CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012
with
Report of Independent Auditors

CENTURY HOUSING CORPORATION AND AFFILIATES

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NOVOGRADAC & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditors

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

Report on the Consolidated Financial Statements

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 consolidated statements of financial position as of December 31, 2013 and 2012, 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditors' 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 opinions.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Corporation as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 35-38 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position or changes in net assets of the individual entities, and they are also not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the accompanying supplemental schedules are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2014, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Novogradac & Company LLP

San Francisco, California
April 15, 2014

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ 10,247,630	$ 11,871,381
Restricted cash	7,225,086	3,512,987
Accounts receivable, net	184,122	288,623
Investments	54,318,359	46,513,881
Interest receivable	607,751	516,865
Notes receivable, net	88,962,557	76,853,488
Intangible assets, net	267,427	299,521
Prepaid expenses and other assets	831,036	765,139
Real estate held for sale	2,275,434	2,698,000
Real estate held for investment, net	79,156,711	74,365,456
Furniture, fixtures and equipment, net	851,334	752,761
Total assets	$ 244,927,447	$ 218,438,102
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	$ 1,380,119	$ 1,319,123
Accrued interest	118,066	88,739
Security deposits	519,401	476,888
Deferred income	427,257	526,541
Notes payable and lines of credit	69,410,348	48,551,000
Forgivable loans	2,787,715	3,193,144
Total liabilities	74,642,906	54,155,435
Net assets:		
Unrestricted		
Controlling interest	141,688,031	134,478,029
Non-controlling interest	23,596,510	24,804,638
Total unrestricted net assets	165,284,541	159,282,667
Temporarily restricted - controlling interest	5,000,000	5,000,000
Total net assets	170,284,541	164,282,667
Total liabilities and net assets	$ 244,927,447	$ 218,438,102

see accompanying notes to consolidated financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
LENDING AND CORPORATE REVENUE		
Investment interest and dividends	$ 1,607,827	$ 1,521,129
Income from notes receivable	6,168,068	6,498,617
Residual receipts, contingent assets and fee income	4,417,154	3,007,605
Other income	12,232	19,368
Total lending and corporate revenue	12,205,281	11,046,719
PROGRAM REVENUE AND SUPPORT		
CVC and other real estate operations		
Rental property income	6,023,114	5,728,592
Real estate sold	500,000	3,345,000
Debt forgiveness income	405,429	370,857
Contributions and fundraising income	340,324	476,333
Total program revenue and support	7,268,867	9,920,782
Total revenue	19,474,148	20,967,501
LENDING EXPENSES		
Allocation for loan losses	235,892	7,450,845
Borrowing fees	258,594	47,333
Interest expense	1,063,645	1,292,887
Total lending expenses	1,558,131	8,791,065
PROGRAM EXPENSES		
CVC and other real estate operations		
Rental property expenses	4,899,083	4,903,191
Property depreciation and amortization	2,477,855	2,362,210
Cost of real estate sold	598,000	3,400,155
Other real estate expenses	303,296	408,552
Total program expenses	8,278,234	11,074,108
MANAGEMENT AND GENERAL EXPENSES		
Salaries and employee benefits	4,423,736	4,664,846
Professional fees	1,098,527	813,930
Business development expenses	306,067	233,940
General and administrative expenses	936,219	937,286
Depreciation and amortization expense	70,150	146,995
Total management and general expenses	6,834,699	6,796,997
Total expenses	16,671,064	26,662,170

CENTURY HOUSING CORPORATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Change in unrestricted net assets before other income and expenses	$ 2,803,084	$ (5,694,669)
OTHER INCOME AND (EXPENSES)		
Realized and unrealized gains on financial investments	2,756,541	4,302,562
Bad debt expense	(27,659)	(80,216)
Loss from disposal of fixed assets	(1,225)	(811)
Loss from impairment of real estate held for sale	-	(363,998)
Net other income and (expenses)	2,727,657	3,857,537
Change in unrestricted net assets from continuing operations	5,530,741	(1,837,132)
Income from discontinued operations - Warwick Terrace, including gain on sale of $0 and $6,107,195, respectively	-	6,054,148
Contributions from non-controlling interest	500,000	-
Distributions to non-controlling interest	(28,867)	(33,508)
Change in unrestricted net assets	6,001,874	4,183,508
Net assets at beginning of year	164,282,667	160,099,159
Net assets at end of year	$ 170,284,541	$ 164,282,667

