A Community Of Friends

NeighborWorks®
CHARTERED MEMBER

November 28, 2018

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, 2018. For the fiscal year ended June 30, 2018, five additional limited partnerships had the Investor Limited Partner exit, for a total of 12 wholly owned limited partnerships included in the consolidation.

For the financial statements of A Community of Friends, please refer to the column titled "A Community of Friends" on pages 36 and 37.

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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A Community Of Friends

A Community of Friends and Subsidiary
Consolidated Financial Statements
and Supplementary Information
As of and for the Year Ended June 30, 2018
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, 2018
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, 2018, 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, 2018, 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 35 through 39 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 27, 2018 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

Glendale, California
November 27, 2018

ASSETS		
Current assets		
Cash and cash equivalents	$	4,542,916
Rental properties reserves		5,908,858
Project receivables - current portion		1,237,592
Partnership receivables - current portion		71,943
Developer fees receivable - current portion, net		1,425,594
Contracts receivable		780,198
Other receivables		192,405
Prepaid expenses and deposits		127,944
Total current assets		14,287,450
Long-term project receivables		749,050
Long-term partnership receivables		2,408,980
Long-term developer fees receivables, net		5,391,774
Notes, advances, and interest receivable, net		5,473,602
Investment in limited partnerships		3,756,660
Real estate in development		613,441
Property and equipment, net		21,339,977
Other long-term assets		6,706
Total assets	$	54,027,640
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$	1,546,113
Current portion of notes and interest payable		3,728,348
Other liabilities		228,296
Total current liabilities		5,502,757
Deficiency in partnership investments		40,535
Notes and interest payable, net of current portion		38,785,407
Total liabilities		44,328,699
Net assets		
Unrestricted		9,533,466
Temporarily restricted		46,475
Permanently restricted		119,000
Total net assets		9,698,941
Total liabilities and net assets	$	54,027,640

See notes to consolidated financial statements.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Government grants and contracts	$ 1,857,483	$ -	$ -	$ 1,857,483
Foundation grants	3,851,883	70,000		3,921,883
Developer fees	382,726	-	-	382,726
Partnership and property management fees	890,617	-	-	890,617
Rental income	4,580,823	-	-	4,580,823
Administrative fees	103,503	-	-	103,503
Interest income from loans	167,704	-	-	167,704
Other interest income	74,642	-	-	74,642
Fundraising	242,304	-	-	242,304
In-kind donations	105,727			105,727
Miscellaneous	123,168	-	-	123,168
Net assets released from restriction	242,313	(152,313)	(90,000)	-
Total revenue and support	12,622,893	(82,313)	(90,000)	12,450,580
Functional expenses				
Program services	10,954,356	-	-	10,954,356
Fund development	330,840	-	-	330,840
Administrative services	1,643,784	-	-	1,643,784
Total functional expenses	12,928,980	-	-	12,928,980
Change in net assets before income from investment in partnerships and excess of assumed liabilities over assets acquired	(306,087)	(82,313)	(90,000)	(478,400)
Excess of assumed liabilities over assets acquired	(747,309)	-	-	(747,309)
Loss from investment in partnerships	(305,134)	-	-	(305,134)
Change in net assets	(1,358,530)	(82,313)	(90,000)	(1,530,843)
Net assets, beginning of year	10,891,996	128,788	209,000	11,229,784
Net assets, end of year	$ 9,533,466	$ 46,475	$ 119,000	$ 9,698,941

See notes to consolidated financial statements.

Cash flows from operating activities		
Change in net assets	$	(1,530,843)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		1,359,581
Gain from investment in partnerships		305,134
Excess of assumed liabilities over assets acquired		747,309
Bad debts		224,703
Decrease (Increase) in:		
Receivables		772,988
Prepaid expenses and deposits		(9,012)
Interest receivable		966,968
Other assets		(6,706)
Rental properties reserves		144,297
Increase in:		
Accounts payable and accrued expenses		(489,503)
Accrued interest		449,184
Other liabilities		228,296
Net cash provided by operating activities		3,162,396
Cash flows from investing activities		
Purchase of property and equipment		534,719
Investment in limited partnerships		(333,410)
Net decrease of notes receivable		(203,853)
Real estate in development		(90,080)
Net cash used in investing activities		(92,624)
Cash flows from financing activities		
Proceeds from notes payable		936,810
Payments on notes payable		(894,761)
Net cash provided by financing activities		42,049
Change in cash and cash equivalents		3,111,821
Cash and cash equivalents, beginning of year		1,431,095
Cash and cash equivalents, end of year	$	4,542,916
Supplemental disclosure of cash flow information		
Interest paid	$	166,239
Supplemental disclosure of noncash investing and financing activity		
Net noncash net assets of limited partnerships acquired by Supportive Housing LLC	$	(559,049)

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. Supportive Housing LLC also functions as the general partner in some of the limited partnerships that own properties to be developed as affordable housing.

Since fiscal year 2012, Supportive Housing LLC acquired the limited partner interests (99% to 99.99%) in 13 limited partnerships:

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.
Sonya Gardens, L.P.
Brandon Apartments, L.P.
California Hotel 1140, L.P.
Fox Normandie Apartments, L.P.
Maryland Apartments, L.P.,
V. Nueva, L.P.

Except for Figueroa Court Apartments, LP, ACOF holds the remaining percentage of interest (0.01% to 1%) in the partnerships.

