Affordable Living for the Aging, Inc. and Subsidiaries

Consolidated Financial Statements
(With Supplementary Information)
and Independent Auditor's Report

December 31, 2023

CohnReznick
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Affordable Living for the Aging, Inc. and Subsidiaries

Index

Independent Auditor's Report

To the Board of Directors
Affordable Living for the Aging, Inc. and Subsidiaries

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Affordable Living for the Aging, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2023, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Affordable Living for the Aging, Inc. and Subsidiaries as of December 31, 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 ("GAAS"). 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 Affordable Living for the Aging, Inc. and Subsidiaries 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Affordable Living for the Aging, Inc. and Subsidiaries' ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS 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 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Affordable Living for the Aging, Inc. and Subsidiaries' 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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Affordable Living for the Aging, Inc. and Subsidiaries' 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CohnReznick

Report on Summarized Comparative Information

We have previously audited Affordable Living for the Aging, Inc. and Subsidiaries' 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 10, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

CohnReznick LLP

Los Angeles, California
December 10, 2024

Affordable Living for the Aging, Inc. and Subsidiaries

Consolidated Statement of Financial Position
December 31, 2023
With Summarized Totals at December 31, 2022

Assets

	2023	2022
Cash and cash equivalents	$ 461,040	$ 68,236
Grants and contributions receivable	485,021	140,143
Government contracts receivable	159,089	-
Replacement reserves and tenant deposits	287,500	264,116
Property and equipment, net	9,595,920	9,959,416
Construction in progress	470,818	105,761
Total assets	$ 11,459,388	$ 10,537,672

Liabilities and Net Assets (Deficit)

	2023	2022
Liabilities		
Notes payable and accrued interest	$ 12,471,777	$ 11,081,944
Accounts payable and accrued expenses	487,311	489,175
Tenant deposits	56,690	62,904
Total liabilities	13,015,778	11,634,023
Commitments and contingencies		
Net assets (deficit)		
Without donor restrictions	(2,279,240)	(1,819,201)
With donor restrictions	722,850	722,850
Total net assets (deficit)	(1,556,390)	(1,096,351)
Total liabilities and net assets (deficit)	$ 11,459,388	$ 10,537,672

See Notes to Consolidated Financial Statements.

Affordable Living for the Aging, Inc. and Subsidiaries

Consolidated Statement of Activities
Year Ended December 31, 2023
With Summarized Totals for the Year Ended December 31, 2022

	2023			2022
	Without donor restrictions	With donor restrictions	Total	Total
Revenues				
Grants and contributions	$ 713,740	$ -	$ 713,740	$ 377,708
Government contracts	860,749	-	860,749	607,184
Developer fees	18,000	-	18,000	654
Other income	280,170	-	280,170	70,249
Interest and dividend income	607	-	607	226
Rental income, net of vacancies	783,213	-	783,213	924,609
Total revenues	2,656,479	-	2,656,479	1,980,630
Functional expenses				
Program services	2,588,175	-	2,588,175	2,424,297
General and administrative	302,484	-	302,484	270,133
Fundraising	225,859	-	225,859	196,587
Total expenses	3,116,518	-	3,116,518	2,891,017
Change in net assets	(460,039)	-	(460,039)	(910,387)
Net assets (deficit), beginning	(1,819,201)	722,850	(1,096,351)	(185,964)
Net assets (deficit), end	$ (2,279,240)	$ 722,850	$ (1,556,390)	$ (1,096,351)

See Notes to Consolidated Financial Statements.

Affordable Living for the Aging, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses
Year Ended December 31, 2023
With Summarized Totals for the Year Ended December 31, 2022

