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**Former Board Chair*

November 25, 2020

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, 2020. There is a total of 14 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 39.

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

Best regards,

Renae S. DeMent
Chief Financial Officer



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, 2020
with Report of Independent Auditors***

**A Community of Friends and Subsidiary
Consolidated Financial Statements
and Supplementary Information
*As of and for the Year Ended June 30, 2020
with Report of Independent Auditors***

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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, 2020, 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, 2020, 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 37 through 42 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 10, 2020 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.

A handwritten signature in black ink that reads "Vagney & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
November 10, 2020**

**A Community of Friends and Subsidiary
Consolidated Statement of Financial Position
June 30, 2020**

ASSETS

Current assets

Cash and cash equivalents	\$	4,635,790
Certificates of deposit and other short-term investments		802,058
Rental properties reserves		6,879,548
Project receivables - current portion		1,741,371
Partnership receivables - current portion		424,658
Developer fees receivable - current portion, net		1,377,630
Contracts receivable		761,914
Other receivables		871,944
Prepaid expenses and deposits		<u>152,447</u>
Total current assets		17,647,360

Long-term project receivables		3,658,512
Long-term partnership receivables		2,142,311
Long-term developer fees receivables, net		4,112,010
Notes, advances, and interest receivable, net		2,523,396
Investment in limited partnerships		3,959,941
Real estate in development		233,367
Property and equipment, net		24,649,298
Other long-term assets		<u>14,174</u>
Total assets	\$	<u>58,940,369</u>

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable and accrued expenses	\$	2,379,716
Current portion of notes and interest payable		1,719,041
Other liabilities		<u>59,066</u>
Total current liabilities		4,157,823

Deficiency in partnership investments		434,621
Notes and interest payable, net of current portion		<u>47,054,458</u>
Total liabilities		51,646,902

Net assets

Without donor restrictions		7,127,033
With donor restrictions		<u>166,434</u>
Total net assets		7,293,467
Total liabilities and net assets	\$	<u>58,940,369</u>

See notes to consolidated financial statements.

**A Community of Friends and Subsidiary
Consolidated Statement of Activities
Year ended June 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support			
Government grants and contracts	\$ 2,844,945	\$ -	\$ 2,844,945
Foundation grants	833,738	461,865	1,295,603
Developer fees	3,076,882	-	3,076,882
Partnership and property management fees	794,001	-	794,001
Rental income	6,174,382	-	6,174,382
Administrative fees	51,797	-	51,797
Interest income from loans	95,360	-	95,360
Other interest income	113,928	-	113,928
General donations	218,994	-	218,994
In-kind donations	100,060	-	100,060
Miscellaneous	1,986	-	1,986
Net assets released from restriction	499,600	(499,600)	-
Total revenue and support	<u>14,805,673</u>	<u>(37,735)</u>	<u>14,767,938</u>
Functional expenses			
Program services	14,761,020	-	14,761,020
Fund development	350,375	-	350,375
General and administration	1,782,568	-	1,782,568
Total functional expenses	<u>16,893,963</u>	<u>-</u>	<u>16,893,963</u>
Change in net assets before loss from investment in partnerships	(2,088,290)	(37,735)	(2,126,025)
Loss from investment in partnerships	<u>(71,370)</u>	<u>-</u>	<u>(71,370)</u>
Change in net assets	(2,159,660)	(37,735)	(2,197,395)
Net assets, beginning of year	9,286,693	204,169	9,490,862
Net assets, end of year	<u>\$ 7,127,033</u>	<u>\$ 166,434</u>	<u>\$ 7,293,467</u>

See notes to consolidated financial statements.

**A Community of Friends and Subsidiary
Consolidated Statement of Functional Expenses
Year ended June 30, 2020**

	Program Services				Total	Fund Development	General and Administration	Total
	Supportive Services	Real Estate Activities	Property Management	Rental				
Personnel expenses								
Salaries	\$ 1,834,189	\$ 865,732	\$ 498,771	\$ 46,732	\$ 3,245,424	\$ 246,421	\$ 1,085,692	\$ 4,577,537
Payroll taxes	121,307	75,940	30,207	3,528	230,982	21,606	91,552	344,140
Employee benefits	350,484	95,986	104,443	7,783	558,696	32,840	156,337	747,873
Total personnel expenses	2,305,980	1,037,658	633,421	58,043	4,035,102	300,867	1,333,581	5,669,550
Other expenses								
Auditing and accounting	26,758	7,425	14,674	-	48,857	1,726	11,222	61,805
Auto expense	19,573	3,667	248	-	23,488	349	3,518	27,355
Bad debts	-	729,372	-	(1,432)	727,940	-	-	727,940
Consulting	-	229,638	-	-	229,638	-	4,376	234,014
Contractual-supportive services	667,291	-	-	58	667,349	-	-	667,349
Donated supplies	100,060	-	-	-	100,060	-	-	100,060
Dues, fees and subscriptions	399	835	433	2,838	4,505	4,603	44,698	53,806
Employee engagement	209	653	190	-	1,052	50	16,540	17,642
Equipment leases	5,687	4,635	1,561	-	11,883	817	4,124	16,824
Fundraising	-	-	-	-	0	62	-	62
Interest	-	323,512	-	121,444	444,956	-	-	444,956
Legal fees	-	1,872	-	6,683	8,555	-	139	8,694
Liability insurance	751	4,407	2,494	27,229	34,881	1,065	47,962	83,908
Marketing	-	-	-	-	0	4,960	-	4,960
Meals	3,460	1,209	663	-	5,332	149	15,770	21,251
Miscellaneous	312	5,078	55	729	6,174	508	578	7,260
Office expenses	100,883	23,217	10,970	10,178	145,248	6,595	82,859	234,702
Postage and printing	228	3,731	691	111	4,761	2,532	2,102	9,395
Property maintenance and repairs	-	-	-	133,252	133,252	-	-	133,252
Recruiting	10,458	37,738	3,093	-	51,289	-	10,664	61,953
Rent and parking	7,943	68,140	57,147	-	133,230	15,920	112,975	262,125
Resident programs	287,074	-	-	206	287,280	-	3,899	291,179
Security	-	-	-	35,850	35,850	-	-	35,850
Seminars and training	1,800	6,581	2,031	-	10,412	314	4,496	15,222
Taxes and licenses	63	566	315	9,802	10,746	189	755	11,690
Telephone	21,150	17,496	8,315	10,698	57,659	2,939	17,841	78,439
Temporary staff	48	1,167	10,812	-	12,027	-	20,139	32,166
Travel	2,166	964	-	-	3,130	1,568	8,593	13,291
Utilities	-	-	-	52,978	52,978	-	-	52,978
Worker's compensation insurance	19,851	9,133	14,032	2,279	45,295	2,705	11,171	59,171
Total expenses before depreciation	3,582,144	2,518,694	761,145	470,946	7,332,929	347,918	1,758,002	9,438,849
Depreciation and amortization	2,457	19,652	17,196	157,969	197,274	2,457	24,566	224,297
Total - A Community of Friends	3,584,601	2,538,346	778,341	628,915	7,530,203	350,375	1,782,568	9,663,146
Expenses - Subsidiaries								
Rental operations	-	-	-	7,230,817	7,230,817	-	-	7,230,817
Total functional expenses	\$ 3,584,601	\$ 2,538,346	\$ 778,341	\$ 7,859,732	\$ 14,761,020	\$ 350,375	\$ 1,782,568	\$ 16,893,963

See notes to consolidated financial statements.

