# Abode Property Management

Financial Statements
and Supplementary Information
and Other Audit Report

June 30, 2023
(With Comparative Totals for 2022)

armanino

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Abode Property Management
Fremont, California

**Opinion**

We have audited the accompanying financial statements of Abode Property Management (the "Organization"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Abode Property Management as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Abode Property Management and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Abode Property Management's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Abode Property Management's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Abode Property Management's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information on pages 25 - 29 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 February 2, 2024, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 the Organization's internal control over financial reporting and compliance.

**Report on Summarized Comparative Information**

We have previously audited Abode Property Management's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 30, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Correction of Errors**

As discussed in Note 2 to the financial statements, certain errors resulting in understatement of net assets and change in net assets as of and for the year ended June 30, 2022, were discovered by management of the Organization during the current year. Accordingly, amounts reported in the statement of financial position and statement of activities have been restated as of and for the year ended June 30, 2022 in the financial statements now presented, and an adjustment has been made to net assets as of June 30, 2022, to correct the error. Our opinion is not modified with respect to that matter.

Armanino LLP

Armanino LLP
San Jose, California

February 2, 2024

# Abode Property Management
## Statement of Financial Position
## June 30, 2023
## (With Comparative Totals for 2022)

| | 2023 | (Restated) 2022 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | $ 1,467,607 | $ 2,031,068 |
| Accounts receivable, net | 4,994,656 | 1,702,668 |
| Notes receivable | - | 675,000 |
| Prepaid expenses | 50,435 | 59,127 |
| Related party receivables | 2,622,165 | 580,580 |
| Total current assets | 9,134,863 | 5,048,443 |
| Property and equipment, net | 8,686,614 | 8,883,270 |
| Other assets | | |
| Deposits | 3,695 | 3,695 |
| Tenant security deposits | 187,688 | 187,451 |
| Restricted cash | 8,079 | 8,068 |
| Operating reserves | 1,642,148 | 607,509 |
| Replacement reserves | 1,721,587 | 1,631,616 |
| Total other assets | 3,563,197 | 2,438,339 |
| Total assets | $ 21,384,674 | $ 16,370,052 |
| **LIABILITIES AND NET ASSETS** | | |
| Current liabilities | | |
| Accounts payable | $ 81,978 | $ 38,511 |
| Accrued expenses | 361,235 | 117,430 |
| Notes payable, current portion | 1,726,117 | 1,041,129 |
| Deferred revenue, current portion | 77,716 | 93,964 |
| Related party payables | 7,148,599 | 1,511,363 |
| Accrued interest, current portion | 131,796 | 131,796 |
| Total current liabilities | 9,527,441 | 2,934,193 |
| Long-term liabilities | | |
| Tenant security deposits | 132,399 | 138,362 |
| Deferred revenue, net of current portion | 617,975 | 632,660 |
| Accrued interest, net of current portion | 1,339,161 | 1,205,355 |
| Notes payable, net of current portion | 5,274,285 | 6,360,467 |
| Total long-term liabilities | 7,363,820 | 8,336,844 |
| Total liabilities | 16,891,261 | 11,271,037 |
| Net assets without donor restrictions | 4,493,413 | 5,099,015 |
| Total liabilities and net assets | $ 21,384,674 | $ 16,370,052 |

The accompanying notes are an integral part of these financial statements.

Abode Property Management
Statement of Activities
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

| | 2023 | (Restated) 2022 |
|---|---|---|
| Revenue and support | | |
| Rental income | | |
| Gross potential rent | $ 3,990,438 | $ 3,302,699 |
| Vacancy loss | (457,536) | (494,444) |
| Total rental income | 3,532,902 | 2,808,255 |
| | | |
| Property management income | 3,759,317 | 1,094,092 |
| Gain on sale of properties | 853,662 | - |
| Miscellaneous income | 176,407 | 134,507 |
| Contributions in-kind | 52,613 | 71,075 |
| Interest income | 7,563 | 6,484 |
| Total revenue and support | 8,382,464 | 4,114,413 |
| | | |
| Functional expenses | | |
| Program services | | |
| Rental operations | 4,821,529 | 3,795,746 |
| Property management | 3,331,900 | 358,496 |
| Total program services | 8,153,429 | 4,154,242 |
| Support services | | |
| Management and general | 827,621 | 439,397 |
| Fundraising | 7,016 | 36,104 |
| Total support services | 834,637 | 475,501 |
| Total functional expenses | 8,988,066 | 4,629,743 |
| | | |
| Change in net assets without donor restrictions | (605,602) | (515,330) |
| | | |
| Net assets without donor restrictions, beginning of year | 5,099,015 | 5,614,345 |
| | | |
| Net assets without donor restrictions, end of year | $ 4,493,413 | $ 5,099,015 |

Abode Property Management
Statement of Functional Expenses
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

| | 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Program Services | | Support Services | | | (Restated) |
| | Rental Operations | Property Management | Management and General | Fundraising | 2023 Total | 2022 Total |
| Operating expenses | | | | | | |
| Salaries and wages | $ 1,455,935 | $ 1,063,948 | $ 429,274 | $ 5,819 | $ 2,954,976 | $ 1,988,131 |
| Repairs and maintenance | 1,037,764 | 527,983 | 29,990 | - | 1,595,737 | 496,409 |
| Utilities | 364,778 | 213,977 | 1,488 | - | 580,243 | 254,897 |
| Legal and professional fees | 42,315 | 450,864 | 27,889 | - | 521,068 | 75,994 |
| Office expenses | 446,839 | 32,916 | 143 | - | 479,898 | 152,386 |
| Security services | 87,826 | 307,492 | - | - | 395,318 | 104,701 |
| Employee benefits | 185,509 | 132,058 | 54,910 | 756 | 373,233 | 226,520 |
| Insurance | 93,347 | 232,738 | 15,669 | - | 341,754 | 117,592 |
| Miscellaneous | 4,561 | 111,095 | 166,510 | - | 282,166 | 67,259 |
| Payroll taxes | 106,686 | 83,732 | 32,043 | 441 | 222,902 | 121,970 |
| Office rent | - | 49,568 | 40,555 | - | 90,123 | 85,198 |
| Telephone | 13,837 | 35,439 | 16,059 | - | 65,335 | 39,717 |
| Taxes and licenses | 60,089 | 2,857 | 557 | - | 63,503 | 59,499 |
| Licenses and fees | 31,204 | 24,434 | - | - | 55,638 | 22,249 |
| Supportive service fees | - | 50,674 | - | - | 50,674 | - |
| Equipment rental | 26,597 | 4,279 | - | - | 30,876 | 8,253 |
| Travel | 8,639 | 7,120 | 12,534 | - | 28,293 | 22,287 |
| Relocation fees | 13,182 | - | - | - | 13,182 | 1,400 |
| Dues and subscriptions | 13,076 | - | - | - | 13,076 | 14,999 |
| Training | 7,338 | 246 | - | - | 7,584 | 10,656 |
| Bank charges | 6 | 480 | - | - | 486 | 11 |
| Administrative rent fee unit | - | - | - | - | - | 12,650 |
| Total operating expenses | 3,999,528 | 3,331,900 | 827,621 | 7,016 | 8,166,065 | 3,882,778 |
| Other expenses | | | | | | |
| Depreciation and amortization | 566,929 | - | - | - | 566,929 | 545,373 |
| Interest | 197,309 | - | - | - | 197,309 | 196,401 |
| Bad debt expense | 57,763 | - | - | - | 57,763 | 5,191 |
| Total other expenses | 822,001 | - | - | - | 822,001 | 746,965 |
| | $ 4,821,529 | $ 3,331,900 | $ 827,621 | $ 7,016 | $ 8,988,066 | $ 4,629,743 |