In October 2014, the partners (ACOF and Supportive Housing LLC) of 235 Berendo, L.P. sold the assets and liabilities of the partnership to Berendos, L.P. ACOF is the general partner and holds 1% interest in Berendos, L.P.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

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

- A Community of Friends
- Supportive Housing LLC, which controls the following:
  - Parker Hotel, L.P. (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)
  - California Hotel 1140, L.P. (September 2017)
  - Brandon Apartments, L.P. (December 2017)
  - Fox Normandie Apartments, L.P. (December 2017)
  - Maryland Apartments, L.P. (December 2017)
  - V. Nueva, L.P. (December 2017)

There are additional 33 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.

Unrestricted - Contributions and allocations, the uses of which are not restricted by donors or grantors, are recorded in unrestricted net assets.

Temporarily Restricted - Contributions and allocations, the uses of which are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Company pursuant to those stipulations, are recorded as temporarily restricted net assets. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying statements of activities. Temporarily restricted net assets at June 30, 2018, amounted to $46,475.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Permanently Restricted - Permanently restricted net assets are restricted by donors to be maintained in perpetuity but permit the Company to expend some of the income (or other economic benefits) derived from the donated assets for specific purposes. At June 30, 2018, permanently restricted net assets amounted to $119,000.

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.

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 $54,485 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.

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.

Contracts and Contracts Receivable

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contracts and Contracts Receivable (continued)

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

Property and Equipment

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

Real Estate in Development

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

Investment in Limited Partnerships

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

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018, interest capitalized in real estate in development amounted to $14,962.

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.

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, 2018 the Company had no unrecognized tax benefits or tax penalties or interest.

ACOF and Supportive Housing LLC's federal and state income tax returns for 2014 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, 2018, the Company has developer fees receivable from various limited partnerships amounting to $7,626,946. 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, 2018, the Company has recognized a reserve on the developer fees receivable from these various limited partnerships amounting to $809,578 (See Note 8).

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 $1,412,803 at June 30, 2018 (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, 2018, 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, 2018, cash and cash equivalents are for uses as follows:

A Community of Friends and Subsidiary		$	3,782,411
Rental Properties' Operations			760,505
	Total	$	4,542,916

NOTE 5 RENTAL PROPERTIES AND SUBSIDIARY RESERVES

At June 30, 2018, rental properties and subsidiary reserves total $5,908,858 and consisted of the following:

Property	Replacement Reserve	Operating Reserve	Other Reserves
Central Court Apartments	$ 51,535	$ 47,427	$ 4,013
Selby Hotel	136,870	65,403	13,099
Step Out Apartments	95,523	143,365	-
Orbison House	6,419	16,099	4,058
39 West Apartments, L.P.	248,137	359,680	11,667
836 Fedora, L.P.	93,742	298,916	5,333
Brandon Apartments, L.P.	78,195	144,520	14,184
California Hotel 1140, L.P.	188,509	522,684	6,137
Figueroa Court Apartments, L.P	254,998	212,934	14,120
Fox Normandie Apartments, L.P.	114,958	226,950	11,247
Gower Street Apartments, L.P.	199,762	376,985	11,985
Las Palomas Hotel, L.P.	75,194	241,682	10,938
Maryland Apartments, L.P.	58,351	108,053	5,574
Parker Hotel, L.P.	197,963	154,989	12,899
Sonya Gardens, L.P.	187,800	152,832	13,417
V. Nueva, L.P.	136,926	557,126	15,660
	$ 2,124,882	$ 3,629,645	$ 154,331

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, 2018, partnership receivables consisted of the following:

Accrued partnership management fees		$ 2,437,173
Accrued administrative fees		43,750
	Total	2,480,923
Less current portion		71,943
Long-term		$ 2,408,980

NOTE 7 PROJECT RECEIVABLES

At June 30, 2018, project receivables consisted of the following:

In operation:		
Berendos, L.P.	$	162,397
Calvert Street Apartments, L.P.		33,305
Gateways Housing, L.P.		30,701
Santos Plaza, L.P.		360,053
In predevelopment and construction:		
Huntington Square, L.P.		622,373
Miramonte PSH, L.P.		21,795
Redlands Supportive Housing, L.P.		283,068
Riverside Supportive Housing, L.P.		162,593
Sun Valley Housing, L.P.		310,357
Total		1,986,642
Less current portion		1,237,592
Long-term	$	749,050

NOTE 8 DEVELOPER FEES RECEIVABLE

At June 30, 2018, developer fees receivable, which included deferred developer fees, consisted of the following:

In operation in 2018:		
Avalon Apartments, L.P.	$	1,212,749
Berendos, L.P.		204,958
Beverly PSH, L.P		1,123,818
Cedar Springs, L.P.		438,970
Jackson Aisle Apartments, L.P.		2,474
ND Sepulveda I, L.P.		73,150
Osborne Place, L.P.		661,289
Santos Plaza, L.P.		125,890
Vendome Palms, L.P.		467,500
Vista Del Rio Housing Partners, L.P.		48,565
3101 West Venice, L.P		728,590
West Villas, L.P		545,033
Woodland Terrace, L.P.		726,860
In construction in 2018:		
Fullerton Supportive Housing, L.P.		1,267,100
Total		7,626,946
Less allowance for uncollectible receivables		809,578
Less current portion		1,425,594
Long-term	$	5,391,774

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, 2018, investment in limited partnerships consisted of the following:

In construction/predevelopment:		
3101 West Venice, L.P.	$	39,955
Fullerton Supportive Housing, L.P.		152,856
Huntington Square, L.P.		(2,400)
Miramonte PSH L.P.		(800)
Redlands Supportive Housing, L.P.		(1,212)
Riverside Supportive Housing, L.P.		(2,400)
Sun Valley Housing, L.P.		(1,672)
West Villas, L.P.		(58)
In operation:		
AMCAL Avenida Fund, L.P.		(91)
Amistad Apartments, L.P.		(2,148)
Avalon Apartments, L.P.		(233)
Berendos, L.P.		1,794
Beverly PSH, L.P.		893
Calvert Street Apartments, L.P.		(248)
Camino de las Flores, L.P.		(207)
Cedar Springs, L.P.		(24)
Figueroa Court Partners		(23,675)
Gateways Housing, L.P.		91,393
Jackson Aisle Apartments, L.P.		(81)
La Primavera Apartments, L.P.		(135)
ND Sepulveda I, L.P.		250
ND Sepulveda II, L.P.		285
Osborne Place, L.P.		(4,381)
Rayen Apartments, L.P.		92,004
Santos Plaza, L.P.		4,567
Step Up On Fifth, L.P.		13,042
The Villas at Gower, L.P.		23,586
Tyrol Plaza, L.P.		6,611
Vendome Palms, L.P.		257,376
Vista Del Rio Housing Partners, L.P.		3,071,958
Willis Avenue Apartments, L.P.		(205)
Willowbrook Place, L.P.		90
Woodland Terrace, L.P.		(565)
Total	$	3,716,125

At June 30, 2018, the above is summarized in the financial statements as follows:

Investment in limited partnerships (assets)	$	3,756,660
Deficiency in partnership investments (liability)		(40,535)
	$	3,716,125

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, 2017:

	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.	$ 17,054,068	3,647,143	1,152,993	$ 183,998	(676,819)	(44)
AMCAL Avenida Fund, L.P.	10,506,280	7,041,474	2,810,950	357,050	(685,046)	(18)
Amistad Apartments, L.P.	4,802,236	3,378,979	452,109	493,082	(795,092)	(33)
Avalon Apartments, L.P.	18,941,384	9,361,042	8,040,816	848,484	(1,805,324)	(72)
Berendos, L.P.	14,636,960	8,157,487	2,901,902	729,920	(1,179,381)	(45)
Beverly PSH, L.P.	20,629,338	14,533,168	1,972,289	-	(800)	-
Calvert Street Apartments, L.P.	3,588,729	537,329	(147,472)	266,468	(523,179)	(183,954)
Camino de las Flores, L.P.	6,859,589	6,613,919	(55,468)	348,047	(723,994)	(19)
Cedar Springs, L.P.	19,185,993	-	8,989,499	516,315	(1,719,370)	(48)
Figueroa Court Partners	(118,501)	169	(118,501)	-	-	(2,597)
Fullerton Supportive Housing, L.P.	10,743,295	7,038,082	1,933,256	-	(800)	-
Gateways Housing, L.P.	3,211,796	1,010,172	1,035,411	232,827	(457,702)	(14)
Huntington Square, L.P.	2,628,800	2,566,781	(2,400)	-	(800)	(800)
Jackson Aisle Apartments, L.P.	2,855,816	1,529,086	(162,696)	305,330	(510,355)	(17)
La Primavera Apartments, L.P.	3,739,223	1,517,782	1,479,355	346,706	(472,775)	(9)
Miramonte PSH, L.P.	2,101,082	2,098,126	(800)	-	(800)	(800)
ND Sepulveda I, L.P.	21,724,865	8,799,884	12,424,728	1,295,012	(1,719,492)	(23)
ND Sepulveda II, L.P.	19,395,607	7,912,912	11,117,971	1,411,379	(1,610,318)	(10)
Osborne Place, L.P.	19,522,441	10,073,950	7,912,549	873,466	(1,639,016)	(70)
Rayen Apartments, L.P.	10,271,335	6,345,257	3,825,349	712,987	(1,463,559)	(75)
Redlands Supportive Housing, L.P.	2,269,925	2,270,650	(2,400)	-	(800)	(404)
Riverside Supportive Housing, L.P.	2,240,756	2,240,756	(2,400)	-	(800)	(800)
Santos Plaza, L.P.	3,958,090	3,146,629	(509,389)	359,702	(719,433)	(128,783)
Step Up On Fifth, L.P.	14,148,679	13,004,725	(867,196)	452,873	(1,381,100)	(50)
Sun Valley Housing, L.P.	2,313,315	2,313,315	(1,672)	-	(800)	(800)
The Villas at Gower, L.P.	26,143,706	15,382,890	8,769,234	876,802	(1,668,881)	(34)
Tyrol Plaza, L.P.	6,564,390	1,604,918	4,235,829	864,088	(993,694)	(6)
Vendome Palms, L.P.	12,128,489	10,605,642	839,833	298,759	(759,024)	(47)
Vista Del Rio Housing Partners, L.P.	11,648,050	2,818,168	7,571,292	411,856	(789,982)	(14)
West Villas, L.P.	19,327,052	18,441,325	795,330	352,737	(1,131,128)	(11,303)
Willis Avenue Apartments, L.P.	13,564,233	8,294,368	5,206,753	544,492	(1,106,613)	(56)
Willowbrook Place, L.P.	5,235,560	3,692,691	677,333	578,657	(758,359)	(12)
Woodland Terrace, L.P.	8,154,322	6,745,734	(286,815)	594,359	(1,053,666)	(15,866)
	$ 339,976,903	$ 192,724,553	$ 91,987,572	$ 14,255,396	$ (26,348,902)	$ (346,823)

NOTE 10 BUSINESS COMBINATIONS

During the year 2018, the limited partners of Brandon Apartments, L.P., California Hotel 1140, L.P., Fox Normandie Apartments, L.P., Maryland Apartments, L.P., and V. Nueva, L.P. withdrew their partnership interests from the limited partnerships and assigned their interests to Supportive Housing LLC.

