A Community of Friends and Subsidiary
Consolidated Financial Statements
and Supplementary Information
As of and for the Year Ended June 30, 2019
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

NeighborWorks®
CHARTERED MEMBER

November 27, 2019

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, 2019. One limited partnership had the Investor Limited Partner exit during the fiscal year. Therefore, there is a total of 13 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 37 and 38.

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

Best regards,

Renae S. DeMent
Chief Financial Officer

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Report of Independent Auditors

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, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

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, 2019, 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.

Emphasis of Matter

Adoption of New Accounting Pronouncements
As discussed in Note 2 to the financial statements, the Company adopted new accounting standards which are, (a) FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, (b) FASB ASU 2016-15*, Statement of Cashflows: Classification of Certain Cash Receipts and Cash Payments,* and (c) FASB ASU 2016-*18 Statement of Cashflows: Restricted Cash*. Our opinion is not modified with respect to these matters.

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 37 through 40 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 12, 2019 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 12, 2019

ASSETS

Current assets		
Cash and cash equivalents	$	4,092,377
Certificates of deposit and other short-term investments		1,802,210
Rental properties reserves		6,500,381
Project receivables - current portion		653,423
Partnership receivables - current portion		359,797
Developer fees receivable - current portion, net		1,232,878
Contracts receivable		733,934
Other receivables		322,676
Prepaid expenses and deposits		105,507
Total current assets		15,803,183
Long-term project receivables		2,119,896
Long-term partnership receivables		2,117,193
Long-term developer fees receivables, net		4,193,024
Notes, advances, and interest receivable, net		3,001,922
Investment in limited partnerships		3,949,709
Real estate in development		772,762
Property and equipment, net		22,738,127
Other long-term assets		8,603
Total assets	$	54,704,419

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses	$	2,087,282
Current portion of notes and interest payable		1,711,129
Other liabilities		53,053
Total current liabilities		3,851,464
Deficiency in partnership investments		434,415
Notes and interest payable, net of current portion		41,012,974
Total liabilities		45,298,853
Net assets		
Without donor restrictions		9,201,397
With donor restrictions		204,169
Total net assets		9,405,566
Total liabilities and net assets	$	54,704,419

See notes to consolidated financial statements.

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Government grants and contracts	$ 2,533,446	$ -	$ 2,533,446
Foundation grants	780,905	190,000	970,905
Developer fees	1,867,738	-	1,867,738
Partnership and property management fees	1,064,226	-	1,064,226
Rental income	5,535,489	-	5,535,489
Administrative fees	105,550	-	105,550
Interest income from loans	189,144	-	189,144
Gain on forgiveness of debt	1,452,654		1,452,654
Other interest income	106,311	-	106,311
Fundraising	245,025	-	245,025
In-kind donations	98,989		98,989
Miscellaneous	78,125	-	78,125
Net assets released from restriction	151,306	(151,306)	-
Total revenue and support	14,208,908	38,694	14,247,602
Functional expenses			
Program services	12,173,163	-	12,173,163
Fund development	395,424	-	395,424
General and administration	1,753,223	-	1,753,223
Total functional expenses	14,321,810	-	14,321,810
Change in net assets before income from investment in partnerships and excess of assumed liabilities over assets acquired	(112,902)	38,694	(74,208)
Excess of assumed liabilities over assets acquired	(508,311)	-	(508,311)
Income from investment in partnerships	289,144	-	289,144
Change in net assets	(332,069)	38,694	(293,375)
Net assets, beginning of year	9,533,466	165,475	9,698,941
Net assets, end of year	$ 9,201,397	$ 204,169	$ 9,405,566

See notes to consolidated financial statements.

A Community of Friends and Subsidiary
Consolidated Statement of Functional Expenses
Year ended June 30, 2019

	Program Services							
	Supportive Services	Real Estate Activities	Property Management	Rental	Total	Fund Development	General and Administration	Total
Personnel expenses								
Salaries	$ 1,461,779	$ 709,365	$ 448,465	$ 22,340	$ 2,641,949	$ 230,134	$ 1,037,383	$ 3,909,466
Payroll taxes	120,395	64,264	37,092	912	222,663	19,626	92,300	334,589
Employee benefits	298,965	94,571	64,970	535	459,041	22,443	151,374	632,858
Total personnel expenses	1,881,139	868,200	550,527	23,787	3,323,653	272,203	1,281,057	4,876,913
Other expenses								
Advertising	2,706	24,810	841	-	28,357	289	11,923	40,569
Auditing and accounting	24,728	6,886	13,560	5,000	50,174	1,595	10,370	62,139
Auto expense	15,908	5,059	482	-	21,449	360	4,060	25,869
Bad debts	-	-	-	240,166	240,166	-	-	240,166
Cash match	746	-	-	-	746	-	-	746
Consulting	-	70,573	7,444	3,200	81,217	-	19,374	100,591
Contractual-supportive services	640,802	-	-	-	640,802	-	-	640,802
Donated supplies	98,989	-	-	-	98,989	-	-	98,989
Dues, fees and subscriptions	337	469	1,175	2,677	4,658	8,208	32,084	44,950
Equipment leases	7,346	4,661	1,505	-	13,512	669	4,349	18,530
Fundraising	-	-	-	-	-	62,971	-	62,971
Interest	-	291,423	-	121,680	413,103	-	-	413,103
Legal fees	-	158,515	-	-	158,515	-	6,390	164,905
Liability insurance	530	4,381	2,473	26,726	34,110	1,059	65,903	101,072
Marketing	-	-	-	-	0	13,269	-	13,269
Meals	2,399	2,108	636	-	5,143	805	26,495	32,443
Miscellaneous	400	1,218	2,569	-	4,187	1,378	13,310	18,875
Office expenses	65,744	13,920	7,668	7,586	94,918	5,592	58,320	158,830
Postage and printing	509	4,176	1,045	-	5,730	1,726	2,665	10,121
Property maintenance and repairs	-	-	-	95,100	95,100	-	-	95,100
Rent and parking	6,825	65,394	57,112	-	129,331	15,278	110,260	254,869
Resident programs	295,701	-	-	751	296,452	-	2,825	299,277
Security	-	-	-	32,199	32,199	-	-	32,199
Seminars and training	4,882	10,030	1,756	50	16,718	1,601	7,268	25,587
Taxes and licenses	67	499	299	8,949	9,814	133	865	10,812
Telephone	14,147	13,873	6,307	11,731	46,058	2,390	17,037	65,485
Temporary staff	-	-	24,306	33,060	57,366	-	45,406	102,772
Travel	1,278	1,486	377	-	3,141	-	6,322	9,463
Utilities	-	-	-	51,498	51,498	-	-	51,498
Worker's compensation insurance	20,262	9,691	15,423	720	46,096	2,978	13,312	62,386
Total expenses before depreciation	3,085,445	1,557,372	695,505	664,880	6,003,202	392,504	1,739,595	8,135,301
Depreciation and amortization	973	8,761	4,867	196,650	211,251	2,920	13,628	227,799
Total - A Community of Friends	3,086,418	1,566,133	700,372	861,530	6,214,453	395,424	1,753,223	8,363,100
Expenses - Subsidiaries								
Rental operations	-	-	-	5,958,710	5,958,710	-	-	5,958,710
Total functional expenses	$ 3,086,418	$ 1,566,133	$ 700,372	$ 6,820,240	$ 12,173,163	$ 395,424	$ 1,753,223	$ 14,321,810