The accompanying notes are an integral part of these financial statements.

# Abode Property Management
## Statement of Cash Flows
## For the Year Ended June 30, 2023
## (With Comparative Totals for 2022)

| | 2023 | (Restated) 2022 |
|---|---|---|
| Cash flows from operating activities | | |
| Change in net assets | $ (605,602) | $ (515,330) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 566,929 | 545,373 |
| Accrued interest | 133,806 | (147,116) |
| Gain on sale of properties | (853,662) | - |
| Changes in operating assets and liabilities | | |
| Accounts receivable, net | (2,616,988) | (864,996) |
| Prepaid expenses | 8,692 | (14,273) |
| Accounts payable | 43,467 | (68,390) |
| Accrued expenses | 243,805 | 38,154 |
| Deferred revenue | (30,933) | 19,719 |
| Related party payables | 3,595,651 | 959,092 |
| Tenant security deposits | (5,963) | 11,893 |
| Net cash provided by (used in) operating activities | 479,202 | (35,874) |
| Cash flows from investing activities | | |
| Acquisition of property and equipment | (516,454) | (40,179) |
| Proceeds from the sale of properties | 999,843 | - |
| Net cash provided by (used in) investing activities | 483,389 | (40,179) |
| Cash flows from financing activities | | |
| Principal payments on notes payable | (401,194) | (41,470) |
| Net cash used in financing activities | (401,194) | (41,470) |
| Net increase (decrease) in cash and restricted cash | 561,397 | (117,523) |
| Cash and restricted cash, beginning of year | 4,465,712 | 4,583,235 |
| Cash and restricted cash, end of year | $ 5,027,109 | $ 4,465,712 |

| | 2023 | 2022 |
|---|---|---|
| Cash and restricted cash consisted of the following: | | |
| Cash and cash equivalents | $ 1,467,607 | $ 2,031,068 |
| Tenant security deposits | 187,688 | 187,451 |
| Restricted cash | 8,079 | 8,068 |
| Operating reserves | 1,642,148 | 607,509 |
| Replacement reserves | 1,721,587 | 1,631,616 |
| | $ 5,027,109 | $ 4,465,712 |

Supplemental disclosure of cash flow information

| | 2023 | 2022 |
|---|---|---|
| Cash paid during the year for interest | $ 63,503 | $ 343,517 |

The accompanying notes are an integral part of these financial statements.

## 1. NATURE OF OPERATIONS

Abode Property Management (formerly known as Housing for Independent People, Inc.; also "APM" or the "'Organization") is a nonprofit public benefit corporation incorporated in the state of California in 1979. The Organization's mission is to end homelessness and prevent institutionalization of people with special needs in Northern California. Special needs include developmental disabilities, psychiatric disabilities, medical conditions including drug and alcohol dependency, frail elderly, HIV/AIDS, and combinations of these disabilities. On July 7, 2023, the Organization filed a Restated Articles of Incorporation with the California Secretary of State, changing its legal name from Housing for Independent People, Inc. to Abode Property Management (see Note 17).

The Organization fulfills its mission by not only preserving the community's current stock of rental housing for very low-income special needs individuals, but also providing high quality management. The Organization is also expanding the number of units of housing available to this population through partnerships to acquire or develop additional units in the community.

Effective January 1, 2012, APM and Abode Services ("Abode") entered into a strategic alliance. Both organizations have retained separate identities, missions and activities. APM and Abode shared a common Board of Directors and Chief Executive Officer until January 1, 2024, at which time each will have a separate Board of Directors and a separate Chief Executive Officer. APM manages several of the Abode properties. Abode has entered into an agreement with APM to provide some administrative services to support their operations.

Effective January 1, 2012, APM and Abode Housing Development ("AHD", formerly known as Allied Housing, Inc.) entered into a strategic alliance. Both organizations have retained separate identities, missions and activities. APM and AHD shared a common Board of Directors and Chief Executive Officer until January 1, 2024, at which time each will have a separate Board of Directors. APM manages several of the AHD properties.

Effective April 1, 2017, APM and Community Working Group ("CWG") entered into a strategic alliance. Both organizations have retained separate identities, missions and activities. The organizations shared a common Board of Directors and Chief Executive Officer until January 1, 2024, at which time each will have a separate Board of Directors. CWG functions as the entity assigned to manage projects on the Bay Area's Peninsula.

APM owns and operates the following residential properties located in and subject to the regulatory agreements with the City of San Jose ("CSJ"):

- Burning Tree (single family home)
- Hoffman 5629 (4-plex)
- Hoffman 5668 (4-plex)
- Hoffman 5684 (4-plex)
- Roewill (4-plex)

1. NATURE OF OPERATIONS (continued)

These properties serve low income, homeless individuals, and those with mental disabilities. The properties are all subject to regulatory agreements of varying lengths with the City of San Jose (see Notes 5 and 16).