**A Community of Friends and Subsidiary
Consolidated Statement of Cash Flows
Year ended June 30, 2020**

Cash flows from operating activities	
Change in net assets	\$ (2,197,395)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	2,121,067
Loss from investment in partnerships	71,370
Transfer of interest of acquired property	85,296
Bad debts	727,940
Decrease (Increase) in:	
Receivables	(3,357,529)
Prepaid expenses and deposits	(46,940)
Interest receivable	80,267
Other assets	(37,192)
Increase in:	
Accounts payable and accrued expenses	292,434
Accrued interest	775,943
Other liabilities	6,013
Net cash used in operating activities	<u>(1,478,726)</u>
 Cash flows from investing activities	
Purchase of property and equipment	(511,646)
Investment in limited partnerships	(81,396)
Net increase of notes receivable	(329,681)
Real estate in development	539,395
Transfers from investment	1,000,152
Net cash provided by investing activities	<u>616,824</u>
 Cash flows from financing activities	
Proceeds from notes payable	2,499,359
Payments of notes payable	(714,877)
Net cash provided by financing activities	<u>1,784,482</u>
Change in cash and cash equivalents	922,580
Cash, cash equivalents and restricted cash, beginning of year	<u>10,592,758</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 11,515,338</u>
 Supplemental disclosure of cash flow information	
Interest paid	<u>\$ 98,576</u>

See notes to consolidated financial statements.

**A Community of Friends and Subsidiary
Consolidated Statement of Cash Flows (Continued)
Year ended June 30, 2020**

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	\$ 4,635,790
Restricted cash included in rental property reserves	<u>6,879,548</u>
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	<u>\$ 11,515,338</u>

See notes to consolidated financial statements.

NOTE 1 ORGANIZATION

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

ACOF is an affordable housing developer that specializes in developing permanent supportive housing for formerly homeless individuals and families living with mental illness. After development, ACOF operates the housing and ensures the provision of supportive services to tenants. ACOF provides supportive services in 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 fees from its affordable housing projects, grants and donations received from foundations and corporations, and contracts awarded by various federal and local government agencies.

In August 2011, ACOF formed its wholly owned subsidiary, Supportive Housing LLC, to be the initial limited partner for acquisitions and for partnerships where the investor limited partner exits at the end of the 15-year tax credit compliance period. 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, 2020, 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.
- Amistad Apartments, 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. (2011)
- Las Palomas Hotel, L.P. (2011)
- Gower Street Apartments, L.P. (2012)
- 39 West Apartments, L.P. (2013)
- 836 Fedora, L.P. (2017)
- Figueroa Court Apartments, L.P. (2017)
- Sonya Gardens, L.P. (2017)
- California Hotel 1140, L.P. (2017)
- Brandon Apartments, L.P. (2017)
- Fox Normandie Apartments, L.P. (2017)
- Maryland Apartments, L.P. (2017)
- V. Nueva, L.P. (2017)
- Amistad Apartments, L.P. (2019)
- Calvert Street Apartments, L.P. (2019)

There are additional 31 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, 2020, the Company's net assets with donor restrictions amounted to \$166,434.

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 \$5,000 or more, if funded by Continuum of Care program funds, and \$1,000 or more, if funded by all other funds. The provision for depreciation and amortization is computed using the straight-line method over the estimated useful lives as follows:

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

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 consolidated statement of activities as net assets released from restriction.

Unconditional promises to give that are expected to be collected within one year are reported at net realizable value. Unconditional promises that are expected to be collected in more than one year are reported at the present value of the estimated future cashflows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in the contribution revenue. Conditional promises to give, that is, those with measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. At June 30, 2020, ACOF did not receive any contributions wherein the conditions are not yet met.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020, there was no interest capitalized in real estate in development.

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, 2020 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 2016 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

New Accounting Pronouncements

In May 2014, Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This accounting standard permits use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, FASB issued ASU 2015-14, which became effective for annual reporting periods beginning after December 31, 2018. The adoption of this ASU did not have a material impact on the Company.

In June 2018, FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 provides guidance to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This ASU was effective for fiscal years beginning after December 15, 2018. Analysis of various provisions of this standard resulted in no significant changes in the way the Company recognized revenue, and therefore, no changes to the previously issued audited financial statements were required on a retrospective basis. The Company enhanced the revenue recognition disclosure in accordance with the standards.

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).

**A Community of Friends and Subsidiary
Notes to Consolidated Financial Statements
Year ended June 30, 2020**

NOTE 3 CONCENTRATION OF CREDIT RISK (CONTINUED)

At June 30, 2020, the Company has developer fees receivable from various limited partnerships amounting to \$6,915,052. 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, 2020, the Company has recognized a reserve on the developer fees receivable from these various limited partnerships amounting to \$1,425,412 (See Note 9).