	2023				2022
	Program services	General and administrative	Fundraising	Total	Total
Personnel expenses					
Salaries and wages	$ 1,107,591	$ 112,164	$ 182,261	$ 1,402,016	$ 1,211,676
Payroll taxes	78,384	8,039	14,070	100,493	84,716
Employee benefits	112,710	45,420	10,093	168,223	123,364
	1,298,685	165,623	206,424	1,670,732	1,419,756
Other expenses					
Bank charges	4,616	14,990	2,225	21,831	32,363
Depreciation and amortization	367,732	3,715	-	371,447	328,529
Insurance	57,659	6,745	-	64,404	69,559
Interest	289,100	-	-	289,100	233,830
Professional fees	96,334	-	4,014	100,348	108,761
Office	33,694	85,131	11,603	130,428	122,474
Repairs and maintenance	202,459	-	-	202,459	309,400
Supportive services	4,387	-	-	4,387	45,029
Taxes and licenses	35,569	15,246	-	50,815	40,407
Telephone	26,841	9,936	1,535	38,312	31,393
Travel and conference	-	1,098	58	1,156	120
Utilities	171,099	-	-	171,099	149,396
Total expenses	$ 2,588,175	$ 302,484	$ 225,859	$ 3,116,518	$ 2,891,017

See Notes to Consolidated Financial Statements.

Affordable Living for the Aging, Inc. and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended December 31, 2023
With Summarized Totals for the Year Ended December 31, 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	$ (460,039)	$ (910,387)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	371,447	328,529
Amortization of debt issuance costs	7,361	1,415
Accrued interest on long-term notes payable	192,708	197,877
Changes in operating assets and liabilities		
Grants and contributions receivable	(344,878)	(58,325)
Government contracts receivable	(159,089)	35,204
Prepaid expenses and other assets	-	18,504
Accounts payable and accrued expenses	(1,864)	277,815
Tenant deposits	(6,214)	4,705
Net cash used in operating activities	(400,568)	(104,663)
Cash flows from investing activities		
Purchase of property and equipment	(373,008)	(2,045,111)
Cash flows from financing activities		
Borrowings on notes payable and line of credit	1,552,148	2,250,000
Payments of debt issuance cost	(33,860)	-
Principal payments on notes payable	(328,524)	(51,167)
Net cash provided by financing activities	1,189,764	2,198,833
Net change in cash and cash equivalents	416,188	49,059
Cash and cash equivalents and restricted cash, beginning	332,352	283,293
Cash and cash equivalents and restricted cash, end	$ 748,540	$ 332,352
Supplemental disclosure of cash flow information		
Interest paid on notes payable	$ 89,031	$ 35,953
The following table provides a reconciliation of cash and restricted cash reported within the statement of financial position		
Cash and cash equivalents	$ 461,040	$ 68,236
Replacement reserves and tenant deposits	287,500	264,116
	$ 748,540	$ 332,352

See Notes to Consolidated Financial Statements.

Note 1 - Nature of operations

Affordable Living for the Aging, Inc. ("ALA") was incorporated on September 12, 1978, as a California nonprofit public benefit corporation for the purpose of providing housing alternatives for senior citizens.

In 1982, ALA started Co-op House I ("Co-op I"), a cooperative living house for senior citizens in Los Angeles, California.

In 1985, ALA started Co-op House II ("Co-op II"), a cooperative living house for senior citizens in Los Angeles, California.

In 1986, El Greco Properties, Ltd., a California limited partnership, was formed for the purpose of owning and operating the El Greco Apartments, a low-to-moderate income senior citizen housing project. The current ownership of El Greco Properties, Ltd. has ALA as a 1% general partner and a 98% limited partner with El Greco Apartments, Inc. (a wholly-owned subsidiary of ALA) owning the remaining 1% as a limited partner. Collectively, these entities are referred to as "El Greco".

In 1987, ALA started the Liffman House ("Liffman"), a cooperative living house for senior citizens in Santa Monica, California.

In 1989, Gardner Apartments, L.P., a California limited partnership, was formed for the purpose of owning and operating the Gardner Apartments, a low-to-moderate income senior citizen housing project. The current ownership of Gardner Apartments, L.P. has ALA as a 1% general partner with ALA Gardner, Inc. (a wholly-owned subsidiary of ALA) owning the remaining 99% as a limited partner. Collectively, these entities are referred to as "Gardner".

In 2008, Bonnie Brae Village Partners, L.P. ("BBVP"), a California limited partnership, was formed for the purpose of owning and operating the Bonnie Brae Village Apartments, a low-to-moderate income senior citizen housing project. ALA Bonnie Brae, LLC (a wholly-owned subsidiary of ALA) ("ALABB") owns 0.002% of BBVP as a co-administrative general partner. ALA's 0.002% ownership of BBVP via ALABB is accounted for under the equity method.

