A Community Of Friends
Building Independent Lives

November 29, 2012

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, 2012. The consolidated financials include the wholly owned limited partnerships of Parker Hotel, L.P. and Las Palomas Hotel, L.P.

For the financial statements of A Community of Friends, please refer to the column titled "A Community of Friends" on pages 31 and 32.

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

Best regards,

Renae S. DeMent
Director of Finance

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Consolidated Financial Statements
and Supplementary Information
A Community of Friends
Year ended June 30, 2012
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

We have audited the accompanying consolidated statement of financial position of A Community of Friends and Subsidiaries (collectively the "Company") as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. 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 of material misstatements. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of A Community of Friends and Subsidiaries, as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated November 29, 2012 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of functional expenses, consolidating schedule of financial position and consolidating schedule of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 consolidated financial statements as a whole.

Vasquez + Company LLP

Los Angeles, California
November 29, 2012

ASSETS		
Current assets		
Cash and cash equivalents	$	3,513,238
Rental properties reserves		1,958,293
Project receivables		144,568
Partnership receivables		330,000
Developer fees receivable, net		2,436,327
Contracts receivable		724,453
Other receivables		17,124
Prepaid expenses and deposits		57,050
Total current assets		9,181,053
Long-term project receivables		435,580
Long-term partnership receivables		1,040,519
Long-term developer fees receivables, net		2,342,129
Notes, advances, and interest receivable, net		10,889,616
Investment in partnerships		544,017
Real estate in development		2,325,968
Property and equipment, net		9,276,990
Other long-term assets		100,303
Total assets	$	36,136,175
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$	831,502
Current portion of notes and interest payable		1,892,950
Total current liabilities		2,724,452
Deficiency in partnership investments		210,296
Notes and interest payable, net of current portion		27,795,416
Total liabilities		30,730,164
Net assets		
Unrestricted		5,264,711
Temporarily restricted		141,300
Total net assets		5,406,011
Total liabilities and net assets	$	36,136,175

See notes to consolidated financial statements.

	Unrestricted	Temporarily Restricted	Total
Revenue and support			
Government grants and contracts	$ 2,619,660	$ -	$ 2,619,660
Foundation grants	187,250	100,000	287,250
Developer fees	2,811,342	-	2,811,342
Partnership management fees	601,640	-	601,640
Rental income	1,278,515	-	1,278,515
Administrative fees	179,009	-	179,009
Interest income from loans	377,468	-	377,468
Other interest income	25,545	-	25,545
In-kind donations	77,031	-	77,031
Fundraising	136,715	-	136,715
Miscellaneous	22,690	-	22,690
Net assets released from restriction	188,379	(188,379)	-
Total revenue and support	8,505,244	(88,379)	8,416,865
Functional expenses			
Program services	6,323,870	-	6,323,870
Administrative services	1,039,983	-	1,039,983
Total functional expenses	7,363,853	-	7,363,853
Change in net assets before income from investment in partnerships and excess of consideration transferred over net deficit acquired in acquisition of limited partnerships	1,141,391	(88,379)	1,053,012
Excess of consideration transferred over net deficit acquired in acquisition of limited partnerships	(2,504,691)	-	(2,504,691)
Loss from investment in partnerships	(2,660)	-	(2,660)
Change in net assets	(1,365,960)	(88,379)	(1,454,339)
Net assets, beginning of year	6,630,671	229,679	6,860,350
Net assets, end of year	$ 5,264,711	$ 141,300	$ 5,406,011

See notes to consolidated financial statements.

Cash flows from operating activities		
Change in net assets	$	(1,454,339)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		529,914
Loss from investment in partnerships		2,660
Provision for doubtful accounts		157,220
Excess of consideration transferred assumed over net deficit acquired in acquisition of limited partnerships		2,504,691
Forgiveness of note payable		(25,000)
Decrease (increase) in:		
Receivables		(871,346)
Prepaid expenses and deposits		(7,983)
Interest receivable		(84,356)
Other assets		(7,752)
Rental properties reserves		(84,506)
Increase (decrease) in:		
Accounts payable and accrued expenses		(303,483)
Accrued interest		539,534
Net cash provided by operating activities		895,254
Cash flows from investing activities		
Purchases of property and equipment		(111,594)
Payment for acquisition of limited partnerships, net of cash acquired		(15,612)
Real estate in development		(408,574)
Net cash used in investing activities		(535,780)
Cash flows from financing activities		
Proceeds from notes payable		237,147
Payments on notes payable		(325,716)
Net cash used in financing activities		(88,569)
Change in cash and cash equivalents		270,905
Cash and cash equivalents, beginning of year		3,242,333
Cash and cash equivalents, end of year	$	3,513,238
Supplemental disclosure of cash flow information		
Interest paid	$	6,668
Supplemental disclosure of noncash investing and financing activity		
Net noncash net assets of limited partnerships acquired by Supportive Housing LLC	$	(2,489,079)

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 the limited partnerships that own the buildings developed as affordable housing. ACOF also directly owns and manages five affordable apartment buildings.