APM owns and operates additional rental properties in San Jose which are not subject to regulatory agreements as of December 2020. The following properties are subject to a Board of Directors Resolution to maintain an area median income for the property at the 80% low-income level:

- Barker (4-plex)
- Branham (duplex)
- Curtner (single family home - shared housing)
- Donna (4-plex)
- Minnesota (single family home - shared housing)
- Ross 1713 (4-plex)
- Ross 1731 (4-plex)

APM owns and operates the following additional rental properties financed by and subject to regulatory agreements with Housing Trust of Silicon Valley:

- Roewill (4-plex)
- Burning Tree (single family home)

APM owns and operates the following additional rental properties financed by and subject to regulatory agreements with the California Department of Housing and Community Development ("HCD"):

- Muirfield (2 duplexes) located in San Jose
- Longview (single family home of shared housing) located in Morgan Hill
- Sesame (single family home - shared housing) located in San Jose
- Thornton (single family home - shared housing) located in San Jose
- Resetar (mixed use, 90 apartments and ground floor commercial) located in Watsonville

APM also owns and operates one commercial rental property located in Fremont which is 100% leased to Abode Services.

APM leases two single family homes on Vermont Street from the City of San Jose. The homes function as shared housing for veterans who are homeless or at risk of homelessness.

## 2. CORRECTION OF ERRORS

Certain errors were discovered during the current year relating to the financial statements for the year ended June 30, 2022. APM included certain assets (net of certain liabilities), payables, income and expenses for certain third party properties under management of APM as of and for the year ended June 30, 2022. However, APM did not have ownership or interest over these third party properties. Accordingly, adjustments resulting in an increase in change in net assets of $354,435 were made to correct these errors. The accompanying financial statements been restated for the year ended June 30, 2022.

The effects of the restatement to June 30, 2022 are as follows:

| | As Previously Reported | Adjustments | As Restated |
|---|---|---|---|
| Net assets as of June 30, 2022 | $ 4,744,580 | $ 354,435 | $ 5,099,015 |
| Change in net assets for year ended June 30, 2022 | (869,765) | 354,435 | (515,330) |
| Total assets as of June 30, 2022 | 16,157,088 | 212,964 | 16,370,052 |
| Total liabilities as of June 30, 2022 | $ 11,412,508 | $ (141,471) | $ 11,271,037 |

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization reports its financial position and operating activities in two classes of net assets:

- *Net assets without donor restrictions* - represents the portion of net assets not subject to donor-imposed stipulations.
- *Net assets with donor restrictions* - include contributions received from donors that are restricted for specific purposes or for subsequent periods. When a donor restriction expires, 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. Net assets held in perpetuity include those assets which are subject to a non-expiring donor restriction, such as endowments. The Organization did not have net assets with donor restrictions as of June 30, 2023 and 2022.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842). ASU 2016-02 aims to increase transparency and comparability among organizations by requiring lessees to recognize leases with a term greater than 12 months as right-of-use ("ROU") assets and corresponding lease liabilities on the statement of financial position, regardless of lease classification, and requiring disclosure of key information about leasing arrangements. The lease liabilities should be initially measured at the present value of the remaining contractual lease payments. Subsequently, the ROU assets will be amortized generally on a straight-line basis over the lease term, and the lease liabilities will bear interest expense and be reduced for lease payments.

ASU 2016-02 is effective for the fiscal year beginning after December 15, 2021. The Organization adopted ASU 2016-02 on July 1, 2022, using the modified retrospective approach.

The adoption of the new lease accounting standard had no impact on the Organization's statement of financial position, operating results and cash flows.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue, support and expenses during the period. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

Cash equivalents are considered to be highly liquid investment instruments with original maturities of three months or less. Not included in operating cash are funds restricted as to their use, regardless of liquidity, such as tenant security deposits, replacement reserves, and operating reserves.

Funded reserves

The Organization is required to maintain operating and replacement reserves in accordance with various regulatory agreements (see Note 5).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable

Accounts receivable represent amounts billed but not yet received. The Organization provides an allowance for doubtful accounts based on management's evaluation of a current aging of the accounts. Management has recorded an allowance of $82,110 and $24,347 as of June 30, 2023 and 2022, respectively. It is the Organization's policy to write off delinquent amounts when management determines the receivable to be uncollectible.

Property and equipment

Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over $3,000 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed currently. Depreciation and amortization are computed on the straight-line method based on the estimated useful lives of the assets, which range from 5 to 40 years. Depreciation and amortization are charged to the activity benefiting from the use of the property or equipment.

Deferred revenue

Deferred revenue represents amortization of the one-time payment of $743,580 on July 21, 2016 for the lease of rooftop space to maintain cell phone towers on the Resetar building in Watsonville. The payment will be amortized over 50 years.

Tenant security deposits

Tenant security deposits are not available for operating purposes. The Organization maintains on deposit funds no less than the related liability and holds the funds in separate, interest bearing accounts in the name of the Organization.

Fair value measurements

Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

A hierarchy has been established to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3).

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- *Level 1* - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *Level 2* - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- *Level 3* - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Revenue recognition

Rental income is shown at maximum gross potential. Vacancy loss is shown as a reduction in rental income. Rental units occupied by employees are included in rental income and as an expense of operations. Other income includes fees for late payments, cleaning, damages, laundry facilities and other charges and is recorded when earned.

Contributions, including unconditional promises to give, are recognized as support in the period received. Contributions, including unconditional promises to give, are recorded with donor restrictions depending on the existence and/or nature of any restrictions and are then reclassified to net assets without donor restriction upon satisfaction of any restrictions through the net assets released from restriction.

Contributions that are considered conditional promises to give which contain barriers and a right of return or right of release are not recognized until the conditions on which they depend are met, at which time, the gift is recognized as either grants and contributions revenue with or without restriction.

APM generates a significant amount of revenue through cost reimbursement local government grants. The revenue generated from these services is recorded as grant revenue in the statement of activities. These grants meet the criteria to be classified as conditional contributions under GAAP revenue recognition for nonprofit organizations as they contain barriers related to incurrence of qualifying expenditures and a right of return or release. APM has elected a simultaneous release option to account for these grants. Therefore, they are recorded as grants without donor restriction upon satisfaction of the barriers.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional expenses

Costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and support services benefited. Direct expenses are charged directly to the program and/or the contract. Indirect cost are allocated following either by volume of transactions, square footage utilized, gross wages or based on time worked.

Comparative financial information

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with APM's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Property taxes

APM has filed for an exemption from certain property taxes in accordance with Section 214 of the California Code. The Organization has received some approvals and is awaiting approval on others.

Income tax status

APM is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from state income taxes under Section 23701d of the California Revenue Taxation Code. Any income from activities not directly related to APM's tax exempt purpose is subject to taxation as unrelated business income. In addition, APM qualifies for the charitable contribution deduction under Section 170(b)(1)(a) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

Reclassifications

Certain amounts in the prior year have been reclassified in order to be consistent with the current year presentation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

Management of the Organization has evaluated events and transactions subsequent to June 30, 2023 for potential recognition or disclosure in the financial statements. Such events were evaluated through February 2, 2024, the date the financial statements were available to be issued. Based upon this evaluation, see Note 17 for subsequent events that require recognition or additional disclosure in the financial statements.