In 2011, Janet L. Witkin Center, LLC ("Witkin Center"), a California limited liability company, was formed as a wholly-owned subsidiary of ALA to own and operate a low-to-moderate income senior citizen housing project.

In 2014, MJM Pathways Shared Housing, LLC ("MJM Pathways"), a California limited liability company, was formed as a wholly-owned subsidiary of ALA to design, develop, and rehabilitate community housing for low-to-moderate income families.

In 2015, ALA 252 Rampart LLC ("ALA 252 Rampart"), a California limited liability company, was formed as a wholly-owned subsidiary of ALA to obtain a 49.5% ownership interest in 252 Rampart Apartments LP a 22-unit affordable housing residence for low-income individuals. ALA is the co-developer and property manager of the project. On December 1, 2017, there was an amended and restated agreement of limited partnership. Under this agreement ALA is a general partner and owns .0045% of 252 Rampart Apartments LP via ALA 252 Rampart and is accounted for under the equity method.

The Organization entered into an agreement with a co-developer to construct and develop a 28-unit affordable housing residence for low-income individuals living in the Crenshaw District of Los Angeles on June 30, 2022. In October 2022, the Organization secured acquisition funds totaling $1,900,000 to purchase land in the Crenshaw District. These funds included a $1,700,000 seller carry back note and a second loan for $200,000, with an interest rate of 6%. These loans were paid in full on the due date in February of 2023 with a bridge loan in the amount of $2,200,100. The Organization intends to construct and develop the property to house low-income seniors in Los Angeles, California. As of February 28, 2024, the Organization and the co-developer met and a decision was made that the commercial developer was no longer interested to develop Crenshaw since it is primarily a retail developer and Crenshaw has no retail component. It was mutually agreed that the developer's lead staff on this project would be working as an independent consultant to Organization is going forward. PB Financial, the lender agreed to extend the land acquisition loan of $2,200,000 for another 12 months, through September of 2025.

In June of 2022, the Organization entered into an agreement with a co-developer to construct and develop affordable housing residence for low-income individuals living in Santa Fe Springs, California. Santa Fe Springs Village is a 44-unit age-restricted (55+) and special needs Low Income Housing Tax Credit (LIHTC) development to be located at 8023 Broadway Avenue in Santa Fe Springs, California. All of the project's units will be LIHTC- restricted studio units (450 sf) between 30 and 60 percent Area Median Income (AMI). In June of 2022, the project obtained a loan of approximately $6,900,000 for a housing development in Santa Fe Springs, California. The loan has an interest rate of 5.25% per annum and the loan is secured by a deed of trust. The prorated share of the loan will be repaid at the financial loan closing of Santa Fe Springs Village. The remaining portion of the loan will be secured by the remaining parcel.

On January 31, 2022, the Organization received approval from the State of California Department of Health Services and a private health insurance provider to be a contractor for this private health insurance provider's Medi-Cal members. The Organization is able to serve as an Enhanced Care Management contractor for Medi-Cal patients in California under this private health insurance provider in 2022. In July 2022, the Organization entered into an Enhanced Care Management Services Agreement with Local Initiative Heath Authority for Los Angeles County. The Enhanced Care Management Service is a licensed health care service plan that has entered into contracts with government programs. Through this program the Organization agrees to provide or arrange health care services and benefits to plan members in the program and is a participant in the Medi-Cal Enhanced Care Management Program. During the year ended December 31, 2023, $238,988 of service revenue was included in government contracts.

Note 2 - Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of ALA, Co-op I, Co-op II, El Greco, Liffman, Gardner, ALABB, Witkin Center, MJM Pathways, and ALA 252 Rampart. All significant intercompany transactions and balances have been eliminated in consolidation. Affordable Living for the Aging, Inc. and Subsidiaries are collectively referred to as the "Organization" in the accompanying consolidated financial statements.

Basis of accounting

The consolidated 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 ("GAAP").

Financial statement presentation
The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. They are described as follows:

> *Net assets without donor restr*ictions - Net assets for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for specific purposes by action of the board.
>
> *Net assets with donor restrictions* - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, purpose or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resources was restricted has been fulfilled, or both.

Cash and cash equivalents
Cash and cash equivalents include demand deposits and all highly liquid investments with initial maturities at the date of acquisition of three months or less that are available for current use.

