

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2012 and 2011
with
Report of Independent Auditors

CENTURY HOUSING CORPORATION AND AFFILIATES

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Report of Independent Auditors

To the Board of Directors of
Century Housing Corporation and Affiliates:

We have audited the accompanying consolidated financial statements of Century Housing Corporation, a California nonprofit public benefit corporation, and Affiliates (the "Corporation"), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Century Housing Corporation and Affiliates as of December 31, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary consolidating information presented on pages 33 through 36 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position or results of operations of the individual companies, and is 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 consolidating 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Novogradac & Company LLP
San Francisco, California
April 15, 2013

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 11,871,381	\$ 14,466,939
Restricted cash	3,512,987	7,125,593
Funds held in trust	-	5
Accounts receivable, net	288,623	277,315
Investments	46,513,881	55,876,445
Interest receivable	516,865	674,061
Notes receivable, net	76,853,488	73,270,958
Intangible assets, net	299,521	386,616
Prepaid expenses and other assets	765,139	710,904
Real estate held for sale	2,698,000	3,998,155
Real estate held for investment, net	74,365,456	73,959,998
Furniture, fixtures and equipment, net	<u>752,761</u>	<u>585,181</u>
 Total assets	 <u>\$ 218,438,102</u>	 <u>\$ 231,332,170</u>
 LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 1,319,123	\$ 1,101,820
Accrued interest	88,739	78,117
Security deposits	476,888	456,067
Deferred income	526,541	617,445
Notes payable and lines of credit	48,551,000	66,772,500
Forgivable loans	<u>3,193,144</u>	<u>2,207,062</u>
Total liabilities	54,155,435	71,233,011
 Net assets:		
Unrestricted		
Controlling interest	134,478,029	128,339,795
Non-controlling interest	<u>24,804,638</u>	<u>26,759,364</u>
Total unrestricted net assets	159,282,667	155,099,159
Temporarily restricted - controlling interest	<u>5,000,000</u>	<u>5,000,000</u>
Total net assets	<u>164,282,667</u>	<u>160,099,159</u>
 Total liabilities and net assets	 <u>\$ 218,438,102</u>	 <u>\$ 231,332,170</u>

see accompanying notes to consolidated financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
LENDING AND CORPORATE REVENUE		
Investment interest and dividends	\$ 1,521,129	\$ 1,840,493
Income from notes receivable	6,498,617	5,232,684
Residual receipts, contingent assets and fee income	3,007,605	426,165
Other income	19,368	18,005
Total lending and corporate revenue	<u>11,046,719</u>	<u>7,517,347</u>
PROGRAM REVENUE AND SUPPORT		
CVC and other real estate operations		
Rental property income	5,728,592	5,836,811
Real estate sold	3,345,000	5,646,781
Debt forgiveness income	370,857	-
Contributions and fundraising income	476,333	792,980
Net assets released from restrictions	-	12,394
Total program revenue and support	<u>9,920,782</u>	<u>12,288,966</u>
 Total revenue	 20,967,501	 19,806,313
LENDING EXPENSES		
Allocation for loan losses	7,450,845	564,352
Borrowing fees	47,333	17,250
Interest expense	1,292,887	813,646
Total lending expenses	<u>8,791,065</u>	<u>1,395,248</u>
PROGRAM EXPENSES		
CVC and other real estate operations		
Rental property expenses	4,903,191	4,441,783
Property depreciation and amortization	2,362,210	2,247,241
Cost of real estate sold	3,400,155	5,622,562
Other real estate expenses	408,552	506,867
Other support	-	477
Total program expenses	<u>11,074,108</u>	<u>12,818,930</u>
MANAGEMENT AND GENERAL EXPENSES		
Salaries and employee benefits	4,664,846	4,285,854
Professional fees	813,930	416,739
Business development expenses	233,940	182,064
General and administrative expenses	937,286	874,033
Depreciation and amortization expense	146,995	197,893
Total management and general expenses	<u>6,796,997</u>	<u>5,956,583</u>
 Total expenses	 <u>26,662,170</u>	 <u>20,170,761</u>

see accompanying notes to consolidated financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Change in unrestricted net assets before other income and expenses	\$ (5,694,669)	\$ (364,448)
OTHER INCOME AND (EXPENSES)		
Realized and unrealized gains (losses) on financial investments	4,302,562	(1,892,416)
Settlement expenses	-	(84,319)
Bad debt expense	(80,216)	(35,540)
Loss from disposal of fixed assets	(811)	(243)
Loss from impairment of real estate held for investment	-	(776,625)
Loss from impairment of real estate held for sale	(363,998)	(1,410,366)
Net other income and (expenses)	<u>3,857,537</u>	<u>(4,199,509)</u>
Change in unrestricted net assets from continuing operations	(1,837,132)	(4,563,957)
Income from discontinued operations - Warwick Terrace, including gain on sale of \$6,107,195 and \$0, respectively	6,054,148	-
Distributions to non-controlling interest	(33,508)	(38,192)
Change in unrestricted net assets	<u>4,183,508</u>	<u>(4,602,149)</u>
Temporarily restricted net assets		
Contributions	-	5,000,000
Net assets released from restrictions	-	(12,394)
Change in temporarily restricted net assets	<u>-</u>	<u>4,987,606</u>
Change in net assets	4,183,508	385,457
Net assets at beginning of year	<u>160,099,159</u>	<u>159,713,702</u>
Net assets at end of year	<u>\$ 164,282,667</u>	<u>\$ 160,099,159</u>

see accompanying notes to consolidated financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,183,508	\$ 385,457
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Distributions to non-controlling interest	33,508	38,192
Debt forgiveness income	(370,857)	-
Depreciation and amortization expense	2,509,205	2,445,134
Allocation for loan losses	7,450,845	564,352
Bad debt expense	80,216	35,540
Loss from disposal of fixed assets	811	243
Gain from sale of real estate held for sale	(6,052,040)	(24,219)
Loss from impairment of real estate held for investment	-	776,625
Loss from impairment of real estate held for sale	363,998	1,410,366
Realized and unrealized (gains) losses on financial investments	(4,302,562)	1,892,416
(Increase) decrease in assets:		
Accounts receivable, net	(91,524)	(108,287)
Interest receivable	157,196	(202,204)
Prepaid expenses and other assets	(54,235)	(69,452)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	217,303	543,063
Accrued interest	10,622	43,320
Security deposits	20,821	(58,341)
Deferred income	(90,904)	462,740
Net cash provided by operating activities	<u>4,065,911</u>	<u>8,134,945</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in restricted cash	3,612,611	(4,814,899)
Proceeds from sale of real estate held for sale	19,045,000	5,646,781
Increase in real estate held for sale	(9,746,803)	(1,834,876)
Increase in real estate held for investment	(2,595,767)	(2,383,044)
Purchase of furniture, fixtures and equipment	(400,192)	(44,600)
Advances in notes receivable	(143,770,296)	(91,700,874)
Receipts from notes receivable	130,426,921	86,419,895
Purchase of investment securities	(6,881,340)	(26,515,506)
Proceeds from sales of investment securities	20,546,466	3,583,303
Net cash provided by (used in) investing activities	<u>10,236,600</u>	<u>(31,643,820)</u>

see accompanying notes to consolidated financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable and lines of credit	\$ 33,088,143	\$ 65,847,500
Proceeds from forgivable loans	1,356,939	2,207,062
Payments of notes payable and lines of credit	(51,309,643)	(38,450,128)
Decrease in intangible assets	-	1,400
Distributions to non-controlling interest	(33,508)	(38,192)
Net cash (used in) provided by financing activities	<u>(16,898,069)</u>	<u>29,567,642</u>
Net (decrease) increase in cash and cash equivalents	(2,595,558)	6,058,767
Cash and cash equivalents at beginning of year	<u>14,466,939</u>	<u>8,408,172</u>
Cash and cash equivalents at end of year	<u>\$ 11,871,381</u>	<u>\$ 14,466,939</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 1,282,265</u>	<u>\$ 770,326</u>
Supplemental disclosure of noncash activities		
Notes receivable transferred to real estate held for sale through deed in lieu of foreclosure	<u>\$ 2,310,000</u>	<u>\$ -</u>

see accompanying notes to consolidated financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

1. Organization

Century Housing Corporation (“Century”) is a California nonprofit public benefit corporation exempt from state and federal income taxation. Century is the successor-in-interest to a housing program formerly administered by the State of California under the supervision of the United States District Court (“Court”) and a Consent Decree entered in settlement of Keith v. Volpe (U.S. District Court, 72-355 HP). Century and its predecessor have developed and/or financed more than 16,000 affordable housing units in metropolitan Los Angeles.

Century provides certain business activities and service programs to communities within the State of California. The following are the significant activities:

Affordable Housing Financing – Century operates primarily as a lender to developers, builders and other nonprofit entities to provide and maintain affordable homes.

Affordable Housing Sales and Rental Housing – Century sells single-family residences and condominiums to low to moderate-income households. Century also owns, develops and manages homes for the benefit of low- to moderate-income households.

Affordability Monitoring – Century monitors affordability for residents of Century-owned homes, Century-financed housing units and housing units previously sold by Century to ensure that the properties owned or financed by Century operate as affordable housing and that they are maintained in good condition.

Child Care and Early Education Facilities – Century has supported the creation of five on-site child care centers at Century financed housing complexes and five stand-alone centers. One of the stand-alone centers, Century Community Children Center, is owned by Century and leased to a nonprofit operator. Pursuant to a court order, this facility was developed on a parcel of land that is restricted for use as a child care and community center.