See notes to consolidated financial statements.

Cash flows from operating activities		
Change in net assets	$	(293,375)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		1,701,465
Gain from investment in partnerships		(289,144)
Excess of assumed liabilities over assets acquired		508,311
Gain on forgiveness of debt		(1,452,654)
Bad debts		240,166
Decrease (Increase) in:		
Receivables		524,715
Prepaid expenses and deposits		22,437
Interest receivable		(339,046)
Other assets		(1,897)
Increase in:		
Accounts payable and accrued expenses		541,169
Accrued interest		586,379
Other liabilities		(175,243)
Net cash provided by operating activities		1,573,283
Cash flows from investing activities		
Purchases of property and equipment		(116,398)
Investment in limited partnerships		(171,280)
Real estate in development		(159,321)
Transfers to investment		(1,802,210)
Net cash used in investing activities		(2,249,209)
Cash flows from financing activities		
Proceeds from notes payable		1,788,494
Payments of notes payable		(971,584)
Net cash provided by financing activities		816,910
Change in cash and cash equivalents		140,984
Cash, cash equivalents and restricted cash, beginning of year		10,451,774
Cash, cash equivalents and restricted cash, end of year	$	10,592,758
Supplemental disclosure of cash flow information		
Interest paid	$	252,483
Supplemental disclosure of noncash investing and financing activity		
Net noncash net assets of limited partnerships acquired by Supportive Housing LLC	$	514,681

See notes to consolidated financial statements.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statement of cash flows.

Cash and cash equivalents	$	4,092,377
Restricted cash included in rental property reserves		6,500,381
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	$	10,592,758

See notes to consolidated financial statements.

NOTE 1 ORGANIZATION

A Community of Friends (ACOF) was organized in 1988 pursuant to the General Nonprofit Corporation laws of the State of California.

ACOF is an affordable housing developer that specializes in developing permanent supportive housing for formerly homeless individuals and families living with mental illness. After development, ACOF operates the housing and ensures the provision of supportive services to tenants. ACOF provides supportive services in approximately half of the buildings in its portfolio, and partners with community-based social service agencies to provide services in its remaining buildings.

ACOF functions as a general partner in most of the limited partnerships that own the buildings developed as affordable housing. As discussed further in Note 2, ACOF also directly owns and manages four affordable apartment buildings.

ACOF's income is derived from developer fees, rents, and partnership and property management 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.

Supportive Housing LLC acquired the limited partner interests (99% to 99.99%) in various limited partnerships. As of June 30, 2019, it has controlling interest in the following limited partnerships:

Parker Hotel, L.P.
Las Palomas Hotel, L.P.
Gower Street Apartments L.P.
39 West Apartments, L.P.
836 Fedora, L.P.
Figueroa Court Apartments, L.P.
Sonya Gardens, L.P.
Brandon Apartments, L.P.
California Hotel 1140, L.P.
Fox Normandie Apartments, L.P.
Maryland Apartments, L.P.,
V. Nueva, L.P.
Calvert Street Apartments, L.P.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of ACOF and investments in limited partnerships or limited liability companies in which ACOF has a controlling interest (collectively, the “Company”). All significant intercompany transactions have been eliminated 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)
  - Calvert Street Apartments, L.P. (March 2019)

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 10).

Basis of Presentation

The Company’s consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) which require the Company to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Company. These net assets may be used at the discretion of the Company’s management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Company or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of June 30, 2019, the Company’s net assets with donor restrictions amounted to $204,169.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities. Donor restricted contributions whose restrictions are met within the same reporting period as received are reported as contributions without donor restrictions in the accompanying consolidated financial statements

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

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

Developer Fee Income Recognition/Receivable
The Company receives developer fees in connection with overseeing construction projects from initial identification through purchase, construction and occupancy. Although development efforts begin prior to the purchase of property, the related developer fees are generally not determined until after limited partnerships are formed and project financing has been arranged.