see accompanying notes to consolidated financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 6,001,874	$ 4,183,508
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions from non-controlling interest	(500,000)	-
Distributions to non-controlling interest	28,867	33,508
Debt forgiveness income	(405,429)	(370,857)
Gain from repayments of contingent assets	(2,958,705)	-
Donated fixed assets	(82,846)	-
Depreciation and amortization expense	2,548,005	2,509,205
Allocation for loan losses	235,892	7,450,845
Bad debt expense	27,659	80,216
Loss from disposal of fixed assets	1,225	811
Loss (gain) from sale of real estate held for sale	98,000	(6,052,040)
Loss from impairment of real estate held for sale	-	363,998
Realized and unrealized gains on financial investments	(2,756,541)	(4,302,562)
(Increase) decrease in assets:		
Accounts receivable, net	76,842	(91,524)
Interest receivable	(90,886)	157,196
Prepaid expenses and other assets	(65,897)	(54,235)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	60,996	217,303
Accrued interest	18,473	10,622
Security deposits	42,513	20,821
Deferred income	(99,284)	(90,904)
Net cash provided by operating activities	2,180,758	4,065,911
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in restricted cash	(3,712,099)	3,612,611
Proceeds from sale of real estate held for sale	500,000	19,045,000
Increase in real estate held for sale	(175,434)	(9,746,803)
Increase in real estate held for investment	(3,990,914)	(2,595,767)
Purchase of furniture, fixtures and equipment	(363,645)	(400,192)
Advances in notes receivable	(117,517,929)	(143,770,296)
Receipts from notes receivable	105,172,968	130,426,921
Purchase of investment securities	(15,936,796)	(6,881,340)
Proceeds from sales of investment securities	10,888,859	20,546,466
Net cash (used in) provided by investing activities	(25,134,990)	10,236,600

see accompanying notes to consolidated financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable and lines of credit	$ 25,152,266	$ 33,088,143
Proceeds from forgivable loans	986,082	1,356,939
Payments of notes payable and lines of credit	(5,279,000)	(51,309,643)
Contributions from non-controlling interest	500,000	-
Distributions to non-controlling interest	(28,867)	(33,508)
Net cash provided by (used in) financing activities	21,330,481	(16,898,069)
Net decrease in cash and cash equivalents	(1,623,751)	(2,595,558)
Cash and cash equivalents at beginning of year	11,871,381	14,466,939
Cash and cash equivalents at end of year	$ 10,247,630	$ 11,871,381
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 1,034,318	$ 1,282,265
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Increase in fixed assets from accrued interest	$ 10,854	$ -
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES		
Notes receivable transferred to real estate held for sale through deed in lieu of foreclosure	$ -	$ 2,310,000

see accompanying notes to consolidated financial statements

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 21,000 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.

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.

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.

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 Warwick Terrace Apartments, LLC,
Century California Fund, LLC, and
Century Metropolitan Fund, LLC

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

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

CVC Entities
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"). CVC owns 0.1% of Savannah, 0.01% of Casa and 0.01% of Family Commons. CVC is the sole member of CVC Phase IV, LLC, which is the sole general partner of Cabrillo Gateway, L.P. ("Cabrillo Gateway") and owns a 0.01% interest in Cabrillo Gateway. CVC is the sole member of Century Villages Property Management, LLC ("CVPM").

The accompanying consolidated financial statements also include the assets, liabilities, net assets and financial activities of CVPM and CVC Phase IV, LLC.

CADI Entities
Century Affordable Development, Inc. ("CADI") is the 1% managing member of 12010 South Vermont, LLC ("Vermont") and Century is the 99% member. Vermont is the sole general partner of Academy Hall, L.P. ("Academy") and owns a 0.01% interest in Academy. CADI is the sole member of CADI VI, LLC, which is the sole general partner of Century Arrowhead Vista, L.P. ("Arrowhead") and owns a 0.01% interest in Arrowhead.

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.
Cabrillo Gateway, L.P.
Century Arrowhead Vista, L.P.

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.

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.

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

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.

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.

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

Fair value measurements (continued)

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, 2013 and 2012:

	December 31, 2013			
	Level 1	Level 2	Level 3	Fair Value Measurements
Assets				
Certificate of deposit	$ 791,000	$ -	$ -	$ 791,000
Marketable securities	46,939,839	-	-	46,939,839
U.S. Treasury obligations	5,629,866	-	-	5,629,866
Guarantee fees	-	-	50,701	50,701
Notes receivable, net	-	-	88,962,557	88,962,557
	$ 53,360,705	$ -	$ 89,013,258	$ 142,373,963
Liabilities				
Guaranty liability	$ -	$ -	$ 50,701	$ 50,701
Notes payable and lines of credit	69,410,348	-	-	69,410,348
Forgivable loans	2,787,715	-	-	2,787,715
	$ 72,198,063	$ -	$ 50,701	$ 72,248,764

	December 31, 2012			
	Level 1	Level 2	Level 3	Fair Value Measurements
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
Guarantee fees	-	-	47,000	47,000
Notes receivable, net	-	-	76,853,488	76,853,488
	$ 45,382,054	$ -	$ 76,900,488	$ 122,282,542
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
	$ 51,704,144	$ -	$ 47,000	$ 51,751,144

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

Fair value measurements (continued)
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.

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.

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, 2012	$ 73,270,958
Advances	143,770,296
Principal payments received	(130,426,921)
Receivable transferred to property	(2,310,000)
Allocation for loan losses	(7,450,845)
Balance, December 31, 2012	76,853,488
Advances	117,517,929
Principal payments received	(105,172,968)
Allocation for loan losses	(235,892)
Balance, December 31, 2013	$ 88,962,557

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.