CCCS – Century supported CCCS financially in the form of loans and provided corporate staff support. CCCS provides middle school education at two locations in Inglewood, California, serving sixth, seventh, and eighth graders. The schools serve nearly 730 children. On July 1, 2011, CCCS was restructured so that it can operate independently and no longer receives internal support from Century.

2. Summary of significant accounting policies and nature of operations

Accounting method

The Corporation uses the accrual method of accounting consistent with accounting principles generally accepted in the United States of America, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

2. Summary of significant accounting policies and nature of operations (continued)

Principles of consolidation

The accompanying consolidated financial statements include the assets, liabilities, net assets and financial activities of Century and its controlled affiliates (collectively, the “Corporation”):

Century Villages at Cabrillo, Inc. and affiliates,
Century Affordable Development, Inc. and affiliates,
Century Community Children’s Centers, Inc.,
Century Pointe, Inc.,
The Century Community Lending Company, LLC,
12010 South Vermont, LLC and affiliate,
Century Neptune, LLC,
Century 224th Street, LLC,
Century Community Development Fund, LLC
Century Arrowhead Vista, LP, and
Century Warwick Terrace Apartments, LLC

All significant intercompany transactions and balances have been eliminated in consolidation.

Principles of affiliate consolidation

Century Villages at Cabrillo, Inc. (“CVC”) is the sole general partner in three limited partnerships: Long Beach Savannah Housing, L.P. (“Savannah”), Casa de Cabrillo, L.P. (“Casa”), and The Family Commons at Cabrillo, L.P. (“Family Commons”) and is the sole member of Century Villages Property Management, LLC (“CVPM”). CVC owns 0.1% of Savannah, 0.01% of Casa, and 0.01% of Family Commons. In addition, 12010 South Vermont, LLC (“Vermont”) is the 0.01% sole general partner in Academy Hall, L.P. (“Academy”). Partnerships that are controlled by Century and its controlled affiliates, regardless of ownership percentage, are included in the consolidated financial statements. The accompanying consolidated financial statements include the assets, liabilities, net assets and financial activities of the following partnerships:

Long Beach Savannah Housing, L.P.
Casa de Cabrillo, L.P.
The Family Commons at Cabrillo, L.P.
Academy Hall, L.P.

The accompanying consolidated financial statements also include the assets, liabilities, net assets and financial activities of CVPM, a single member LLC under common control.

Financial statement presentation

The Corporation conforms to accounting principles generally accepted for not-for-profit organizations, which require the Corporation to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Furthermore, information is required to segregate program service expenses from management and general expenses. Income earnings on temporarily restricted net assets are recognized as unrestricted.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

2. Summary of significant accounting policies and nature of operations (continued)

Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents

Cash is defined as cash in demand deposit accounts as well as cash on hand. The Corporation considers all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents. The carrying amounts of cash and cash equivalents approximate their fair value.

Restricted cash

Restricted cash includes cash deposited into separate bank accounts being held as collateral, and security deposits, operating reserves and replacement reserves that certain entities have been required to establish. Restricted cash also includes cash held under the provisions of the Capital Magnet Fund award. The carrying amounts of restricted cash approximate their fair value.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. The Corporation reports temporarily restricted contributions whose restrictions are met in the same reporting period as unrestricted contributions.

Investments

All debt and equity securities are carried at estimated fair value. Realized gains and losses on investments are determined using the specific-identification method. Unrealized gains and losses arise from changes in the fair value of debt and equity securities and are reported in the consolidated statements of activities as increases or decreases in unrestricted net assets.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

2. Summary of significant accounting policies and nature of operations (continued)

Fair value measurements

The Corporation establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are readily accessible at the measurement date for identical, unrestricted net assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities. Valuations for assets and liabilities traded in less active dealer or broker markets are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Inputs that are both significant to the fair value measurement and unobservable. Valuations for assets and liabilities are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The following table presents certain Corporation assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of December 31, 2012 and 2011:

	December 31, 2012			Fair Value Measurements
	Level 1	Level 2	Level 3	
Assets				
Certificate of deposit	\$ 791,000	\$ -	\$ -	\$ 791,000
Marketable securities	34,508,480	-	-	34,508,480
U.S. Treasury obligations	10,082,574	-	-	10,082,574
FHLB capital stock	-	-	432,900	432,900
Guarantee fees	-	-	47,000	47,000
Notes receivable, net	-	-	76,853,488	76,853,488
	<u>\$ 45,382,054</u>	<u>\$ -</u>	<u>\$ 77,333,388</u>	<u>\$ 122,715,442</u>
Liabilities				
Guaranty liability	\$ -	\$ -	\$ 47,000	\$ 47,000
Notes payable and lines of credit	48,511,000	-	-	48,511,000
Forgivable loans	3,193,144	-	-	3,193,144
	<u>\$ 51,704,144</u>	<u>\$ -</u>	<u>\$ 47,000</u>	<u>\$ 51,751,144</u>

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

2. Summary of significant accounting policies and nature of operations (continued)

Fair value measurements (continued)

	December 31, 2011			
	Level 1	Level 2	Level 3	Fair Value Measurements
Assets				
Marketable securities	\$ 46,255,385	\$ -	\$ -	\$ 46,255,385
U.S. Treasury obligations	5,326,635	-	-	5,326,635
FHLB capital stock	-	-	264,000	264,000
Multi-family housing revenue bonds	-	-	2,800,000	2,800,000
Guarantee fees	-	-	47,000	47,000
Notes receivable, net	-	-	73,270,958	73,270,958
	<u>\$ 51,582,020</u>	<u>\$ -</u>	<u>\$ 76,381,958</u>	<u>\$ 127,963,978</u>
Liabilities				
Guaranty liability	\$ -	\$ -	\$ 47,000	\$ 47,000
Notes payable and lines of credit	66,772,500	-	-	66,772,500
Forgivable loans	2,207,062	-	-	2,207,062
	<u>\$ 68,979,562</u>	<u>\$ -</u>	<u>\$ 47,000</u>	<u>\$ 69,026,562</u>

Investments in marketable securities are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices, broker dealer quotations or alternative pricing sources with reasonable levels of price transparency.

U.S. Treasury obligations are based on prices provided by vendors that obtain feeds from a number of live data sources, including active market makers and interdealer brokers. To the extent that the values of U.S. Treasury obligations are actively quoted, they are categorized as Level 1. To the extent these inputs are observable and timely, the values of these securities are categorized as Level 2; otherwise, the values are categorized as Level 3.

Federal Home Loan Bank of San Francisco ("FHLB") capital stock are classified with Level 3 of the fair market value hierarchy because its value is based on the Corporation's proportion of borrowings and assets held with FHLB.

Multi-family housing revenue bonds are classified with Level 3 of the fair market value hierarchy because they are valued based on the income approach (e.g., the discounted cash flow method) and based on management's assumption of the discount rate. Inputs include figures from audited financial statements of the underlying project.

Guarantee fees and liability are classified within Level 3 of the fair market value hierarchy because they are valued based on the income approach (e.g., the discounted cash flow method) and based on management's assumption of the discount rate.

Notes receivable are classified within Level 3 of the fair value hierarchy because they are valued based on future discounted cash flows and management's assumptions of various lending risk factors and existing market conditions.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

2. Summary of significant accounting policies and nature of operations (continued)

Fair value measurements (continued)

The carrying amounts of notes payable and lines of credit and forgivable loans approximate fair value because the Organization can obtain similar loans at the same terms.

The changes in investments measured at fair value for which the Corporation has used Level 3 inputs to determine fair value are as follows:

Notes receivable, net:

Balance, January 1, 2011	\$ 68,554,331
Advances	91,700,874
Principal payments received	(86,419,895)
Allocation for loan losses	<u>(564,352)</u>
Balance, December 31, 2011	73,270,958
Advances	143,770,296
Principal payments received	(130,426,921)
Receivable transferred to property	(2,310,000)
Allocation for loan losses	<u>(7,450,845)</u>
Balance, December 31, 2012	<u>\$ 76,853,488</u>

FHLB capital stock:

Balance, January 1, 2011	\$ -
Purchases	<u>264,000</u>
Balance, December 31, 2011	264,000
Purchases	<u>168,900</u>
Balance, December 31, 2012	<u>\$ 432,900</u>

Multi-family housing revenue bonds:

Balance, January 1, 2012	\$ 2,800,000
Principal payments received	<u>(2,800,000)</u>
Balance, December 31, 2012	<u>\$ -</u>

Investment in limited partnership

The Corporation holds interests of 50% or less in a limited partnership, which is accounted for using the equity method of accounting. The initial investment is recorded at cost and is subsequently increased by the Corporation's share of earnings and decreased by the Corporation's share of losses and distributions. Under the equity method, losses from operating partnerships in which the Corporation is not required to fund any operating deficit obligations are no longer recognized once the balance in the investment account reaches zero.

Rental income

Rental income is recognized as rent becomes due. Rental payments received in advance are deferred until earned. All leases between the Corporation and its tenants are operating leases.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

2. Summary of significant accounting policies and nature of operations (continued)

Loan fees

Loan fees represent the origination fees charged to the borrowers of the Corporation. Loan origination fees are recognized as revenue upon closing of the loans when the cost of originating the loans is equal or greater than the loan origination fees received. In the case where the loan origination fees received are greater than the cost incurred to originate the loans, the excess of loan fees received over loan origination costs will be deferred and recognized as revenue over the terms of the loans.