In the aggregate, approximately 60% of the development effort is expended prior to obtaining project construction financing, and the remaining construction takes an average of 16 months thereafter. As a result, management established its income recognition policy for developer fees to recognize a total of 60% of the income upon closing of construction financing, and to recognize the remaining income ratably over the succeeding 16 months. Management establishes a reserve on developer fees receivables based on the limited partnerships' ability to generate sufficient future cash flows for payment.

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.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment
Property and equipment are stated at cost, less accumulated depreciation and amortization. The Company capitalizes all purchases of property and equipment with a cost of $1,000 or more. The provision for depreciation and amortization is computed using the straight-line method over the estimated useful lives as follows:

Buildings and improvements	27.5 to 40 years
Furniture and equipment	5 to 7 years

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 net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

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

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

Interest Capitalized
The Company follows the policy of capitalizing interest during predevelopment as a component of the cost of property constructed or as a project receivable from a related limited partnership. For the year ended June 30, 2019, there was no interest capitalized in real estate in development.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses
The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and administrative services benefited. Expenses are allocated using the time and effort method (i.e. employee salaries, payroll taxes and benefits, consulting), number of employees by function (leases, depreciation and amortization, office expenses, taxes and licenses, postage and printing), and specific identification of use (all other expenses). Such allocations are determined by management on an equitable basis.

Income Taxes
ACOF 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 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, 2019 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 2015 and subsequent years are subject to examination by the regulatory agencies. Tax returns are subject to examination generally for three years and four years after they were filed for federal and state, respectively.

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

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

In-kind Donations
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 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements
On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Company has adjusted the presentation of these statements accordingly.

In August 2016, FASB issued ASU 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. The new standard will be effective for fiscal years beginning after December 15, 2017. The Company adopted the new accounting standard on July 1, 2018.

In November 2017, FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash*. This accounting standard require that a statement of cash flows explain the change during the period in the total cash, cash equivalents and amounts generally described as restricted cash and restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This accounting standard is effective for fiscal years beginning after December 15, 2017. The Company adopted the new accounting standard on July 1, 2018.

NOTE 3 CONCENTRATION OF CREDIT RISK

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

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

At June 30, 2019, the Company has developer fees receivable from various limited partnerships amounting to $6,293,924. 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, 2019, the Company has recognized a reserve on the developer fees receivable from these various limited partnerships amounting to $868,022 (See Note 9).

NOTE 3 CONCENTRATION OF CREDIT RISK (CONTINUED)

Notes receivable are from related partnerships. The Company receives funds to loan to the partnerships either by borrowing the funds (mirror loans), or by receiving a government grant. The notes receivable where funds were received by grants represent the greater credit risk. The total of such notes receivable is $4,210,000 with interest accrual of $1,208,600 at June 30, 2019 (see Note 14).

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, 2019, no such events occurred, and accordingly no impairment loss was recognized for the year then ended.

NOTE 4 AVAILABILITY OF FINANCIAL ASSETS AND LIQUIDITY

The following represents the Company's financial assets at June 30, 2019:

	ACOF	Affiliate	Consolidated
Financial assets at year end:			
Cash and cash equivalents	$ 3,541,204	$ 551,173	$ 4,092,377
Certificates of deposit and other short-term investments	1,802,210	-	1,802,210
Rental properties reserves	606,807	5,893,574	6,500,381
Project receivables - current portion	653,423	-	653,423
Partnership receivables - current portion	359,797	-	359,797
Developer fees receivable - current portion, net	1,232,878	-	1,232,878
Contracts receivable	733,934	-	733,934
Other receivables	12,672	310,004	322,676
Total financial assets	8,942,925	6,754,751	15,697,676
Less amounts not available to be used within one year:			
Rental properties reserves	606,807	5,893,574	6,500,381
Net assets with donor restriction	204,169	-	204,169
Less net assets with purpose restrictions to be met in less than a year	(145,859)	-	(145,859)
	665,117	5,893,574	6,558,691
Financial assets available to meet general expenditures and contractual commitments over the next 12 months	$ 8,277,808	$ 861,177	$ 9,138,985

The Company's policy is to maintain financial assets to meet 90 days of operating expenses and contractual commitments (on a consolidated basis, $3,500,000). In addition to financial assets available to meet general expenditures and contractual commitments over the next 12 months, the Company operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures and commitments not covered by donor-restricted resources.

NOTE 5 CASH AND CASH EQUIVALENTS

At June 30, 2019, cash and cash equivalents are for uses as follows:

A Community of Friends and Subsidiary	$	3,133,597
Rental Properties' Operations		958,780
Total	$	4,092,377

NOTE 6 RENTAL PROPERTIES AND SUBSIDIARY RESERVES

At June 30, 2019, rental properties and subsidiary reserves total $6,500,381 and consisted of the following:

Property	Replacement Reserve	Operating Reserve	Other Reserves
Central Court Apartments	$ 54,689	$ 47,437	$ 2,413
Selby Hotel	139,315	66,883	13,550
Step Out Apartments	103,746	143,392	-
Orbison House	12,011	19,313	4,058
39 West Apartments, L.P.	272,886	386,165	11,670
836 Fedora, L.P.	99,172	305,965	5,335
Brandon Apartments, L.P.	90,861	162,954	14,186
California Hotel 1140, L.P.	205,833	546,154	6,138
Calvert Street Apartments, L.P.	97,878	92,238	12,000
Figueroa Court Apartments, L.P.	266,439	221,444	14,572
Fox Normandie Apartments, L.P.	129,293	248,045	12,033
Gower Street Apartments, L.P.	214,816	396,960	11,000
Las Palomas Hotel, L.P.	83,450	255,341	10,939
Maryland Apartments, L.P.	61,103	111,960	5,575
Parker Hotel, L.P.	211,810	167,424	12,900
Sonya Gardens, L.P.	206,064	157,998	13,709
V. Nueva, L.P.	154,998	600,601	15,665
	$ 2,404,364	$ 3,930,274	$ 165,743