Grants and contributions
Grants and contributions consist primarily of donations from foundations, businesses and the general public. Grants and contributions are recorded when committed to the Organization by the donor.

Grants and contributions receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on receivables using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of the donors to meet their obligations. Management anticipates all grants and contributions receivable will be collected; thus no allowance for potentially uncollectible grants and contributions receivable has been established. Receivables that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contributions. At December 31, 2023, all grants and contributions receivable are due in less than one year.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. At December 31, 2023, the Organization does not have any conditional contributions.

Government contracts
Government contract revenue is earned and billed as services are performed. Management believes all receivable balances are collectible and, therefore, has provided no allowance for doubtful accounts.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method and are provided over

the estimated useful lives of the assets, generally between three to forty years. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the remaining lease term. Expenditures for major renewals and improvements that extend the useful lives of property and equipment are capitalized. Depreciation commences on construction in progress when the asset is placed in service. Expenditures for repairs and maintenance are charged to expense as incurred.

Long-lived assets
Long-lived assets to be held and used are reviewed for events or changes in circumstances that indicate that their carrying value may not be recoverable. The Organization periodically reviews the carrying value of long-lived assets to determine whether or not an impairment to such value has occurred. No impairment loss was recorded during the year ended December 31, 2023.

Contributed goods and services
The Organization had no contributed goods and services during the year ended December 31, 2023.

Rental income
Rental income is recognized as rentals become due in the period the service is provided. Rental payments received in advance are deferred until earned. All leases between the Organization and the tenants of the property are operating leases.

Functional allocation of expenses
The costs of providing various programs and activities have been summarized on a functional basis in the consolidated statement of activities. Program activities include the direct cost associated with providing housing alternatives to senior citizens as well as an allocation of indirect costs. Indirect costs are allocated by program amount and supporting activities using a method that best measures the relative degree of benefit, which is typically based on usage of resources such as personnel time and space utilized for activities.

Income taxes
The Organization is tax exempt under Section 501(c)(3) of the Internal Revenue Code ("IRC") and Section 23701(d) of the Revenue and Taxation Code of California. While tax-exempt organizations pay tax on unrelated business income, the Organization has reported no such income. Accordingly, no provision for income taxes is included in the accompanying consolidated financial statements. The Organization has no unrecognized tax benefits at December 31, 2023.

The Organization's federal and state income tax returns prior to 2020 and 2019, respectively, are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, the Organization recognizes interest and penalties associated with tax matters as part of income tax expense and includes accrued interest and penalties with accrued expenses in the consolidated statement of financial position.

Management has analyzed the tax positions taken by the Organization and has concluded that, as of December 31, 2023, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements.

Debt issuance costs
Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the note payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Concentrations
Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents, contributions and other receivables. The Organization maintains its cash and cash equivalents, replacement reserves, and tenant deposits with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits.

As of December 31, 2023, approximately 94% of the Organization's accounts receivable were from four grantors.

For the year ended December 31, 2023, approximately 85% of the Organization's grants and contributions were gifted by three donors.

For the year ended December 31, 2023, approximately 96% of the Organization's government grants were provided by two grantors.

Use of estimates
The preparation of consolidated 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 and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative totals
The consolidated financial statements include certain prior year summarized comparative information in total and does not include prior year disclosures. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2022, from which the summarized information was derived.

New accounting pronouncements
On January 1, 2023, the Organization adopted Accounting Standards Update ("ASU") No. 2016-13, Measurement of Credit Losses on Financial Instruments ("ASC 326"), and its related amendments using the prospective method. The new standard changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments, including trade receivables, from an incurred loss model to a current and expected loss model. Under the current and expected loss model, the Organization will recognize credit losses to be incurred over the entire contractual term of the instrument rather than delaying recognition of credit losses until it is probable the loss has been incurred. In accordance with ASC 326, the Organization evaluates certain criteria, including aging and historical write-offs, current economic condition of specific customers and future economic conditions to determine the appropriate allowance for credit losses. The Organization adopted the standard effective January 1, 2023. The Organization evaluated the impact of adoption and noted that there was no material impact on the financial statements.