Accounts receivable and allowance for doubtful accounts

Accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of allowance will change. As of December 31, 2012 and 2011, management has established an allowance for doubtful accounts in the amount of \$96,887 and \$0, respectively.

Notes receivable and allowance for loan losses

Notes receivable are reported net of an allowance for loan losses. Management's estimate of the allowance is based on historical collection experience and a review of the current status and collections of notes receivable. Management's policy is to establish an allowance for loan losses of 2% on the outstanding balance of loans with no prior history of non-performance. Loans that exhibit non-performance are re-evaluated by management and the allowance for loan losses is adjusted accordingly. As of December 31, 2012 and 2011, management had established an allowance for loan losses in the amount of \$9,249,391 and \$2,554,032, respectively. The allowance for loan losses at December 31, 2012 and 2011 is summarized as follows:

Balance, January 1, 2011	\$ 1,989,680
Provision for losses	<u>564,352</u>
Balance, December 31, 2011	2,554,032
Provision for losses	7,450,845
Direct write-downs	<u>(755,486)</u>
Balance, December 31, 2012	<u>\$ 9,249,391</u>

Real estate held for investment

Real estate held for investment is stated at cost. The cost of maintenance and repairs is expensed as incurred, while major renewals and betterments are capitalized. The Corporation rents some of these assets to qualifying tenants under operating leases. Rental payments received in advance are deferred until earned. In addition, the Corporation records depreciation expense on the rented homes. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over the estimated service life of approximately 28 years using the straight-line method.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

2. Summary of significant accounting policies and nature of operations (continued)

Real estate held for investment (continued)

Buildings, leasehold improvements and office equipment are stated at cost of acquisition or construction. Expenditures for maintenance and repairs are expensed as incurred, while major renewals and betterments are capitalized. Costs of the properties constructed, rehabilitated or still under development include all direct costs of construction as well as carrying costs, such as interest, during the construction period and indirect costs of construction, supervision, and management. It is the Corporation's policy to consider any items purchased with an estimated useful life of more than one year and a cost in excess of \$1,000 for capitalization. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the consolidated statements of activities. Depreciation is computed using the straight-line method over estimated useful lives of the assets.

The useful lives of the assets are estimated as follows:

Buildings and improvements	27.5 - 39 years
Furniture and fixtures	5 - 7 years
Equipment	5 years
Leasehold improvements	Over life of lease

Real estate held for sale

Real estate held for sale consists of properties under development acquired as a result of foreclosure proceedings against borrowers that defaulted under the terms of their loan agreements, and single-family residences and condominiums that have been repurchased under the Right to Purchase Agreements. Real estate held for sale is recorded at the lesser of cost or fair value, less selling costs. No depreciation is recorded for real estate held for sale.

Impairment of long-lived assets

The Corporation reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net discounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. The Corporation recognized impairment losses on its real estate held for sale of \$363,998 and \$1,410,366 for the years ended December 31, 2012 and 2011, respectively. The Corporation recognized impairment losses on its real estate held for investment of \$0 and \$776,625 for the years ended December 31, 2012 and 2011, respectively.

Intangible assets and amortization

Intangible assets are recorded at cost and amortized on a straight-line basis. Financing fees are amortized over the life of the related debts. Tax credit fees are amortized over the tax credit compliance period. Ground lease fees are amortized over the life of the lease. Accounting principles generally accepted in the United States of America require that the effective interest method be used to amortize financing costs, however, the effect of the straight-line method is not materially different from the results that would have been obtained under the effective interest method.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

2. Summary of significant accounting policies and nature of operations (continued)

Grant revenue

The Corporation received grants from governments, agencies and others, which are conditioned upon incurring certain qualifying costs or meeting other conditions. The grants are recognized as revenue when the qualifying costs are incurred and the possibilities of not meeting the conditions are remote. Funds received for costs not yet incurred are recorded as deferred revenue. Funds for qualifying costs incurred and recognized as revenue but not yet received are recorded as accounts receivable.

Development fee income

Development fee income is recognized as the project is completed under a percentage of completion method or in accordance with the developer fee agreement.

Sale of assets

The Corporation records its gain or loss on the sale of assets by recording the cost of sale of the asset as a reduction against the sale proceeds received. The cost of the sale of the asset is determined based upon the historical cost of the asset, net of any accumulated depreciation recorded through the date of the sale, and increased for any closing costs or commission incurred on the sale.

Non-controlling interests in limited partnerships

The non-controlling interests in limited partnerships represent the aggregate positive balance of the limited partners' equity interest in Savannah, Casa, Family Commons, and Academy that are included in the consolidated financial statements, while the negative balances of the limited partners' interest are netted against the Organization's net assets.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis on the accompanying consolidated statements of activities. Expenses that are directly identifiable are allocated to programs. Expenses related to more than one function are allocated to programs according to systematic methods.

Income taxes

The Corporation is a nonprofit public benefit corporation and is exempt from federal and state tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code (the "Codes"). Management believes that all material activities of the Corporation are within the tax-exempt guidelines of the Codes. Accordingly, no provision for income taxes is included on the accompanying consolidated financial statements.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Corporation to report information regarding its exposure to various tax positions taken by the Corporation. Management has determined whether any tax positions have met the recognition threshold and has measured the Corporation's exposure to those tax positions. Management believes that the Corporation has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Organization are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

2. Summary of significant accounting policies and nature of operations (continued)

Concentration of credit risk

The Corporation maintains its cash balances in various banks. The balances are insured by the Federal Deposit Insurance Company ("FDIC") up to \$250,000 at each bank. At times, these balances may exceed the federal insurance limit; however the Corporation has not experienced any losses with respect to bank balances in excess of government provided insurance. As of December 31, 2012 and 2011, cash balances in excess of the FDIC limits totaled \$12,444,694 and \$18,431,596, respectively.

Reclassifications

Certain reclassifications have been made to the prior year financial statement presentation in order to conform to the current year financial statement presentation.

Subsequent events

Subsequent events have been evaluated through April 15, 2013, which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

3. Restricted cash

The Corporation's restricted cash consisted of the following at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Collateral	\$ 425,000	\$ 515,211
Security deposits	451,640	424,118
Replacement reserves	1,383,140	1,188,214
Operating reserves	447,293	446,244
Impound deposits	22,245	50,765
Capital Magnet Funds	783,669	4,501,041
Total restricted cash	<u>\$ 3,512,987</u>	<u>\$ 7,125,593</u>

4. Investments

Publicly traded securities and U.S. Treasury obligations are valued at quoted market prices. These investments are comprised of the following at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Total Market Equity Fund	\$ 6,208,640	\$ 8,604,067
Total Return Bond Fund	14,042,044	20,315,878
All Country World Index ETF	6,714,156	7,838,033
Loomis Sayles High Yield Fund	7,543,640	9,497,407
U.S. Treasury Inflation-Protected Securities	10,082,574	5,326,635
Total securities	<u>\$ 44,591,054</u>	<u>\$ 51,582,020</u>

As of December 31, 2012 and 2011, Century held a certificate of deposit with Federal Home Loan Bank of San Francisco in the amount of \$791,000 and \$0, respectively. The certificate of deposit matures in February 2013 and accrues interest at a rate of 0.07% per annum. The carrying value of the certificate of deposit equals cost plus accrued interest and approximates fair value.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

4. Investments (continued)

As of December 31, 2012 and 2011, Century held shares of Federal Home Loan Bank of San Francisco capital stock in the amount of \$432,900 and \$264,000, respectively. Members of FHLB are required to own a certain amount of stock based on the level of borrowings and other factors. The carrying value of FHLB capital stock approximates fair value.

As of December 31, 2012 and 2011, Century held an interest in a limited partnership, which is accounted for using the equity method of accounting, in the amount of \$698,927 and \$1,230,425, respectively.

As of December 31, 2012 and 2011, Century held multi-family housing revenue bonds in the amount of \$0 and \$2,800,000, respectively. These bonds were originally issued to finance construction of multi-family housing projects where a specified proportion of the units will be rented to moderate- and low-income families.

The following schedule summarizes the investment return and its classification in the consolidated statements of activities as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Interest on cash and cash equivalents	\$ 18,169	\$ 101,450
Interest income and dividends	1,502,960	1,739,043
Unrealized/realized gains (losses)	<u>4,302,562</u>	<u>(1,892,416)</u>
Total investment gain (loss)	<u>\$ 5,823,691</u>	<u>\$ (51,923)</u>

5. Notes receivable, net

Notes receivable consist of notes secured by the real property of affordable housing development projects located throughout the metropolitan Los Angeles area, as well as notes made to non-officer employees of the Corporation. Advances under the notes receivable bear interest at rates ranging from 2% to 9%. Notes receivable, secured by affordable housing development projects and unsecured, totaled \$76,381,028 and \$72,584,667 as of December 31, 2012 and 2011, respectively. Notes receivable from non-officer employees of the Corporation totaled \$467,594 and \$686,291 as of December 31, 2012 and 2011, respectively.