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 \$3,810,000 with interest accrual of \$896,812 at June 30, 2020 (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, 2020, 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, 2020:

	<u>ACOF</u>	<u>Subsidiary</u>	<u>Consolidated</u>
Financial assets at year end:			
Cash and cash equivalents	\$ 4,384,454	\$ 251,336	\$ 4,635,790
Certificates of deposit and other short-term investments	802,058	-	802,058
Rental properties reserves	627,705	6,251,843	6,879,548
Project receivables - current portion	1,741,371	-	1,741,371
Partnership receivables - current portion	424,658	-	424,658
Developer fees receivable - current portion, net	1,377,630	-	1,377,630
Contracts receivable	761,914	-	761,914
Other receivables	24,682	847,262	871,944
Total financial assets	<u>10,144,472</u>	<u>7,350,441</u>	<u>17,494,913</u>
Less amounts not available to be used within one year:			
Rental properties reserves	627,705	6,251,843	6,879,548
Net assets with donor restriction	166,434	-	166,434
Less net assets with purpose restrictions to be met in less than a year	<u>(126,434)</u>	<u>-</u>	<u>(126,434)</u>
	<u>667,705</u>	<u>6,251,843</u>	<u>6,919,548</u>
Financial assets available to meet general expenditures and contractual commitments over the next 12 months	<u>\$ 9,476,767</u>	<u>\$ 1,098,598</u>	<u>\$ 10,575,365</u>

**A Community of Friends and Subsidiary
Notes to Consolidated Financial Statements
Year ended June 30, 2020**

NOTE 4 AVAILABILITY OF FINANCIAL ASSETS AND LIQUIDITY (CONTINUED)

The Company's policy is to maintain financial assets to meet 90 days of operating expenses and contractual commitments (on a consolidated basis, \$4,100,000). 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, 2020, cash and cash equivalents are for uses as follows:

A Community of Friends and Subsidiary	\$	3,669,125
Rental Properties' Operations		966,665
	Total	<u>\$ 4,635,790</u>

NOTE 6 RENTAL PROPERTIES AND SUBSIDIARY RESERVES

At June 30, 2020, rental properties and subsidiary reserves total \$6,879,548 and consisted of the following:

Property	Replacement Reserve	Operating Reserve	Other Reserves
Rental Properties:			
Central Court Apartments	\$ 60,988	\$ 47,446	\$ 2,413
Selby Hotel	140,651	67,302	13,552
Step Out Apartments	111,972	143,418	-
Orbison House	14,859	21,046	4,058
Subsidiary:			
39 West Apartments, L.P.	277,173	392,249	11,369
836 Fedora, L.P.	72,220	308,985	4,236
Amistad Apartments, L.P.	142,821	156,510	25,413
Brandon Apartments, L.P.	92,587	165,454	12,267
California Hotel 1140, L.P.	214,631	554,060	5,415
Calvert Street Apartments, L.P.	98,152	22,116	11,448
Figueroa Court Apartments, L.P.	277,633	232,297	11,576
Fox Normandie Apartments, L.P.	132,312	259,570	10,235
Gower Street Apartments, L.P.	224,059	411,209	11,005
Las Palomas Hotel, L.P.	85,353	259,677	8,543
Maryland Apartments, L.P.	62,266	84,636	5,577
Parker Hotel, L.P.	221,124	173,821	9,705
Sonya Gardens, L.P.	224,348	163,032	13,935
V. Nueva, L.P.	164,444	625,012	13,368
	<u>\$ 2,617,593</u>	<u>\$ 4,087,840</u>	<u>\$ 174,115</u>

NOTE 6 RENTAL PROPERTIES AND SUBSIDIARY RESERVES (CONTINUED)

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, 2020, partnership receivables consisted of the following:

Accrued partnership management fees	\$	2,474,895
Accrued administrative fees		92,074
	Total	2,566,969
Less current portion		424,658
Long-term	\$	2,142,311

NOTE 8 PROJECT RECEIVABLES

At June 30, 2020, project receivables consisted of the following:

<u>In operation:</u>		
Berendos, L.P.	\$	89,484
Gateways Housing, L.P.		30,701
Santos Plaza, L.P.		360,053
 <u>In predevelopment and construction:</u>		
6604 West PSH, L.P.		655,324
Huntington Square, L.P.		919,133
Lorena Plaza L.P.		885,040
Miramonte PSH, L.P.		1,153
Redlands Supportive Housing, L.P.		395,095
Riverside Supportive Housing, L.P.		984,932
Sun Valley Housing, L.P.		10,478
Ventura Veterans, L.P.		1,068,490
	Total	5,399,883
Less current portion		1,741,371
Long-term	\$	3,658,512

NOTE 9 DEVELOPER FEES RECEIVABLE

At June 30, 2020, developer fees receivable, which included deferred developer fees, consisted of the following:

<u>In operation in 2020:</u>	
3101 West Venice, L.P.	\$ 391,151
Avalon Apartments, L.P.	1,212,749
Berendos, L.P.	557,849
Beverly PSH, L.P.	425,840
Cedar Springs, L.P.	176,876
Fullerton Supportive Housing, L.P.	171,686
Osborne Place, L.P.	632,587
Vendome Palms, L.P.	467,500
Vista Del Rio Housing Partners, L.P.	45,634
Woodland Terrace, L.P.	692,450
<u>In construction in 2020:</u>	
Miramonte PSH, L.P.	1,168,339
Sun Valley Housing, L.P.	972,391
Total	6,915,052
Less allowance for uncollectible receivables	1,425,412
Less current portion Long-term	1,377,630 \$ 4,112,010

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, 2020, investment in limited partnerships consisted of the following:

In construction/predevelopment:

6604 West PSH, L.P.	\$ 85,000
Huntington Square, L.P.	(4,000)
Lorena Plaza, L.P.	-
Miramonte PSH L.P.	(1,500)
Redlands Supportive Housing, L.P.	(2,020)
Riverside Supportive Housing, L.P.	(4,000)
Sun Valley Housing, L.P.	(1,672)

In operation:

3101 West Venice, L.P.	39,856
AMCAL Avenida Fund, L.P.	(124)
Avalon Apartments, L.P.	(343)
Berendos, L.P.	1,741
Beverly PSH, L.P.	(391,037)
Camino de las Flores, L.P.	(245)
Cedar Springs, L.P.	(121)
Fullerton Supportive Housing, L.P.	152,735
Figueroa Court Partners	(23,686)
Gateways Housing, L.P.	91,364
La Primavera Apartments, L.P.	(156)
ND Sepulveda I, L.P.	178
ND Sepulveda II, L.P.	232
Osborne Place, L.P.	(4,475)
Rayen Apartments, L.P.	91,853
Santos Plaza, L.P.	130,373
Step Up On Fifth, L.P.	12,938
The Villas at Gower, L.P.	23,519
Vendome Palms, L.P.	257,294
Vista Del Rio Housing Partners, L.P. *	3,071,944
West Villas, L.P.	(144)
Willis Avenue Apartments, L.P.	(319)
Willowbrook Place, L.P.	814
Woodland Terrace, L.P.	(679)
Total	\$ <u>3,525,320</u>

* Due to land donation in 2015.