ACOF's income is derived from fees earned related to development and asset management of its affordable housing projects, grants received from foundations and corporations, and contracts awarded by various federal and local government agencies.

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 ("the Company"). All significant intercompany transactions have been eliminated in consolidation.

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

- A Community of Friends
- Supportive Housing LLC, which controls the following:
  - Las Palomas Hotel, L.P.
  - Parker Hotel, L.P.

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. In September 2011 and October 2011, Supportive Housing LLC purchased the limited partner interest in Parker Hotel, L.P. (99%) and Las Palomas Hotel, L.P. (99%). ACOF holds the remaining 1% interest in both partnerships.

There are additional 32 limited partnerships or limited liability companies 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).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Company does not have any permanently restricted net assets at June 30, 2012.

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, which average a 48-month period. 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.

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.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contracts and Contract 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 which is in the process of being renewed and has not been signed 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 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, 2012, interest expense capitalized in real estate in development amounted to $119,624.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. The provision for depreciation and amortization is computed using the straight-line method over the estimated useful lives as follows:

Building and improvements	27.5 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.

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 23701 (d) of the California Revenue and Taxation Code. Accordingly, a provision for federal or state income taxes is not recorded in the accompanying financial statements. ACOF is classified as an organization that is not a private foundation under Section 509(a)(i) and 170(b)(a)(vi) of the Internal Revenue Code.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Generally accepted accounting principles prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended June 30, 2012, the Company had no unrecognized tax benefits or tax penalties or interest.

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
The Company owns and manages five affordable apartment buildings, known as Camerford, Selby Hotel, Step Out Apartments, 226 Berendo and Central Court.

In-kind Donations
The value of significant contributed goods are reflected as contributions in the accompanying 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 8 for financial information regarding the limited partnerships).

At June 30, 2012, the Company has developer fees receivable from various limited partnerships amounting to $5,318,551. The partnership agreements allow for the deferred payment of these developer fees over a ten year period. The Company estimates that for certain of the limited partnerships, overall project cash flows will increase after five years when the limited partnerships' permanent loans are paid off, after which deferred developer fee payments will increase. At June 30, 2012, the Company has recognized a reserve on the developer fees receivable from these various limited partnerships amounting to $540,095.

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 grant. The notes receivable where funds were received by grant represent the greater credit risk. The total of such notes receivables are $3,200,000 with interest accrual of $1,374,977 at June 30, 2012.

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, 2012 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, 2012, cash and cash equivalents are for uses as follows:

A Community of Friends	$	2,993,588
Rental Properties' Operations		519,650
Total	$	3,513,238

NOTE 5 RENTAL PROPERTIES RESERVES

At June 30, 2012, rental properties reserves total $1,958,293 and consisted of the following:

Property		Replacement Reserve		Operating Reserve		Other Reserves
226 Berendo	$	388,291	$	119,335	$	13,404
Central Court		33,065		14,195		5,608
Las Palomas Hotel		81,321		438,355		10,877
Camerford		33,609		59,871		2,225
Parker Hotel		161,020		109,013		46,739
Selby		150,414		62,840		9,465
Step Out		66,738		132,309		3,062
Figueroa		-		-		16,537
	$	914,458	$	935,918	$	107,917

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

NOTE 6 DEVELOPER FEES RECEIVABLE

At June 30, 2012, developer fees receivable consisted of the following:

Fox Normandie Apartments, L.P.	$	5,463
Brandon Apartments, L.P.		21,950
Jackson Aisle Apartments, L.P.		2,474
Gateway Housing, L.P.		115,526
Santos Plaza, L.P.		84,865
Tyrol Plaza, L.P.		88
Woodland Terrace, L.P.		630,870
Camino de las Flores, L.P.	$	10,231
The Villas at Gower, L.P.		934,800
Vendome Palms, L.P.		912,000
Osborne Place, L.P.		880,375
Willis Avenue Apartments, L.P.		765,000
ND Sepulveda I, L.P.		408,345
ND Sepulveda II, L.P.		408,345
Vista Del Rio Housing Partners, L.P.		90,631
AMCAL Avenida Fund, L.P.		47,588
Total		5,318,551
Less allowance for uncollectible receivables		540,095
		4,778,456
Less current portion		2,436,327
Long-term	$	2,342,129