Outstanding principal is scheduled to be received over each of the next five years and thereafter as follows:

Year ending December 31:	
2013	\$ 68,054,837
2014	14,796,654
2015	1,113,127
2016	-
2017	39,887
Thereafter	<u>2,098,374</u>
Total notes receivable	86,102,879
Less allowance for doubtful accounts	<u>(9,249,391)</u>
Total notes receivable, net	<u>\$ 76,853,488</u>

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

6. Real estate held for investment

The Corporation's real estate held for investment consists of the following at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Land	\$ 6,388,185	\$ 6,038,185
Buildings and improvements	68,496,300	63,979,482
Leasehold improvements	13,651,686	13,244,726
Construction in progress	<u>506,273</u>	<u>3,184,284</u>
Total real estate held for investment	89,042,444	86,446,677
Less accumulated depreciation	<u>(14,676,988)</u>	<u>(12,486,679)</u>
Total real estate held for investment, net	<u>\$ 74,365,456</u>	<u>\$ 73,959,998</u>

Real estate held for investment, net owned by the affiliated entities at December 31, 2012 and 2011, is as follows:

	<u>2012</u>	<u>2011</u>
Century Housing Corporation	\$ 1,460,667	\$ 1,471,212
Century Affordable Development, Inc.	218,173	218,173
Century Villages at Cabrillo, Inc.	14,085,467	11,735,032
CVC – Consolidated partnerships	43,156,255	44,759,906
Century Pointe, Inc.	7,222,820	7,361,736
Century Community Children's Centers, Inc.	477,496	490,247
Vermont – Consolidated partnership	7,732,528	7,923,692
Century Arrowhead Vista, LP	<u>12,050</u>	<u>-</u>
Total real estate held for investment, net	<u>\$ 74,365,456</u>	<u>\$ 73,959,998</u>

Depreciation expense on real estate held for investment during 2012 and 2011 was \$2,190,309 and \$2,100,303, respectively.

Properties acquired under Right to Purchase Agreement

Single-family residences and condominiums are sold to low- and moderate-income households. The sales contracts under which these properties are sold include a long-term Right to Purchase Agreement ("RTPA") which gives Century the right to repurchase the homes at a stipulated price if the purchaser fails to comply with the terms of the RTPA or wishes to sell the residence. Subsequent to repurchase, these residences are resold to qualifying low and moderate-income households. As of December 31, 2012 and 2011, homes which had been repurchased under a RTPA or otherwise acquired, and are currently held for investment, amounted to \$218,173.

7. Real estate held for sale

Property acquired through foreclosures on notes receivable

The Corporation acquired land and building as a result of foreclosure proceedings against borrowers that defaulted under the terms of their loan agreements. The assets acquired were recorded at fair market value and applied as a reduction to notes receivable. The assets are classified as real estate held for sale and amount to \$2,698,000 and \$3,998,155 as of December 31, 2012 and 2011, respectively.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

8. Furniture, fixtures and equipment, net

The Corporation's furniture, fixtures, and equipment consist of the following at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Furniture and fixtures	\$ 1,897,404	\$ 1,736,756
Equipment	<u>1,524,141</u>	<u>1,466,127</u>
Total furniture, fixtures and equipment	3,421,545	3,202,883
Less accumulated depreciation	<u>(2,668,784)</u>	<u>(2,617,702)</u>
Total furniture, fixtures and equipment, net	<u>\$ 752,761</u>	<u>\$ 585,181</u>

Depreciation expense on furniture, fixtures and equipment during 2012 and 2011 was \$231,801 and \$252,739, respectively.

During 2012, the Corporation disposed of fixed assets of \$181,530 and related accumulated depreciation of \$180,719. The disposal of fixed assets resulted in a loss of \$811. During 2011, the Corporation disposed of fixed assets of \$18,958 and related accumulated depreciation of \$18,715. The disposal of fixed assets resulted in a loss of \$243.

9. Intangible assets, net

The Corporation's intangible assets consist of the following at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Financing fees	\$ 147,829	\$ 427,829
Tax credit fees	369,022	369,022
Ground lease fees	<u>22,500</u>	<u>22,500</u>
Total intangible assets	539,351	819,351
Accumulated amortization	<u>(239,830)</u>	<u>(432,735)</u>
Total intangible assets, net	<u>\$ 299,521</u>	<u>\$ 386,616</u>

Amortization expense during 2012 and 2011 was \$87,095 and \$92,092, respectively. During 2012, fully amortized financing fees in the amount of \$280,000 were written off.

10. Employee benefit plans

The Corporation has a Section 403(b) defined contribution plan for its employees. Eligible employees may contribute a percentage of their annual compensation, subject to certain limitations, to the 403(b) defined contribution plan. For all participants, the Corporation will contribute 3% of an employee's gross salary and will match employee contributions up to 3% of gross salary to the 403(b) defined contribution plan. As of December 31, 2012 and 2011, the total amount contributed by the Corporation to the plan was \$296,404 and \$234,423, respectively, which is included in salaries and employee benefits on the accompanying consolidated statements of activities.

Century also has a Section 457(b) deferred compensation plan for a select group of management and highly compensated employees. Employees may defer an amount of their annual compensation, subject to certain limitations, to the 457(b) plan.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

10. Employee benefit plans (continued)

Certain key executive officers have life insurance policies owned by the Corporation. In the event of death while employed by the Corporation, the officers' estates or designated beneficiaries are entitled to receive a cash payment reflecting the policies death benefits pursuant to the insurance contracts, less the repayment of premiums paid by the Corporation, plus accrued interest. The cash surrender value of the policies was \$401,864 and \$412,092 as of December 31, 2012 and 2011 respectively, and is recorded in "Prepaid expenses and other assets" on the accompanying consolidated statements of financial position.

11. Contingent and restricted assets – affordable housing financing

During the formation of Century, Century's predecessor (Century Freeway Housing Program ("CFHP"), a housing program administered by the state of California) contributed certain notes receivable and temporarily restricted net assets to fund additional notes receivable for affordable housing. These loans were made to facilitate the acquisition of land, provide construction financing and make available permanent financing of affordable housing at rates substantially below current market interest rates. These loans provided for affordable housing based on rent and income restrictions established by CFHP. Century monitors compliance with these restrictive covenants, which continue for a period of 15 years or more. These affordable housing loans were generally interest-free until the completion of construction, and then accrued simple interest generally at 3% per annum deferred for their term. Principal and interest are due only after the payment of normal operating expenses, taxes and debt service on senior loans. The loans extended to single family borrowers generally accrue interest at 3% per annum deferred for the term of the loan. They are generally due at maturity, 30 years from the note date, or in the event the borrower sells, transfers or conveys the property prior to the maturity of the note. There are no payments required during the term of the loans unless stipulated in the notes.

Repayment of these loans is dependent on operating income, residual value of the affordable housing units, and/or a violation of the terms of the loan, such as selling the property at market, all of which cannot be predicted. As a result management has determined that repayments of these loans is uncertain and has not recorded the notes receivable or accrued interest on the books of the Corporation. Therefore, should repayment occur, it will be accounted for as contingent assets income in the year in which the payments are received.

Contingent assets represented by affordable housing loans outstanding as of December 31, 2012 and 2011, total \$77,526,714 and \$81,097,482, respectively, and have an effective interest rate of 3% per annum. Unrecognized accrued interest receivable as of December 31, 2012 and 2011 was \$41,614,828 and \$40,313,770, respectively. For the years ended December 31, 2012 and 2011, the Corporation received \$2,737,700 and \$176,084 of principal and interest payments from these loans, respectively, which are included in "Residual receipts, contingent assets and fee income" on the consolidated statements of activities.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

12. Notes payable: housing activities

Note payable – First Federal Bank of California

On November 15, 2007, CVC obtained a development loan from the Federal Home Loan Bank of San Francisco's Affordable Housing Program ("AHP") in the amount of \$972,000 (the "AHP Loan") and funded by First Federal Bank of California. Loan proceeds were loaned to CVC under conditions stipulated in certain loan and regulatory agreements. Repayment of the AHP Loan is secured by a third deed of trust on the real property of Family Commons. The AHP Loan bears no interest and matures in November 2023, which is fifteen years from the date of Family Commons' project completion date. If CVC complies with the terms of the loan and regulatory agreements, the principal balance will be forgiven upon maturity. CVC, in turn, made a loan in the amount of \$972,000 to Family Commons for the development of its low-income housing tax credit project, subject to the same terms as the AHP Loan. As of December 31, 2012 and 2011, the outstanding principal is \$972,000 for both years.

Note payable – Long Beach Housing Development Company

On December 15, 2008, Family Commons obtained financing for the construction of its project from loan proceeds funded by the Long Beach Housing Development Company in an amount not to exceed \$11,775,000 ("LBHDC Loan"). Repayment of the LBHDC Loan is secured by a deed of trust and matures in November 2063. The LBHDC Loan is non-interest bearing and requires annual principal payments from residual receipts, as defined in the partnership agreement. As December 31, 2012 and 2011, the outstanding principal was \$11,775,000 for both years.

Note payable – The Bank of New York Mellon Trust Company, N.A.