Management treated the transfer as a business combination achieved without transfer of consideration. Since the business combination involved an acquisition of affordable housing with long-term restrictions on affordability and use, there was no readily available market information with similar terms and restrictions. Thus, all identifiable assets acquired and liabilities assumed were measured at the acquisition-date carrying value. The acquisition resulted in net excess of liabilities assumed over assets acquired in the amount of $747,309 and is shown in the accompanying consolidated statement of activities.

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

	Brandon Apartments, L.P.	California Hotel 1140, L.P	Fox Normandie Apartments, L.P.
Acquisition date	December 31, 2017	September 30, 2017	December 31, 2017
Cash	$ 55,361	$ 15,492	$ 28,188
Accounts receivable	13,037	7,334	4,045
Prepaid expenses	6,351	-	6,258
Restricted deposits and funded reserves	228,201	702,810	344,397
Rental property	2,642,150	1,308,484	2,013,399
Subtotal	2,945,100	2,034,120	2,396,287
Mortgage and interest payable	2,951,081	2,808,909	1,684,666
Other liabilities	51,249	15,564	165,491
Subtotal	3,002,330	2,824,473	1,850,157
Net assets	(57,230)	(790,353)	546,130
A Community of Friends' existing interest	1,698	34,827	4,515
Excess of assets acquired over liabilities assumed	$ -	$ -	$ 541,615
Excess of liabiliites assumed over assets acquired	$ (58,928)	$ (825,180)	$ -
Limited partnerships' interest assumed by Supportive Housing, LLC	99.99%	99%	99.90%

NOTE 10 BUSINESS COMBINATIONS (CONTINUED)

		Maryland Apartments, L.P.		V. Nueva L.P
Acquisition date		December 31, 2017		December 31, 2017
Cash	$	26,086	$	16,088
Accounts receivable		7,273		4,691
Prepaid expenses		2,712		17,815
Restricted deposits and funded reserves		165,162		694,492
Rental property		1,409,091		2,351,062
Subtotal		1,610,324		3,084,148
Mortgage and interest payable		1,716,322		3,005,118
Other liabilities		273,155		98,688
Subtotal		1,989,477		3,103,806
Net assets		(379,153)		(19,658)
A Community of Friends' existing interest		1,504		4,501
Excess of assets acquired over liabilities assumed	$	-	$	-
Excess of liabiliites assumed over assets acquired	$	(380,657)	$	(24,159)
Limited partnerships' interest assumed by Supportive Housing, LLC		99.99%		99.90%

From the dates of acquisition through June 30, 2018, the Company’s share in net loss of the limited partnerships are:

		Brandon Apartments, L.P.		California Hotel 1140, L.P		Fox Normandie Apartments, L.P.		Maryland Apartments, L.P.		V. Nueva L.P
Net income (loss)	$	(89,791)	$	(110,901)	$	13,045	$	(92,194)	$	(51,699)

NOTE 11 REAL ESTATE IN DEVELOPMENT

At June 30, 2018, real estate in development consisted of:

Land		$	86,640
Buildings			526,801
	Total	$	613,441

NOTE 12 PROPERTY AND EQUIPMENT

At June 30, 2018, property and equipment consisted of the following:

Land, buildings, and improvements		$	50,258,510
Furniture and equipment			2,059,880
			52,318,390
Less accumulated depreciation and amortization			30,978,413
	Total	$	21,339,977

For the year ended June 30, 2018, provision for depreciation and amortization amounted to $1,343,106.

NOTE 13 NOTES, ADVANCES, AND INTEREST RECEIVABLE

At June 30, 2018, notes, advances, and interest receivable consisted of the following:

	Interest Receivable	Principal
Note receivable from Calvert Street Apartments, L.P. represents proceeds from notes payable to Los Angeles Housing and Community Investment Department (HCID) and was loaned directly to the limited partnership with the same terms as the notes payable (see Note 14). Interest accrues at 5% annually on the outstanding principal balance and will mature in July 2041.	$ 1,117,993	$ 1,440,450

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

	Interest Receivable	Principal
As discussed in Note 3, the funding for the following notes receivable originated from grant funds. All these notes are secured by deeds of trust on real property located in Los Angeles, California. The notes are:		
Notes receivable from The Villas at Gower, L.P., with interest at 0% and matures in 2065. The note was funded by the California Department of Housing and Community Development's Infill Infrastructure Grant Program. (See note 3)	$ -	$ 1,810,000
Notes receivable from Amistad Apartments, L.P., interest accrues at 5.6% per annum and matures in December 2033.	349,067	400,000
Notes receivable from Calvert Street Apartments, L.P., interest accrues at 5.46% per annum and matures in December 2032.	284,283	400,000
Notes receivable from La Primavera Apartments, L.P., interest accrues at 4.92% per annum and matures in December 2032.	316,520	400,000
Notes receivable from Willowbrook Place, L.P., interest accrues at 5.0% per annum and matures in October 2060.	234,707	400,000
Notes receivable from Woodland Terrace, L.P., interest accrues at 5.0% per annum and matures in December 2060.	228,226	400,000
Notes receivable from Santos Plaza, L.P., interest is at 0% and matures in 2034.	-	400,000
Notes receivable from Osborne Place, L.P., interest is at 0% and matures in 2068. The note proceeds from a grant received from Los Angeles Homeless Services Authority.	-	400,000