NOTE 7 PROJECT RECEIVABLES

At June 30, 2012, project receivables consisted of the following:

<u>In operations in 2012:</u>		
Gateway Housing, L.P.	$	26,171
Santos Plaza, L.P.		356,020
Sonya Gardens, L.P.		53,390
<u>In predevelopment and construction in 2012:</u>		
235 Berendo LP.		1,276
ND Sepulveda I, L.P.		56,096
ND Sepulveda II, L.P.		55,474
Osborne Place, L.P.		30,620
Vista del Rio Housing		300
The Villas at Gower, L.P.		801
Total		580,148
Less current portion		144,568
Long-term	$	435,580

NOTE 8 PARTNERSHIP RECEIVABLES

At June 30, 2012, partnership receivables consisted of the following:

Accrued partnership management fees	$	1,271,246
Accrued administrative fees		66,609
Others		32,664
Total		1,370,519
Less current portion		330,000
Long-term	$	1,040,519

NOTE 9 INVESTMENT IN PARTNERSHIPS

The partnerships construct, own and operate affordable apartment buildings in the greater Los Angeles and Orange County metropolitan area. The Company identifies the properties for development, arranges for investor partners and other financing, supervises construction, and oversees the resulting rental activity. It usually serves as a general partner with a minor ownership interest and receives developer fees, consulting 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.

ACOF became the managing general partner in AMCAL Avenida Fund, L.P. on November 15, 2011. Also, on November 21, 2011, ACOF became the managing general partner of Vista Del Rio Housing Partners LP.

At June 30, 2012, investment in partnerships consisted of the following:

39 West Apartments, L.P.	$	385,670
235 Berendo Street , L.P.		(149,354)
836 Fedora, L.P.		(2,614)
AMCAL Avenida Fund, L.P.		-
Amistad Apartments, L.P.		(1,903)
Brandon Apartments, L.P.		(1,585)
California Hotel 1140, L.P.		(26,465)
Calvert Street Apartments, L.P.		(89)
Camino de las Flores, L.P.		(88)
Figueroa Court Apartments, L.P.		(54)
Figueroa Court Partners		(227)
Fox Normandie Apartments, L.P.		(3,486)
Gateway Housing, L.P.		4,945
Gower Street Apartments, L.P.		(14,477)

NOTE 9 INVESTMENT IN PARTNERSHIPS (CONTINUED)

Jackson Aisle Apartments, L.P.	$	(16)
La Primavera Apartments, L.P.		(82)
Maryland Apartments, L.P.		(1,405)
ND Sepulveda I, L.P.		(350)
ND Sepulveda II, L.P.		(350)
Osborne Place, L.P.		(4,000)
Rayen Apartments, L.P.		91,619
Santos Plaza, L.P.		4,794
Sonya Gardens, L.P.		3,935
Step Up On Fifth, L.P.		13,332
Tyrol Plaza, L.P.		6,653
Vendome Palms, L.P.		9,000
V. Nueva, L.P.		(3,510)
The Villas at Gower, L.P.		23,800
Vista Del Rio Housing Partners, L.P.		-
Willis Avenue Apartments, L.P.		-
Willowbrook Place, L.P.		269
Woodland Terrace, L.P.		(241)
Total	$	333,721

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

Investment in partnerships (asset)	$	544,017
Deficiency in partnership investments (liability)		(210,296)
Total	$	333,721

NOTE 9 INVESTMENT IN 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, 2011:

	Total Assets	Non-Recourse Debt	Total Capital (Deficit)	Revenues	Net Income (Loss)	Organization's Allocated Share of Partnership Income (Loss)
39 West Apartments, L.P.	$ 2,506,038	$ 1,891,464	$ 567,168	$ 367,128	$ (116,540)	$ (1,151)
235 Berendo Street , L.P.	1,993,232	3,081,214	(1,097,927)	196,486	(90,274)	(903)
836 Fedora, L.P.	1,488,795	1,338,918	107,535	182,362	(87,695)	(88)
AMCAL Avenida Fund, L.P.	4,554,321	3,186,129	512,873	15	15	-
Amistad Apartments, L.P.	6,613,487	3,619,217	2,899,118	461,402	(339,827)	(34)
Brandon Apartments, L.P.	3,864,539	2,733,518	1,055,401	425,922	(132,255)	(13)
California Hotel 1140, L.P.	2,619,257	2,484,044	54,653	291,982	(206,449)	(2,064)
Calvert Street Apartments, L.P.	4,486,087	2,980,888	1,453,643	279,356	(231,828)	(23)
Camino de las Flores, L.P.	8,568,676	5,951,046	2,331,721	349,028	(267,685)	(18)
Figueroa Court Apartments, L.P.	3,121,685	3,141,005	(87,792)	358,838	(150,794)	(61)
Figueroa Court Partners	(1,273)	-	(1,273)	-	(90)	(18)
Fox Normandie Apartments, L.P.	3,229,615	1,521,472	1,577,859	424,337	(171,146)	(171)
Gateway Housing, L.P.	4,267,445	1,447,766	2,493,282	318,205	(120,223)	(6)
Gower Street Apartments, L.P.	3,093,352	2,214,517	686,073	494,676	(126,208)	(1,262)
Jackson Aisle Apartments, L.P.	3,541,505	1,939,671	1,125,185	329,664	(109,849)	(5)
La Primavera Apartments, L.P.	4,170,644	2,113,052	2,025,520	300,997	(121,231)	(12)
Maryland Apartments, L.P.	2,276,436	1,527,560	609,958	231,354	(139,848)	(14)
ND Sepulveda I, L.P.	1,980,666	1,156,335	44,300	-	(800)	(400)
ND Sepulveda II, L.P.	1,930,047	1,149,799	(700)	-	(800)	(400)
Osborne Place, L.P.	10,598,452	6,557,969	1,824,274	-	(1,300)	-
Rayen Apartments, L.P.	13,158,297	5,070,354	7,971,399	749,049	(852,483)	(85)
Santos Plaza, L.P.	5,284,697	2,437,294	1,773,966	350,053	(302,258)	(30)
Sonya Gardens, L.P.	3,542,899	2,169,439	1,266,233	513,263	(165,681)	(17)
Step Up On Fifth, L.P.	17,387,120	11,007,021	4,787,906	459,023	(918,985)	(47)
Tyrol Plaza, L.P.	7,753,575	2,579,701	5,102,667	814,740	(129,241)	(6)
Vendome Palms, L.P.	11,713,075	-	335,426	-	-	-
V. Nueva, L.P.	3,883,188	2,815,637	974,012	513,253	(175,582)	(176)
The Villas at Gower, L.P.	22,584,714	14,301,341	4,912,770	-	(800)	-
Vista Del Rio Housing Partners, L.P.	450,884	-	-	-	-	-
Willis Avenue Apartments, L.P.	7,702,266	-	1,307,885	-	-	-
Willowbrook Place, L.P.	6,351,451	3,739,433	2,445,615	361,909	(223,847)	(22)
Woodland Terrace, L.P.	10,324,267	6,012,979	2,938,564	585,894	(626,221)	(63)
	$ 185,039,439	$ 100,168,783	$ 51,997,314	$ 9,358,936	$ (5,809,925)	$ (7,089)

NOTE 10 REAL ESTATE IN DEVELOPMENT

At June 30, 2012, real estate in development consisted of:

Land		$	2,218,579
Building			107,389
	Total	$	2,325,968

NOTE 11 OTHER LONG-TERM ASSETS

At June 30, 2012, other long-term assets consisted of:

Security deposit		$	10,541
Loan fees, net			13,754
Organization logo, net			32,018
Syndication costs			43,990
	Total	$	100,303

Loan fees are amortized over the life of the related loan. ACOF logo is amortized over its estimated useful life.

NOTE 12 PROPERTY AND EQUIPMENT

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

Land, building, and improvements		$	16,943,847
Furniture and equipment			599,,338
			17,543,185
Less accumulated depreciation and amortization			8,266,195
	Total	$	9,276,990

For the year ended June 30, 2012, depreciation and amortization expense amounted to $529,914.

NOTE 13 NOTES, ADVANCES, AND INTEREST RECEIVABLE

At June 30, 2012, notes, advances, and interest receivable consisted of the following:

Notes receivables from limited partnerships are proceeds from notes payable to City of Los Angeles Housing Department and are loaned directly to the limited partnerships with the same interest rate and terms as the notes payable (see Note 14). These notes receivable are from the following limited partnerships:		
Figueroa Court Apartments, L.P.		
Principal	$	1,497,333
Accrued interest		462,254
V. Nueva, L.P.		
Principal		1,599,181
Accrued interest		991,436
Calvert Street Apartments, L.P.		
Principal		1,440,450
Accrued interest		743,219
Notes receivable from Figueroa Court Apartments, L.P. has annual payments of $3,250 due from residual receipts and matures in April 2017. Interest accrues at 7.18% per annum.		
Principal		400,000
Accrued interest		538,113
Notes receivable from California Hotel 1140, L.P., interest accrues at 0.5% per annum and matures in December 2017.		
Principal		400,000
Accrued interest		21,001