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

NOTE 7 PARTNERSHIP RECEIVABLES

At June 30, 2019, partnership receivables consisted of the following:

Accrued partnership management fees		$ 2,417,672
Accrued administrative fees		59,318
	Total	2,476,990
Less current portion		359,797
Long-term		$ 2,117,193

NOTE 8 PROJECT RECEIVABLES

At June 30, 2019, project receivables consisted of the following:

In operation:		
Berendos, L.P.		$ 89,484
Gateways Housing, L.P.		30,701
Santos Plaza, L.P.		360,053
In predevelopment and construction:		
Huntington Square, L.P.		1,033,798
Miramonte PSH, L.P.		491,904
Redlands Supportive Housing, L.P.		394,910
Riverside Supportive Housing, L.P.		216,113
Sun Valley Housing, L.P.		2,025
6604 West PSH, L.P.		154,331
	Total	2,773,319
Less current portion		653,423
Long-term		$ 2,119,896

NOTE 9 DEVELOPER FEES RECEIVABLE

At June 30, 2019, developer fees receivable, which included deferred developer fees, consisted of the following:

In operation in 2019:		
Avalon Apartments, L.P.	$	1,212,749
Berendos, L.P.		204,958
Beverly PSH, L.P.		901,998
Cedar Springs, L.P.		176,780
ND Sepulveda I, L.P.		73,150
Osborne Place, L.P.		606,938
Sun Valley, L.P.		1,154,717
Vendome Palms, L.P.		467,500
Vista Del Rio Housing Partners, L.P.		44,662
3101 West Venice, L.P		479,130
West Villas, L.P.		140,000
Woodland Terrace, L.P.		659,656
In construction in 2019:		
Fullerton Supportive Housing, L.P.		171,686
	Total	6,293,924
Less allowance for uncollectible receivables		868,022
Less current portion		1,232,878
Long-term	$	4,193,024

NOTE 10 INVESTMENT IN LIMITED PARTNERSHIPS

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

NOTE 10 INVESTMENT IN LIMITED PARTNERSHIPS (CONTINUED)

At June 30, 2019, investment in limited partnerships consisted of the following:

In construction/predevelopment:		
3101 West Venice, L.P.	$	39,903
6604 West PSH, L.P.		-
Fullerton Supportive Housing, L.P.		152,807
Huntington Square, L.P.		64,619
Lorena Plaza, L.P.		-
Miramonte PSH L.P.		(1,600)
Redlands Supportive Housing, L.P.		(1,616)
Riverside Supportive Housing, L.P.		(3,200)
Sun Valley Housing, L.P.		(1,672)
West Villas, L.P.		(102)
In operation:		
AMCAL Avenida Fund, L.P.		(107)
Amistad Apartments, L.P.		(2,184)
Avalon Apartments, L.P.		(286)
Berendos, L.P.		1,775
Beverly PSH, L.P.		(391,010)
Camino de las Flores, L.P.		(225)
Cedar Springs, L.P.		(70)
Figueroa Court Partners		(23,681)
Gateways Housing, L.P.		91,377
La Primavera Apartments, L.P.		(143)
ND Sepulveda I, L.P.		209
ND Sepulveda II, L.P.		256
Osborne Place, L.P.		(4,443)
Rayen Apartments, L.P.		91,926
Santos Plaza, L.P.		130,416
Step Up On Fifth, L.P.		12,988
The Villas at Gower, L.P.		23,554
Tyrol Plaza, L.P.		6,603
Vendome Palms, L.P.		257,330
Vista Del Rio Housing Partners, L.P. *		3,071,903
Willis Avenue Apartments, L.P.		(257)
Willowbrook Place, L.P.		843
Woodland Terrace, L.P.		(619)
Total	$	3,515,294

** Due to land donation in 2015.*

At June 30, 2019, the above is summarized in the financial statements as follows:

Investment in limited partnerships (assets)	$	3,949,709
Deficiency in partnership investments (liability)		(434,415)
	$	3,515,294

NOTE 10 INVESTMENT IN LIMITED PARTNERSHIPS (CONTINUED)

The following is a summary of selected financial information from the financial statements of the limited partnerships for the year ended December 31, 2018:

	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.	$ 17,170,210	4,805,685	10,864,786	$ 692,186	(1,294,480)	(52)
6604 West PSH, L.P.	154,331	154,331	-	-	-	-
AMCAL Avenida Fund, L.P.	4,524,890	3,441,611	90,360	398,532	(682,406)	(16)
Amistad Apartments, L.P.	18,514,039	9,501,214	7,474,024	900,117	(1,483,897)	(57)
Avalon Apartments, L.P.	10,298,049	7,086,855	2,489,639	370,438	(641,522)	(15)
Berendos, L.P.	14,702,546	8,249,297	2,916,870	971,132	(1,067,600)	(19)
Beverly PSH, L.P.	21,310,470	12,273,367	7,505,655	653,546	(1,351,232)	-
Camino de las Flores, L.P.	6,645,630	6,739,013	(430,082)	349,661	(573,389)	(19)
Cedar Springs, L.P.	18,682,436	-	9,968,810	514,163	(1,388,753)	(46)
Figueroa Court Partners	(118,530)	169	(118,530)	-	-	(6)
Fullerton Supportive Housing, L.P.	17,870,460	13,701,527	2,065,568	140,553	(1,621,951)	152,707
Gateways Housing, L.P.	2,970,989	1,028,820	728,242	233,613	(464,597)	(16)
Huntington Square, L.P.	3,115,739	3,051,120	(3,200)	-	(800)	(800)
La Primavera Apartments, L.P.	3,710,522	1,544,190	1,404,311	356,148	(449,747)	(8)
Lorena Plaza, L.P.	673,464	673,464	-	-	-	-
Miramonte PSH, L.P.	2,586,971	2,586,971	(1,600)	-	(800)	(800)
ND Sepulveda I, L.P.	21,143,380	8,990,264	11,583,868	892,677	(1,503,752)	(43)
ND Sepulveda II, L.P.	18,928,127	8,014,777	10,535,320	943,073	(1,358,530)	(29)
Osborne Place, L.P.	19,221,676	10,305,995	7,298,120	933,095	(1,480,660)	(62)
Rayen Apartments, L.P.	9,798,937	6,604,523	3,044,946	720,047	(1,305,521)	(78)
Redlands Supportive Housing, L.P.	2,585,262	2,564,681	(3,200)	-	(800)	(404)
Riverside Supportive Housing, L.P.	2,425,121	2,425,121	(3,200)	-	(800)	(800)
Santos Plaza, L.P.	3,750,759	3,286,839	(792,781)	348,387	(576,106)	125,850
Step Up On Fifth, L.P.	13,556,678	13,402,559	(1,908,582)	425,843	(1,242,697)	(54)
Sun Valley Housing, L.P.	4,916,511	4,143,687	772,824	-	(800)	0
The Villas at Gower, L.P.	25,544,524	15,436,058	8,122,341	977,363	(1,593,972)	(32)
Tyrol Plaza, L.P.	6,548,794	1,609,573	4,070,024	882,291	(974,187)	(8)
Vendome Palms, L.P.	11,729,095	10,719,403	376,195	300,070	(763,024)	(46)
Vista Del Rio Housing Partners, L.P.	11,428,940	2,825,339	7,282,422	418,977	(728,426)	(16)
West Villas, L.P.	19,768,121	4,946,117	13,258,536	919,698	(1,678,603)	(44)
Willis Avenue Apartments, L.P.	13,320,841	8,501,331	4,689,939	564,748	(1,031,726)	(52)
Willowbrook Place, L.P.	5,083,171	3,769,812	324,208	411,272	(596,830)	(35)
Woodland Terrace, L.P.	7,833,110	6,904,079	(829,129)	560,965	(880,192)	(54)
	$ 340,395,263	$ 189,287,792	$ 112,776,704	$ 14,878,595	$ (26,737,800)	$ 274,946

NOTE 11 BUSINESS COMBINATIONS

Calvert Street Apartments, L.P.

During the fiscal year 2019, the limited partners of Calvert Street Apartments, L.P., namely, Enterprise Housing Partners IX, L.P. and Enterprise Housing Partners X, L.P., withdrew their partnership interests from the limited partnership and assigned their interests to Supportive Housing LLC.

Management treated the transfer as a business combination achieved without transfer of consideration. Since the business combination involved an acquisition of affordable housing with long-term restrictions on affordability and use, there was no readily available market information with similar terms and restrictions. Thus, all identifiable assets acquired and liabilities assumed were measured at the acquisition-date carrying value. The assumed liabilities exceeded the assets acquired in the amount of $508,311 and is shown as excess of assumed liabilities over assets acquired 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:

Cash	$	6,370
Accounts receivable		3,245
Prepaid expenses		2,302
Restricted deposits and funded reserves		202,109
Rental property		3,153,430
Subtotal		3,367,456
Accounts payable and accrued expenses		245,834
Mortgage and interest payable		3,630,201
Subtotal		3,876,035
Net assets		(508,579)
A Community of Friends' existing interest		(268)
Excess of liabilities acquired over assets assumed	$	(508,311)

From March 31, 2019, the date of acquisition, through June 30, 2019, the Company's share in net loss of Calvert Street Apartments, L.P. amounted to $7.

NOTE 12 REAL ESTATE IN DEVELOPMENT

At June 30, 2019, real estate in development consisted of:

Land		$	116,640
Buildings			656,122
	Total	$	772,762

NOTE 13 PROPERTY AND EQUIPMENT

At June 30, 2019, property and equipment consisted of the following:

Land, buildings, and improvements		$	55,273,295
Furniture and equipment			2,262,216
			57,535,511
Less accumulated depreciation and amortization			34,797,384
	Total	$	22,738,127

For the year ended June 30, 2019, provision for depreciation and amortization amounted to $1,690,621.

NOTE 14 NOTES, ADVANCES, AND INTEREST RECEIVABLE

At June 30, 2019, notes, advances, and interest receivable consisted of the following:

	Interest Receivable	Principal
As discussed in Note 3, the funding for the following notes receivable originated from grant funds. All these notes are secured by deeds of trust on real property located in Los Angeles, California. The notes are:		
Notes receivable from The Villas at Gower, L.P., with interest at 0% and matures in 2065. The note was funded by the California Department of Housing and Community Development's Infill Infrastructure Grant Program. (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.	371,467	400,000
Notes receivable from La Primavera Apartments, L.P., interest accrues at 4.92% per annum and matures in December 2032.	336,200	400,000
Notes receivable from Willowbrook Place, L.P., interest accrues at 5.0% per annum and matures in October 2060.	254,707	400,000
Notes receivable from Woodland Terrace, L.P., interest accrues at 5.0% per annum and matures in December 2060.	246,226	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.	-	400,000

NOTE 14 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 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.	52,327	470,000
Total	1,260,927	5,641,784
Less: allowance for uncollectible notes and interest receivable	1,136,801	2,763,988
Net notes, advances and interest receivable	$ 124,126	$ 2,877,796