At June 30, 2020, the above is summarized in the financial statements as follows:

Investment in limited partnerships (assets)	\$ 3,959,941
Deficiency in partnership investments (liability)	(434,621)
	\$ <u>3,525,320</u>

**A Community of Friends and Subsidiary
Notes to Consolidated Financial Statements
Year ended June 30, 2020**

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, 2019:

	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.	\$ 16,575,556	\$ 4,769,650	\$ 10,515,130	\$ 671,711	\$ (466,018)	\$ (47)
6604 West PSH, L.P.	655,324	655,324	-	-	-	-
AMCAL Avenida Fund, L.P.	9,995,461	7,132,410	2,151,770	467,298	(337,870)	(17)
Avalon Apartments, L.P.	18,001,348	9,597,647	6,939,626	868,311	(597,477)	(60)
Berendos, L.P.	14,120,643	8,332,596	2,581,700	805,534	(335,174)	(34)
Beverly PSH, L.P.	20,080,720	12,280,405	7,423,205	719,182	(527,857)	(27)
Camino de las Flores, L.P.	6,336,049	6,858,187	(845,418)	345,346	(415,341)	(20)
Cedar Springs, L.P.	17,908,593	-	8,953,067	553,782	(1,015,748)	(51)
Figueroa Court Partners	(118,554)	169	(118,554)	41	(24)	(5)
Fullerton Supportive Housing, L.P.	17,699,469	7,378,171	9,899,707	438,126	(715,790)	(72)
Gateways Housing, L.P.	2,787,611	1,045,114	467,042	266,200	(261,188)	(13)
Huntington Square, L.P.	3,259,552	3,194,963	(4,000)	-	(800)	(800)
La Primavera Apartments, L.P.	3,565,104	1,508,461	1,276,195	355,715	(128,119)	(13)
Lorena Plaza, L.P.	885,040	885,040	-	-	-	-
Miramonte PSH, L.P.	7,239,115	5,984,964	1,247,198	-	(800)	-
ND Sepulveda I, L.P.	20,431,116	9,234,345	10,962,655	1,016,415	(621,213)	(31)
ND Sepulveda II, L.P.	18,395,431	8,167,085	10,073,313	1,045,616	(462,007)	(24)
Osborne Place, L.P.	18,916,225	10,480,115	6,984,707	1,125,877	(313,417)	(32)
Rayen Apartments, L.P.	9,334,871	6,899,184	2,319,586	751,800	(725,357)	(73)
Redlands Supportive Housing, L.P.	3,088,281	2,563,225	(4,000)	-	(800)	(404)
Riverside Supportive Housing, L.P.	2,749,519	2,749,519	(4,000)	-	(800)	(800)
Santos Plaza, L.P.	3,545,148	3,427,585	(1,220,222)	354,907	(427,443)	(43)
Step Up On Fifth, L.P.	13,019,185	13,793,264	(2,879,672)	475,091	(971,094)	(50)
Sun Valley Housing, L.P.	15,087,877	14,315,053	772,024	-	(800)	-
The Villas at Gower, L.P.	24,919,987	15,505,789	7,427,859	955,982	(649,482)	(35)
Vendome Palms, L.P.	11,410,457	10,823,082	20,662	400,710	(355,535)	(36)
Vista Del Rio Housing Partners, L.P.	11,163,349	2,831,155	6,997,181	454,245	(285,243)	(7)
West Villas, L.P.	19,239,811	4,994,428	13,014,340	953,627	(420,540)	(42)
Willis Avenue Apartments, L.P.	12,867,216	8,712,728	4,073,343	531,934	(616,600)	(62)
Willowbrook Place, L.P.	4,846,385	3,848,579	29,365	361,691	(294,840)	(29)
Woodland Terrace, L.P.	7,406,300	7,062,001	(1,425,094)	535,546	(595,961)	(60)
	<u>\$ 335,412,189</u>	<u>\$ 195,030,238</u>	<u>\$ 107,628,715</u>	<u>\$ 14,454,687</u>	<u>\$ (11,543,338)</u>	<u>\$ (2,887)</u>

NOTE 11 BUSINESS COMBINATION

Amistad Apartments, L.P.

The limited partners of Amistad Apartments, L.P., namely, Banc of America Housing Fund IIIG L.P., and Freddie Mac Equity Plus I-ESIC 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.

At acquisition date, the assumed assets exceeded the liabilities acquired in the amount of \$88,182.

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

Cash	\$	115,865
Accounts receivable		751
Prepaid expenses		6,345
Restricted deposits and funded reserves		305,402
Rental property		<u>4,090,973</u>
	Subtotal	<u>4,519,336</u>
Mortgage and interest payable		4,194,452
Other liabilities		<u>234,518</u>
	Subtotal	<u>4,428,970</u>
Net assets		90,366
A Community of Friends' existing interest		<u>2,184</u>
Excess of assets acquired over liabilities assumed	\$	<u>88,182</u>

To reflect the above transfer of interest and transactions until June 30, 2019, net assets beginning balance of the Company was adjusted as follows:

Net assets beginning, as previously reported	\$	9,405,566
Adjustments		<u>85,296</u>
Net assets beginning, as adjusted	\$	<u>9,490,862</u>

**A Community of Friends and Subsidiary
Notes to Consolidated Financial Statements
Year ended June 30, 2020**

NOTE 12 REAL ESTATE IN DEVELOPMENT

At June 30, 2020, real estate in development consisted of:

Land and other expenses	\$	50,000
Predevelopment costs		<u>183,367</u>
Total	\$	<u>233,367</u>

NOTE 13 PROPERTY AND EQUIPMENT

At June 30, 2020, property and equipment consisted of the following:

Land, buildings, and improvements	\$	63,735,095
Furniture and equipment		<u>2,477,405</u>
		66,212,500
Less accumulated depreciation and amortization		<u>41,563,202</u>
Total	\$	<u>24,649,298</u>

For the year ended June 30, 2020, provision for depreciation and amortization amounted to \$2,103,131.