Subsequent events

The Organization has evaluated subsequent events through December 10, 2024 which is the date the consolidated financial statements were available to be issued (See Note 8).

Note 3 - Liquidity and availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	$ 461,040
Grants and contributions receivable	485,021
Government contracts receivable	159,089
	$ 1,105,150

The Organization acknowledges that is has faced cash flow challenges in the current fiscal period resulting in a decrease in net assets of $460,039, and net cash used in operations of $400,568 during the year ended December 31, 2023, and there was a net deficit of $1,556,390 as of December 31, 2023. These factors, when considered in the aggregate, represent significant risks to the Organization regarding its ability to meet its obligations as they become due. While these challenges have required careful management of operational expenditures, the Organization expects to have sufficient operating cash to meet its obligations for at least the 12 month period beginning on December 10, 2024. The Organization's board of directors and senior management are actively monitoring and addressing the cash flow challenges to maintain the Organization's financial stability and support its strategic initiatives. Financial assets of the Organization are intended to be sufficient to meet its general expenditures, liabilities, and other obligations as they become due including additional support from anticipated revenue from grants, advances on credit facilities, and other funding sources as further described in Note 8.

Note 4 - Property and equipment

At December 31, 2023, property and equipment consist of the following:

Land	$ 3,734,840
Buildings	12,038,016
Leasehold improvements	199,728
Furniture and equipment	423,529
Automobiles	16,402
	16,412,515
Less accumulated depreciation and amortization	(6,816,595)
	9,595,920
Construction in progress	470,818
	$ 10,066,738

Depreciation and amortization expense for the year ended December 31, 2023 was $371,447. Depreciation of construction in progress will commence when finished projects are placed in service.

Note 5 - Notes payable

At December 31, 2023, notes payable are detailed as follows:

Note payable by Gardner to the City of West Hollywood ("WEHO"), secured by a second deed of trust on the real estate of Gardner through June 2029, at which time all outstanding principal and interest at 1% per annum are due to the extent the fair value of the property at that time exceeds the total outstanding principal and interest of notes payable secured by Gardner that are superior to the second deed of trust; there was accrued interest totaling $95,824 as of December 31, 2023.	$ 310,000
Note payable by Witkin Center to WEHO, secured by a first deed of trust on the real estate of Witkin Center, payable in annual installments to the extent of 50% of Net Available Cash Flow (as defined in the WEHO Commission Note), applied first to interest at 3%, then to principal through April 2066, at which time all outstanding principal and interest are due. WEHO has committed to loan up to $2,482,025 on this note; there was accrued interest totaling $764,319 as of December 31, 2023.	2,482,025
Note payable by Witkin Center to the Community Development Commission of the County of Los Angeles ("LA CDC"), secured by a second deed of trust on the real estate of Witkin Center, payable in annual installments to the extent of 22.56% of Residual Receipts (as defined in the LA CDC HOME Promissory Note), applied first to interest at 3%, then to principal through June 2068, at which time all outstanding principal and interest are due. LA CDC has committed to loan up to $2,055,565 on this note; there was accrued interest totaling $650,028 as of December 31, 2023.	2,055,565
Note payable by Witkin Center to California Bank & Trust ("CB&T"), secured by a third deed of trust on the real estate of Witkin Center, which required monthly payments of interest at 5.25% until construction was complete. Upon completion of construction, the loan converted to a term loan on January 19, 2016, in the amount of $575,408. The mortgage requires monthly combined payments of principal and interest equal to $4,711 on the first day of each calendar month through January 19, 2031; there was accrued interest totaling $0 as of December 31, 2023.	324,928