NOTE 15 NOTES AND INTEREST PAYABLE

At June 30, 2019, 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 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	$ 585,883	$ 1,497,333
Las Palomas Hotel, L.P., due in June 2051	2,302,522	2,100,081
V. Nueva, L.P., due August 2040	1,247,916	1,599,182
Calvert Street Apartments., due July 2041	1,190,910	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 15 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
Note payable to U.S. Bank. The loan balance will be forgiven if ACOF complies with the requirements stated in the loan agreement. 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	293,146	345,000
Selby property, due in July 2031	606,090	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	199,364	204,000
Selby property, due in July 2021	336,171	325,000

NOTE 15 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 matured in February 2019 and management is currently negotiating the extension of maturity date.		
Selby property, due in February 2019	$ -	$ 413,250
Selby property, due in 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.	206,946	516,851
Note payable to Los Angeles Community Development Authority (LACDA). Interest accrues at a simple interest rate of 3% per annum. The outstanding principal and accrued interest is to be repaid in annual installments. The loan is collateralized by the Step Out Apartments property and matures on May 15, 2031.	481,884	1,063,688
Note payable to LACDA used for acquisition of the Step Out Apartments property. Interest accrues at a simple interest rate of 3% per annum. Principal and interest are due in annual payments made exclusively from residual receipts (as defined in the loan agreement) derived from the project and are due March 2031. The note is collateralized by a deed of trust on the Step Out Apartments.	78,726	176,893

NOTE 15 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.	189,426	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 on a quarterly basis and the principal is due at maturity. The note matures in October 2022.	-	600,000

NOTE 15 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%. $200,000 of the amount matures on December 31, 2019 and the remaining balance on December 31, 2020.	$ -	$ 400,000
Draws from $1 million 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 16)		
Riverside Supportive Housing, L.P.	-	154,362
Huntington Square, L.P.	-	301,214
Sun Valley Housing, L.P.	-	31,725
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 14). The note bears 0% interest rate per annum, is collateralized by a deed of trust on real property of Osborne Place, L.P. and is payable to LAHSA on the earliest of (a) the date the Property ceases to operate as initially funded under SHP grant within 20 years from operating start date (March 2014), (b) the date the Property is sold or refinanced and (c) on event of default by ACOF.	-	400,000
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 15 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
Draws from $2.8 million lines of credit maintained with Community Housing Capital, Inc., wherein the proceeds were loaned directly to Miramonte PSH, L.P. for predevelopment purposes, bearing annual fixed interest rate of 6.25%, payable monthly. The loan is collateralized by a deed of trust on certain real estate property of ACOF. The lines mature in January 2021. (See Note 16)	$ 2,372	$ 514,200
Equity investment structured as loan, obtained from MUFG Union Bank, N.A. Proceeds shall be used for working capital purposes stated in the Equity Investment Agreement; bearing fixed interest rate of 3% per annum, payable quarterly; unpaid principal is due on maturity date, May 1, 2024.	-	500,000
Unsecured program-related investment loan payable to Weingart Foundation, to be used as working capital to support the Huntington Square project. Interest accrues at 2% per annum payable quarterly; the principle balance is due on earlier of 3 years from the loan disbursement date (March 2019) or construction closing.	10,500	700,000
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.	1,825,243	1,605,167

NOTE 15 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
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, 2019, no interest was accrued because the current market value of the property is lower than the loan balance.	$ -	$ 1,968,068
39 West Apartments, L.P.		
Note payable to HCID, bearing interest rate of 5% per annum. Principal and interest payments are due annually from residual receipts as defined in the loan agreement. The note matures in December 2036 and is collateralized by a deed of trust on the property.	912,494	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. Management anticipates that the note will be forgiven in 2019 and is currently working on the related documentation requirements.	-	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.	722,625	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

NOTE 15 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
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	$ 203,534
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 loan is secured by a deed of trust and matures in December 2055.	-	517,792
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.	418,861	525,000
Brandon Apartments, L.P.		
Note payable to LACDA for the construction of affordable housing, bearing annual interest rate of 3%. Principal and interest are due in annual payments from residual receipts as defined in the loan agreement. The note is secured by a deed of trust and matures in November 2031.	834,635	1,799,978

NOTE 15 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
Brandon Apartments, L.P. (continued)		
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.	$ -	$ 36,520
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.	1,030,235	1,161,626
Fox Normandie Apartments, L.P.		
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 LACDA for construction of affordable housing, bearing interest rate of 3% per annum. Principal and interest are due in annual payments from residual receipts as described in the loan agreement. The note matures on March 15, 2031 and LACDA is the first trust deed holder.	538,265	1,045,500

NOTE 15 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 2019. The note is collateralized by a second deed of trust.	$ -	$ 165,000
Calvert Apartments, L.P.		
Note payable to Bank of America for the construction of affordable housing. The loan is non-interest bearing for as long as the Affordable Housing Project (AHP) requirements are met. The note is collateralized by deed of trust and matures on November 18, 2032.	-	248,869
Total	14,016,031	28,720,723
Less current portion	-	1,711,129
Long-term portion	14,016,031	27,009,594
Less unamortized loan fees	-	12,651
Notes payable long-term, net	$ 14,016,031	$ 26,996,943

Fox Normandie Apartments, L.P.
In February 2019, the note payable to LAHSA, with unpaid principal and interest totaling to $1,452,654, was forgiven as a result of the completion of the Project described in the Regulatory Agreement and expiration of the loan term. The forgiveness of the loan including accrued interest was recorded as gain from forgiveness of debt in the consolidated statement of activities.

Future maturities of interest and notes payable at June 30, 2019 were as follows:

Year ending June 30,	Amount
2020	$ 1,711,129
2021	734,381
2022	2,040,923
2023	620,199
2024	521,512
Thereafter	37,108,610
Total	$ 42,736,754

NOTE 16 LINES OF CREDIT

ACOF has lines of credit with non-profit financing institutions that provide for borrowings up to a total of $3,800,000 to be used for specific purposes described in the agreements. The lines are subject to interest rate of 6.25% and 7%, secured by certain properties of ACOF and expires in January and October 2021. As of June 30, 2019, outstanding draws from the lines of credit amounted to $1,001,501 and is reported under notes and interest payable in the consolidated statement of financial position (see note 15).