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

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.

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, 2013 and 2012, management has established an allowance for doubtful accounts in the amount of $59,750 and $96,887, 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, 2013 and 2012, management had established an allowance for loan losses in the amount of $9,485,283 and $9,249,391, respectively. The allowance for loan losses at December 31, 2013 and 2012 is summarized as follows:

Balance, January 1, 2012	$ 2,554,032
Provision for losses	7,450,845
Direct write-downs	(755,486)
Balance, December 31, 2012	9,249,391
Provision for losses	235,892
Balance, December 31, 2013	$ 9,485,283

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.

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 $0 and $363,998 for the years ended December 31, 2013 and 2012, respectively. The Corporation did not recognize any impairment losses on its real estate held for investment for the years ended December 31, 2013 and 2012, 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.

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, Academy, and Cabrillo Gateway that are included in the consolidated financial statements, while the negative balances of the limited partners' interest reduce 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.

Limited liability companies are disregarded entities for federal tax purposes and are subject to California income and franchise taxes under Revenue and Taxation Code Section 23701(d). Accordingly, the LLCs will only include a provision for California income taxes.

Income taxes on Academy Hall, Savannah, Casa, Family Commons, and Cabrillo Gateway partnership income are levied on their respective partners in their individual capacity. Consequently, no provision for federal or state income taxes is reflected in the accompanying consolidated financial statements.

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

Income taxes (continued)

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.

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, 2013 and 2012, cash balances in excess of the FDIC limits totaled $14,081,996 and $12,444,694, respectively.

Subsequent events

Subsequent events have been evaluated through April 15, 2014, which is the date the financial statements were available to be issued.

3. Restricted cash

The Corporation's restricted cash consisted of the following at December 31, 2013 and 2012:

	2013	2012
Collateral	$ -	$ 425,000
Security deposits	427,857	451,640
Replacement reserves	1,326,788	1,383,140
Operating reserves	448,342	447,293
Impound deposits	22,099	22,245
Capital Magnet Funds	5,000,000	783,669
Total restricted cash	$ 7,225,086	$ 3,512,987

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, 2013 and 2012:

	2013	2012
Total Market Equity Fund	$ 9,497,619	$ 6,208,640
Total Return Bond Fund	17,635,441	14,042,044
All Country World Index ETF	9,393,718	6,714,156
Loomis Sayles High Yield Fund	5,325,388	7,543,640
Sankaty Senior Loan Fund	5,087,673	-
U.S. Treasury Inflation-Protected Securities	5,629,866	10,082,574
Total securities	$ 52,569,705	$ 44,591,054

As of December 31, 2013 and 2012, Century held a certificate of deposit with Federal Home Loan Bank of San Francisco in the amount of $791,000. The certificate of deposit matured in February 2014 and accrues interest at a rate of 0.01% per annum. The carrying value of the certificate of deposit equals cost plus accrued interest and approximates fair value.

As of December 31, 2013 and 2012, Century held shares of Federal Home Loan Bank of San Francisco capital stock in the amount of $415,900 and $432,900, 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, 2013 and 2012, Century held an interest in Wilshire Private Markets Fund III, L.P. which is accounted for using the equity method of accounting, in the amount of $541,754 and $698,927, respectively.

The following schedule summarizes the investment return and its classification in the consolidated statements of activities as of December 31, 2013 and 2012:

	2013	2012
Interest on cash and cash equivalents	$ 24,207	$ 18,169
Interest income and dividends	1,583,620	1,502,960
Unrealized/realized gains	2,756,541	4,302,562
Total investment gain	$ 4,364,368	$ 5,823,691

5. Notes receivable, net

Notes receivable consist of notes secured by the real property of affordable housing development projects located in the State of California, 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 $105,781,089 and $76,381,028 as of December 31, 2013 and 2012, respectively. Notes receivable from non-officer employees of the Corporation totaled $457,907 and $467,594 as of December 31, 2013 and 2012, respectively.

On December 14, 2012, Century entered into an Origination and Participation Agreement with Golden State Acquisition Fund, LLC ("GSAF") to which GSAF will provide 25% of the loan funds, which is obtained from the California Department of Housing and Community Development ("HCD"), to support eligible affordable housing developments as governed by the terms and provisions of the HCD Loan Agreement as well as the Participation Agreement. As of December 31, 2013 and 2012, the portion of the loan funded by GSAF was $7,818,920 and $0, and is netted against notes receivable on the accompanying consolidated statements of financial position.

Century and CCF owe GSAF interest accrued on the portion of loans funded by GSAF. The outstanding balance due to GASF as of December 31, 2013 and 2012 was $25,152, and $0, respectively, which is included in accrued interest on the accompanying consolidated statements of financial position.