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

	Interest Receivable	Principal
Notes receivable from Berendos, L.P., interest accrues at 0% per annum and matures in October 2071. Payments shall be made annually based on net cash flow the previous year and any unpaid principal shall be due in full on maturity date.	$ -	$ 961,784
Notes receivable from 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 Home Loan Bank Affordable Housing Program received through Citibank, NA, and loaned directly to 3101 West Venice, L.P; bears 4% interest rate per annum and secured by Deed of Trust. Principal and accrued interest is payable in full on certain Repayment Events described in the Promissory Note or December 1, 2070, whichever is earlier.	33,527	470,000
Total	2,564,323	7,507,234
Less: allowance for uncollectible notes and interest receivable	1,834,295	2,763,660
Net notes, advances and interest receivable	$ 730,028	$ 4,743,574

NOTE 14 NOTES AND INTEREST PAYABLE

At June 30, 2018, 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	$ 561,013	$ 1,497,333
Las Palomas Hotel, L.P., due in June 2051	2,197,504	2,100,081
V. Nueva, L.P., due August 2040	1,188,676	1,599,182
Calvert Street Apartments., due July 2041	1,117,993	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	274,046	345,000
Selby property, due in July 2031	584,340	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	208,284	204,000
Selby property, due in July 2021	326,421	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.	204,186	516,851
Note payable to Housing Authority of the County of Los Angeles (HACOLA). 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.	488,498	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.	77,670	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 the acquisition of Central Court Apartments and partially finance the rehabilitation and permanent costs. The loans are non-interest bearing and annual principal payments are made exclusively from residual receipts (as defined in the loan agreement) derived from the project at the financed property. The notes are collateralized by a deed of trust on the Central Court property. Both notes mature in February 2059.	-	725,808
Note payable to HCD for affordable housing related to Central Court Apartments. Interest accrues at 3% per annum and is payable at 0.42% of the principal on an annual basis. The note is collateralized by a deed of trust on the property and matures on the 55th anniversary of the date of recordation (September 2062) of the Regulatory Agreement or such later date as may be approved in writing by HCD.	168,750	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; interest is payable quarterly basis and the principal is due at maturity. The note matured in October 2018.	-	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
Draws 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 and secured by Assignment of Developer Fees executed by ACOF. The line of credit will expire on October 31, 2021. (see note 15)		
Riverside Supportive Housing, L.P.	-	111,794
Huntington Square, L.P.	-	301,214
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 a deed of trust.	-	470,000

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
Note payable to California Community Foundation bearing 5% annual interest rate, compounding and payable monthly. Principal balance is payable in December 2018.	$ -	$ 500,000
Draws from $3 million line of credit maintained with Community Housing Capital, Inc., for predevelopment purposes, bearing annual fixed interest rate of 6%, payable monthly. The loan is collateralized by a deed of trust on certain real estate property and was paid-off in September 2018. (See note 15)	-	330,279
Parker Hotel, L.P. Note payable to the City of Los Angeles at 5% interest per annum. Principal and interest are due in annual payments made exclusively from residual receipts (as defined in the loan agreement) derived from the project. The note matures in March 2035 and is collateralized by a deed of trust.	1,757,671	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, 2018, no interest was accrued because the current market value of the property is lower than the loan balance.	-	1,968,068

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
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.	$ 879,573	$ 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 a deed of trust and matures on April 3, 2040. Annual payments to the loan is from residual receipts.	676,410	759,000
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 a 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 a deed of trust.	1,817	220,543

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

		Interest Payable		Principal
Sonya Gardens, L.P. (continued) 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 a deed of trust and matures in December 2055.	$	10,410	$	641,174
Note payable to 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 a deed of trust.		437,765		525,000
Brandon Apartments, L.P. Note payable to HACOLA for the construction of affordable housing, bearing annual interest rate of 3%. Principal and interest are due in annual payments from residual receipts as defined in the loan agreement. The note is secured by a deed of trust and matures in November 2031.		807,705		1,799,978
Non-interest bearing note payable to California Housing Finance Agency (CalHFA). Monthly intallment of $913 is forgiven if the Partnership complies with note requirements until maturity date in January 2058. The note is collateralized by a deed of trust.		-		37,433

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
Brandon Apartments, L.P. (continued)		
Note payable to Bank of America for the construction of affordable housing. If Partnership complies with the note agreement, interest and principal shall be due not later than maturity date in September 2041. Principal and interest are due monthly in arrears. The note is collateralized by a deed of trust.	$ -	$ 320,000
California Hotel 1140, L.P. Note payable to HCID bearing simple interest rate of 5% per annum. Principal and interest are due annually from residual receipts as described in the note agreement. The note is collateralized by a deed of trust and matures in October 2039.	972,153	1,161,626
Fox Normandie Apartments, L.P. Note payable to LAHSA for construction of housing, bearing interest rate of 3% per annum. Principal and interest are due annually from residual receipts as defined in the loan agreement. The note is collateralized by a deed of trust and matures on September 3, 2018.	527,891	906,630
Non-interest bearing note payable to Citibank, collateralized by a deed of trust. The note does not require principal payments until maturity on June 11, 2031.	-	263,744
Maryland Apartments, L.P. Note payable to HACOLA for construction of affordable housing, bearing interest rate of 3% per annum. Principal and interest are due in annual payments from residual receipts as described in the loan agreement. The note matures on March 15, 2031 and HACOLA is the first trust deed holder.	506,900	1,045,500

NOTE 14 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
V. Nueva, L.P.		
Non-interest bearing note payable to Bank of America Community Development. Management anticipates that the note will be forgiven in 2018. The note is collateralized by a second deed of trust.	$ -	$ 165,000
Total	13,975,676	28,561,574
Less current portion	-	3,728,348
Long-term portion	13,975,676	24,833,226
Less unamortized loan fees	-	23,495
Notes payable long-term, net	$ 13,975,676	$ 24,809,731