On April 1, 2009, Academy obtained financing for the acquisition and rehabilitation of the Project from the proceeds of tax-exempt Multifamily Housing Revenue Bonds, Series 2009B issued by the City of Los Angeles (the "Issuer") in the amount of \$5,000,000 (the "Tax-Exempt Bonds"). Concurrent with the issuance of the Tax-Exempt Bonds, the Issuer entered into a Trust Indenture with The Bank of New York Mellon (the "Trustee"). Proceeds for the Tax-Exempt Bonds were loaned by the Issuer to the Partnership under conditions stipulated in the loan agreement and the Trust Indenture. A loan in the amount of \$5,000,000 was funded to the Partnership on April 1, 2009 (the "Tax-Exempt Loan"). Repayment of the loan is secured by the real property of Academy and bears a variable interest rate equal to the sum of the British Bankers Association LIBOR Daily floating rate plus 2.5%, which shall never be less than 3% or exceed 12%. Commencing May 1, 2010, the Tax-Exempt Loan shall bear interest at a fixed rate of 6.25%. The Tax-Exempt Loan requires monthly payments and all unpaid principal and accrued interest is due in full at maturity on November 1, 2040. As of December 31, 2012 and 2011, the outstanding principal was \$2,345,000 and \$2,375,000 respectively. Interest incurred during 2012 and 2011 was \$160,081 and \$159,471, respectively.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

13. Notes payable and lines of credit: lending activities

Note payable – Calvert Social Investment Foundation

On March 31, 2010, Century entered into a promissory note with Calvert Social Investment Foundation (“Calvert”) in the amount of \$2,000,000 (the “Calvert Loan”). During 2012, an additional \$1,000,000 was funded by Calvert. The Calvert Loan is unsecured and bears simple interest at a rate of 4.5% per annum. Interest payments shall be made semi-annually in arrears on each March 31 and September 30. All unpaid principal and interest shall be due and payable at maturity on March 31, 2014. During 2012 and 2011, interest expense was \$112,000 and \$90,000, respectively. As of December 31, 2012 and 2011, the outstanding principal was \$3,000,000 and \$2,000,000, respectively, and accrued interest was \$33,750 and \$22,500, respectively.

Note payable – The Disability Opportunity Fund

On November 28, 2012, Century entered into a promissory note with The Disability Opportunity Fund in the amount of \$1,250,000 for the development of affordable residential projects in the Los Angeles County, California for individual with mental and/or physical disabilities. The note is secured by the real property of Casa de Cabrillo, L.P., and accrues interest rate of 5.75% per annum, compounded monthly. Commencing January 1, 2013, monthly payments toward interest and principal in the amount of \$8,776 are due. Any unpaid interest and principal are due in full on December 1, 2017. During 2012 and 2011, interest expense was \$5,120 and \$0, respectively. As of December 31, 2012 and 2011, the outstanding principal was \$1,250,000 and \$0, respectively, and accrued interest was \$5,120 and \$0, respectively.

Line of credit – The Century Community Lending Company, LLC

On December 8, 2005, The Century Community Lending Company, LLC (“CCLC”) entered into a Revolving Construction Loan Facility Agreement with contributing lenders to provide financing for CCLC. The administrative agent representing the contributing lenders was Bank of America, N.A. Under the terms of the agreement CCLC may request advances to fund loans made by CCLC in conformity with its lending policy. Each advance was evidenced by a promissory note that specifies the principal amount of the advance, the interest rate and maturity date, which shall not exceed two years from the date of the note. On December 1, 2008, the Company signed an amendment to the agreement, lowering the original commitment amount of \$50,000,000 to \$30,000,000. The line of credit was paid in full on February 23, 2011, and the line was terminated. The total amount drawn as of December 31, 2012 and 2011 was \$0 for both years. The advances were secured by an assignment of deed of trust and security agreement. The advances drawn bore interest at LIBOR plus 2.25% per annum payable on the first day of each month. During 2012 and 2011, interest expense incurred was \$0 and \$10,310, respectively.

CCLC also incurred an administrative agent fee of \$25,000 per year and quarterly fees on the unused portion of the line of credit at a rate of 0.25%. During 2012 and 2011, line of credit fees of \$0 and \$1,294, respectively, have been incurred.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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13. Notes payable and lines of credit: lending activities (continued)

Line of credit – Wells Fargo Bank

On December 20, 2006, Century entered into a loan and security agreement with Wells Fargo Bank (successor-by-merger to Wachovia Bank, National Association). Under the terms of the agreement, Century may request advances to fund loans made by Century in conformity with its lending policy. Each advance is evidenced by a promissory note that specifies the principal amount of the advance, the interest rate and maturity date, which shall not exceed two years from the date of the note. The draw period termination date was November 30, 2011, and the maximum commitment amount was \$20,000,000. Under the terms of the facility, drawn amounts may remain outstanding until the second anniversary of their draw dates. The advances were secured by an assignment deed of trust and a security agreement and were fully repaid during 2012. The advances drawn bore interest at LIBOR plus 2.59% per annum payable on the fifteenth day of the month commencing on January 1, 2007. During 2012 and 2011, interest expense incurred was \$292,048 and \$341,712, respectively. As of December 31, 2012 and 2011, the outstanding principal was \$0 and \$19,905,000, respectively, and accrued interest was \$0 and \$27,095, respectively.

Line of credit – Fannie Mae

On December 21, 2007, Century entered into a Revolving Credit Facility Agreement with Fannie Mae under which Fannie Mae has provided a line of credit to Century in an amount up to a maximum of \$25,000,000. The agreement had a term of five years and expired on December 21, 2012. The line of credit bore interest at an adjustable rate at 3-month LIBOR plus 75 basis points, which was adjusted on the first day of each calendar quarter. The interest rate as of December 31, 2011 was 1.12%. The line of credit was secured by an assignment deed of trust and a security agreement. Accrued interest was paid in arrears in monthly installments of the first day of each calendar month. The entire principal balance of the note, together with all accrued and unpaid interest and all other amounts payable were due on December 21, 2012. The line of credit was fully paid off during 2012. During 2012 and 2011, interest expense was \$246,874 and \$170,852, respectively. As of December 31, 2012 and 2011, the outstanding principal was \$0 and \$21,062,000, respectively, and accrued interest was \$0 and \$19,215, respectively.

Line of credit – City National Bank

On December 11, 2006, Century entered into a Credit Agreement with City National Bank under which City National Bank shall provide a line of credit to Century in an amount up to 65% of the market value of the financial assets of Century under the custody of City National Bank, up to a maximum of \$20,000,000. Century has granted City National Bank a lien on the assets under its custody. As of December 31, 2012 and 2011, Century has investments under the custody of City National Bank in the amount of \$27,794,323 and \$29,813,285, respectively. On November 15, 2012, Century signed a Third Amendment to Credit Agreement, extending the maturity date to December 1, 2013. The line of credit has two interest rate options: LIBOR plus 1.5% per annum, or the greater of Prime Rate minus .75% or a minimum of 2.5% per annum. There is also a quarterly unused facility fee equal to 0.25% of the average daily difference between the revolving credit commitment and the revolving credit loans, letters of credit, and unpaid drafts under drawn letters of credit outstanding. As of December 31, 2012 and 2011, the outstanding principal was \$0. The line of credit was fully paid during 2012. As of December 31, 2012 and 2011, interest expense was \$10,896 and \$3,500, respectively.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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13. Notes payable and lines of credit: lending activities (continued)

Line of credit – JPMorgan Chase Bank, N.A.

On July 21, 2011, Century entered into a Revolving Credit Note with JPMorgan Chase Bank, N.A. (“Chase”) under which Chase shall provide a line of credit to Century in an amount up to a maximum of \$20,000,000. Advances from the line of credit bear interest at a rate equal to 1-month LIBOR plus 2.5% and is calculated on a basis of a 360-day year. Interest is payable in arrears on the 5th day of the following month. The entire principal balance of the note, together with all accrued and unpaid interest and all other amounts payable are due on July 19, 2015. During 2012 and 2011, interest expense was \$443,430 and \$35,885, respectively. As of December 31, 2012 and 2011, the outstanding principal was \$20,000,000 and \$3,683,500, respectively, and accrued interest was \$46,674 and \$8,763, respectively.

Line of credit - Federal Home Loan Bank of San Francisco

On May 27, 2011, Century entered into an Advances and Security Agreement with Federal Home Loan Bank of San Francisco (“FHLB”) in the maximum commitment amount of \$10,000,000. On October 5, 2012, the maximum commitment amount was increased to \$25,000,000. Each advance is subject to the terms and conditions upon which Century and FHLB have agreed upon pursuant to a written confirmation agreement. During 2012 and 2011, advances bore interest ranging from 0.19% to 0.3%, respectively, and had maturity dates ranging from June 11, 2012 to June 18, 2013, respectively, as of December 31, 2012 and 2011. Advances are secured by U.S. Treasury Inflation-Protected Securities purchased by Century in the amount of \$10,082,574. There is also a settlement transaction account in the amount of \$7,187, a capital stock in the amount \$432,900 and a certificate of deposit in the amount of \$791,000. As of December 31, 2012 and 2011, interest expense was \$22,438 and \$1,741, respectively. As of December 31, 2012 and 2011, the outstanding principal was \$9,209,000 and \$5,000,000, respectively, and accrued interest was \$3,195 and \$544, respectively.

Expected future annual principal payments on the outstanding debts are as follows:

Year ending December 31:	
2013	\$ 9,273,333
2014	3,071,360
2015	20,073,507
2016	80,780
2017	1,140,020
Thereafter	<u>14,912,000</u>
Total	<u>\$ 48,551,000</u>

CENTURY HOUSING CORPORATION AND AFFILIATES
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14. Forgivable loans: housing activities

Department of Housing and Community Development

On November 30, 2010, CVC entered into a promissory note with the Department of Housing and Community Development (“DHCD”) in the total maximum amount of \$1,000,000. On December 14, 2010, Catholic Charities of Los Angeles (“CCLA”) entered into a promissory note with DHCD in the maximum amount of \$1,000,000. CVC has agreed to assume the liability of CCLA’s promissory note. Proceeds from these notes were used for the construction of the Family Shelter I and II projects. The initial proceeds were funded in March 2011. The notes bear simple interest at a rate of 3% per annum and mature ten years after the promissory note dates. All principal and interest shall remain deferred for the entire loan terms and will be forgiven at the end of the loan terms as long as the Family Shelter I and II projects (see Note 14) are in compliance with the terms of the Regulatory Agreement. In the event of default, total accrued interest at 10% per annum and principal are due. The loans are secured by a deed of trust and assignment of rents on the Family Shelter I and II projects. The loan balance has been amortized on a straight-line basis over the term of the loan as debt forgiveness income, which is included in the accompanying consolidated statements of activities. For the years ended December 31, 2012 and 2011, CVC recognized \$166,667 and \$0, respectively, of debt forgiveness income. As of December 31, 2012 and 2011, the total principal balance of the loans was \$1,833,334 and \$1,697,162, respectively. No interest has been accrued on these loans.