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

Year ending December 31:	
2014	$ 92,907,162
2015	11,399,036
2016	-
2017	30,078
2018	-
Thereafter	1,930,484
Total notes receivable	106,266,760
Less allowance for doubtful accounts	(9,485,283)
Less participant purchases	(7,818,920)
Total notes receivable, net	$ 90,538,451

6. Real estate held for investment

The Corporation's real estate held for investment consists of the following at December 31, 2013 and 2012:

	2013	2012
Land	$ 7,240,019	$ 6,388,185
Buildings and improvements	70,177,305	68,496,300
Leasehold improvements	13,878,967	13,651,686
Construction in progress	4,514,489	506,273
Total real estate held for investment	95,810,780	89,042,444
Less accumulated depreciation	(16,654,069)	(14,676,988)
Total real estate held for investment, net	$ 79,156,711	$ 74,365,456

Real estate held for investment, net owned by the affiliated entities at December 31, 2013 and 2012, is as follows:

	2013	2012
Century Housing Corporation	$ 1,450,121	$ 1,460,667
Century Affordable Development, Inc.	3,918,173	218,173
Century Villages at Cabrillo, Inc.	12,780,837	14,085,467
CVC – Consolidated partnerships	45,792,903	43,156,255
Century Pointe, Inc.	7,091,468	7,222,820
Century Community Children's Centers, Inc.	461,671	477,496
Vermont – Consolidated partnership	7,541,364	7,732,528
Century Arrowhead Vista, LP	120,174	12,050
Total real estate held for investment, net	$ 79,156,711	$ 74,365,456

Depreciation expense on real estate held for investment during 2013 and 2012 was $2,252,064 and $2,190,309, respectively. During 2013, accumulated depreciation of $274,983 was written off due to intercompany transfer of fixed assets.

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, 2013 and 2012, homes which had been repurchased under a RTPA or otherwise acquired, and are currently held for investment, amounted to $218,173, which is included in real estate held for investment, net on the accompanying consolidated statements of financial position.

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 $2,275,434 and $2,698,000 as of December 31, 2013 and 2012, respectively. On February 19, 2014, the remaining real estate asset held for sale was sold for $2,350,000.

8. Furniture, fixtures and equipment, net

The Corporation's furniture, fixtures, and equipment consist of the following at December 31, 2013 and 2012:

	2013	2012
Furniture and fixtures	$ 2,069,587	$ 1,897,145
Equipment	1,649,771	1,524,400
Total furniture, fixtures and equipment	3,719,358	3,421,545
Less accumulated depreciation	(2,868,024)	(2,668,784)
Total furniture, fixtures and equipment, net	$ 851,334	$ 752,761

Depreciation expense on furniture, fixtures and equipment during 2013 and 2012 was $263,847 and $231,801, respectively.

During 2013, the Corporation disposed of fixed assets of $65,832 and related accumulated depreciation of $64,607. The disposal of fixed assets resulted in a loss of $1,225. 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.

9. Intangible assets, net

The Corporation's intangible assets consist of the following at December 31, 2013 and 2012:

	2013	2012
Financing fees	$ 147,829	$ 147,829
Tax credit fees	369,022	369,022
Ground lease fees	22,500	22,500
Total intangible assets	539,351	539,351
Accumulated amortization	(271,924)	(239,830)
Total intangible assets, net	$ 267,427	$ 299,521

Amortization expense during 2013 and 2012 was $32,094 and $87,095, respectively.

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, 2013 and 2012, the total amount contributed by the Corporation to the plan was $250,564 and $296,404, respectively, which is included in salaries and employee benefits on the accompanying consolidated statements of activities.

10. Employee benefit plans (continued)

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.

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 $377,141 and $401,864 as of December 31, 2013 and 2012 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, 2013 and 2012, total $74,933,103 and $77,526,714, respectively, and have an effective interest rate of 3% per annum. Unrecognized accrued interest receivable as of December 31, 2013 and 2012 was $42,392,498 and $41,614,828, respectively. For the years ended December 31, 2013 and 2012, the Corporation recognized income in the amount $4,150,653 and $2,737,700 from these loans, respectively, which are included in "Residual receipts, contingent assets and fee income" on the consolidated statements of activities.

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, 2013 and 2012, the outstanding principal was $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 of December 31, 2013 and 2012, 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, 2013 and 2012, the outstanding principal was $2,315,000 and $2,345,000 respectively. Interest incurred during 2013 and 2012 was $150,290 and $160,081, respectively.

Note payable – California Housing Finance Agency
On November 1, 2013, Cabrillo Gateway entered into a promissory note with the Mental Health Services Act Program ("MHSA") in the amount of $1,600,000 (the "MHSA Loan"), funded by the California Housing Finance Agency ("CalHFA"). Repayment of the MHSA Loan is secured by a deed of trust and matures in November 1, 2068. The MHSA loan bears simple interest at a rate of 3% per annum and requires annual payments of accrual interest and outstanding principal from residual receipts, as defined in the promissory note. As of December 31, 2013 and 2012, the outstanding principal was $1,600,000 and $0, respectively, and accrued interest was $5,600 and $0, respectively, which was capitalized to fixed assets.

12. Notes payable: housing activities (continued)

Note payable – Wells Fargo Bank, N.A.