4. NOTES RECEIVABLE

Notes receivable consisted of the loans APM made to its clients to cover operating expenses. The loans do not bear interest and are expected to be repaid within the following year.

5. RESTRICTED DEPOSITS AND FUNDED RESERVES

Operating reserves

The Organization is required to set aside cash for operating deficits including real estate taxes in a separate bank account per the loan agreements with CSJ and HCD. The operating reserve is to be funded at a rate of 2% of gross revenue for properties with CSJ loans and per the lender-approved annual operating budgets for properties with HCD loans.

Operating reserves activity was as follows for the year ended June 30, 2023:

| | Beginning Balance | Funding | Interest | Withdrawals | Ending Balance |
|---|---|---|---|---|---|
| Reserves mandated by HCD loans | $ 426,125 | $ 49,043 | $ 745 | $ (4,000) | $ 471,913 |
| Reserves mandated by CSJ loans | 111,651 | 1,005,207 | 378 | (19,000) | 1,098,236 |
| Reserves mandated by CSJ land lease | 69,733 | 2,176 | 90 | - | 71,999 |
| | $ 607,509 | $ 1,056,426 | $ 1,213 | $ (23,000) | $ 1,642,148 |

Replacement reserves

The Organization is required to set aside cash for capital improvements in separate bank accounts per the loan agreements with the CSJ and HCD. Properties that have HCD loans are required to deposit cash for replacement reserves in interest-bearing, insured accounts. Funding for properties with HCD loans are made monthly per the lender-approved annual operating budgets. Properties with CSJ loans fund their reserve accounts at a rate of 3% of gross revenue.

5. RESTRICTED DEPOSITS AND FUNDED RESERVES (continued)

Replacement reserves (continued)

Replacement reserve activity was as follows for the year ended June 30, 2023:

| | Beginning Balance | Funding | Interest | Withdrawals | Ending Balance |
|---|---|---|---|---|---|
| Reserves mandated by HCD | $ 1,005,454 | $ 100,000 | $ 1,735 | $ (21,147) | $ 1,086,042 |
| Reserves mandated by CSJ | 396,172 | 8,775 | 506 | (3,310) | 402,143 |
| Reserves mandated by other loans | 229,990 | - | 3,412 | - | 233,402 |
| | $ 1,631,616 | $ 108,775 | $ 5,653 | $ (24,457) | $ 1,721,587 |

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

| | 2023 | 2022 |
|---|---|---|
| Buildings | $ 9,772,263 | $ 9,938,358 |
| Building improvements | 6,287,724 | 5,942,575 |
| Land | 2,761,691 | 2,814,937 |
| Leasehold improvements | 46,154 | 46,154 |
| Office equipment | 383,775 | 354,373 |
| Furniture and fixtures | 42,319 | 42,319 |
| | 19,293,926 | 19,138,716 |
| Accumulated depreciation | (10,607,312) | (10,255,446) |
| | $ 8,686,614 | $ 8,883,270 |

Depreciation expense for the years ended June 30, 2023 and 2022 was $566,929 and $545,373, respectively.

7. RELATED PARTY

As described in Note 1, Abode, AHD, APM, and CWG provide services to one another.

7. RELATED PARTY (continued)

Administrative services fees

The agreement between Abode Services and APM to provide administrative services and staffing to support their operations states that Abode Services will provide: staff appropriate to APM's operating activities, office space to conduct its business, and administrative services. For the year ended June 30, 2023, APM incurred service contract fees to Abode Services in the amount of $5,880,677 and as of June 30, 2023 had payables due in the amount of $6,685,390. For the year ended June 30, 2022, APM incurred service contract fees from Abode Services in the amount of $4,184,540 and as of June 30, 2022 had payables due in the amount of $1,511,363.

Rental fees

APM received rents from Abode in the amounts of $295,082 and $234,324 for the years ended June 30, 2023 and 2022, respectively.

Property guarantee

Abode has guaranteed APM's note payable of $1,300,969 on the Papazian Property.

Property management fees and additional expenses

APM provides property management services to AHD's properties. APM incurred management fees to APM total $165,915 and $150,270 for the years ended June 30, 2023 and 2022, respectively. For the years ended June 30, 2023 and 2022, APM had a balance of $1,427,966 and $32,605 due from AHD, respectively. For the years ended June 30, 2023 and 2022, APM had $956,281 and $1,258,321 cash held in trust for the AHD properties it manages, respectively.

APM will cover expenses for managed properties when necessary. For the years ended June 30, 2023 and 2022, APM had a balance of $114,165 and $547,975 due from these properties, respectively.

Related party transactions

Related party receivables consisted of the following:

| | 2023 | 2022 |
|---|---|---|
| Property management receivable - AHD | $ 1,427,996 | $ 32,605 |
| Advances - Abode | 1,080,004 | - |
| Expense covering | 114,165 | 547,975 |
| | $ 2,622,165 | $ 580,580 |

7. RELATED PARTY (continued)

Related party transactions (continued)

Related party payables consisted of the following:

| | 2023 | 2022 |
|---|---|---|
| Service fees payable - Abode | $ 6,685,390 | $ 1,511,363 |
| Notes payable - AHD | 463,209 | - |
| | $ 7,148,599 | $ 1,511,363 |

8. NOTES PAYABLE

Notes payable are detailed as follows:

| | 2023 | 2022 |
|---|---|---|
| City of San Jose note dated October 6, 2004 in the amount of $297,154, secured by a first deed of trust on the Burning Tree property, bearing 0% interest. Annual payment of 60% of Net Cash Flow, as defined by the note, began September 1, 2005. The note is due April 1, 2030. The lender has placed a 31 year affordability restriction on the property. Units restricted to households whose income is at or below 60% of area median income. Rents are limited to 30% of 60% of area median income. | $ 290,673 | $ 290,673 |
| City of San Jose notes dated October 26, 1992 in the amount of $1,045,279, secured by second deeds of trust on the three Hoffman properties, bearing 0% interest. Payments are due annually of 80% of Net Cash Flow as defined by the note. Outstanding principal and interest were due at maturity on October 26, 2022. The lender has placed a 30 year affordability restriction on the properties. Units are restricted to households whose income is at or below 50% of area median income. Rents are limited to 30% of 50% of area median income. The Organization is in process of applying for an extension. | 642,912 | 997,704 |