NOTE 14 NOTES, ADVANCES, AND INTEREST RECEIVABLE

At June 30, 2020, notes, advances, and interest receivable consisted of the following:

	<u>Interest Receivable</u>	<u>Principal</u>
<p>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:</p> <p>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.</p>	\$	- \$ 1,810,000

**A Community of Friends and Subsidiary
Notes to Consolidated Financial Statements
Year ended June 30, 2020**

NOTE 14 NOTES, ADVANCES, AND INTEREST RECEIVABLE (CONTINUED)

	Interest Receivable	Principal
Notes receivable from La Primavera Apartments, L.P., interest accrues at 4.92% per annum and matures in December 2032.	\$ 355,880	\$ 400,000
Notes receivable from Willowbrook Place, L.P., interest accrues at 5.0% per annum and matures in October 2060.	274,707	400,000
Notes receivable from Woodland Terrace, L.P., interest accrues at 5.0% per annum and matures in December 2060.	266,225	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
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.	\$ 71,127	\$ 470,000
Total	967,939	5,241,784
Less: allowance for uncollectible notes and interest receivable	924,080	2,762,247
Net notes, advances and interest receivable	\$ 43,859	\$ 2,479,537

NOTE 15 NOTES AND INTEREST PAYABLE

At June 30, 2020, notes and interest payable consisted of the following:

	Interest Payable	Principal
<i>A Community of Friends</i>		
Notes payable to Los Angeles Housing and Community Investment Department (HCID), principal and interest due in annual payments (as defined in the loan agreements) derived from the cash flows of the various limited partnerships. Interest accrues annually on the outstanding principal balance at 2.5% to 5.72% per annum until the loan is repaid upon final sale of the properties or refinancing of the loan. The proceeds were loaned directly to specified limited partnerships, represented by loans receivable with the same terms as the notes payable. The loans are collateralized by a deed of trust on the respective property. The notes payable mature as follows:		
Figueroa Court Apartments, L.P., due in September 2038	\$ 605,323	\$ 1,497,333
Las Palomas Hotel, L.P., due in June 2051	2,407,539	2,100,081
V. Nueva, L.P., due August 2040	1,275,005	1,599,182
Calvert Street Apartments., due July 2041	1,263,227	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
<p>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.</p>	\$ -	\$ 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	303,496	345,000
Selby property, due in July 2031	627,840	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. The loan will be forgiven in fiscal year	191,131	204,000
Selby property, due in July 2021	345,921	325,000

NOTE 15 NOTES AND INTEREST PAYABLE (CONTINUED)

		<u>Interest Payable</u>		<u>Principal</u>
<p>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 were extended for additional five years until February 2024.</p>				
Selby property, due in February 2024	\$	-	\$	413,250
Selby property, due in February 2024		-		50,000
<p>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.</p>		188,241		516,851
<p>Note payable to Los Angeles County Development Authority (LACDA). Interest accrues at a simple interest rate of 3% per annum. The outstanding principal and accrued interest is to be repaid in annual installments. The loan is collateralized by the Step Out Apartments property and matures on May 15, 2031.</p>		513,794		1,063,688
<p>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.</p>		84,033		176,893

NOTE 15 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
<p>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; the loan was forgiven by the lender in October 2020.</p>	\$ -	\$ 280,000
<p>Notes payable to HCID, to be used in financing the acquisition of Central Court Apartments and partially finance the rehabilitation and permanent costs. The loans are non-interest bearing and annual principal payments are made exclusively from residual receipts (as defined in the loan agreement) derived from the project at the financed property. The notes are collateralized by a deed of trust on the Central Court property. Both notes mature in February 2059.</p>	-	725,808
<p>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.</p>	207,922	689,200
<p>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 December 2024.</p>	-	600,000

NOTE 15 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
<p>Unsecured working capital and predevelopment loan payable to Enterprise Community Partners, Inc. at annual interest rate of 0%. The loan matures on December 31, 2020.</p>	\$ -	\$ 200,000
<p>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)</p>		
Riverside Supportive Housing, L.P.	33,642	367,358
Huntington Square, L.P.	69,578	125,875
<p>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.</p>	-	400,000
<p>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.</p>	-	470,000

NOTE 15 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
<p>Draws from \$2.8 million lines of credit maintained with Community Housing Capital, Inc.; 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)</p>	\$ 1,308	\$ 13,750
<p>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.</p>	3,750	500,000
<p>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 principal balance is due in September 2021.</p>	24,500	700,000
<p>Working capital loan payable to Nonprofit Finance Fund to finance the general working capital needs and certain predevelopment costs of ACOF. The loan is unsecured and accrues interest at 5.5% per annum payable quarterly. The principal balance of loan is due on maturity date, in December 2022.</p>	20,052	1,450,000
<p>Note payable to Bank of America obtained under the Paycheck Protection Program of the Corona virus Aid, Relief, and Economic Security Act (the "CARES Act"). The loan is forgivable subject to certain conditions stated in the agreement. ACOF elected the option of using the funds within 24 weeks to avail of loan forgiveness.</p>	-	968,427

**A Community of Friends and Subsidiary
Notes to Consolidated Financial Statements
Year ended June 30, 2020**

NOTE 15 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
<p>Notes payable to the Corporation for Supportive Housing (CSH). Loan proceeds shall be used to finance the feasibility analysis and predevelopment costs of new supportive housing sites. Interest accrues at 3% per annum, compounding monthly. Payment of principal and interest are due on maturity date, in June 2021. The loan may be forgiven upon written request of ACOF and sole approval of CSH.</p>	\$ 881	\$ 75,000
<u><i>Parker Hotel, L.P.</i></u>		
<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.</p>	1,905,502	1,605,167
<u><i>Gower Street Apartments, L.P.</i></u>		
<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, 2020, no interest was accrued because the current market value of the property is lower than the loan balance.</p>	-	1,968,068
<u><i>39 West Apartments, L.P.</i></u>		
<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.</p>	956,082	1,056,484
<p>Non-interest bearing note payable to Citibank, collateralized by a deed of trust on the property. All payments are deferred until due date in March 2020. Management anticipates that the note will be forgiven and is currently working on the related documentation requirements.</p>	-	182,794

NOTE 15 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
<p><u>836 Fedora, L.P.</u> 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.</p>	\$ 760,575	\$ 759,000
<p><u>Figueroa Court Apartments, L.P.</u> Note payable to Citibank dated November 1, 1998, bearing 0% interest rate. The note is due on October 1, 2028 and secured by a second deed of trust.</p>	-	281,345
<p><u>Sonya Gardens, L.P.</u> Note payable to California Community Reinvestment Corporation, at initial interest rate of 7.71% per annum until July 2017 and thereafter, interest shall be adjusted to a per annum rate based on the Index described in the loan agreement plus 2.5%. Principal and interest are payable in equal monthly installments until maturity date on July 1, 2027. The loan is secured by a deed of trust.</p>	1,817	185,166
<p>Note payable to 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.</p>	7,038	522,647
<p>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.</p>	455,612	525,000