On November 15, 2013, Cabrillo Gateway entered into a promissory note with Wells Fargo Bank, N.A. in an amount up to the total maximum of $21,000,000 (the "WFB Loan") for the construction of a multifamily housing development consisting of eighty-one units. Repayment of the WFB Loan is secured by a deed of trust and an accommodation deed of trust encumbering certain improvements and property as legally defined in the loan agreement. The WFB loan bears interest at a rate equal to one month LIBOR plus 1.9% and is calculated on a basis of a 360-day year. Interest is payable in arrears on the first business day of each month. The entire principal balance of the WFB loan, together with all accrued and unpaid interest and all other amounts payable are due on February 1, 2016. Cabrillo Gateway has the option to extend the term of the loan upon satisfaction of conditions set forth in the loan agreement. As of December 31, 2013 and 2012, the outstanding principal was $2,150,940 and $0, respectively, and accrued interest was $5,245 and $0, respectively, which was capitalized to fixed assets.

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 September 30, 2014. During 2013 and 2012, interest expense was $135,000 and $112,000, respectively. As of December 31, 2013 and 2012, the outstanding principal was $3,000,000, and accrued interest was $33,750 in both years.

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. The loan was repaid in full in December 2013. During 2013 and 2012, interest expense was $70,761 and $5,120, respectively. As of December 31, 2013 and 2012, the outstanding principal was $0 and $1,250,000, respectively, and accrued interest was $0 and $5,120, respectively.

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 accordance 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 2013 and 2012, interest expense incurred was \$0 and \$292,048, respectively. As of December 31, 2013 and 2012, the outstanding principal was \$0 and accrued interest was \$0.

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 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 2013 and 2012, interest expense was \$0 and \$246,874, respectively. As of December 31, 2013 and 2012, the outstanding principal was \$0 and accrued interest was \$0.

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, 2013 and 2012, Century has investments under the custody of City National Bank in the amount of \$32,458,208 and \$29,813,285, respectively. On March 28, 2014, Century signed a Fourth Amendment to Credit Agreement, extending the maturity date to December 1, 2016. The line of credit has two interest rate options: LIBOR plus 1.5% per annum, or the greater of Prime Rate minus .75% or 1.50% per annum. There is also a quarterly unused facility fee equal to 0.15% 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, 2013 and 2012, the outstanding principal was \$0, and interest expense was \$972 and \$10,896, respectively.

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. On July 19, 2013, the maximum commitment amount was increased to $25,000,000. On December 31, 2013, Charles Schwab Bank ("Schwab") joined the Chase Revolving Facility as a co-lender under which Schwab agrees to provide a line of credit to Century in an amount up to a maximum of $10,000,000, bringing the total maximum commitment amount to $35,000,000. 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 August 14, 2015. During 2013 and 2012, interest expense was $590,137 and $443,430, respectively. As of December 31, 2013 and 2012, the outstanding principal was $24,453,308 and $20,000,000, respectively, and accrued interest was $0 and $46,674, 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 2013 and 2012, advances bore interest ranging from 0.18% to 0.22% and had maturity dates ranging from April 23, 2014 to June 18, 2014, respectively, as of December 31, 2013 and 2012. Advances are secured by U.S. Treasury Inflation-Protected Securities purchased by Century in the amount of $5,629,866. There is also a settlement transaction account in the amount of $34,724, capital stock in the amount $415,900 and a certificate of deposit in the amount of $791,000. As of December 31, 2013 and 2012, interest expense was $17,857 and $22,438, respectively. As of December 31, 2013 and 2012, the outstanding principal was $5,210,000 and $9,209,000, respectively, and accrued interest was $1,896 and $3,195, respectively.

Line of credit - Citibank
On August 19, 2013, Century California Fund, LLC ("CCF") entered into a loan agreement with Citibank in an initial stated amount of $25,000,000, which can be increased to an amount up to a maximum of $50,000,000 upon satisfactions of the terms and conditions set forth in the loan agreement. Under the terms of the loan agreement, CCF may request advances to fund loans made by the CCF in accordance with its lending policy. The advances are secured by an assignment deed of trust for each loan and mature on February 19, 2016. The advances drawn bear interest at an adjustable rate at 1-month LIBOR plus 3.35% payable on the first day of each month. Interest expense incurred during 2013 was $95,620. As of December 31, 2013, the outstanding principal was $17,934,100 and accrued interest was $65,506.

13. Notes payable and lines of credit: lending activities (continued)

Line of credit – Bank of America, N.A.
On December 18, 2013, Century Metropolitan Fund, LLC ("CMF") entered into a Revolving Credit Note with Bank of America, N.A. under which Bank of America shall provide a line of credit to CMF in an amount up to a maximum of $30,000,000. Advances from the line of credit bear interest at a rate equal to LIBOR plus 2.5% per annum and is calculated on a basis of a 360-day year. Interest is payable in arrears on the 1st 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 December 18, 2017. There is also a quarterly unused line of credit fee equal to 0.25% per annum of the difference, if positive, between (A) the maximum amount of the revolving facility, and (B) the average daily aggregate outstanding principal amount of the revolving credit loans during the immediate preceding calendar quarter or portion thereof. As of December 31, 2013, the outstanding principal was $0.