Future maturities of interest and notes payable at June 30, 2018 were as follows:

Year ending June 30,	Amount
2019	$ 3,728,348
2020	697,808
2021	18,966
2022	433,207
2023	21,512
Thereafter	37,637,409
Total	$ 42,537,250

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 agreements. The lines are subject to simple interest ranging from 6% to 7%, secured on certain properties of ACOF. One credit line for $3 million expired August 2018 and the other $1 million line expires in October 2021. As of June 30, 2018, outstanding draws from the lines of credit amounted to $743,287 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	$	1,676,944
Los Angeles County Department of Mental Health		54,222
Others		126,317
Total	$	1,857,483

During the fiscal year, ACOF received from NeighborWorks America unrestricted grants amounting to $310,077 and were recorded as foundation grants in the Consolidated Statement of Activities.

NOTE 17 TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2018, temporarily restricted net assets are available for the following purpose or period:

Tenant services	$	2,000
July 1, 2018 to June 30, 2019		44,475
Total	$	46,475

NOTE 18 PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2018, permanently restricted net assets consist of Capital Grant Funds of $119,000 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
2019	$	215,443
2020		221,088
2021		226,732
2022		192,860
Total	$	856,123

For the year ended June 30, 2018, rent expense charged to operations amounted to $240,941.

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, 2018, ACOF was contingently liable for approximately $1,986,701 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, 2018.

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 $21,383,781 at June 30, 2018. 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, 2018.

Partnership and property management fees	$	890,617
Developer fees		382,726
Administrative fees		103,503
Total fees earned from partnerships	$	1,376,846

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.

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, 2018, ACOF earned property management fees under this agreement in the amount of $241,721.

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, 2018, ACOF's contributions to the plan amounted to $200,336.

NOTE 22 SUBSEQUENT EVENTS

The Company has evaluated events or transactions that occurred subsequent to June 30, 2018 through November 27, 2018, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined that no 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, 2018

	Program Services							
	Supportive Housing	Real Estate Activities	Property Management	Rental	Total	Fund Development	Administrative Services	Total
Personnel expenses								
Salaries	$ 1,555,327	$ 748,184	$ 452,270	$ 28,947	$ 2,784,728	$ 169,124	$ 1,032,433	$ 3,986,285
Payroll taxes	118,374	65,354	31,348	2,346	217,422	15,327	86,240	318,989
Employee benefits	291,619	79,702	48,691	11,329	431,341	18,614	148,319	598,274
Total personnel expenses	1,965,320	893,240	532,309	42,622	3,433,491	203,065	1,266,992	4,903,548
Other expenses								
Advertising	3,241	13,505	4,204	-	20,950	1,839	1,148	23,937
Auditing and accounting	23,308	6,979	12,055	5,000	47,342	1,904	8,248	57,494
Auto expense	17,602	4,895	3,818	-	26,315	946	3,995	31,256
Bad debts	-	197,511	-	27,192	224,703	-	-	224,703
Consulting	-	604,795	-	-	604,795	3,000	-	607,795
Contractual-supportive services	269,366	-	-	-	269,366	-	-	269,366
Donated supplies	105,727	-	-	-	105,727	-	-	105,727
Dues, fees and subscriptions	473	1,068	362	2,294	4,197	4,512	36,527	45,236
Equipment leases	3,655	4,448	1,594	-	9,697	564	3,315	13,576
Fundraising	-	-	-	-	-	71,245	-	71,245
Interest	-	260,661	-	121,725	382,386	-	-	382,386
Legal fees	-	572	-	15,458	16,030	-	-	16,030
Liability insurance	527	4,540	3,392	28,761	37,220	1,053	33,901	72,174
Marketing	-	-	-	-	-	7,411	-	7,411
Meals	2,741	1,041	1,898	-	5,680	-	18,141	23,821
Miscellaneous	1,031	521	10,580	-	12,132	2,335	14,785	29,252
Office expenses	60,616	20,753	12,387	5,807	99,563	4,186	66,992	170,741
Postage and printing	865	3,656	994	-	5,515	1,135	2,985	9,635
Property maintenance and repairs	-	-	-	121,166	121,166	-	290	121,456
Rent and parking	6,324	64,832	55,514	-	126,670	15,410	98,861	240,941
Resident programs	259,516	-	-	-	259,516	-	15,597	275,113
Security	-	-	-	29,757	29,757	-	-	29,757
Seminars and training	1,705	3,355	1,337	-	6,397	-	7,467	13,864
Taxes and licenses	95	1,071	641	9,655	11,462	237	1,099	12,798
Telephone	8,617	19,108	7,374	9,857	44,956	3,670	18,178	66,804
Travel	6,783	6,000	-	-	12,783	487	4,368	17,638
Utilities	-	-	-	46,246	46,246	-	-	46,246
Worker's compensation insurance	26,018	10,578	15,222	3,930	55,748	2,845	15,913	74,506
Total expenses before depreciation	2,763,530	2,123,129	663,681	469,470	6,019,810	325,844	1,618,802	7,964,456
Depreciation and amortization	1,666	18,320	8,327	210,383	238,696	4,996	24,982	268,674
Total - A Community of Friends	2,765,196	2,141,449	672,008	679,853	6,258,506	330,840	1,643,784	8,233,130
Expenses - Subsidiaries								
Rental operations	-	-	-	4,695,850	4,695,850	-	-	4,695,850
Total functional expenses	$ 2,765,196	$ 2,141,449	$ 672,008	$ 5,375,703	$ 10,954,356	$ 330,840	$ 1,643,784	$ 12,928,980

See report of independent auditors.