NOTE 15 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
<u><i>Brandon Apartments, L.P.</i></u>		
Note payable to LACDA for the construction of affordable housing, bearing annual interest rate of 3%. Principal and interest are due in annual payments from residual receipts as defined in the loan agreement. The note is secured by a deed of trust and matures in November 2031.	\$ 888,636	\$ 1,799,978
Non-interest bearing note payable to California Housing Finance Agency (CalHFA). Monthly installment of \$913 is forgiven if the Partnership complies with note requirements until maturity date in January 2058. The note is collateralized by a deed of trust.	-	35,606
Note payable to Bank of America for the construction of affordable housing. If Partnership complies with the note agreement, interest and principal shall be due not later than maturity date in September 2041. Principal and interest are due monthly in arrears. The note is collateralized by a deed of trust.	-	320,000
<u><i>California Hotel 1140, L.P.</i></u>		
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.	1,079,899	1,161,626
<u><i>Fox Normandie Apartments, L.P.</i></u>		
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
<u><i>Maryland Apartments, L.P.</i></u>		
Note payable to LACDA for construction of affordable housing, bearing interest rate of 3% per annum. Principal and interest are due in annual payments from residual receipts as described in the loan agreement. The note matures on March 15, 2031 and LACDA is the first trust deed holder.	569,630	1,045,500

NOTE 15 NOTES AND INTEREST PAYABLE (CONTINUED)

	Interest Payable	Principal
<u>V. Nueva, L.P.</u>		
Non-interest bearing note payable to Bank of America Community Development. Management anticipates that the note will be forgiven in 2020. The note is collateralized by a second deed of trust.	\$ -	\$ 165,000
<u>Calvert Apartments, L.P.</u>		
Note payable to Bank of America for the construction of affordable housing. The loan is non-interest bearing for as long as the Affordable Housing Project (AHP) requirements are met. The note is collateralized by deed of trust and matures on November 18, 2032.	-	248,869
<u>Amistad Apartments, L.P.</u>		
Note payable to LACDA bearing interest at 3% per annum. Payments of principal and interest are due annually from residual receipts derived from the operations of the Partnership, through March 15, 2034. The note is secured by deed of trust.	1,032,658	2,169,998
Note payable to Bank of America. The note is non-interest bearing as long as the Affordable Housing Program (AHP) requirements are met. If AHP requirements are not met, the note bears interest at the AHP subsidy rate. The note is secured by deed of trust and matures on December 27, 2041.	-	300,000
Total	15,824,632	32,975,203
Less current portion	-	1,719,041
Long-term portion	15,824,632	31,256,162
Less unamortized loan fees	-	26,336
Notes payable long-term, net	\$ 15,824,632	\$ 31,229,826

NOTE 15 NOTES AND INTEREST PAYABLE (CONTINUED)

Future maturities of interest and notes payable at June 30, 2020 were as follows:

Year ending June 30,	Amount
2021	\$ 1,719,041
2022	2,384,225
2023	1,490,251
2024	525,262
2025	625,910
Thereafter	42,028,810
Total	\$ 48,773,499

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 assets of ACOF and expires in January and October 2021. As of June 30, 2020, outstanding draws from the lines of credit amounted to \$506,983 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

Revenues from government grants and contracts without donor restriction consisted of the following:

Program and Funding Agency	
Supportive Housing Program:	
U.S. Department of Housing and Urban Development	\$ 1,770,095
Los Angeles County Department of Health Services	1,042,050
Others	32,800
Total	\$ 2,844,945

During the fiscal year, ACOF received from NeighborWorks America (NWA) grants without donor restriction amounting to \$471,554, and grants with donor restriction amounting to \$83,200, and these were recorded as foundation grants in the consolidated statement of activities.

Included in the grants received without donor restriction are Capital Funds of \$290,000 classified by NWA as unrestricted. The funds were fully spent for predevelopment activities during the year. As provided for in the grant agreement, the Capital Funds' schedule of financial position and schedule of activities as of and for the year ended June 30, 2020 are presented as supplemental report at pages 42 and 43 in the consolidated financial statements.

NOTE 18 NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2020, net assets with donor restrictions are available for the following purpose or period:

Alternate financing	\$	45,133
Asset management database		8,740
Family and children services		2,761
Others		3,768
Restricted as to time (July 1, 2020 to June 30, 2021)		106,032
Total	\$	<u>166,434</u>

NOTE 19 COMMITMENTS AND CONTINGENCIES

Leases

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

Year ending June 30,		Amount
2021	\$	226,732
2022		<u>192,860</u>
Total	\$	<u>419,592</u>

For the year ended June 30, 2020, rent expense charged to operations amounted to \$262,125.

Contingencies

ACOF is contingently liable for all obligations of the partnerships relating to certain recourse notes payable. In some cases, ACOF, as general partner or managing general partner/sole member of Supportive Housing, LLC, has guaranteed to pay all operating deficits and in others has guaranteed the limited partners a return on their investments. However, the guarantees are only to the extent that such items are in excess of reserves that have been set aside for that purpose. At June 30, 2020, contingent liability related to operating deficits approximates to \$843,000. Management believes the reserves are adequate, and it is unlikely the Company will be called upon to pay on the guarantees.

At June 30, 2020, ACOF was contingently liable for approximately \$1,979,090 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, 2020.

NOTE 19 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Contingencies (Continued)

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 \$11,046,166 at June 30, 2020. 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 ACOF management and its legal counsel believe that the case is substantially covered by insurance, and the ultimate disposition will 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, 2020.

Partnership and property management fees	\$	794,001
Developer fees		3,076,882
Administrative fees		51,797
Total fees earned from partnerships	\$	<u>3,922,680</u>

In October 2009, ACOF entered into a Memorandum of Understanding – Subcontract for Property Management Services (MOU) with Barker Management, Inc. (BMI). In accordance with the MOU 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, 2020, ACOF earned property management fees under this agreement in the amount of \$233,995.

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, 2020, ACOF's contributions to the plan amounted to \$215,682.

NOTE 22 SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. This condition continues to exist even until the report date. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies of many countries including the geographical area where the Company operates. It is unknown how long these conditions will last and its complete financial effect to the Company.

Also, the Company is in the exploratory stage of divesting real estate held for development in a limited partnership.

The Company has evaluated events or transactions that occurred subsequent to June 30, 2020 through November 10, 2020, the date the accompanying consolidated financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined that no other subsequent events required disclosure or adjustment to the accompanying consolidated financial statements.