NOTE 17 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	$	1,666,724
Los Angeles County Department of Health Services		765,500
Los Angeles County Department of Mental Health		68,422
Others		32,800
Total	$	2,533,446

During the fiscal year, ACOF received from NeighborWorks America unrestricted and restricted grants amounting to $424,900 and 87,000, respectively, and were recorded as foundation grants in the Consolidated Statement of Activities.

NOTE 18 NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2019, net assets with donor restrictions are available for the following purpose or period:

Capital assets	$	58,310
Property management expansion		53,457
Tenant services		1,203
Others		1,500
Restricted as to time		
(July 1, 2019 to June 30, 2020)		89,699
Total	$	204,169

Included in the above net assets with donor restrictions are Capital Grant Funds of $58,310 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
2020	$	221,088
2021		226,732
2022		192,860
Total	$	640,680

For the year ended June 30, 2019, rent expense charged to operations amounted to $254,869.

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, 2019, ACOF was contingently liable for approximately $2,069,709 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, 2019.

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 $11,137,961 at June 30, 2019. 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. In October 2019, the case has been settled and it did not have a significant impact in the Company's financial statements.

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, 2019.

Partnership and property management fees	$	1,064,226
Developer fees		1,867,738
Administrative fees		105,550
Total fees earned from partnerships	$	3,127,740

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.

An amended MOU 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, 2019, ACOF earned property management fees under this agreement in the amount of $243,468.

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, 2019, ACOF's contributions to the plan amounted to $193,195.

NOTE 22 SUBSEQUENT EVENTS

The Company has evaluated events or transactions that occurred subsequent to June 30, 2019 through November 12, 2019, 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
Consolidating Schedule of Financial Position
June 30, 2019

		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,	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.	Calvert Street Apartments, L.P.	Eliminations	Consolidated
ASSETS																
Current assets																
Cash and cash equivalents	$ 3,541,204	$ 58,102	$ 3,216	$ 6,898	$ 19,159	$ 3,243	$ 156,480	$ 46,165	$ 13,381	$ 7,256	$ 6,117	$ 195,855	$ 28,959	$ 6,342	$ -	$ 4,092,377
Certificates of deposit and other short-term investments	1,802,210	-	-	-	-	-	-	-	-	-	-	-	-	-		1,802,210
Rental properties reserves	606,807	670,721	410,472	268,001	758,125	502,455	389,371	622,776	349,730	178,638	392,134	377,771	771,264	202,116	-	6,500,381
Project receivables - current portion	653,423	-	-	-	-	-	-	-	-	-	-	-	-	-	-	653,423
Partnership receivables - current portion	359,797	-	-	-	-	-	-	-	-	-	-	-	-	-	-	359,797
Developer fees receivable - current portion, net	1,232,878	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,232,878
Contracts receivable	733,934	-	-	-	-	-	-	-	-	-	-	-	-	-	-	733,934
Other receivables	12,672	5,942	21,377	36,619	8,146	12,825	9,535	29,320	117,596	10,253	20,260	24,783	8,853	4,495	-	322,676
Prepaid expenses and deposits	96,053	-	-	-	-	-	-	2,796	-	-	-	3,790	-	2,868	-	105,507
Total current assets	9,038,978	734,765	435,065	311,518	785,430	518,523	555,386	701,057	480,707	196,147	418,511	602,199	809,076	215,821	-	15,803,183
Long-term project receivables	2,153,201	-	-	-	-	-	-	-	-	-	-	-	-	-	(33,305)	2,119,896
Long-term partnership receivables	3,367,919	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,250,726)	2,117,193
Long-term developer fees receivables, net	4,193,024	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,193,024
Notes, advances, and interest receivable, net	17,101,907	-	-	-	-	-	-	-	-	-	-	-	-	-	(14,099,985)	3,001,922
Investment in limited partnerships	7,376,664	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,426,955)	3,949,709
Real estate in development	772,762	-	-	-	-	-	-	-	-	-	-	-	-	-	-	772,762
Property and equipment, net	2,872,435	1,441,846	657,828	2,371,005	1,098,582	1,907,426	1,769,019	1,232,152	1,252,883	1,236,259	612,122	2,268,313	2,115,861	3,114,372	(1,211,976)	22,738,127
Other long-term assets	-	-		4,423	1,897	-	-	-	960	500	823	-	-	-	-	8,603
Total assets	$ 46,876,890	$ 2,176,611	$ 1,092,893	$ 2,686,946	$ 1,885,909	$ 2,425,949	$ 2,324,405	$ 1,933,209	$ 1,734,550	$ 1,432,906	$ 1,031,456	$ 2,870,512	$ 2,924,937	3,330,193	$ (20,022,947)	$ 54,704,419
LIABILITIES AND NET ASSETS																
Current liabilities																
Accounts payable and accrued expenses	$ 1,275,579	$ 54,633	$ 62,348	$ 81,883	$ 44,558	$ 128,723	$ 144,869	$ 231,245	$ 634,173	$ 286,303	$ 38,508	$ 53,218	$ 67,617	252,656	$ (1,269,031)	$ 2,087,282
Current portion of notes and interest payable	1,346,614	182,794	-	-	-	-	-	-	-	-	-	16,721	165,000	-	-	1,711,129
Other liabitilities	53,053	-	-	-	-	-	-	-	-	-	-	-	-	-	-	53,053
Total current liabilities	2,675,246	237,427	62,348	81,883	44,558	128,723	144,869	231,245	634,173	286,303	38,508	69,939	232,617	252,656	(1,269,031)	3,851,464
Deficiency in partnership investments	11,532,085	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,097,670)	434,415
Notes and interest payable, net of current portion	22,952,893	1,968,978	1,481,625	2,991,133	2,922,833	3,568,234	263,744	1,968,068	4,402,575	1,761,954	3,430,410	1,650,283	2,938,798	3,653,941	(14,942,495)	41,012,974
Total liabilities	37,160,224	2,206,405	1,543,973	3,073,016	2,967,391	3,696,957	408,613	2,199,313	5,036,748	2,048,257	3,468,918	1,720,222	3,171,415	3,906,597	(27,309,196)	45,298,853
Net assets																
Without donor restrictions	9,512,497	(29,794)	(451,080)	(386,070)	(1,081,482)	(1,271,008)	1,915,792	(266,104)	(3,302,198)	(615,351)	(2,437,462)	1,150,290	(246,478)	(576,404)	7,286,249	9,201,397
With donor restrictions	204,169	-	-	-	-	-	-	-	-	-	-	-	-	-	-	204,169
Total net assets	9,716,666	(29,794)	(451,080)	(386,070)	(1,081,482)	(1,271,008)	1,915,792	(266,104)	(3,302,198)	(615,351)	(2,437,462)	1,150,290	(246,478)	(576,404)	7,286,249	9,405,566
Total liabilities and net assets	$ 46,876,890	$ 2,176,611	$ 1,092,893	$ 2,686,946	$ 1,885,909	$ 2,425,949	$ 2,324,405	$ 1,933,209	$ 1,734,550	$ 1,432,906	$ 1,031,456	$ 2,870,512	$ 2,924,937	$ 3,330,193	$ (20,022,947)	$ 54,704,419