A Community of Friends and Subsidiary
Consolidating Schedule of Financial Position
June 30, 2018

		Supportive Housing LLC													
	A Community of Friends	39 West Apartments, L.P.	836 Fedora, L.P.	Brandon Apartments, L.P.	California Hotel 1140, L.P.	Figueroa Court Apartments, L.P.	Fox Normandie Apartments, L.P.	Gower Street Apartments, L.P.	Las Palomas Hotel, L.P.	Maryland Apartments, L.P.	Parker Hotel, L.P.	Sonya Gardens, L.P.	V. Nueva, L.P.	Eliminations	Consolidated
ASSETS															
Current assets															
Cash and cash equivalents	$ 4,013,072	$ 46,637	$ 4,182	$ 97,702	$ 44,889	$ 2,429	$ 92,984	$ 106,602	$ 2,754	$ 6,962	$ 29,802	$ 39,576	$ 55,325	$ -	$ 4,542,916
Rental properties reserves	583,811	619,484	397,991	236,899	717,330	482,052	353,155	588,732	327,814	171,978	365,851	354,049	709,712	-	5,908,858
Project receivables - current portion	1,237,592	-	-	-	-	-	-	-	-	-	-	-	-	-	1,237,592
Partnership receivables - current portion	98,498	-	-	-	-	-	-	-	-	-	-	-	-	(26,555)	71,943
Developer fees receivable - current portion, net	1,425,594	-	-	-	-	-	-	-	-	-	-	-	-	-	1,425,594
Contracts receivable	780,198	-	-	-	-	-	-	-	-	-	-	-	-	-	780,198
Other receivables	3,565	3,379	4,820	9,294	3,247	2,866	1,871	6,724	85,887	9,236	2,476	54,462	4,578	-	192,405
Prepaid expenses and deposits	85,701	2,472	1,933	3,614	3,037	4,144	4,696	4,833	4,018	2,514	1,994	4,780	4,208	-	127,944
Total current assets	8,228,031	671,972	408,926	347,509	768,503	491,491	452,706	706,891	420,473	190,690	400,123	452,867	773,823	(26,555)	14,287,450
Long-term project receivables	749,050	-	-	-	-	-	-	-	-	-	-	-	-	-	749,050
Long-term partnership receivables	3,304,749	-	-	-	-	-	-	-	-	-	-	-	-	(895,769)	2,408,980
Long-term developer fees receivables, net	5,391,774	-	-	-	-	-	-	-	-	-	-	-	-	-	5,391,774
Notes, advances, and interest receivable, net	16,803,537	-	-	-	-	-	-	-	-	-	-	-	-	(11,329,935)	5,473,602
Investment in limited partnerships	5,686,874	-	-	-	-	-	-	-	-	-	-	-	-	(1,930,214)	3,756,660
Real estate in development	613,441	-	-	-	-	-	-	-	-	-	-	-	-	-	613,441
Property and equipment, net	3,009,781	1,526,130	725,022	2,547,722	1,218,225	1,970,304	1,947,897	1,360,018	1,462,255	1,351,152	673,056	2,416,748	2,274,829	(1,143,162)	21,339,977
Other long-term assets	-	-	-	4,423	-	-	-	-	960	500	823	-		-	6,706
Total assets	$ 43,787,237	$ 2,198,102	$ 1,133,948	$ 2,899,654	$ 1,986,728	$ 2,461,795	$ 2,400,603	$ 2,066,909	$ 1,883,688	$ 1,542,342	$ 1,074,002	$ 2,869,615	$ 3,048,652	$ (15,325,635)	$ 54,027,640
LIABILITIES AND NET ASSETS															
Current liabilities															
Accounts payable and accrued expenses	$ 1,147,695	$ 20,666	$ 44,067	$ 64,365	$ 23,003	$ 62,105	$ 95,387	$ 225,830	$ 420,956	$ 272,031	$ 9,216	$ 21,818	$ 61,298	$ (922,324)	$ 1,546,113
Current portion of notes and interest payable	2,112,106	-	-	-	-	-	1,434,521	-	-	-	-	16,721	165,000	-	3,728,348
Other liabitilities	58,600	12,981	4,977	17,194	10,043	11,824	17,776	12,739	27,147	11,884	14,342	13,748	15,041	-	228,296
Total current liabilities	3,318,401	33,647	49,044	81,559	33,046	73,929	1,547,684	238,569	448,103	283,915	23,558	52,287	241,339	(922,324)	5,502,757
Deficiency in partnership investments	8,690,612	-	-	-	-	-	-	-	-	-	-	-	-	(8,650,077)	40,535
Notes and interest payable, net of current portion	20,887,486	2,118,851	1,435,410	2,965,116	2,854,936	3,504,717	293,744	1,968,068	4,297,369	1,729,774	3,362,838	1,818,363	2,878,670	(11,329,935)	38,785,407
Total liabilities	32,896,499	2,152,498	1,484,454	3,046,675	2,887,982	3,578,646	1,841,428	2,206,637	4,745,472	2,013,689	3,386,396	1,870,650	3,120,009	(20,902,336)	44,328,699
Net assets															
Unrestricted	10,725,263	45,604	(350,506)	(147,021)	(901,254)	(1,116,851)	559,175	(139,728)	(2,861,784)	(471,347)	(2,312,394)	998,965	(71,357)	5,576,701	9,533,466
Temporarily restricted	46,475	-	-	-	-	-	-	-	-	-	-	-	-	-	46,475
Permanently restricted	119,000	-	-	-	-	-	-	-	-	-	-	-	-	-	119,000
Total net assets	10,890,738	45,604	(350,506)	(147,021)	(901,254)	(1,116,851)	559,175	(139,728)	(2,861,784)	(471,347)	(2,312,394)	998,965	(71,357)	5,576,701	9,698,941
Total liabilities and net assets	$ 43,787,237	$ 2,198,102	$ 1,133,948	$ 2,899,654	$ 1,986,728	$ 2,461,795	$ 2,400,603	$ 2,066,909	$ 1,883,688	$ 1,542,342	$ 1,074,002	$ 2,869,615	$ 3,048,652	$ (15,325,635)	$ 54,027,640