Community Development Commission of the County of Los Angeles

On December 8, 2010, CVC entered into a promissory note with the Community Development Commission of the County of Los Angeles (“CDC”) in the total maximum amount of \$883,830 for the construction of the Family Shelter I and II projects. Concurrently, CCLA entered into a promissory note with CDC in the total maximum amount of \$1,016,170. CVC has agreed to assume the liability of CCLA’s promissory note. The initial proceeds were funded in May 2011. The loans shall bear interest at a rate of 3% per annum and are secured by a deed of trust on the Family Shelter I and II projects. The loan balance has been amortized on a straight-line basis over the term of the loan as debt forgiveness income. All outstanding principal and accrued interest shall be forgiven on a straight-line basis over a period of seven years after initial occupancy of the Family Shelter I and II projects. For the years ended December 31, 2012 and 2011, CVC recognized \$204,190 and \$0, respectively, of debt forgiveness income. As of December 31, 2012 and 2011, the total principal balance of the loans was \$1,359,810 and \$509,900, respectively. No interest has been accrued on these loans.

15. Century Villages at Cabrillo, Inc.

Century Villages at Cabrillo, Inc. (“CVC”), a California nonprofit public benefit corporation, is the supportive housing affiliate of Century Housing Corporation (“CHC”). The mission of CVC is to develop, manage, and serve as a steward of a 27 acre supportive housing community so that independent service providers can successfully help individuals and families overcome homelessness. As a social enterprise, CVC engages in property management, real estate development, and community development activities, all uniformly geared around the vision of breaking the cycle of homelessness. CVC was formed on July 31, 1996 for the purpose of rehabilitating and developing a planned, residential community that provides affordable housing and a comprehensive array of supportive services for homeless individuals, families, and veterans at the former Cabrillo Housing of the U.S. Naval Station, located in the City of Long Beach, California. The 27 acre property was ultimately conveyed to CVC in 1997 under the McKinney Act for the purpose of benefiting the homeless.

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15. Century Villages at Cabrillo, Inc. (continued)

Since that time, CVC has evolved into a unique, therapeutic residential community that provides housing on any given night to over 1,000 persons. These include veteran and non-veteran individuals, families, youth and children. More than simply providing shelter, CVC has co-located a palette of valuable social services to help residents regain their independence and establish self-sufficiency. To this end, CVC has partnered with fifteen established service providers and government agencies to provide much needed supportive services which include: case management, life skills training, substance abuse treatment, affordable child care, a homeless education program, an employment center, a career center, a food service program, and a VA medical clinic among others. This collaboration of organizations combines to serve over 1,800 unique individuals at CVC each year.

CVC employs a continuum of care and housing model whereby each resident is connected to a service provider and enveloped by an array of empowering resources. The housing continuum on the campus ranges from emergency shelter/treatment programs, to transitional housing programs, to permanent housing programs. This continuum is replicated for both veterans and non-veteran families and individuals. In support of this continuum, CVC maintains over 333,000 square feet of housing and supportive service space on its campus. With remaining acreage at the southern and western bounds of its campus, CVC is actively planning for the remaining build out of its campus in the years to come in support of its overall mission. Currently, CVC is in predevelopment on its Cabrillo Gateway project, the 4th distinct phase of campus development which, if funded, will add 80 permanent supportive homes to the campus. In 2012, CVC completed construction on the Family Shelter I and II projects. This \$5 million, 8,500 square-foot complex has provided for the replacement and expansion of Catholic Charities emergency shelter facility which has operated at CVC since 1998. Also in 2012, CVC ground leased an acre of land from the City of Long Beach and installed a 200 tree landscape barrier with funding from the Port of Long Beach and private donors. This barrier will help to improve ambient air quality at the Villages.

In 2011, CVC assumed ownership of the Oasis Community Center, a community resource facility that had been initially funded for 3+ years by a U.S. Department of Housing and Urban Development's Hispanic-Serving Institutions Assisting Communities ("HUD HSIAC") grant to the California State University, Long Beach ("CSULB"). During the grant period, CSULB operated the center in collaboration with Catholic Charities of Los Angeles. The center provides an after school program, life skills classes, employment services, a computer center, and a host of other resources. With the original grant funding expiring in late 2011 and the center facing imminent closure, CVC adopted the center and secured the necessary funding through year end. This funding was comprised of a Community Services Block Grant ("CSBG") which was awarded to CVC as a subgrantee from Long Beach Community Action Partnership. During 2012, CVC secured a grant from the Ahmanson Foundation and an additional CSBG grant to sustain operations. For 2013 and beyond, CVC is actively fundraising to sustain the critical services provided by the Oasis Community Center.

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15. Century Villages at Cabrillo, Inc. (continued)

To effectuate the development of housing on its campus, CVC has entered into long-term ground leases with three limited partnerships of which CVC is the general partner. The limited partnerships, Long Beach Savannah Housing, L.P. (“Savannah”), Casa de Cabrillo, L.P. (“Casa”), and The Family Commons at Cabrillo, L.P. (“Family Commons”) were formed to develop, own and operate a low-income housing tax credit project on the land that they have leased from CVC. CVC owns 0.1% of Savannah, 0.01% of Casa, and 0.01% of Family Commons. The partnerships have been allocated low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code (“Section 42”). These low-income housing tax credits have been utilized to help finance affordable housing projects. Affiliates of John Hancock Realty Advisors, Inc. have invested \$7,136,000 of equity into Savannah, \$11,900,000 of equity into Casa, and \$19,554,459 of equity into Family Commons, as investor limited partners in exchange for the benefits of the low-income housing tax credits that have been allocated to the projects.

Section 42 regulates the use of the projects as to occupant eligibility and unit gross rent, among other requirements. Each of the projects must meet the provisions of these regulations during each of fifteen consecutive years in order to remain qualified to receive the tax credits. The Savannah project was completed as of June 30, 2001, the Casa project was certified for occupancy on June 23, 2004, and Family Commons was certified for occupancy on November 26, 2008.

Century Villages Property Management, LLC (“CVPM”), wherein CVC is the sole member, was formed on October 15, 2009 for the purpose of providing property management services for low income, affordable housing located in Long Beach, California.

16. Commitments and contingencies

Guaranty of tax credit

CVC is the general partner of three low-income housing tax credit partnerships (Savannah, Casa, and Family Commons), which provides affordable housing in Long Beach, California. 12010 S. Vermont is the general partner of one low-income housing tax credit partnership (Academy), which provides affordable housing in Los Angeles, California. In connection with each partnership, Century has provided certain guarantees to the tax credit investors guarantying the completion and construction of the apartment complexes, operating deficits of the partnerships, and the annual allocation of tax credits to the investor.

Partnership:	Casa de Cabrillo, L.P.
Investor limited partner:	John Hancock Corporate Tax Credit Fund VIII, LP
Guarantee balance:	\$1,200,000

Partnership:	The Family Commons at Cabrillo, L.P.
Investor limited partner:	John Hancock Family Commons, LP
Guarantee balance:	\$12,000,000

Partnership:	Academy Hall, L.P.
Investor limited partner:	U.S.A. Institutional Tax Credit Fund LXVII, LP
Guarantee balance:	\$1,641,408

CENTURY HOUSING CORPORATION AND AFFILIATES
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16. Commitments and contingencies (continued)

Guaranty of third-party indebtedness

Century has entered into a guaranty with Wells Fargo Bank, N.A. to guarantee the debt of principal and interest on bonds of certain third party limited partnerships. The assets owned by the limited partnerships are the collateral for the underlying loans being guaranteed. If at any time the limited partnerships or their partners are unable to fund their agreed upon principal and interest payment, Century is obligated to make funds available to the respective trustee immediately. Century's maximum exposure under the guarantee would be equal to the difference between the fair market value of collateral held and the outstanding loan amount. The loans guaranteed by Century have maturity dates ranging from 2015 to 2036. While it is reasonably possible that a loss could occur, such losses are not anticipated. As of December 31, 2012 and 2011, Century has recognized a liability under these guarantees in the amount of \$47,000, which is included in accounts payable and accrued liabilities on the accompanying consolidated statements of financial position.

The following is a summary of outstanding guarantees that Century has entered into as of December 31, 2012:

<u>Bond Series Number</u>	<u>Amount</u>	<u>Borrower</u>
California Statewide Communities Development Authority Multifamily Housing Revenue Bonds (Pioneer Gardens Apartment Project) Subordinate 2000 Series BB-S	\$ 425,000	KDF Pioneer, L.P.
California Statewide Communities Development Authority Multifamily Housing Revenue Bonds (Claremont Village Apartment Project) Subordinate 2000 Series AA-S	\$ 425,000	KDF Claremont, L.P.
California Statewide Communities Development Authority Multifamily Housing Revenue Bonds (River Run Senior Apartment Project) Series 2003	\$ 1,000,000	Steadfast River Run, L.P.