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

Year ending December 31:	
2014	$ 5,245,000
2015	24,488,308
2016	5,190,940
2017	17,974,100
2018	45,000
Thereafter	16,467,000
Total	$ 69,410,348

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 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 on the accompanying consolidated statement of activities. As of December 31, 2013 and 2012, the total principal balance of the loans was $1,633,334 and $1,833,334, respectively, net of accumulated amortization of $366,666 and $166,666, respectively. No interest has been accrued on these loans. During 2013 and 2012, CVC recognized debt forgiveness income of $200,000 and $166,667, respectively.

14. Forgivable loans: housing activities (continued)

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. As of December 31, 2013 and 2012, the total principal balance of the loans was $1,154,381 and $1,359,810, respectively, net of accumulated amortization of $409,619 and $204,190, respectively. No interest has been accrued on these loans. During 2013 and 2012, CVC recognized debt forgiveness income of $205,429 and $204,190, respectively.

15. Century Villages at Cabrillo, Inc.

Century Villages at Cabrillo, Inc. ("CVC"), a California nonprofit public benefit corporation, is a supportive housing affiliate of Century Housing Corporation ("CHC"), serving as the centerpiece for CHC's housing development division. CVC is a nonprofit community development organization that serves as the steward of the Villages at Cabrillo. CVC delivers property management, real estate development, and supportive services which aim to empower residents, restore health and inspire hope. 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.

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 twenty 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 2,000 unique individuals at CVC each year.

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

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 340,000 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. In December 2013, CVC broke ground on its $33 million Cabrillo Gateway project, the 4th distinct phase of campus development, which 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 CVC.

In 2011, CVC assumed ownership of the Oasis Community Center, which is now operated as a separate business unit of CVC. This community resource facility 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.

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"), The Family Commons at Cabrillo, L.P. ("Family Commons"), and Cabrillo Gateway, L.P. ("Cabrillo Gateway") 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, 0.01% of Family Commons, and 0.01% of Cabrillo Gateway. 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. Wells Fargo Affordable Housing Community Development Corporation ("WFAHCDC") has committed to contribute an aggregate sum of approximately $25,975,153 to Cabrillo Gateway upon satisfaction of certain conditions set forth in the Partnership Agreement. As of December 31, 2013, WFAHCDC has invested $500,000 of equity into Cabrillo Gateway, as an investor limited partner in exchange for the benefits of future low-income housing tax credits from the Cabrillo Gateway project.

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. CADI is the sole managing member of 12010 S. Vermont, which is the general partner of one low-income housing tax credit partnership (Academy), which provides affordable housing in Los Angeles, California. Phase IV is the general partner of one low-income housing tax credit partnership (Cabrillo Gateway), which will provide affordable housing in Long Beach, California upon completion of the low-income housing tax credit project. 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:	The Family Commons at Cabrillo, L.P.
Investor limited partner:	John Hancock Family Commons, LP
Guarantee balance:	$10,000,000
Partnership:	Academy Hall, L.P.
Investor limited partner:	U.S.A. Institutional Tax Credit Fund LXVII, LP
Guarantee balance:	$1,406,921
Partnership:	Cabrillo Gateway, L.P.
Investor limited partner:	Wells Fargo Affordable Housing Community Development Corporation
Guarantee balance:	$500,000

Century has entered into a guaranty with Wells Fargo Bank, N.A. to guarantee the debt of principal and interest on the bond of a third party limited partnership. The assets owned by the limited partnerships are the collateral for the underlying loan 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 loan guaranteed by Century has a maturity date of February 20, 2036. While it is reasonably possible that a loss could occur, such losses are not anticipated.

16. Commitments and contingencies (continued)

The following is a summary of outstanding guarantees that Century has entered into as of December 31, 2013:

Bond Series Number	Amount	Borrower
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.

Legal proceedings

Century has prevailed on a suit filed by a former borrower alleging breach of contract. It is anticipated that the borrower will file an appeal. In a related manner, a former guarantor was awarded attorney's fees in the approximate amount of $61,000 against Century Community Lending Company, LLC, which has filed an appeal.

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.

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, 2013 and 2012.

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

Year ending December 31:	
2014	$ 70,284
2015	70,284
2016	70,284
2017	70,284
2018	70,284
Thereafter	70,284
	$ 421,704

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 2013 and 2012, $27,856 and $31,380, respectively, has been recognized as grant income. As of December 31, 2013 and 2012, the total deferred income was $58,209 and $86,065 respectively.

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 2013 and 2012, $71,428 and $59,524, respectively, has been recognized as grant income. As of December 31, 2013 and 2012, the total deferred income was $369,048 and $440,476, respectively.

18. Temporarily restricted net assets

Temporarily restricted net assets at December 31, 2013 and 2012 consisted of the following:

	2013	2012
Capital Magnet Funds	$ 5,000,000	$ 5,000,000

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 2013 and 2012, the Corporation disbursed Capital Magnet funds of $5,000,000 and $10,342,023, respectively, to eligible recipients. As of December 31, 2013 and 2012, total committed funds to date were $15,443,000 and $10,443,000, 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.