8. NOTES PAYABLE (continued)

| | 2023 | 2022 |
|---|---|---|
| City of San Jose note dated June 1, 2003 in the amount of $382,500, secured by second deed of trust on the Roewill property bearing 0% interest. Annual payment of 70% of Net Cash Flow, as defined by the note, began May 1, 2004. The note is due April 30, 2043. The lender has placed a 55 year affordability restriction on the property. Units restricted to households whose income is at or below 30% of area median income. Rents are limited to 30% of area median income. | 363,409 | 369,249 |
| Housing Trust of Santa Clara County note dated June 5, 2003 in the amount of $60,000, secured by third deed of trust on the Roewill property, bearing 0% interest. Monthly payments are not required. The principal is due June 4, 2043. | 60,000 | 60,000 |
| Housing Trust of Santa Clara County note dated September 2004 in the amount of $100,000, secured by the third deed of trust on the Burning Tree property, bearing 0% interest. No monthly payments are required. The principal is due on September 30, 2034. | 100,000 | 100,000 |
| County of Santa Clara note dated June 8, 2004 in the amount of $75,000, secured by a second deed of trust on the Burning Tree property, bearing 3% simple interest. Interest will be payable out of residual receipts. Annual payments in the amount of 0.3% of the outstanding principal shall be payable to the County as an administrative fee. Outstanding principal and unpaid interest are due June 8, 2059. | 75,000 | 75,000 |
| Heritage Bank note dated October 6, 2004 in the amount of $1,397,500 secured by a first deed of trust on the Papazian property, bearing 5.5% interest. Monthly payments of principal and interest of $8,672 began on March 5, 2014. The principal is due on February 5, 2024. | 1,083,205 | 1,123,767 |

8. NOTES PAYABLE (continued)

| | 2023 | 2022 |
|---|---|---|
| Department of Housing and Community Development (HCD) CalHFA, a public agency of the State of California, various notes dated 1991 and 1992, bearing interest at 3% per annum, deferred; with unpaid principal and interest due 50 years from the date of the respective notes. Notes are subject to the regulatory agreements under the California Housing Rehabilitation Program Rental Component (CHRP-R). They are secured by first and second deeds of trust on real property. The lender has placed affordability restrictions on each property for the duration of the respective loans. Units are restricted to households whose income is at 50% of area median income. | 4,385,203 | 4,385,203 |
| | 7,000,402 | 7,401,596 |
| Current portion | (1,726,117) | (1,041,129) |
| | $ 5,274,285 | $ 6,360,467 |

The future maturities of the notes payable are as follows:

| Year ending June 30, | |
|---|---|
| 2024 | $ 1,726,117 |
| Thereafter | 5,274,285 |
| | $ 7,000,402 |

9. INTEREST EXPENSE

Interest expense consisted of the following:

| | 2023 | 2022 |
|---|---|---|
| HCD loans | $ 131,556 | $ 131,556 |
| Heritage Bank loan | 63,503 | 62,595 |
| County of Santa Clara loans | 2,250 | 2,250 |
| | $ 197,309 | $ 196,401 |

## 10. ACCRUED INTEREST

The Organization began deferring interest owed to HCD and the County of Santa Clara during the fiscal year ended June 30, 2012. The loans payable to HCD accrue interest at 3% per annum and are payable when cash flow permits with the unpaid interest due at maturity. The Organization accrues interest to the County of Santa Clara at a rate of 3% per annum.

Accrued interest consisted of the following:

| | HCD | County of Santa Clara | Heritage Bank loan | Total |
|---|---|---|---|---|
| Balance, June 30, 2021 | $ 1,449,312 | $ 34,955 | $ - | $ 1,484,267 |
| Interest expense | 131,556 | 2,250 | 62,595 | 196,401 |
| Interest paid | (280,695) | (227) | (62,595) | (343,517) |
| Balance, June 30, 2022 | 1,300,173 | 36,978 | - | 1,337,151 |
| Interest expense | 131,556 | 2,250 | 63,503 | 197,309 |
| Interest paid | - | - | (63,503) | (63,503) |
| Balance, June 30, 2023 | $ 1,431,729 | $ 39,228 | $ - | $ 1,470,957 |

## 11. HCD PROJECTED NET CASH FLOW

HCD projected net cash flow consisted of the following:

| | Resetar | Longview | Muirfield | Sesame | Thornton | Total |
|---|---|---|---|---|---|---|
| Total revenue and support | $ 1,929,229 | $ 24,479 | $ 51,447 | $ 37,843 | $ 42,077 | $ 2,085,075 |
| Interest earned on restricted reserve accounts | (2,311) | (36) | (80) | (29) | (25) | (2,481) |
| | 1,926,918 | 24,443 | 51,367 | 37,814 | 42,052 | 2,082,594 |
| Operating expenses - excludes financial expenses (depreciation & note interest expense) | (1,693,237) | (31,789) | (52,459) | (35,434) | (88,877) | (1,901,796) |
| Operating cash flow/surplus cash | | | | | | |
| Mandatory debt Service | | | | | | |
| HCD | (96,812) | (8,738) | (8,661) | (9,430) | (7,915) | (131,556) |
| Operating reserve deposits | (31,403) | (8,670) | (5,906) | - | (3,064) | (49,043) |
| Replacement reserve deposits | (100,000) | - | - | - | - | (100,000) |
| Replacement reserve withdrawals | - | - | - | - | 21,147 | 21,147 |
| | (228,215) | (17,408) | (14,567) | (9,430) | 10,168 | (259,452) |
| | $ 5,466 | $ (24,754) | $ (15,659) | $ (7,050) | $ (36,657) | $ (78,654) |

11. HCD PROJECTED NET CASH FLOW (continued)

Based on loan regulatory agreements with HCD, loan interest will be paid based on the availability of Net Cash Flows calculated in the HCD approved budgets (see Note 8).

12. CITY OF SAN JOSE CALCULATION OF NET CASH FLOW

Based on note agreements with the City of San Jose, loan principal will be paid based on the availability of Net Cash Flow. Percentages due to the City of San Jose are listed in the note agreements.