Settlement agreement

During the year ended June 30, 1998, Century and the other parties to the Keith v. Volpe litigation reached a settlement. In connection with the settlement, an order of dismissal of the action was entered by the Court, which has not yet been filed.

CENTURY HOUSING CORPORATION AND AFFILIATES
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16. Commitments and contingencies (continued)

Legal proceedings

The Corporation is a defendant in a lawsuit filed by one of its former borrowers for alleged breach of contract. Outside counsel of the Corporation estimates that the suit will request damages of \$2,875,000, plus attorney fees. The Corporation believes the suit is completely without merit and intends to vigorously defend its position. Outside counsel has advised that the probability of judgment against the Corporation is most likely less than 50%. In the event that the Corporation is held liable, outside counsel estimates potential realistic losses from \$500,000 to \$1,000,000, plus attorney fees.

The Corporation is also involved in various legal proceedings associated with its normal operations. While the ultimate disposition of each proceeding is not determinable, management believes that such proceedings will not have a materially adverse effect on its financial condition or results of operations. For the years ended December 31, 2012 and 2011, the Corporation incurred settlement expenses of \$0 and \$84,319, respectively.

Performance guarantee of ground lease obligation

As a condition of the assignment of the ground lease to the buyer of a commercial building previously owned by Century, Century entered into an agreement with the land owner (lessor) to guarantee all payments due under the terms of the original ground lease in the event of a default of the buyer of the terms of the ground lease. The base rent is \$5,857 per month and is scheduled to increase every five years by the increase in the Consumer Price Index through the lease expiration date December 31, 2019. There were no costs incurred under this guaranty as of December 31, 2012 and 2011.

The outstanding potential obligation as a result of the guarantee of this lease is as follows:

Year ending December 31:	
2013	\$ 70,284
2014	70,284
2015	70,284
2016	70,284
2017	70,284
Thereafter	35,142
	<u>\$ 386,562</u>

17. Government grants

City of Long Beach

During 2010, CVC obtained financing in the form of four grants from the City of Long Beach totaling \$196,451 for the construction of leasehold improvements. The terms of the grants are over periods between 24 and 84 months, during which CVC is required to lease its real property to qualifying non-profit corporations. During 2012 and 2011, grant income of \$31,380 and \$37,259, respectively, has been recognized and is included in "Contributions and fundraising income" on the consolidated statements of activities. As of December 31, 2012 and 2011, the total deferred income was \$86,065 and \$117,445, respectively.

CENTURY HOUSING CORPORATION AND AFFILIATES
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17. Government grants (continued)

Community Development Commission of the County of Los Angeles

During 2011, CVC received a \$500,000 grant from CDC for the construction of the Family Shelter I and II projects. According to the terms of the grant agreement, CVC must remain in compliance with the terms of the grant agreement for a period of seven years after initial occupancy of the Family Shelter I and II projects. In the event of default, CDC may request repayment of the grant in an amount that is reduced ratably on a straight-line basis over the grant term. During 2012 and 2011, grant income of \$59,524 and \$0, respectively, has been recognized and is included in "Contributions and fundraising income" on the consolidated statements of activities. As of December 31, 2012 and 2011, the total deferred income was \$440,476 and \$500,000, respectively.

18. Temporarily restricted net assets

Temporarily restricted net assets at December 31, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
Capital Magnet Funds	\$ <u>5,000,000</u>	\$ <u>5,000,000</u>

During 2011, the Corporation was awarded \$5,000,000 of Capital Magnet Funds from the U.S. Treasury Community Development Financial Institutions Fund. Capital Magnet Funds must be used to finance affordable housing projects for low-income, very-low income, and extremely-low income families, or located in High Housing Need areas. The funds must be committed for use by July 18, 2013, and the projects receiving the funds must be placed in service by July 18, 2016 (the "Completion Date"). The Corporation loans these funds on a short term basis generally for periods not to exceed 12 months. During 2012 and 2011, the Corporation disbursed Capital Magnet funds of \$10,342,023 and \$500,000, respectively, to eligible recipients. As of December 31, 2012 and 2011, total committed funds to date were \$10,443,000 and \$500,000, respectively. The entire award will remain restricted until after the Completion Date, after which the funds will become unrestricted to the Corporation. If the Corporation meets certain benchmarks as described in the agreement prior to the Completion Date, the funds will become unrestricted to the Corporation.

CENTURY HOUSING CORPORATION AND AFFILIATES
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19. Reconciliation of changes in unrestricted net assets

Following is a reconciliation of the beginning and ending balances of unrestricted net assets attributable to the Corporation and to the non-controlling interest:

	<u>Total</u>	<u>Controlling Interest</u>	<u>Non-controlling Interest</u>
Unrestricted net assets, January 1, 2011	\$ 159,701,308	\$ 130,918,575	\$ 28,782,733
Distributions	(38,192)	-	(38,192)
Net assets released from restriction	12,394	12,394	-
Change in net assets from continuing operations	<u>(4,576,351)</u>	<u>(2,591,174)</u>	<u>(1,985,177)</u>
Unrestricted net assets, December 31, 2011	155,099,159	128,339,795	26,759,364
Distributions	(33,508)	-	(33,508)
Change in net assets from continuing operations	(1,837,132)	84,086	(1,921,218)
Change in net assets from discontinued operations	<u>6,054,148</u>	<u>6,054,148</u>	<u>-</u>
Unrestricted net assets, December 31, 2012	<u>\$ 159,282,667</u>	<u>\$ 134,478,029</u>	<u>\$ 24,804,638</u>

20. Sale of property – discontinued component

On March 31, 2012, the Corporation acquired Warwick Terrace Apartments as a result of foreclosure proceedings against a borrower that defaulted under the terms of the loan agreement. The Corporation operated the property until its eventual sale on December 28, 2012. During the period of operations, the Corporation recognized rental and other revenue in the amount of \$1,041,676, which consists of revenue earned from housing assistance payments from the U.S. Department of Housing and Urban Development in the amount of \$757,599. Total operating expenses during the period of operations was \$1,018,511.

On December 28, 2012, Warwick Terrace Apartments was sold to an unrelated third party for the price of \$15,700,000. The Corporation recognized a gain on sale for this transaction of \$6,107,195.

SUPPLEMENTARY INFORMATION

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	Century and wholly controlled affiliates before Operating Partnerships	Operating Partnerships	Eliminations	Consolidated Total
ASSETS				
Cash and cash equivalents	\$ 11,766,193	\$ 105,188	\$ -	\$ 11,871,381
Restricted cash	1,388,315	2,124,672	-	3,512,987
Accounts receivable, net	658,165	40,937	(410,479)	288,623
Investments	60,638,363	-	(14,124,482)	46,513,881
Interest receivable	2,293,766	-	(1,776,901)	516,865
Notes receivable, net	85,004,046	-	(8,150,558)	76,853,488
Intangible assets, net	-	299,521	-	299,521
Prepaid expenses and other assets	685,555	79,584	-	765,139
Real estate held for sale	2,698,000	-	-	2,698,000
Real estate held for investment, net	23,459,969	51,764,128	(858,641)	74,365,456
Furniture, fixtures and equipment, net	486,282	266,479	-	752,761
	<u>\$ 189,078,654</u>	<u>\$ 54,680,509</u>	<u>\$ (25,321,061)</u>	<u>\$ 218,438,102</u>
LIABILITIES AND NET ASSETS				
Accounts payable and accrued liabilities	\$ 1,125,920	\$ 603,682	\$ (410,479)	\$ 1,319,123
Accrued interest	88,739	1,776,901	(1,776,901)	88,739
Security deposits	79,169	397,719	-	476,888
Deferred income	526,541	-	-	526,541
Notes payable and lines of credit	34,421,636	22,279,922	(8,150,558)	48,551,000
Forgivable loans	3,193,144	-	-	3,193,144
Total liabilities	<u>39,435,149</u>	<u>25,058,224</u>	<u>(10,337,938)</u>	<u>54,155,435</u>
Net assets:				
Unrestricted				
Controlling interest	144,643,505	4,817,647	(14,983,123)	134,478,029
Non-controlling interest	-	24,804,638	-	24,804,638
Temporarily restricted - controlling interest	5,000,000	-	-	5,000,000
Total net assets	<u>149,643,505</u>	<u>29,622,285</u>	<u>(14,983,123)</u>	<u>164,282,667</u>
Total liabilities and net assets	<u>\$ 189,078,654</u>	<u>\$ 54,680,509</u>	<u>\$ (25,321,061)</u>	<u>\$ 218,438,102</u>