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:

	Total	Controlling Interest	Non-controlling Interest
Unrestricted net assets, January 1, 2012	$ 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	6,054,148	6,054,148	-
Unrestricted net assets, December 31, 2012	159,282,667	134,478,029	24,804,638
Contributions	500,000	-	500,000
Distributions	(28,867)	-	(28,867)
Change in net assets from continued operations	5,530,741	7,210,002	(1,679,261)
Unrestricted net assets, December 31, 2013	$ 165,284,541	$ 141,688,031	$ 23,596,510

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 during 2012.

SUPPLEMENTARY INFORMATION

CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013

	Century and wholly controlled affiliates before Non-recourse Entities and Operating Partnerships	Non-recourse Entities	Operating Partnerships	Eliminations	Consolidated Total
ASSETS					
Cash and cash equivalents	$ 9,979,155	$ 178,900	$ 89,575	$ -	$ 10,247,630
Restricted cash	5,102,137	-	2,122,949	-	7,225,086
Accounts receivable, net	722,883	-	42,833	(581,594)	184,122
Investments	67,942,425	-	-	(13,624,066)	54,318,359
Interest receivable	1,691,057	110,065	-	(1,193,371)	607,751
Notes receivable, net	79,174,446	17,789,064	-	(8,000,953)	88,962,557
Intangible assets, net	-	-	267,427	-	267,427
Prepaid expenses and other assets	741,542	-	89,494	-	831,036
Real estate held for sale	2,275,434	-	-	-	2,275,434
Real estate held for investment, net	25,807,705	-	54,707,647	(1,358,641)	79,156,711
Furniture, fixtures and equipment, net	515,297	-	336,037	-	851,334
Total assets	$ 193,952,081	$ 18,078,029	$ 57,655,962	$ (24,758,625)	$ 244,927,447
LIABILITIES AND NET ASSETS					
Accounts payable and accrued liabilities	$ 1,310,890	$ -	$ 650,823	$ (581,594)	$ 1,380,119
Accrued interest	41,715	65,506	1,204,216	(1,193,371)	118,066
Security deposits	98,613	-	420,788	-	519,401
Deferred income	427,257	-	-	-	427,257
Notes payable and lines of credit	32,510,788	17,934,100	26,966,413	(8,000,953)	69,410,348
Forgivable loans	2,787,715	-	-	-	2,787,715
Total liabilities	37,176,978	17,999,606	29,242,240	(9,775,918)	74,642,906
Net assets:					
Unrestricted					
Controlling interest	151,775,103	78,423	4,817,212	(14,982,707)	141,688,031
Non-controlling interest	-	-	23,596,510	-	23,596,510
Temporarily restricted - controlling interest	5,000,000	-	-	-	5,000,000
Total net assets	156,775,103	78,423	28,413,722	(14,982,707)	170,284,541
Total liabilities and net assets	$ 193,952,081	$ 18,078,029	$ 57,655,962	$ (24,758,625)	$ 244,927,447

CENTURY HOUSING CORPORATION AND AFFILIATES
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DECEMBER 31, 2012

	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
Total assets	$ 189,078,654	$ 54,680,509	$ (25,321,061)	$ 218,438,102
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	39,435,149	25,058,224	(10,337,938)	54,155,435
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	149,643,505	29,622,285	(14,983,123)	164,282,667
Total liabilities and net assets	$ 189,078,654	$ 54,680,509	$ (25,321,061)	$ 218,438,102