The principal payments due to the City of San Jose are based on the June 30, 2023 Net Cash Flow which is calculated as follows:

| | Roewill | Burning Tree | Hoffman | Total |
|---|---|---|---|---|
| Change in net assets | $ (30,090) | $ (22,590) | $ (137,373) | $ (190,053) |
| Add: depreciation and amortization expense | 33,293 | 10,358 | 38,062 | 81,713 |
| Less: replacement reserve funding | - | (1,516) | (440) | (1,956) |
| Less: capitalized improvements | - | (11,210) | - | (11,210) |
| Net cash flow | 3,203 | (24,958) | (99,751) | (121,506) |
| Percentage due to the City of San Jose | 70 % | 60 % | 80 % | |
| Projected payment due to City of San Jose | $ 2,242 | $ - | $ - | |

The Organization has presented the City of San Jose with the properties' needs for additional funding to the replacement reserves. As such, the Organization has asked that current principal payments due to the City of San Jose as of June 30, 2023, as shown above, be deposited into the properties' replacement reserve accounts. Pending the City of San Jose's response, the Organization has suspended net cash flow payments.

13. CONTRIBUTIONS IN-KIND

The estimated fair value of donated rent received is recorded as contributions. The estimated fair value of donated capital improvements is recorded as contributions. APM received total in-kind contributions of $52,613 and $71,075 for the years ended June 30, 2023 and 2022, respectively.

14. GAIN ON SALE OF PROPERTIES

During the year ended June 30, 2023, the Organization sold Minnesota properties and had a gain of $853,662 on the sale of these properties.

## 14. GAIN ON SALE OF PROPERTIES (continued)

Gain on sale of properties consisted of the following:

| | |
|---|---|
| Sales price | $ 1,070,000 |
| Less: sales costs | (70,158) |
| Less: net book value of the property | (146,180) |
| | $ 853,662 |

## 15. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following is a quantitative disclosure describing financial assets that are available within one year of June 30, 2023 to fund general expenditures and other obligations when they become due.

| | |
|---|---|
| Cash and cash equivalents | $ 1,467,607 |
| Accounts receivable, net | 4,994,656 |
| Related party receivables | 2,622,165 |
| | $ 9,084,428 |

## 16. COMMITMENTS AND CONTINGENCIES

Pursuant to the first amended and restated agreements of limited partnership of Allied 2904 Corvin, L.P. dated December 6, 2019 and Allied 38631 Fremont, L.P. dated March 31, 2020 (the "Partnership Agreements"), APM and related entities Abode Housing Development, Abode Services, and Community Working Group, Inc. (the "Guarantors") have entered into a Guaranty Agreement. Under the terms the Guarantors are obligated for the due and punctual performance by the general partners and the developer of all of their obligations under the Partnership Agreements, which includes maintaining sufficient funds to be able to satisfy obligations under the Partnership Agreements.

APM has borrowed funds from the City of San Jose and from HCD. The loans are subject to various regulatory and affordability restrictions (see Notes 1 and 5).

## 17. SUBSEQUENT EVENTS

On July 7, 2023, the Organization filed a Restated Articles of Incorporation with the California Secretary of State, changing its legal name from Housing for Independent People, Inc. to Abode Property Management.

SUPPLEMENTARY INFORMATION

# Abode Property Management
## Statement of Revenues and Expenses
## For the Year Ended June 30, 2023

| | Administrative Offices | Papazian Building | Vermont | Properties with CSJ Loans | Properties with HCD Loans | Eliminating Entries | 2023 Total |
|---|---|---|---|---|---|---|---|
| Revenue and support | | | | | | | |
| Rental income | | | | | | | |
| Gross potential rent | $ 614,063 | $ 275,700 | $ 297,253 | $ 582,998 | $ 2,220,424 | $ - | $ 3,990,438 |
| Vacancy loss | - | - | (145,084) | (105,377) | (207,075) | - | (457,536) |
| Total rental income | 614,063 | 275,700 | 152,169 | 477,621 | 2,013,349 | - | 3,532,902 |
| Property management income | 3,966,222 | - | - | - | - | (206,905) | 3,759,317 |
| Gain on sale of properties | - | - | - | 853,662 | - | - | 853,662 |
| Miscellaneous income | 57,164 | - | 3,784 | 48,465 | 66,994 | - | 176,407 |
| Contributions in-kind | 52,613 | - | - | - | - | - | 52,613 |
| Interest income | 607 | 310 | 560 | 1,354 | 4,732 | - | 7,563 |
| Total revenue and support | 4,690,669 | 276,010 | 156,513 | 1,381,102 | 2,085,075 | (206,905) | 8,382,464 |
| Operating expenses | | | | | | | |
| Salaries and wages | 2,236,764 | 79,545 | 70,898 | 150,432 | 417,337 | - | 2,954,976 |
| Repairs and maintenance | 561,781 | 18,408 | 74,302 | 237,431 | 707,623 | - | 1,599,545 |
| Utilities | 146,030 | 12,830 | 45,184 | 125,472 | 245,665 | - | 575,181 |
| Legal and professional fees | 472,148 | 7,466 | 1,890 | 17,164 | 23,580 | - | 522,248 |
| Office expenses | 410,940 | 10,099 | 6,020 | 18,686 | 35,407 | - | 481,152 |
| Security services | 291,993 | 6,929 | - | - | 96,396 | - | 395,318 |
| Employee benefits | 282,169 | 11,401 | 10,200 | 21,384 | 48,079 | - | 373,233 |
| Insurance | 259,946 | 8,890 | 3,872 | 26,059 | 42,987 | - | 341,754 |
| Miscellaneous | 276,622 | - | - | 3,825 | 539 | - | 280,986 |
| Payroll taxes | 171,606 | 6,464 | 5,710 | 12,250 | 26,872 | - | 222,902 |
| Office rent | 90,123 | - | - | - | - | - | 90,123 |
| Telephone | 49,754 | 147 | 3,591 | 2,684 | 9,159 | - | 65,335 |
| Taxes and licenses | 3,504 | 5,451 | - | 30,690 | 23,858 | - | 63,503 |
| Licenses and fees | 35,205 | 1,464 | 1,561 | 6,253 | 11,155 | - | 55,638 |
| Supportive service fees | 15,029 | - | 2,491 | 300 | 32,854 | - | 50,674 |
| Equipment rental | 15,712 | - | - | - | 15,164 | - | 30,876 |
| Travel | 18,574 | 493 | 296 | 2,852 | 6,078 | - | 28,293 |
| Relocation fees | - | - | - | 7,145 | 6,037 | - | 13,182 |
| Dues and subscriptions | 3,311 | - | - | 9,765 | - | - | 13,076 |
| Training | 6,363 | - | 24 | - | 1,197 | - | 7,584 |
| Bank charges | 486 | - | - | - | - | - | 486 |
| Management fees | - | 9,648 | 16,488 | 65,994 | 114,775 | (206,905) | - |
| Total operating expenses | 5,348,060 | 179,235 | 242,527 | 738,386 | 1,864,762 | 206,905 | 8,166,065 |