Note payable by Witkin Center to the State of California Department of Housing and Community Development ("HCD"), obtained in January 2016 and bearing simple interest of 3% per annum. Commencing in the initial operating year, as defined, and continuing through January 2045, the Witkin Center is required to pay a minimum interest of 0.42% per annum on the unpaid principal amount. Commencing in January 2046, payments are due annually in an amount equal to the lesser of the interest accrued for the preceding 12-month period or the amount required to continue monitoring for compliance. The mortgage will mature on January 19, 2071. There was accrued interest totaling $171,943 as of December 31, 2023.	827,410
Note payable by ALA Pathways to California Financing Housing Agency, secured by a deed of trust on the real estate of ALA Pathways, with an interest rate at 3.00% per annum. The loan is used for acquisition and rehabilitation of ALA Pathways' single family homes. The loan amount is $943,371. The outstanding principal amount of the loan and all accrued interest are due on October 1, 2035; there was accrued interest totaling $229,310 as of December 31, 2023.	943,371
Note payable by ALA to the Crenshaw District development to secure land purchase, bearing monthly interest of 9.99%, monthly payments of $20,148. The loan of $2,325,000 was entered into on February 3, 2023 with a maturity date of September 1, 2024.	2,325,000
Note payable by ALA to Pacific Coast Regional Small Business ("PCR") of $250,000 was extended in Septermber 2023 to December 2024. On December 15, 2023, the Organization entered into a note payable with PCR for $350,000 for the purpose of providing working capital. The note payable is secured by real property, bears interest at 9.5% per annum and is due in January 2025. Payments of interest are due with the loan payment in January 2025.	579,566
On August 28, 2019, the Organization entered into a line of credit for $150,000, with an interest rate of 6% and expiration in one year. The due date was extended to December 1, 2024. The line of credit was provided to ALA and EL Greco for working capital. There was no accrued interest as of December 31, 2023.	300,418
On January 10, 2023 the Organization entered into a note payable with PB Financial Group Corporation for $450,000 for the purpose of providing working capital, building improvements and new equipment. The note payable is secured by real property, bears interest at 9.99% per annum and is due in January 2028. Payments of interest only are required to begin in February 2024.	450,000
	$ 10,598,283

Estimated future maturities of notes payable for each of the years subsequent to December 31, 2023 and thereafter are as follows:

2024	$ 2,240,633
2025	392,818
2026	45,121
2027	47,548
2028	50,105
Thereafter	7,822,058
Principal payments	10,598,283
Accrued interest	1,911,424
Total balance due	12,509,707
Less unamortized debt issuance costs	(37,930)
	$ 12,471,777

Debt issuance costs, net of accumulated amortization, totaled $37,930 as of December 31, 2023, and are primarily related to the Witkin Center's third note payable held with CB&T. Amortization of debt issuance costs on the note is being amortized using an imputed interest rate of 5.83%.

Note 6 - Contingencies

The Organization is conditionally liable under several contingent promissory notes. These contingent promissory notes have not been recorded as liabilities on the consolidated statement of financial position as repayment is not required as long as the Organization continues to own the properties securing the notes and complies with the provisions of the respective notes and regulatory agreements, which it fully intends to do. Accordingly, the related accrued interest has not been recorded. The contingent promissory notes have been reflected as net assets with donor restrictions (see Note 7).

Terms and descriptions of the contingent promissory notes are as follows:

Conditional promissory note payable by ALA to the Community Redevelopment Agency of the City of Los Angeles ("LA CRA"), secured by a deed of trust on the real estate of Co-op II. The regulatory agreement between ALA and LA CRA requires ALA to operate the property exclusively for rental to low- and moderate-income elderly persons. For as long as ALA complies with the provisions of its regulatory agreement with LA CRA, the principal and interest payments on the balance of this loan and any corresponding interest will be deferred entirely until such time as the property is sold, conveyed, transferred, or refinanced, except as follows: to the extent the property has Net Income (as defined in the LA CRA Residential Loan Agreement), 75% of the Net Income, if any, must be paid as a contingent liability, applied first to interest at 6%, then to principal. The conditional promissory note had outstanding principal totaling $407,850 and accrued interest totaling $974,903 as of December 31, 2023.

Conditional promissory note payable by ALA to the Redevelopment Agency of the City of Santa Monica ("SM RA"), secured by a second deed of trust on the real estate of Liffman. The regulatory agreement between ALA and SM RA requires ALA to operate the property to provide shared housing and supportive services to low-income seniors. For as long as ALA complies with the provisions of its regulatory agreement with SM RA, the principal and interest payments on the balance of this loan and any corresponding interest will be deferred until March 2042, except as follows: to the extent the property has Residual Receipts (as defined in the SM RA regulatory agreement), the Residual Receipts, if any, must be paid as a contingent liability, applied first to 10% interest on $165,000 (the Residual Receipts portion of the conditional promissory note) of the principal balance, then to the $165,000 Residual Receipts principal through March 2042. In March 2042, all principal ($315,000 as of December 31, 2023) and any unpaid interest, calculated at 10% per annum ($1,128,434 as of December 31, 2023), will be forgiven.