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	Century and wholly controlled affiliates before Operating Partnerships	Operating Partnerships	Eliminations	Consolidated Total
ASSETS				
Cash and cash equivalents	\$ 14,326,622	\$ 140,317	\$ -	\$ 14,466,939
Restricted cash	5,151,153	1,974,440	-	7,125,593
Funds held in trust	5	-	-	5
Accounts receivable, net	566,520	47,877	(337,082)	277,315
Investments	70,001,445	-	(14,125,000)	55,876,445
Interest receivable	2,187,002	-	(1,512,941)	674,061
Notes receivable, net	81,421,516	-	(8,150,558)	73,270,958
Intangible assets, net	55,000	331,616	-	386,616
Prepaid expenses and other assets	616,143	94,761	-	710,904
Real estate held for sale	3,998,155	-	-	3,998,155
Real estate held for investment, net	21,432,133	53,386,506	(858,641)	73,959,998
Furniture, fixtures and equipment, net	253,970	331,211	-	585,181
	<u>\$ 200,009,664</u>	<u>\$ 56,306,728</u>	<u>\$ (24,984,222)</u>	<u>\$ 231,332,170</u>
LIABILITIES AND NET ASSETS				
Accounts payable and accrued liabilities	\$ 905,702	\$ 533,200	\$ (337,082)	\$ 1,101,820
Accrued interest	78,117	1,512,941	(1,512,941)	78,117
Security deposits	73,588	382,479	-	456,067
Deferred income	617,445	-	-	617,445
Notes payable and lines of credit	52,622,500	22,300,558	(8,150,558)	66,772,500
Forgivable loans	2,207,062	-	-	2,207,062
Total liabilities	<u>56,504,414</u>	<u>24,729,178</u>	<u>(10,000,581)</u>	<u>71,233,011</u>
Net assets:				
Unrestricted				
Controlling interest	138,505,250	4,818,186	(14,983,641)	128,339,795
Non-controlling interest	-	26,759,364	-	26,759,364
Temporarily restricted - controlling interest	5,000,000	-	-	5,000,000
Total net assets	<u>143,505,250</u>	<u>31,577,550</u>	<u>(14,983,641)</u>	<u>160,099,159</u>
Total liabilities and net assets	<u>\$ 200,009,664</u>	<u>\$ 56,306,728</u>	<u>\$ (24,984,222)</u>	<u>\$ 231,332,170</u>

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	Century and wholly controlled affiliates before			Consolidated
	Operating Partnerships	Operating Partnerships	Eliminations	Total
LENDING AND CORPORATE REVENUE				
Investment interest and dividends	\$ 1,517,306	\$ 3,823	\$ -	\$ 1,521,129
Income from notes receivable	7,040,529	-	(541,912)	6,498,617
Residual receipts, contingent assets and fee income	3,007,605	-	-	3,007,605
Other income	19,368	-	-	19,368
Total lending and corporate revenue	<u>11,584,808</u>	<u>3,823</u>	<u>(541,912)</u>	<u>11,046,719</u>
PROGRAM REVENUE AND SUPPORT				
CVC and other real estate operations				
Rental property income	2,484,516	4,012,574	(768,498)	5,728,592
Real estate sold	3,345,000	-	-	3,345,000
Debt forgiveness income	370,857	-	-	370,857
Loss on equity investments	(518)	-	518	-
Contributions and fundraising income	476,333	-	-	476,333
Total program revenue and support	<u>6,676,188</u>	<u>4,012,574</u>	<u>(767,980)</u>	<u>9,920,782</u>
Total revenue	18,260,996	4,016,397	(1,309,892)	20,967,501
LENDING EXPENSES				
Allocation for loan losses	7,450,845	-	-	7,450,845
Borrowing fees	47,333	-	-	47,333
Interest expense	1,132,806	701,993	(541,912)	1,292,887
Total lending expenses	<u>8,630,984</u>	<u>701,993</u>	<u>(541,912)</u>	<u>8,791,065</u>
PROGRAM EXPENSES				
CVC and other real estate operations				
Rental property expenses	2,219,584	3,452,105	(768,498)	4,903,191
Property depreciation and amortization	611,682	1,750,528	-	2,362,210
Cost of real estate sold	3,400,155	-	-	3,400,155
Other real estate expenses	408,552	-	-	408,552
Total program expenses	<u>6,639,973</u>	<u>5,202,633</u>	<u>(768,498)</u>	<u>11,074,108</u>
MANAGEMENT AND GENERAL EXPENSES:				
Salaries and employee benefits	4,664,846	-	-	4,664,846
Professional fees	813,930	-	-	813,930
Business development expenses	233,940	-	-	233,940
General and administrative expenses	937,286	-	-	937,286
Depreciation and amortization expense	146,995	-	-	146,995
Total management and general expenses	<u>6,796,997</u>	<u>-</u>	<u>-</u>	<u>6,796,997</u>
Total expenses	22,067,954	5,904,626	(1,310,410)	26,662,170
Change in unrestricted net assets before other income and expenses	(3,806,958)	(1,888,229)	518	(5,694,669)
OTHER INCOME AND (EXPENSES)				
Realized and unrealized gains on financial investments	4,302,562	-	-	4,302,562
Bad debt expense	(46,688)	(33,528)	-	(80,216)
Loss from disposal of fixed assets	(811)	-	-	(811)
Loss from impairment of real estate held for sale	(363,998)	-	-	(363,998)
Net other income and (expenses)	<u>3,891,065</u>	<u>(33,528)</u>	<u>-</u>	<u>3,857,537</u>
Change in net assets from continuing operations	84,107	(1,921,757)	518	(1,837,132)
Income from discontinued operations - Warwick Terrace, including gain on sale of \$6,107,195	6,054,148	-	-	6,054,148
Distributions to non-controlling interest	-	(33,508)	-	(33,508)
Change in net assets	<u>6,138,255</u>	<u>(1,955,265)</u>	<u>518</u>	<u>4,183,508</u>
Net assets at beginning of year	<u>143,505,250</u>	<u>31,577,550</u>	<u>(14,983,641)</u>	<u>160,099,159</u>
Net assets at end of year	<u>\$ 149,643,505</u>	<u>\$ 29,622,285</u>	<u>\$ (14,983,123)</u>	<u>\$ 164,282,667</u>

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	Century and wholly controlled affiliates before			
	Operating Partnerships	Operating Partnerships	Eliminations	Consolidated Total
LENDING AND CORPORATE REVENUE				
Investment interest and dividends	\$ 1,833,138	\$ 7,355	\$ -	\$ 1,840,493
Income from notes receivable	5,774,311	-	(541,627)	5,232,684
Residual receipts, contingent assets and fee income	426,165	-	-	426,165
Other income	18,005	-	-	18,005
Total lending and corporate revenue	<u>8,051,619</u>	<u>7,355</u>	<u>(541,627)</u>	<u>7,517,347</u>
PROGRAM REVENUE AND SUPPORT				
CVC and other real estate operations				
Rental property income	2,748,684	3,855,099	(766,972)	5,836,811
Real estate sold	5,646,781	-	-	5,646,781
Loss on equity investments	(511)	-	511	-
Contributions and fundraising income	792,980	-	-	792,980
Net assets released from restrictions	12,394	-	-	12,394
Total program revenue and support	<u>9,200,328</u>	<u>3,855,099</u>	<u>(766,461)</u>	<u>12,288,966</u>
Total revenue	17,251,947	3,862,454	(1,308,088)	19,806,313
LENDING EXPENSES				
Allocation for loan losses	564,352	-	-	564,352
Borrowing fees	17,250	-	-	17,250
Interest expense	654,175	701,098	(541,627)	813,646
Total lending expenses	<u>1,235,777</u>	<u>701,098</u>	<u>(541,627)</u>	<u>1,395,248</u>
PROGRAM EXPENSES				
CVC and other real estate operations				
Rental property expenses	1,835,282	3,373,473	(766,972)	4,441,783
Property depreciation and amortization	503,739	1,743,502	-	2,247,241
Cost of real estate sold	5,622,562	-	-	5,622,562
Other real estate expenses	506,867	-	-	506,867
Other support	477	-	-	477
Total program expenses	<u>8,468,927</u>	<u>5,116,975</u>	<u>(766,972)</u>	<u>12,818,930</u>
MANAGEMENT AND GENERAL EXPENSES				
Salaries and employee benefits	4,285,854	-	-	4,285,854
Professional fees	416,739	-	-	416,739
Business development expenses	182,064	-	-	182,064
General and administrative expenses	874,033	-	-	874,033
Depreciation and amortization expense	197,893	-	-	197,893
Total management and general expenses	<u>5,956,583</u>	<u>-</u>	<u>-</u>	<u>5,956,583</u>
Total expenses	<u>15,661,287</u>	<u>5,818,073</u>	<u>(1,308,599)</u>	<u>20,170,761</u>
Change in unrestricted net assets before other income and expenses	1,590,660	(1,955,619)	511	(364,448)
OTHER INCOME AND (EXPENSES):				
Realized and unrealized losses on financial investments	(1,892,416)	-	-	(1,892,416)
Settlement expenses	(84,319)	-	-	(84,319)
Bad debt expense	(5,458)	(30,082)	-	(35,540)
Loss from disposal of fixed assets	(243)	-	-	(243)
Loss from impairment of real estate held for investment	(776,625)	-	-	(776,625)
Loss from impairment of real estate held for sale	(1,410,366)	-	-	(1,410,366)
Total other income and (expenses)	<u>(4,169,427)</u>	<u>(30,082)</u>	<u>-</u>	<u>(4,199,509)</u>
Change in unrestricted net assets from operations	(2,578,767)	(1,985,701)	511	(4,563,957)
Distributions to non-controlling interest	-	(38,192)	-	(38,192)
Change in unrestricted net assets	<u>(2,578,767)</u>	<u>(2,023,893)</u>	<u>511</u>	<u>(4,602,149)</u>
Temporarily restricted net assets				
Contributions	5,000,000	-	-	5,000,000
Net assets released from restrictions	(12,394)	-	-	(12,394)
Change in temporarily restricted net assets	<u>4,987,606</u>	<u>-</u>	<u>-</u>	<u>4,987,606</u>
Change in net assets	2,408,839	(2,023,893)	511	385,457
Net assets at beginning of year	<u>141,096,411</u>	<u>33,601,443</u>	<u>(14,984,152)</u>	<u>159,713,702</u>
Net assets at end of year	<u>\$ 143,505,250</u>	<u>\$ 31,577,550</u>	<u>\$ (14,983,641)</u>	<u>\$ 160,099,159</u>

see report of independent auditors