Abode Property Management
Statement of Revenues and Expenses
For the Year Ended June 30, 2023 (continued)

| | Administrative Offices | Papazian Building | Vermont | Properties with CSJ Loans | Properties with HCD Loans | Eliminating Entries | 2023 Total |
|---|---|---|---|---|---|---|---|
| Change in net assets from operations | (657,391) | 96,775 | (86,014) | 642,716 | 220,313 | - | 216,399 |
| Other expenses | | | | | | | |
| Depreciation and amortization | - | 63,655 | 128,039 | 154,343 | 220,892 | - | 566,929 |
| Interest | - | 63,503 | - | 2,250 | 131,556 | - | 197,309 |
| Bad debt expense | - | - | 7,209 | 13,520 | 37,034 | - | 57,763 |
| Total other expenses | - | 127,158 | 135,248 | 170,113 | 389,482 | - | 822,001 |
| Change in net assets without donor restrictions | $ (657,391) | $ (30,383) | $ (221,262) | $ 472,603 | $ (169,169) | $ - | $ (605,602) |

# Abode Property Management
## Statement of Revenues and Expenses - Properties with City of San Jose Loans
## For The Year Ended June 30, 2023

| | Barker | Branham | Burning Tree | Curtner | Donna | Minnesota* | 1713 Ross | 1731 Ross | 5629 Hoffman | 5668 Hoffman | 5684 Hoffman | Roewill | 2023 Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue and support | | | | | | | | | | | | | |
| Rental income | | | | | | | | | | | | | |
| Gross potential rent | $ 40,759 | $ 68,424 | $ 18,336 | $ 106,101 | $ 44,527 | $ 9,997 | $ 29,273 | $ 21,495 | $ 47,577 | $ 43,906 | $ 57,038 | $ 95,565 | $ 582,998 |
| Vacancy loss | (3,971) | - | - | (39,425) | - | (1,802) | (1,085) | (6,340) | (7,346) | (8,503) | (20,654) | (16,251) | (105,377) |
| Total rental income | 36,788 | 68,424 | 18,336 | 66,676 | 44,527 | 8,195 | 28,188 | 15,155 | 40,231 | 35,403 | 36,384 | 79,314 | 477,621 |
| Gain on sale of properties | - | - | - | - | - | 853,662 | - | - | - | - | - | - | 853,662 |
| Miscellaneous income | 431 | - | - | 46,782 | - | - | 119 | 32 | - | - | 305 | 796 | 48,465 |
| Interest income | 114 | 274 | 35 | 225 | 63 | 307 | 44 | 36 | 67 | 24 | 96 | 69 | 1,354 |
| Total revenue and support | 37,333 | 68,698 | 18,371 | 113,683 | 44,590 | 862,164 | 28,351 | 15,223 | 40,298 | 35,427 | 36,785 | 80,179 | 1,381,102 |
| Operating expenses | | | | | | | | | | | | | |
| Salaries and wages | 4,839 | 22,202 | 393 | 84,192 | 1,307 | 383 | 669 | 805 | 23,985 | 6,539 | 765 | 4,353 | 150,432 |
| Repairs and maintenance | 23,812 | 7,772 | 20,086 | 19,582 | 11,255 | 17,253 | 14,904 | 16,017 | 37,826 | 15,624 | 17,396 | 35,904 | 237,431 |
| Utilities | 14,227 | 2,013 | 1,646 | 6,935 | 15,744 | 3,138 | 10,723 | 11,566 | 16,113 | 14,874 | 11,705 | 16,788 | 125,472 |
| Legal and professional fees | 1,498 | 301 | 188 | 742 | 561 | 6,023 | 1,252 | 1,689 | 2,604 | 902 | 702 | 702 | 17,164 |
| Office expenses | 1,511 | 2,766 | 188 | 4,696 | 751 | 6 | 1,475 | 2,078 | 2,952 | - | 1,106 | 1,157 | 18,686 |
| Employee benefits | 747 | 3,039 | 56 | 11,682 | 199 | 58 | 95 | 114 | 3,605 | 994 | 116 | 679 | 21,384 |
| Insurance | 2,549 | 1,548 | 1,322 | 1,581 | 2,091 | 1,611 | 2,520 | 2,520 | 2,080 | 2,179 | 2,179 | 3,879 | 26,059 |
| Miscellaneous | - | - | - | - | - | - | - | - | 3,825 | - | - | - | 3,825 |
| Payroll taxes | 397 | 1,767 | 30 | 6,845 | 107 | 31 | 51 | 61 | 2,001 | 541 | 62 | 357 | 12,250 |
| Telephone | 1,040 | 67 | 47 | 197 | 47 | 47 | 47 | 50 | 774 | 190 | 48 | 130 | 2,684 |
| Taxes and licenses | 2,557 | 2,372 | 2,148 | 2,285 | 2,621 | 2,325 | 2,516 | 2,307 | 2,407 | 2,407 | 2,407 | 4,338 | 30,690 |
| Licenses and fees | 646 | 183 | 92 | 553 | 366 | 366 | 735 | 735 | 735 | 735 | 552 | 555 | 6,253 |
| Supportive service fees | - | - | - | 75 | - | - | - | 75 | 25 | 25 | 25 | 75 | 300 |
| Travel | 147 | 137 | 283 | 512 | 121 | 312 | 106 | 34 | 657 | 256 | 81 | 206 | 2,852 |
| Relocation fees | - | - | 902 | - | - | 6,243 | - | - | - | - | - | - | 7,145 |
| Dues and subscriptions | - | - | - | - | - | 30 | 4,779 | 4,779 | 177 | - | - | - | 9,765 |
| Management fee | 6,792 | 1,944 | 972 | 5,820 | 3,894 | 3,876 | 7,764 | 7,764 | 7,764 | 7,764 | 5,820 | 5,820 | 65,994 |
| Total operating expenses | 60,762 | 46,111 | 28,353 | 145,697 | 39,064 | 41,702 | 47,636 | 50,594 | 107,530 | 53,030 | 42,964 | 74,943 | 738,386 |
| Change in net assets from operations | (23,429) | 22,587 | (9,982) | (32,014) | 5,526 | 820,462 | (19,285) | (35,371) | (67,232) | (17,603) | (6,179) | 5,236 | 642,716 |
| Other expenses | | | | | | | | | | | | | |
| Depreciation and amortization | 11,990 | 3,834 | 10,358 | 7,722 | 11,195 | 10,666 | 17,790 | 9,433 | 9,982 | 18,146 | 9,934 | 33,293 | 154,343 |
| Interest | - | - | 2,250 | - | - | - | - | - | - | - | - | - | 2,250 |
| Bad debt expense | 211 | - | - | 2,979 | - | - | - | - | 2,529 | - | 5,768 | 2,033 | 13,520 |
| Total other expenses | 12,201 | 3,834 | 12,608 | 10,701 | 11,195 | 10,666 | 17,790 | 9,433 | 12,511 | 18,146 | 15,702 | 35,326 | 170,113 |
| Change in net assets without donor restrictions | $ (35,630) | $ 18,753 | $ (22,590) | $ (42,715) | $ (5,669) | $ 809,796 | $ (37,075) | $ (44,804) | $ (79,743) | $ (35,749) | $ (21,881) | $ (30,090) | $ 472,603 |