Litigation, claims and contingencies

The Organization may become party to various legal actions that arise in the ordinary course of its business. It is impossible at this time to determine the ultimate liabilities that the Organization may incur resulting from any lawsuits, claims and proceedings, audits, commitments, contingencies, and related matters or the timing of these liabilities, if any. If these matters were to be ultimately resolved unfavorably, an outcome not currently anticipated, it is possible that such outcome could have a material adverse effect upon the Organization's consolidated financial position or results of operations. However, the Organization believes that the ultimate resolution of such actions will not have a material adverse effect on the Organization's consolidated financial position, consolidated statement of activities, or liquidity.

Note 7 - Net assets with donor restrictions

At December 31, 2023, net assets with donor restrictions consist of the following:

Conditional promissory note payable to the LA CRA - Co-op II	$ 407,850
Conditional promissory note payable to the SM RA - Liffman	315,000
	$ 722,850

Note 8 - Subsequent events

The Organization has evaluated the subsequent events through December 10, 2024, which is the date the consolidated financial statements were available to be issued.

On November 19, 2024 the Organization requested an extension on the CSH loan of $100,000 for predevelopment initiation loan (PIL). This loan matures December 15, 2024 but will likely be extended for another year as the Organization anticipates being in the demo stages soon.

In August 8, 2024, the Organization extended the Crenshaw land acquisition loan with PB Financial for another 12 months. The related fees were funded through VSEDC (Vermont Slauson Economic Development Corp). The fees of $38,000 were funded with a loan with VSEDC. VSEDC also extended a $250,000 loan.

The Organization is in escrow with a Buyer for 122-128 N. Hayworth. The closing date was originally scheduled for November 12, 2024. The Organization needs additional time to work out terms with a CRA loan and has requested a 30-day extension. Purchase price is $2,300,000. The Organization will carry a note with the Buyer over 20 months in the amount of $1,380,000 (60%) at 5.0% interest, paid monthly. 122-128 N. Hayworth (Coop II) has an outstanding residual receipts loan with the City of LA (formerly Community Redevelopment Agency) that calls for payoff upon transfer of ownership (See Note 7). The Organization is in discussions with the City to ask for loan forgiveness or transfer of obligations to another City property that the Organization owns and operates for seniors. The regulatory agreement attached to this loan has expired but not the loan itself.

Supplementary Information

Affordable Living for the Aging, Inc. and Subsidiaries

Supplementary Information

Consolidating Statement of Financial Position
December 31, 2023

	ALA	Co-op House I	Co-op House II	El Greco Properties, Ltd.	El Greco Apartments, Inc.	Liffman House	Gardner Apartments, L.P.	ALA Gardner, Inc.	ALA Bonnie Brae, LLC	Janet L. Witkin Center, LLC	ALA Pathways	Total
Assets												
Cash and cash equivalents	$ 370,126	$ 4,854	$ 3,217	$ 10,555	$ 73	$ 4,662	$ 6,661	$ 2,309	$ -	$ 6,159	$ 52,424	$ 461,040
Intercompany receivable (payable)	1,196,758	(66,267)	(51,686)	(408,049)	(158)	(23,787)	(88,195)	(2,309)	(77)	(557,626)	1,396	-
Government contracts receivable	159,089	-	-	-	-	-	-	-	-	-	-	159,089
Grants and contributions receivable	468,322	3,035	476	9	-	4,849	1,770	-	-	2,560	4,000	485,021
Replacement reserves and tenant deposits	-	5,310	7,390	8,550	-	5,960	8,518	-	-	246,823	4,949	287,500
Property and equipment, net	2,990,936	1,680	308,117	45,814	-	180,391	597,916	-	-	4,796,743	674,323	9,595,920
Construction in progress	470,818	-	-	-	-	-	-	-	-	-	-	470,818
Total assets	$ 5,656,049	$ (51,388)	$ 267,514	$ (343,121)	$ (85)	$ 172,075	$ 526,670	$ -	$ (77)	$ 4,494,659	$ 737,092	$ 11,459,388
Liabilities and Net Assets												
Liabilities												
Notes payable	$ 3,199,054	$ -	$ -	$ -	$ -	$ -	$ 833,840	$ -	$ -	$ 7,266,202	$ 1,172,681	$ 12,471,777
Accounts payable and accrued expenses	198,553	17,280	11,153	12,695	-	17,196	29,109	-	-	107,206	94,119	487,311
Tenant deposits	-	5,310	7,390	8,550	-	5,960	8,518	-	-	15,622	5,340	56,690
Total liabilities	3,397,607	22,590	18,543	21,245	-	23,156	871,467	-	-	7,389,030	1,272,140	13,015,778
Commitments and contingencies												
Net assets												
Without donor restrictions	1,535,592	(73,978)	248,971	(364,366)	(85)	148,919	(344,797)	-	(77)	(2,894,371)	(535,048)	(2,279,240)
With donor restrictions	722,850	-	-	-	-	-	-	-	-	-	-	722,850
Total net assets	2,258,442	(73,978)	248,971	(364,366)	(85)	148,919	(344,797)	-	(77)	(2,894,371)	(535,048)	(1,556,390)
Total liabilities and net assets	$ 5,656,049	$ (51,388)	$ 267,514	$ (343,121)	$ (85)	$ 172,075	$ 526,670	$ -	$ (77)	$ 4,494,659	$ 737,092	$ 11,459,388