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

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.		
Principal	$	194,079
Accrued interest		61,135
Notes receivable from V. Nueva, L.P., interest accrues at 1% per annum and matures in December 2018.		
Principal		75,000
Accrued interest		10,259
Notes receivable from Maryland Apartments, L.P. proceeds from note payable to Downey Savings and Loan Association loaned directly to Maryland Apartments, L.P. Interest accrues at 0.5% per annum and matures in December 2021.		
Principal		162,986
Accrued interest		9,493
Notes receivable from Amistad Apartments, L.P., interest accrues at 5.6% per annum and matures in December 2033.		
Principal		400,000
Accrued interest		212,800
Notes receivable from Calvert Street Apartments, L.P., interest accrues at 5.46% per annum and matures in December 2032.		
Principal		400,000
Accrued interest		195,831
Notes receivable from La Primavera Apartments, L.P., interest accrues at 4.92% per annum and matures in December 2032.		
Principal		400,000
Accrued interest		196,800

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

Notes receivable from Willowbrook Place, L.P., interest accrues at 5.0% per annum and matures in October 2060.		
Principal	$	400,000
Accrued interest		114,707
Notes receivable from Woodland Terrace, L.P., interest accrues at 5.0% per annum and matures in December 2060.		
Principal		400,000
Accrued interest		116,726
Notes receivable from Santos Plaza, L.P., interest is at 0% and matures in 2034.		400,000
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 is 0% and matures in 2065. The note was funded by California Department of Housing and Community Development's Infill Infrastructure Grant Program.		1,600,763
		13,443,567
Less allowance for uncollectible notes and interest receivable		2,553,951
Net notes, advances and interest receivable	$	10,889,616

NOTE 14 NOTES AND INTEREST PAYABLE

At June 30, 2012, notes and interest payable consisted of the following:

Note payable to the 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)

Notes payable to the California Department of Housing and Community Development. 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:		
Camerford property, due in March 2031		
Principal	$	345,000
Accrued interest		220,696
Selby property, due in July 2031		
Principal		725,000
Accrued interest		453,840
226 Berendo property, due in July 2033		
Principal		1,681,983
Accrued interest		900,500
Notes payable to Community Redevelopment Agency, 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:		
Camerford property, due in December 2019		
Principal		204,000
Accrued interest		171,564
Selby property, due in July 2021		
Principal		325,000
Accrued interest		267,921
226 Berendo property, due in September 2034		
Principal		1,788,214
Accrued interest		1,028,444

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

Notes payable to the City of Los Angeles Housing Department 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. Management requested an extension of these notes and is waiting for approval by the lender. The notes payable mature as follows:		
February 2012	$	413,250
February 2012		50,000
Notes payable to the Berkadia Commercial Mortgage, LLC, including interest at 4.5% per annum on any unpaid portion of the outstanding principal. Payments of $2,048 are due monthly and include interest and principal. The loan matures in April 2015. The loan is collateralized by a trust deed on the 226 Berendo property.		53,065
Note payable to Department of Housing and Community Development of the State of California 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.		
Principal		516,851
Accrued interest		127,093
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 March 15, 2031.		
Principal		1,063,688
Accrued interest		297,034

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

Notes payable to the City of Los Angeles Housing Department, principal and interest due in annual payments (as defined in the loan agreements) derived from the operations of the various limited partnerships. Interest accrues annually on the outstanding principal balance at 2.5% to 5% per annum until the final sale of the property 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		
Principal	$	1,497,333
Accrued interest		462,254
Las Palomas Hotel, L.P., due in June 2051		
Principal		2,100,355
Accrued interest		1,601,869
V. Nueva, L.P., due August 2040		
Principal		1,599,182
Accrued interest		991,436
Note payable to Downey Savings and Loan Association, F.A. 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
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.		
Principal		176,893
Accrued interest		45,829

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

Notes payable to the City of Los Angeles. Interest accrues at a rate between 5% and 5.72% per annum. These two notes are collateralized by a deed of trust on the property Calvert Street Apartments and they both mature in July 2041.		
Principal	$	1,440,450
Accrued interest		743,219
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 the City of Los Angeles Housing Department, 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.		742,975

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

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 2013. The interest is payable on a quarterly basis and the principal is due at maturity.	$	400,000
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 2013. The interest is payable on a quarterly basis and the principal is due at maturity.		200,000
Note payable to Department of Housing and Community Development of the State of California (DHCD) 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 DHCD.		
Principal		689,200
Accrued interest		67,980
In September 2009, ACOF entered into an unsecured working capital line of credit of $250,000 with Enterprise Community Loan Fund, Inc. at 0% per annum which matures in December 2010. This loan was modified in October 2010 to extend the maturity date to October 2013.		250,000