See report of independent auditors.

A Community of Friends and Subsidiary
Consolidating Schedule of Activities
Year ended June 30, 2018

		Supportive Housing LLC														
	A Community of Friends	39 West Apartments, L.P.	836 Fedora, L.P.	Brandon Apartments, L.P.	California Hotel 1140, L.P.	Figueroa Court Apartments, L.P.	Fox Normandie Apartments, L.P.	Gower Street Apartments, L.P.	Las Palomas Hotel, L.P.	Maryland Apartments, L.P.	Parker Hotel, L.P.	Sonya Gardens, L.P.	V. Nueva, L.P.	Eliminations	Consolidated
Revenue and support															
Government grants and contracts	$ 1,857,483	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,857,483
Foundation grants	3,921,883	-	-	-	-	-	-	-	-	-	-	-	-	-	3,921,883
Developer fees	382,726	-	-	-	-	-	-	-	-	-	-	-	-	-	382,726
Partnership and property management fees	1,229,170	-	-	-	-	-	-	-	-	-	-	-	-	(338,553)	890,617
Rental income	497,752	398,133	212,842	208,496	247,209	383,596	235,889	536,833	510,899	114,693	241,477	741,131	251,873	-	4,580,823
Administrative fees	103,503	-	-	-	-	-	-	-	-	-	-	-	-	-	103,503
Interest income from loans	385,489	-	-	-	-	-	-	-	-	-	-	-	-	(217,785)	167,704
Other interest income	74,642	-	-	-	-	-	-	-	-	-	-	-	-	-	74,642
Fundraising	242,304	-	-	-	-	-	-	-	-	-	-	-	-	-	242,304
In-kind donations	105,727	-	-	-	-	-	-	-	-	-	-	-	-	-	105,727
Miscellaneous	123,168	-	-	-	-	-	-	-	-	-	-	-	-	-	123,168
Total revenue and support	8,923,847	398,133	212,842	208,496	247,209	383,596	235,889	536,833	510,899	114,693	241,477	741,131	251,873	(556,338)	12,450,580
Functional expenses															
Program services	6,258,506	443,540	282,052	298,287	358,110	482,036	222,844	645,241	876,411	206,887	342,699	695,210	303,572	(461,039)	10,954,356
Fund development	330,840	-	-	-	-	-	-	-	-	-	-	-	-	-	330,840
Administrative services	1,643,784	-	-	-	-	-	-	-	-	-	-	-	-	-	1,643,784
Total functional expenses	8,233,130	443,540	282,052	298,287	358,110	482,036	222,844	645,241	876,411	206,887	342,699	695,210	303,572	(461,039)	12,928,980
Change in net assets before income from of investment in partnership and excess of assumed liabilities over assets acquired	690,717	(45,407)	(69,210)	(89,791)	(110,901)	(98,440)	13,045	(108,408)	(365,512)	(92,194)	(101,222)	45,921	(51,699)	(95,299)	(478,400)
Excess of assumed liabilities over assets acquired	-	-	-	-	-	-	-	-	-	-	-	-	-	(747,309)	(747,309)
Gain/ (loss) from investment in partnerships	(1,853,422)	-	-	-	-	-	-	-	-	-	-	-	-	1,548,288	(305,134)
Change in net assets	(1,162,705)	(45,407)	(69,210)	(89,791)	(110,901)	(98,440)	13,045	(108,408)	(365,512)	(92,194)	(101,222)	45,921	(51,699)	705,680	(1,530,843)
Net assets, beginning of year	12,053,443	91,011	(281,296)	(57,230)	(790,353)	(1,018,411)	546,130	(31,320)	(2,496,272)	(379,153)	(2,211,172)	953,044	(19,658)	4,871,021	11,229,784
Net assets, end of year	$ 10,890,738	$ 45,604	$ (350,506)	$ (147,021)	$ (901,254)	$ (1,116,851)	$ 559,175	$ (139,728)	$ (2,861,784)	$ (471,347)	$ (2,312,394)	$ 998,965	$ (71,357)	$ 5,576,701	$ 9,698,941

See report of independent auditors.

ASSETS

Loans receivable from:			
Calvert Street Apartments, L.P.		$	25,000
Figueroa Court Apartments, L.P.			27,225
Fox Normandie Apartments, L.P.			45,000
	Total loans receivable		97,225
Building - Selby Hotel			21,775
	Total assets	$	119,000

NET ASSETS

Permanently restricted		$	119,000
	Total net assets	$	119,000

Revenue, gains, other support and release of capital:

Capital Grant - NeighborWorks America, beginning of year	$	209,000
Additions		310,946
Released		(400,946)
Net assets, end of year	$	119,000

See report of independent auditors.

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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, 2018, 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 27, 2018.

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

Glendale, California
November 27, 2018

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