CENTURY HOUSING CORPORATION AND AFFILIATES
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CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Century and wholly controlled affiliates before Non-recourse Entities and Operating Partnerships	Non-recourse Entities	Operating Partnerships	Eliminations	Consolidated Total
LENDING AND CORPORATE REVENUE					
Investment interest and dividends	$ 1,604,023	$ -	$ 3,804	$ -	$ 1,607,827
Income from notes receivable	6,119,956	531,468	-	(483,356)	6,168,068
Residual receipts, contingent assets and fee income	4,417,154	-	-	-	4,417,154
Other income	10,232	2,000	-	-	12,232
Total lending and corporate revenue	12,151,365	533,468	3,804	(483,356)	12,205,281
PROGRAM REVENUE AND SUPPORT					
CVC and other real estate operations					
Rental property income	3,301,913	-	3,991,861	(1,270,660)	6,023,114
Real estate sold	500,000	-	-	-	500,000
Debt forgiveness income	342,717	-	62,712	-	405,429
Loss on equity investments	(416)	-	-	416	-
Contributions and fundraising income	340,324	-	-	-	340,324
Total program revenue and support	4,484,538	-	4,054,573	(1,270,244)	7,268,867
Total revenue	16,635,903	533,468	4,058,377	(1,753,600)	19,474,148
LENDING EXPENSES					
Allocation for loan losses	(127,150)	363,042	-	-	235,892
Borrowing fees	58,163	200,431	-	-	258,594
Interest expense	755,023	95,620	696,358	(483,356)	1,063,645
Total lending expenses	686,036	659,093	696,358	(483,356)	1,558,131
PROGRAM EXPENSES					
CVC and other real estate operations					
Rental property expenses	2,931,992	-	3,237,751	(1,270,660)	4,899,083
Property depreciation and amortization	698,833	-	1,779,022	-	2,477,855
Cost of real estate sold	598,000	-	-	-	598,000
Other real estate expenses	303,296	-	-	-	303,296
Total program expenses	4,532,121	-	5,016,773	(1,270,660)	8,278,234
MANAGEMENT AND GENERAL EXPENSES:					
Salaries and employee benefits	4,423,736	-	-	-	4,423,736
Professional fees	1,098,527	-	-	-	1,098,527
Business development expenses	306,067	-	-	-	306,067
General and administrative expenses	935,951	268	-	-	936,219
Depreciation and amortization expense	70,150	-	-	-	70,150
Total management and general expenses	6,834,431	268	-	-	6,834,699
Total expenses	12,052,588	659,361	5,713,131	(1,754,016)	16,671,064
Change in unrestricted net assets before other income and expenses	4,583,315	(125,893)	(1,654,754)	416	2,803,084
OTHER INCOME AND (EXPENSES)					
Realized and unrealized gains on financial investments	2,756,541	-	-	-	2,756,541
Bad debt expense	(2,717)	-	(24,942)	-	(27,659)
Loss from disposal of fixed assets	(1,225)	-	-	-	(1,225)
Net other income and (expenses)	2,752,599	-	(24,942)	-	2,727,657
Change in net assets from continuing operations	7,335,914	(125,893)	(1,679,696)	416	5,530,741
Contributions from non-controlling interest	-	-	500,000	-	500,000
Distributions to non-controlling interest	-	-	(28,867)	-	(28,867)
Change in net assets	7,335,914	(125,893)	(1,208,563)	416	6,001,874
Net assets at beginning of year	149,643,505	-	29,622,285	(14,983,123)	164,282,667
Net assets at end of year	$ 156,979,419	$ (125,893)	$ 28,413,722	$ (14,982,707)	$ 170,284,541

CENTURY HOUSING CORPORATION AND AFFILIATES
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FOR THE YEAR ENDED DECEMBER 31, 2012

	Century and wholly controlled affiliates before Operating Partnerships	Operating Partnerships	Eliminations	Consolidated 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	11,584,808	3,823	(541,912)	11,046,719
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	6,676,188	4,012,574	(767,980)	9,920,782
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	8,630,984	701,993	(541,912)	8,791,065
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	6,639,973	5,202,633	(768,498)	11,074,108
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	6,796,997	-	-	6,796,997
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)
Total other income and (expenses)	3,891,065	(33,528)	-	3,857,537
Change in net assets from continuing operations	84,107	(1,921,757)	518	(1,837,132)
Income from discountinued 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	6,138,255	(1,955,265)	518	4,183,508
Net assets at beginning of year	143,505,250	31,577,550	(14,983,641)	160,099,159
Net assets at end of year	$ 149,643,505	$ 29,622,285	$ (14,983,123)	$ 164,282,667

see report of independent auditors

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Century Housing Corporation, a California nonprofit public benefit corporation, and Affiliates (the "Corporation"), which comprise the statement of financial position as of December 31, 2013, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Novogradac & Company LLP

San Francisco, California
April 15, 2014

NOVOGRADAC
& COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance for Each Major Program and
on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of Century Housing Corporation, a California nonprofit public benefit corporation, and Affiliates (the "Corporation"), with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Corporation's major programs for the year ended December 31, 2013. The Corporation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of it is major federal programs the year ended December 31, 2013.

246 FIRST STREET 5TH FLOOR SAN FRANCISCO CALIFORNIA 94105 TELEPHONE (415) 356-8000 FACSIMILE (415) 356-8001 http://www.novoco.com

Report on Internal Control over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporations internal control over compliance.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirement of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Novogradac & Company LLP

San Francisco, California
April 15, 2014

CENTURY HOUSING CORPORATION AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

Federal Grantor / Pass Through Grantor / Program Title:	Federal CFDA No.	Federal Expenditures
U.S. Department of the Treasury:		
Community Development Financial Institutions Program – Capital Magnet Fund	21.011	$ 5,000,000

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts, presented in, or used in the preparation of the basic consolidated financial statements.

CENTURY HOUSING CORPORATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Section I – Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	Unqualified

Internal control over financial reporting:

	Yes	No
Material weakness(es) identified?		X
Significant deficiency(ies) identified that are not considered to be material weakness(es)?		X
Noncompliance material to financial statements noted?		X

Federal Awards

Internal control over major programs:

	Yes	No
Material weakness(es) identified?		X
Significant deficiency(ies) identified that are not considered to be material weakness(es)?		X

Type of auditor's report issued on compliance for major programs:	Unqualified

	Yes	No
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?		X

Identification of major programs:	Name of Federal Program or Cluster
21.011	Community Development Financial Institutions Program - Capital Magnet Fund

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000

	Yes	No
Auditee qualified as low-risk auditee?	X	

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.