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

In October 2010, ACOF entered into an unsecured revolving predevelopment line of credit agreement of $750,000 with Enterprise Community Loan Fund, Inc. The loan bears interest of 7% per annum and matures in October 2013.	$	225,902
Note payable to Corporation for Supportive Housing (CSH) to be used in financing acquisition of the Avalon Apartments project and finance predevelopment expenses. The loan bears interest at 6.6% per annum, as amended. The notes are collateralized by a deed of trust on the Avalon property. The note was modified to extend the maturity date from December 2011 to June 2013.		
Principal		1,660,575
Accrued interest		213,504
Note payable of Parker Hotel, L.P. to the City of Los Angeles at 2% 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.		1,605,167
Principal		1,336,161
Accrued interest		
Note payable of Las Palomas Hotel, L.P. to Citibank. The note is non-interest bearing and the loan balance will be forgiven if Las Palomas Hotel, L.P. complies with the requirements stated in the loan agreement, otherwise principal is payable in full in June 2026.		367,874
		29,688,366
Less current portion		1,892,950
Long-term portion	$	27,795,416

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

Future maturities of notes payable at June 30, 2012 were as follows:

Year ending June 30,		
2013	$	1,892,950
2014		1,558,733
2015		14,613
2016		-
2017		-
Thereafer		26,222,070
Total	$	29,688,366

NOTE 15 GOVERNMENT 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	$	1,960,195
Los Angeles County Department of Mental Health		282,993
Los Angeles County General Funds		281,507
Community Development Commission of the County of Los Angeles		94,965
	$	2,619,660

NOTE 16 TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2012, temporarily restricted net assets are available for the following purposes or periods:

General operating (through 2013)	$	107,500
Permanent supportive housing services		33,800
	$	141,300

NOTE 17 COMMITMENTS AND CONTINGENCIES

Leases

ACOF began leasing its office in May 2011 under a non-cancelable operating lease that expires in April 2017. The following is a schedule of future minimum lease payments under the said lease as of June 30, 2012 that have initial or remaining lease terms in excess of one year:

Year ending June 30,		
2013		119,424
2014		123,007
2015		126,697
2016		130,498
2017		134,413
Total	$	634,039

For the year ended June 30, 2012 rent expense charged to operations amounted to $116,265.

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.

At June 30, 2012, ACOF was contingently liable for approximately $1,488,652 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, 2012.

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 $21,249,485 at June 30, 2012. Management believes the likelihood of funding a material amount of any of the guarantees is remote.

NOTE 18 RELATED PARTY TRANSACTIONS

The Company receives fees for certain services performed by the Company on behalf of the partnerships. These fees are to be paid to the Company when cash flows of the limited partnerships are positive. The following fees were earned by the Company for the year ended June 30, 2012.

Partnership management fees	$	601,640
Developer fees		2,811,342
Administrative fees		179,009
Total fees earned from partnerships	$	3,591,991

In October 2009, ACOF entered into a Memorandum of Understanding – Subcontract for Property Management Services (MOU) with Barker Management, Inc. (BMI). In accordance with the MOU, ACOF and BMI collaborated to provide management services to the following supportive housing developments in ACOF’s portfolio: Amistad Apartments, Camino de Las Flores Apartments and Las Palomas Hotel. The initial term of this collaboration ended on December 31, 2010. ACOF and BMI received 58.3% and 41.7% of the management fees, respectively.

In April 2011, the MOU was amended to extend the term of the initial agreement and to add five additional supportive housing developments as follows: 235 Berendo, Fedora Apartments, Fox Normandie Apartments, Vista Nueva Apartments and Willow Apartments. The amendment was effective as of October 1, 2010 and provided for the automatic renewal of the MOU for each successive one year term, unless terminated as provided in the original MOU. The amended MOU also revised the compensation of BMI to a flat rate of $25 per unit per month with ACOF receiving the balance of the management fees earned starting January 1, 2011.

NOTE 19 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, 2012, ACOF's contributions to the Plan amounted to $95,507.

NOTE 20 BUSINESS COMBINATIONS

As mentioned in Note 1, in September 2011 and October 2011, Supportive Housing, LLC purchased the limited partner interest in Parker Hotel, L.P. (99%) and Las Palomas Hotel, L.P. (99%). ACOF had, through ownership, 1% interest in both partnerships, resulting in 100% control following the transfer. Further, since these business combinations involve acquisition of affordable housing with long-term restrictions on affordability and use, there is no readily available market information with similar terms and restrictions. Thus, all identifiable assets acquired and liabilities assumed were measured at their acquisition-date carrying values and resulted in the recognition of excess of liabilities assumed over limited partnership amounting to $2,504,691. Because the operations of the limited partnerships are expected to be predominantly supported by returns on investments, ACOF has recognized the excess of consideration transferred over the net assets acquired as a separate charge in the consolidated statement of activities.

