505)	$ 45,421,015
LIABILITIES AND NET ASSETS										
Current liabilities										
Accounts payable and accrued expenses	$ 1,072,521	$ 23,487	$ 423,615	$ 208,403	$ 56,403	$ 43,066	$ 237,947	$ 44,896	$ (678,869)	$ 1,431,469
Current portion of notes and interest payable	-	-	-	-	-	-	-	15,700	-	15,700
Total current liabilities	1,072,521	23,487	423,615	208,403	56,403	43,066	237,947	60,596	(678,869)	1,447,169
Deficiency in partnership investments	6,374,932	-	-	-	-	-	-	-	(6,295,239)	79,693
Notes and interest payable, net of current portion	21,713,011	3,296,556	4,195,941	1,968,068	2,066,027	1,410,231	3,441,558	1,929,131	(7,356,154)	32,664,369
Total liabilities	29,160,464	3,320,043	4,619,556	2,176,471	2,122,430	1,453,297	3,679,505	1,989,727	(14,330,262)	34,191,231
Net assets										
Unrestricted	11,715,655	(2,211,172)	(2,496,272)	(31,320)	91,011	(281,296)	(1,018,411)	953,044	4,170,757	10,891,996
Temporarily restricted	128,788	-	-	-	-	-	-	-	-	128,788
Permanently restricted	209,000	-	-	-	-	-	-	-	-	209,000
Total net assets	12,053,443	(2,211,172)	(2,496,272)	(31,320)	91,011	(281,296)	(1,018,411)	953,044	4,170,757	11,229,784
Total liabilities and net assets	$ 41,213,907	$ 1,108,871	$ 2,123,284	$ 2,145,151	$ 2,213,441	$ 1,172,001	$ 2,661,094	$ 2,942,771	$ (10,159,505)	$ 45,421,015

See report of independent auditors.

		Supportive Housing LLC								
	A Community of Friends	Parker Hotel, L.P.	Las Palomas Hotel, L.P.	Gower Street Apartments, L.P.	39 West Apartments, L.P.	836 Fedora, L.P.	Figueroa Court Apartments, L.P.	Sonya Gardens, L.P.	Eliminations	Consolidated
Revenue and support										
Government grants and contracts	$ 1,883,628	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,883,628
Foundation grants	811,298	-	-	-	-	-	-	-	-	811,298
Developer fees	2,753,930	-	-	-	-	-	-	-	-	2,753,930
Partnership and property management fees	1,185,939	-	-	-	-	-	-	-	(89,396)	1,096,543
Rental income	312,396	265,893	553,911	484,237	374,546	36,299	28,273	-	-	2,055,555
Administrative fees	98,177	-	-	-	-	-	-	-	-	98,177
Interest income from loans	461,692	-	-	-	-	-	-	-	(171,171)	290,521
Other interest income	205,894	-	-	-	-	-	-	-	-	205,894
Fundraising	223,020	-	-	-	-	-	-	-	-	223,020
In-kind donations	104,245	-	-	-	-	-	-	-	-	104,245
Miscellaneous	53,406	-	-	-	-	-	-	-	-	53,406
Total revenue and support	8,093,625	265,893	553,911	484,237	374,546	36,299	28,273	-	(260,567)	9,576,217
Functional expenses										
Program services	5,966,091	341,241	870,721	653,662	494,693	53,548	40,123	-	(234,885)	8,185,194
Fund development	297,805	-	-	-	-	-	-	-	-	297,805
Administrative services	1,480,005	-	-	-	-	-	-	-	-	1,480,005
Total functional expenses	7,743,901	341,241	870,721	653,662	494,693	53,548	40,123	-	(234,885)	9,963,004
Change in net assets before income from of investment in partnership and excess of assumed liabilities over assets acquired	349,724	(75,348)	(316,810)	(169,425)	(120,147)	(17,249)	(11,850)	-	(25,682)	(386,787)
Excess of assumed liabilities over assets acquir	-	-	-	-	-	-	-	-	(317,670)	(317,670)
Loss from investment in partnerships	(776,864)	-	-	-	-	-	-	-	540,065	(236,799)
Change in net assets	(427,140)	(75,348)	(316,810)	(169,425)	(120,147)	(17,249)	(11,850)	-	196,713	(941,256)
Net assets, beginning of year	12,480,583	(2,135,824)	(2,179,462)	138,105	211,158	(264,047)	(1,006,561)	953,044	3,974,044	12,171,040
Net assets, end of year	$ 12,053,443	$ (2,211,172)	$ (2,496,272)	$ (31,320)	$ 91,011	$ (281,296)	$ (1,018,411)	$ 953,044	$ 4,170,757	$ 11,229,784

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ASSETS		
Cash in bank	$	90,000
Loans receivable from:		
Calvert Street Apartments, L.P.		25,000
Figueroa Court Apartments, L.P.		27,225
Fox Normandie Apartments, L.P.		45,000
Building - Selby Hotel		21,775
Total assets	$	209,000
NET ASSETS		
Permanently restricted	$	209,000
Total net assets	$	209,000

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Revenue, gains, other support and release of capital:

Capital Grant - NeighborWorks America, beginning of year	$	170,000
Additions		90,000
Released		(51,000)
Net assets, end of year	$	209,000

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

Board of Directors
A Community of Friends

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of A Community of Friends and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 28, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Vasquez + Company LLP

Los Angeles, California
November 28, 2017

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