* Property were sold during the year ended June 30, 2023

Abode Property Management
Statement of Revenues and Expenses - Properties with HCD Loans
For The Year Ended June 30, 2023

| | Longview | Muirfield | Resetar | Sesame | Thornton | 2023 Total |
|---|---|---|---|---|---|---|
| Revenue and support | | | | | | |
| Rental income | | | | | | |
| Gross potential rent | $ 37,782 | $ 73,452 | $ 2,023,926 | $ 39,454 | $ 45,810 | $ 2,220,424 |
| Vacancy loss | (13,440) | (22,140) | (165,011) | (1,710) | (4,774) | (207,075) |
| Total rental income | 24,342 | 51,312 | 1,858,915 | 37,744 | 41,036 | 2,013,349 |
| Miscellaneous income | 85 | 30 | 65,830 | 54 | 995 | 66,994 |
| Interest income | 52 | 105 | 4,484 | 45 | 46 | 4,732 |
| Total revenue and support | 24,479 | 51,447 | 1,929,229 | 37,843 | 42,077 | 2,085,075 |
| Operating expenses | | | | | | |
| Salaries and wages | 146 | 2,212 | 411,886 | 221 | 2,872 | 417,337 |
| Repairs and maintenance | 14,517 | 27,204 | 603,525 | 11,152 | 51,225 | 707,623 |
| Utilities | 5,836 | 10,084 | 210,414 | 11,680 | 7,651 | 245,665 |
| Legal and professional fees | 702 | 867 | 20,607 | 702 | 702 | 23,580 |
| Office expenses | 1,108 | 922 | 31,159 | 1,105 | 1,113 | 35,407 |
| Security services | - | - | 96,396 | - | - | 96,396 |
| Employee benefits | 22 | 327 | 47,262 | 34 | 434 | 48,079 |
| Insurance | 1,357 | 2,126 | 36,680 | 1,545 | 1,279 | 42,987 |
| Miscellaneous | - | - | - | - | 539 | 539 |
| Payroll taxes | 12 | 175 | 26,434 | 18 | 233 | 26,872 |
| Telephone | 47 | 47 | 8,925 | 90 | 50 | 9,159 |
| Taxes and licenses | 161 | 3,004 | 16,665 | 2,219 | 1,809 | 23,858 |
| Licenses and fees | 557 | 458 | 9,027 | 557 | 556 | 11,155 |
| Supportive service fees | - | - | 32,704 | 75 | 75 | 32,854 |
| Equipment rental | - | - | 15,164 | - | - | 15,164 |
| Travel | 187 | 136 | 5,019 | 216 | 520 | 6,078 |
| Relocation fees | - | - | - | - | 6,037 | 6,037 |
| Training | - | - | 1,197 | - | - | 1,197 |
| Management fee | 5,820 | 4,848 | 92,467 | 5,820 | 5,820 | 114,775 |
| Total operating expenses | 30,472 | 52,410 | 1,665,531 | 35,434 | 80,915 | 1,864,762 |
| Change in net assets from operations | (5,993) | (963) | 263,698 | 2,409 | (38,838) | 220,313 |
| Other expenses | | | | | | |
| Depreciation and amortization | 3,603 | 17,654 | 179,828 | 15,051 | 4,756 | 220,892 |
| Interest | 8,738 | 8,661 | 96,812 | 9,430 | 7,915 | 131,556 |
| Bad debt expense | 1,317 | 49 | 27,706 | - | 7,962 | 37,034 |
| Total other expenses | 13,658 | 26,364 | 304,346 | 24,481 | 20,633 | 389,482 |
| Change in net assets without donor restrictions | $ (19,651) | $ (27,327) | $ (40,648) | $ (22,072) | $ (59,471) | $ (169,169) |

Abode Property Management
Schedule of Debt by Property
June 30, 2023

| | Department of Housing and Community Development (HCD) CalHFA | City of San Jose notes dated October 26, 1992 | City of San Jose note dated June 1, 2003 | Housing Trust of Santa Clara County | City of San Jose note dated October 6, 2004 | County of Santa Clara note dated June 8, 2004 | Housing Trust of Santa Clara County | Heritage Bank Note | Total |
|---|---|---|---|---|---|---|---|---|---|
| Burning Tree | $ - | $ - | $ - | $ - | $ 290,673 | $ 75,000 | $ 100,000 | $ - | $ 465,673 |
| 5668 Hoffman | - | 314,789 | - | - | - | - | - | - | 314,789 |
| 5684 Hoffman | - | 328,123 | - | - | - | - | - | - | 328,123 |
| Roewill | - | - | 363,409 | 60,000 | - | - | - | - | 423,409 |
| Longview | 291,262 | - | - | - | - | - | - | - | 291,262 |
| Muirfield | 288,686 | - | - | - | - | - | - | - | 288,686 |
| Papazian | - | - | - | - | - | - | - | 1,083,205 | 1,083,205 |
| Resetar | 3,227,068 | - | - | - | - | - | - | - | 3,227,068 |
| Sesame | 314,337 | - | - | - | - | - | - | - | 314,337 |
| Thornton | 263,850 | - | - | - | - | - | - | - | 263,850 |
| | $ 4,385,203 | $ 642,912 | $ 363,409 | $ 60,000 | $ 290,673 | $ 75,000 | $ 100,000 | $ 1,083,205 | $ 7,000,402 |

OTHER AUDIT REPORT

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INDEPENDENT AUDITOR'S REPORT 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*

To the Board of Directors
Abode Property Management
Fremont, California

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 financial statements of Abode Property Management (the "Organization"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated February 2, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's 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 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Armanino LLP

Armanino[LLP]
San Jose, California

February 2, 2024