The carrying value of the identifiable assets and liabilities of these partnerships at acquisition dates were as follows:

Cash and cash equivalents	$	34,388
Rental properties reserves		795,078
Other receivables		46,505
Prepaid expenses and deposits		2,555
Property and equipment - net		3,517,514
Other assets		43,990
		4,440,030
Accounts payable and accrued expenses		(259,171)
Notes and interest payable		(6,878,255)
Net deficit		(2,697,396)
ACOF's existing interest		242,705
		(2,454,691)
Less consideration transferred		50,000
Excess of consideration transferred over net deficit acquired in acquisition of limited partnerships	$	(2,504,691)

From the date of acquisition in 2011, through Supportive Housing, LLC, ACOF's share in net loss of the limited partnerships acquired amounted to $182,964.

NOTE 21 SUBSEQUENT EVENTS

The Company has evaluated events or transactions that occurred subsequent to the statement of financial position date through November 29, 2012, 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.

	Program Services					
	Supportive Housing	Real Estate Activities	Rental	Total	Administrative Services	Totals
Personnel expenses						
Salaries	$ 1,148,983	$ 820,420	$ 82,138	$ 2,051,541	$ 627,027	$ 2,678,568
Payroll taxes	92,348	63,140	5,726	161,214	42,724	203,938
Employee benefits	167,582	79,085	16,696	263,363	71,984	335,347
Total personnel expenses	1,408,913	962,645	104,560	2,476,118	741,735	3,217,853
Other expenses						
Advertising	-	-	900	900	-	900
Auditing and accounting	25,088	13,806	-	38,894	9,627	48,521
Auto expense	15,263	9,058	866	25,187	3,496	28,683
Bad debt	-	151,953	5,267	157,220	-	157,220
SHP cash match	5,411	-	-	5,411	-	5,411
Consulting	16,658	5,000	-	21,658	22,936	44,594
Contractual-supportive services	568,474	-	-	568,474	-	568,474
Depreciation and amortization	1,688	27,008	326,590	355,286	21,944	377,230
Donated supplies	77,031	-	-	77,031	-	77,031
Dues, fees and subscriptions	955	2,391	2,910	6,256	11,859	18,115
Employee recruiting	12,311	8,573	-	20,884	2,958	23,842
Equipment leases	5,085	4,978	-	10,063	4,426	14,489
Fundraising	-	-	-	-	25,086	25,086
Interest	-	300,446	223,200	523,646	-	523,646
Legal fees	-	1,483	1,590	3,073	1,200	4,273
Liability insurance	4,642	2,771	13,836	21,249	10,720	31,969
Marketing	-	159	-	159	10,239	10,398
Meals	1,174	1,437	-	2,611	11,875	14,486
Miscellaneous	268	38,642	1,138	40,048	8,993	49,041
Moving expenses				-		-
Office expenses	37,910	30,112	2,750	70,772	40,399	111,171
Postage	235	6,036	129	6,400	2,949	9,349
Printing	51	456		507	1,097	1,604
Maintenance and repairs	-	187	183,358	183,545	1,494	185,039
Rent and parking	7,533	73,639	549	81,721	58,287	140,008
Rental operations	398,279	-	-	398,279	-	398,279
Resident programs	344,970	-	-	344,970	-	344,970
Security	-	-	18,935	18,935	-	18,935
Seminars and training	3,818	9,533	1,602	14,953	2,997	17,950
Taxes and licenses	22	261	7,425	7,708	174	7,882
Telephone	6,079	11,893	12,844	30,816	16,025	46,841
Temporary staff	-	-	-	-	20,383	20,383
Travel	3,810	4,359	-	8,169	1,503	9,672
Utilities	-	-	85,665	85,665	-	85,665
Worker's compensation insurance	16,039	11,362	5,034	32,435	7,581	40,016
Total - A Community of Friends	2,961,707	1,678,188	999,148	5,639,043	1,039,983	6,679,026
Expenses - Subsidiaries						
Rental operations	-	-	684,827	684,827	-	684,827
Total functional expenses	$ 2,961,707	$ 1,678,188	$ 1,683,975	$ 6,323,870	$ 1,039,983	$ 7,363,853