SUPPLEMENTARY INFORMATION

**A Community of Friends and Subsidiary
Consolidating Schedule of Financial Position
June 30, 2020**

	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.	Figuerola Court Apartments, L.P.	Fox Normandie Apartments, L.P.	Gower Street Apartments, L.P.	Las Palomas Hotel, L.P.
ASSETS									
Current assets									
Cash and cash equivalents	\$ 4,384,454	\$ 35,477	\$ 4,371	\$ 5,970	\$ 12,767	\$ 7,550	\$ 16,010	\$ 4,666	\$ 2,480
Certificates of deposit and other short-term investments	802,058	-	-	-	-	-	-	-	-
Rental properties reserves	627,705	680,791	385,441	270,308	774,106	521,506	402,117	646,273	353,573
Project receivables - current portion	1,741,371	-	-	-	-	-	-	-	-
Partnership receivables - current portion	424,658	-	-	-	-	-	-	-	-
Developer fees receivable - current portion, net	1,377,630	-	-	-	-	-	-	-	-
Contracts receivable	761,914	-	-	-	-	-	-	-	-
Other receivables	24,682	26,518	22,088	61,838	10,121	19,286	29,671	39,325	202,733
Prepaid expenses and deposits	90,346	2,850	2,212	4,054	3,494	4,690	5,320	5,253	4,725
Total current assets	10,234,818	745,636	414,112	342,170	800,488	553,032	453,118	695,517	563,511
Long-term project receivables	3,716,817	-	-	-	-	-	-	-	-
Long-term partnership receivables	3,727,990	-	-	-	-	-	-	-	-
Long-term developer fees receivables, net	4,112,010	-	-	-	-	-	-	-	-
Notes, advances, and interest receivable, net	17,310,771	-	-	-	-	-	-	-	-
Investment in limited partnerships	7,441,464	-	-	-	-	-	-	-	-
Real estate in development	233,367	-	-	-	-	-	-	-	-
Property and equipment, net	2,777,967	1,356,271	631,459	2,187,185	986,597	1,824,589	1,611,146	1,078,414	1,079,131
Other long-term assets	-	-	-	4,423	1,801	-	-	-	960
Total assets	\$ 49,555,204	\$ 2,101,907	\$ 1,045,571	\$ 2,533,778	\$ 1,788,886	\$ 2,377,621	\$ 2,064,264	\$ 1,773,931	\$ 1,643,602
LIABILITIES AND NET ASSETS									
Current liabilities									
Accounts payable and accrued expenses	\$ 1,426,263	\$ 24,436	\$ 24,743	\$ 143,730	\$ 12,935	\$ 176,975	\$ 54,033	\$ 305,799	\$ 784,411
Current portion of notes and interest payable	1,353,439	182,794	-	-	-	-	-	-	-
Other liabilities	59,066	-	-	-	-	-	-	-	-
Total current liabilities	2,838,768	207,230	24,743	143,730	12,935	176,975	54,033	305,799	784,411
Deficiency in partnership investments	14,558,221	-	-	-	-	-	-	-	-
Notes and interest payable, net of current portion	25,166,619	2,012,566	1,519,575	3,044,220	2,980,320	3,626,320	263,744	1,968,068	4,507,580
Total liabilities	42,563,608	2,219,796	1,544,318	3,187,950	2,993,255	3,803,295	317,777	2,273,867	5,291,991
Net assets									
Without donor restrictions	6,825,162	(117,889)	(498,747)	(654,172)	(1,204,369)	(1,425,674)	1,746,487	(499,936)	(3,648,389)
With donor restrictions	166,434	-	-	-	-	-	-	-	-
Total net assets	6,991,596	(117,889)	(498,747)	(654,172)	(1,204,369)	(1,425,674)	1,746,487	(499,936)	(3,648,389)
Total liabilities and net assets	\$ 49,555,204	\$ 2,101,907	\$ 1,045,571	\$ 2,533,778	\$ 1,788,886	\$ 2,377,621	\$ 2,064,264	\$ 1,773,931	\$ 1,643,602

See report of independent auditors.

**A Community of Friends and Subsidiary
Consolidating Schedule of Financial Position (Continued)
June 30, 2020**

	Supportive Housing LLC							Eliminations	Consolidated
	Maryland Apartments, L.P.	Parker Hotel, L.P.	Sonya Gardens, L.P.	V. Nueva, L.P.	Calvert Street Apartments, L.P.	Amistad Apartments, LP			
ASSETS									
Current assets									
Cash and cash equivalents	\$ 5,509	\$ 2,594	\$ 71,224	\$ 24,696	\$ 1,568	\$ 56,454	\$ -	\$ 4,635,790	
Certificates of deposit and other short-term investments	-	-	-	-	-	-	-	802,058	
Rental properties reserves	152,479	404,650	401,315	802,824	131,716	324,744	-	6,879,548	
Project receivables - current portion	-	-	-	-	-	-	-	1,741,371	
Partnership receivables - current portion	-	-	-	-	-	-	-	424,658	
Developer fees receivable - current portion, net	-	-	-	-	-	-	-	1,377,630	
Contracts receivable	-	-	-	-	-	-	-	761,914	
Other receivables	16,543	35,193	341,983	22,533	4,098	15,332	-	871,944	
Prepaid expenses and deposits	2,893	2,342	5,508	4,670	4,825	9,265	-	152,447	
Total current assets	177,424	444,779	820,030	854,723	142,207	405,795	-	17,647,360	
Long-term project receivables	-	-	-	-	-	-	(58,305)	3,658,512	
Long-term partnership receivables	-	-	-	-	-	-	(1,585,679)	2,142,311	
Long-term developer fees receivables, net	-	-	-	-	-	-	-	4,112,010	
Notes, advances, and interest receivable, net	-	-	-	-	-	-	(14,787,375)	2,523,396	
Investment in limited partnerships	-	-	-	-	-	-	(3,481,523)	3,959,941	
Real estate in development	-	-	-	-	-	-	-	233,367	
Property and equipment, net	1,152,885	563,516	2,186,147	1,949,446	2,972,316	3,723,157	(1,430,928)	24,649,298	
Other long-term assets	500	823	555	-	-	5,112	-	14,174	
Total assets	\$ 1,330,809	\$ 1,009,118	\$ 3,006,732	\$ 2,804,169	\$ 3,114,523	\$ 4,134,064	\$ (21,343,810)	\$ 58,940,369	
LIABILITIES AND NET ASSETS									
Current liabilities									
Accounts payable and accrued expenses	\$ 313,809	\$ 73,248	\$ 35,523	\$ 67,708	\$ 338,493	\$ 241,594	\$ (1,643,984)	\$ 2,379,716	
Current portion of notes and interest payable	-	-	17,808	165,000	-	-	-	1,719,041	
Other liabilities	-	-	-	-	-	-	-	59,066	
Total current liabilities	313,809	73,248	53,331	232,708	338,493	241,594	(1,643,984)	4,157,823	
Deficiency in partnership investments	-	-	-	-	-	-	(14,123,600)	434,621	
Notes and interest payable, net of current portion	1,794,134	3,510,669	1,679,472	2,966,775	3,748,098	4,294,657	(16,028,359)	47,054,458	
Total liabilities	2,107,943	3,583,917	1,732,803	3,199,483	4,086,591	4,536,251	(31,795,943)	51,646,902	
Net assets									
Without donor restrictions	(777,134)	(2,574,799)	1,273,929	(395,314)	(972,068)	(402,187)	10,452,133	7,127,033	
With donor restrictions	-	-	-	-	-	-	-	166,434	
Total net assets	(777,134)	(2,574,799)	1,273,929	(395,314)	(972,068)	(402,187)	10,452,133	7,293,467	
Total liabilities and net assets	\$ 1,330,809	\$ 1,009,118	\$ 3,006,732	\$ 2,804,169	\$ 3,114,523	\$ 4,134,064	\$ (21,343,810)	\$ 58,940,369	

See report of independent auditors.