See Independent Auditor's Report.

Affordable Living for the Aging, Inc. and Subsidiaries

Supplementary Information

Consolidating Statement of Activities
Year Ended December 31, 2023

	ALA	Co-op House I	Co-op House II	El Greco Properties, Ltd.	El Greco Apartments, Inc.	Liffman House	Gardner Apartments, L.P.	ALA Gardner, Inc.	ALA Bonnie Brae, LLC	Janet L. Witkin Center, LLC	ALA Pathways	Eliminating	Total
Revenues													
Grants and contributions	$ 713,740	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 713,740
Government contracts	860,749	-	-	-	-	-	-	-	-	-	-	-	860,749
Developer fees	18,000	-	-	-	-	-	-	-	-	-	-	-	18,000
Other Income	239,785	-	-	-	-	-	-	-	-	3,922	36,463	-	280,170
Interest and dividend income	2	23	39	43	-	34	43	-	-	323	100	-	607
Rental income, net of vacancies and collection loss	-	63,015	89,301	115,500	-	78,452	116,543	-	-	227,038	93,364	-	783,213
Intercompany management income	64,654	-	-	-	-	-	-	-	-	-	-	(64,654)	-
Partnership fees	6,720	-	-	-	-	-	-	-	-	-	-	(6,720)	-
Ground lease	19,200	-	-	-	-	-	-	-	-	-	-	(19,200)	-
Total revenues	1,922,850	63,038	89,340	115,543	-	78,486	116,586	-	-	231,283	129,927	(90,574)	2,656,479
Functional expenses													
Program services	1,533,033	56,836	78,930	71,756	-	64,326	129,702	-	-	534,274	138,680	(19,362)	2,588,175
General and administrative	180,467	6,642	9,225	9,262	-	7,518	15,158	-	-	58,004	16,208	-	302,484
Fundraising	134,750	4,960	6,888	6,916	-	5,613	11,319	-	-	43,311	12,102	-	225,859
Intercompany fees	-	6,696	10,416	13,708	-	8,928	16,548	-	-	12,912	2,004	(71,212)	-
Total expenses	1,848,250	75,134	105,459	101,642	-	86,385	172,727	-	-	648,501	168,994	(90,574)	3,116,518
Change in net assets	74,600	(12,096)	(16,119)	13,901	-	(7,899)	(56,141)	-	-	(417,218)	(39,067)	-	(460,039)
Net assets, beginning	2,183,842	(61,882)	265,090	(378,267)	(85)	156,818	(288,656)	-	(77)	(2,477,153)	(495,981)	-	(1,096,351)
Net assets, end	$ 2,258,442	$ (73,978)	$ 248,971	$ (364,366)	$ (85)	$ 148,919	$ (344,797)	$ -	$ (77)	$ (2,894,371)	$ (535,048)	$ -	$ (1,556,390)

See Independent Auditor's Report.

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