	A Community of Friends	Supportive Housing LLC: Parker Hotel, L.P.	Supportive Housing LLC: Las Palomas Hotel, L.P.	Eliminations	Consolidated
ASSETS					
Current assets					
Cash and cash equivalents	$ 3,492,991	$ 2,428	$ 17,819	$ -	$ 3,513,238
Rental properties reserves	1,110,968	316,772	530,553	-	1,958,293
Project receivables	144,568	-	-	-	144,568
Partnership receivables	330,000	-	-	-	330,000
Developer fees receivable, net	2,436,327	-	-	-	2,436,327
Contracts receivable	724,453	-	-	-	724,453
Other receivables	-	11,533	5,591	-	17,124
Prepaid expenses and deposits	52,777	1,286	2,987	-	57,050
Total current assets	8,292,084	332,019	556,950	-	9,181,053
Long-term project receivables	435,722	-	-	(142)	435,580
Long-term partnership receivables	1,201,765	-	-	(161,246)	1,040,519
Long-term developer fees receivables, net	2,342,129	-	-	-	2,342,129
Notes, advances, and interest receivable, net	14,591,566	-	-	(3,701,950)	10,889,616
Investment in partnerships	594,017	-	-	(50,000)	544,017
Real estate in development	2,325,968	-	-	-	2,325,968
Property and equipment, net	6,154,523	1,006,735	2,348,107	(232,375)	9,276,990
Other long-term assets	56,313	43,990	-	-	100,303
Total assets	$ 35,994,087	$ 1,382,744	$ 2,905,057	$ (4,145,713)	$ 36,136,175
LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable and accrued expenses	$ 764,475	$ 34,263	$ 194,152	$ (161,388)	$ 831,502
Current portion of notes and interest payable	1,892,950	-	-	-	1,892,950
Total current liabilities	2,657,425	34,263	194,152	(161,388)	2,724,452
Deficiency in partnership investments	635,963	-	-	(425,667)	210,296
Notes and interest payable, net of current portion	24,486,215	2,941,327	4,069,824	(3,701,950)	27,795,416
Total liabilities	27,779,603	2,975,590	4,263,976	(4,289,005)	30,730,164
Net assets					
Unrestricted	8,073,184	(1,592,846)	(1,358,919)	143,292	5,264,711
Temporarily restricted	141,300	-	-	-	141,300
Total net assets	8,214,484	(1,592,846)	(1,358,919)	143,292	5,406,011
Total liabilities and net assets	$ 35,994,087	$ 1,382,744	$ 2,905,057	$ (4,145,713)	$ 36,136,175

	A Community of Friends	Supportive Housing LLC: Parker Hotel, L.P.	Supportive Housing LLC: Las Palomas Hotel, L.P.	Eliminations	Consolidated
Revenue and support					
Government grants and contracts	$ 2,619,660	$ -	$ -	$ -	$ 2,619,660
Foundation grants	287,250	-	-	-	287,250
Developer fees	2,811,342	-	-	-	2,811,342
Partnership management fees	616,640	-	-	(15,000)	601,640
Rental income	770,874	116,804	231,563	159,274	1,278,515
Administrative fees	179,009	-	-	-	179,009
Interest income from loans	447,471	-	-	(70,003)	377,468
Other interest income	17,727	-	-	7,818	25,545
In-kind donations	77,031	-	-	-	77,031
Fundraising	136,715	-	-	-	136,715
Miscellaneous	22,690	-	-	-	22,690
Total revenue and support	7,986,409	116,804	231,563	82,089	8,416,865
Functional expenses					
Program services	5,639,043	197,263	333,347	154,217	6,323,870
Administrative services	1,039,983	-	-	-	1,039,983
Total functional expenses	6,679,026	197,263	333,347	154,217	7,363,853
Change in net assets before income from investment in partnerships and excess of consideration transferred over net deficit acquired in acquisition of limited partnerships	1,307,383	(80,459)	(101,784)	(72,128)	1,053,012
Excess of consideration transferred over net deficit acquired in acquisition of limited partnerships	-	-	-	(2,504,691)	(2,504,691)
Loss from investment in partnerships	(185,624)	-	-	182,964	(2,660)
Change in net assets	1,121,759	(80,459)	(101,784)	(2,393,855)	(1,454,339)
Net assets, beginning of year	7,092,725	(1,512,387)	(1,257,135)	2,537,147	6,860,350
Net assets, end of year	$ 8,214,484	$ (1,592,846)	$ (1,358,919)	$ 143,292	$ 5,406,011

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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 the consolidated financial statements of A Community of Friends as of and for the year ended June 30, 2012, and have issued our report thereon dated November 29, 2012. 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of A Community of Friends is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered A Community of Friends' internal control over financial reporting as a basis for designing our auditing procedures 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' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of A Community of Friends' internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether A Community of Friends' financial statements are free of 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 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.*

This report is intended solely for the information and use of the Board of Directors, Audit Committee, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vasquez + Company LLP

Los Angeles, California
November 29, 2012