**A Community of Friends and Subsidiary
Consolidating Schedule of Activities
Year ended June 30, 2020**

	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.
Revenue and support									
Government grants and contracts	\$ 2,844,945	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Foundation grants	1,295,603	-	-	-	-	-	-	-	-
Developer fees	3,076,882	-	-	-	-	-	-	-	-
Partnership and property management fees	1,219,306	-	-	-	-	-	-	-	-
Rental income	525,059	398,603	204,132	395,999	351,704	363,463	437,924	581,319	553,760
Administrative fees	116,089	-	-	-	-	-	-	-	-
Interest income from loans	471,660	-	-	-	-	-	-	-	-
Other interest income	113,928	-	-	-	-	-	-	-	-
General donations	218,994	-	-	-	-	-	-	-	-
In-kind donations	100,060	-	-	-	-	-	-	-	-
Miscellaneous	1,986	-	-	-	-	-	-	-	-
Total revenue and support	9,984,512	398,603	204,132	395,999	351,704	363,463	437,924	581,319	553,760
Functional expenses									
Program services	7,530,203	486,698	251,799	664,101	474,591	518,129	607,229	815,151	899,951
Fund development	350,375	-	-	-	-	-	-	-	-
General and administration	1,782,568	-	-	-	-	-	-	-	-
Total functional expenses	9,663,146	486,698	251,799	664,101	474,591	518,129	607,229	815,151	899,951
Change in net assets before loss from investment in partnerships	321,366	(88,095)	(47,667)	(268,102)	(122,887)	(154,666)	(169,305)	(233,832)	(346,191)
Loss from investment in partnerships	(3,046,436)	-	-	-	-	-	-	-	-
Change in net assets	(2,725,070)	(88,095)	(47,667)	(268,102)	(122,887)	(154,666)	(169,305)	(233,832)	(346,191)
Net assets, beginning 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)
Net assets, end of year	\$ 6,991,596	\$ (117,889)	\$ (498,747)	\$ (654,172)	\$ (1,204,369)	\$ (1,425,674)	\$ 1,746,487	\$ (499,936)	\$ (3,648,389)

See report of independent auditors.

**A Community of Friends and Subsidiary
Consolidating Schedule of Activities (Continued)
Year ended June 30, 2020**

	Supportive Housing LLC							Eliminations	Consolidated
	Maryland Apartments, L.P.	Parker Hotel, L.P.	Sonya Gardens, L.P.	V. Nueva, L.P.	Calvert Street Apartments, L.P.	Amistad Apartments L.P.			
Revenue and support									
Government grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2,844,945
Foundation grants	-	-	-	-	-	-	-	-	1,295,603
Developer fees	-	-	-	-	-	-	-	-	3,076,882
Partnership and property management fees	-	-	-	-	-	-	(425,305)	-	794,001
Rental income	250,099	233,069	773,124	528,629	153,479	424,019	-	-	6,174,382
Administrative fees	-	-	-	-	-	-	(64,292)	-	51,797
Interest income from loans	-	-	-	-	-	-	(376,300)	-	95,360
Other interest income	-	-	-	-	-	-	-	-	113,928
General donations	-	-	-	-	-	-	-	-	218,994
In-kind donations	-	-	-	-	-	-	-	-	100,060
Miscellaneous	-	-	-	-	-	-	-	-	1,986
Total revenue and support	<u>250,099</u>	<u>233,069</u>	<u>773,124</u>	<u>528,629</u>	<u>153,479</u>	<u>424,019</u>	<u>(865,897)</u>	<u>-</u>	<u>14,767,938</u>
Functional expenses									
Program services	411,882	370,406	649,485	677,465	549,143	868,854	(1,014,067)	-	14,761,020
Fund development	-	-	-	-	-	-	-	-	350,375
General and administration	-	-	-	-	-	-	-	-	1,782,568
Total functional expenses	<u>411,882</u>	<u>370,406</u>	<u>649,485</u>	<u>677,465</u>	<u>549,143</u>	<u>868,854</u>	<u>(1,014,067)</u>	<u>-</u>	<u>16,893,963</u>
Change in net assets before loss from investment in partnerships	(161,783)	(137,337)	123,639	(148,836)	(395,664)	(444,835)	148,170	-	(2,126,025)
Loss from investment in partnerships	-	-	-	-	-	-	2,975,066	-	(71,370)
Change in net assets	(161,783)	(137,337)	123,639	(148,836)	(395,664)	(444,835)	3,123,236	-	(2,197,395)
Net assets, beginning of year	(615,351)	(2,437,462)	1,150,290	(246,478)	(576,404)	42,648	7,328,897	-	9,490,862
Net assets, end of year	<u>\$ (777,134)</u>	<u>\$ (2,574,799)</u>	<u>\$ 1,273,929</u>	<u>\$ (395,314)</u>	<u>\$ (972,068)</u>	<u>\$ (402,187)</u>	<u>\$ 10,452,133</u>	<u>\$ -</u>	<u>\$ 7,293,467</u>

See report of independent auditors.

**A Community of Friends and Subsidiary
NeighborWorks America Capital Fund
Schedule of Financial Position
June 30, 2020**

ASSETS	
Real estate in development	\$ <u>109,449</u>
Total assets	\$ <u>109,449</u>
 NET ASSETS	
Without donor restriction	\$ <u>109,449</u>
Total net assets	\$ <u>109,449</u>

See report of independent auditors.

**A Community of Friends and Subsidiary
NeighborWorks America Capital Fund
Schedule of Activities
Year ended June 30, 2020**

Revenue, gains, other support and releases of capital:

Capital Grant - NeighborWorks America, beginning of year	\$ 58,310
Additions	290,000
Releases	<u>(238,861)</u>
Net assets, end of year	<u>\$ 109,449</u>

See report of independent auditors.

**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, 2020, 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 10, 2020.

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) as a basis for designing 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

**Glendale, California
November 10, 2020**



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