See report of independent auditors.

A Community of Friends and Subsidiary
Consolidating Schedule of Activities
Year ended June 30, 2019

		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.	Calvert Street Apartments, L.P.	Eliminations	Consolidated
Revenue and support																
Government grants and contracts	$ 2,533,446	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,533,446
Foundation grants	970,905	-	-	-	-	-	-	-	-	-	-	-	-	-	-	970,905
Developer fees	1,867,738	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,867,738
Partnership and property management fees	1,478,957	-	-	-	-	-	-	-	-	-	-	-	-	-	(414,731)	1,064,226
Rental income	530,932	399,878	221,545	400,506	320,569	365,537	473,185	543,549	527,664	242,148	238,733	749,838	486,953	34,452	-	5,535,489
Administrative fees	105,550	-	-	-	-	-	-	-	-	-	-	-	-	-	-	105,550
Interest income from loans	473,387	-	-	-	-	-	-	-	-	-	-	-	-	-	(284,243)	189,144
Gain on forgiveness of debt	-	-	-	-	-	-	1,452,654	-	-	-	-	-	-	-	-	1,452,654
Other interest income	106,311	-	-	-	-	-	-	-	-	-	-	-	-	-	-	106,311
Fundraising	245,025	-	-	-	-	-	-	-	-	-	-	-	-	-	-	245,025
In-kind donations	98,989	-	-	-	-	-	-	-	-	-	-	-	-	-	-	98,989
Miscellaneous	78,125	-	-	-	-	-	-	-	-	-	-	-	-	-	-	78,125
Total revenue and support	8,489,365	399,878	221,545	400,506	320,569	365,537	1,925,839	543,549	527,664	242,148	238,733	749,838	486,953	34,452	(698,974)	14,247,602
Functional expenses																
Program services	6,214,453	475,276	322,119	639,555	500,797	519,694	569,222	669,925	968,078	386,152	363,801	598,513	662,074	102,278	(818,774)	12,173,163
Fund development	395,424	-	-	-	-	-	-	-	-	-	-	-	-	-	-	395,424
General and administration	1,753,223	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,753,223
Total functional expenses	8,363,100	475,276	322,119	639,555	500,797	519,694	569,222	669,925	968,078	386,152	363,801	598,513	662,074	102,278	(818,774)	14,321,810
Change in net assets before income from investment in partnership and excess of assumed liabilities over assets acquired	126,265	(75,398)	(100,574)	(239,049)	(180,228)	(154,157)	1,356,617	(126,376)	(440,414)	(144,004)	(125,068)	151,325	(175,121)	(67,826)	119,800	(74,208)
Excess of assumed liabilities over assets acquired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(508,311)	(508,311)
Income/ (loss) from investment in partnerships	(1,300,337)	-	-	-	-	-	-	-	-	-	-	-	-	-	1,589,481	289,144
Change in net assets	(1,174,072)	(75,398)	(100,574)	(239,049)	(180,228)	(154,157)	1,356,617	(126,376)	(440,414)	(144,004)	(125,068)	151,325	(175,121)	(67,826)	1,200,970	(293,375)
Net assets, beginning 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)	(508,578)	6,085,279	9,698,941
Net assets, end of year	$ 9,716,666	$ (29,794)	$ (451,080)	$ (386,070)	$ (1,081,482)	$ (1,271,008)	$ 1,915,792	$ (266,104)	$ (3,302,198)	$ (615,351)	$ (2,437,462)	$ 1,150,290	$ (246,478)	$ (576,404)	$ 7,286,249	$ 9,405,566

See report of independent auditors.

ASSETS

Loans receivable from:		
Calvert Street Apartments, L.P.	$	25,000
Fox Normandie Apartments, L.P.		33,310
Total assets	$	58,310

NET ASSETS

Permanently restricted	$	58,310
Total net assets	$	58,310

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Revenue, gains, other support and release of capital:

Capital Grant - NeighborWorks America, beginning of year	$	119,000
Additions		290,000
Released		(350,690)
Net assets, end of year	$	58,310

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, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 12, 2019.

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 12, 2019

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