



Century Housing Corporation and Affiliates

**Consolidated Financial Statements with Report of Independent Auditors
December 31, 2019 and 2018**

CENTURY HOUSING CORPORATION AND AFFILIATES

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Report of Independent Auditors

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

We have audited the accompanying consolidated financial statements of Century Housing Corporation, a California nonprofit public benefit corporation, and Affiliates (the "Corporation"), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated 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 from 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2019 and 2018, 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.

Changes in Accounting Principles

As discussed in Note 2 to the financial statements, Century Housing Corporation and Affiliates adopted changes in accounting principles related to revenue recognition and presentation and disclosure of the statements of cash flows. Our opinion is not modified with respect to those matters.

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 schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the accompanying supplementary information on pages 43-51 are presented for the 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. 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 28, 2020, 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

Walnut Creek, California
April 28, 2020

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 16,677,357	\$ 16,447,673
Restricted cash	23,879,076	13,789,105
Accounts receivable, net	509,784	310,060
Investments	109,830,370	97,273,911
Interest receivable	1,892,085	1,502,275
Notes receivable, net	284,519,978	242,238,733
Deferred charges, net	431,379	436,326
Prepaid expenses and other assets	547,352	434,020
Real estate held for investment, net	276,490,098	242,401,969
Furniture, fixtures and equipment, net	<u>4,133,776</u>	<u>4,587,910</u>
 Total assets	 <u>\$ 718,911,255</u>	 <u>\$ 619,421,982</u>
 LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 12,655,664	\$ 11,088,949
Accrued interest	3,182,056	2,093,988
Security deposits	1,175,704	998,881
Deferred income	1,742,126	1,344,026
Fair value of interest rate swap liability	3,277,546	415,943
Bonds payable, net of unamortized debt issuance costs	99,400,035	-
Notes payable and lines of credit, net of unamortized debt issuance costs	279,332,012	321,349,704
Other liabilities	1,757,110	509,254
Forgivable loans	<u>433,334</u>	<u>760,571</u>
Total liabilities	402,955,587	338,561,316
 Net assets:		
Without donor restriction		
Controlling interest	224,011,153	204,187,660
Non-controlling interest	<u>76,558,015</u>	<u>67,486,506</u>
Total net assets without donor restriction	300,569,168	271,674,166
With donor restriction - controlling interest	<u>15,386,500</u>	<u>9,186,500</u>
Total net assets	<u>315,955,668</u>	<u>280,860,666</u>
 Total liabilities and net assets	 <u>\$ 718,911,255</u>	 <u>\$ 619,421,982</u>

see accompanying notes to consolidated financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
LENDING AND CORPORATE REVENUE		
Investment interest and dividends	\$ 2,448,209	\$ 2,089,392
Income from notes receivable	24,994,516	19,292,395
Residual receipts and contingent asset income	698,224	2,149,523
Other income	72,258	99,585
Net assets released from restrictions	2,000,000	-
Total lending and corporate revenue	<u>30,213,207</u>	<u>23,630,895</u>
HOUSING REVENUE AND SUPPORT		
CVC, CADI and other real estate operations		
Rental property income	15,312,656	13,415,903
Debt forgiveness income	327,237	405,429
Other real estate income	19,150	17,880
Contributions and fundraising income	607,483	620,255
Total housing revenue and support	<u>16,266,526</u>	<u>14,459,467</u>
 Total revenue	 46,479,733	 38,090,362
LENDING AND CORPORATE EXPENSES		
Allocation for loan losses	871,858	1,139,304
Borrowing fees	305,252	113,723
Interest expense	10,030,007	7,386,845
Salaries and employee benefits	4,905,091	2,051,644
Professional fees	323,032	390,529
Business development expenses	399,309	358,342
General and administrative expenses	911,835	868,706
Depreciation and amortization expense	76,036	58,375
Total lending and corporate expenses	<u>17,822,420</u>	<u>12,367,468</u>
HOUSING EXPENSES		
CVC, CADI and other real estate operations		
Rental property expenses	7,335,155	6,292,413
Property depreciation and amortization	7,623,233	6,467,677
Interest expense	2,408,048	1,410,931
Other real estate expenses	328,177	261,031
Housing salaries and employee benefits	5,708,979	3,964,536
Total housing expenses	<u>23,403,592</u>	<u>18,396,588</u>
 Total expenses	 <u>41,226,012</u>	 <u>30,764,056</u>

see accompanying notes to consolidated financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Change in net assets without donor restriction before other income and expenses	\$ 5,253,721	\$ 7,326,306
OTHER INCOME AND (EXPENSES)		
Realized and unrealized gains (losses) on financial investments	9,604,527	(4,941,621)
Unrealized loss on interest rate swap	(2,861,603)	(415,943)
Income tax expense	(15,300)	(15,490)
Bad debt expense	(131,419)	(143,291)
Net other income and (expenses)	<u>6,596,205</u>	<u>(5,516,345)</u>
Change in net assets without donor restriction from operations	11,849,926	1,809,961
Contributions from non-controlling interest	17,122,573	29,375,640
Distributions to non-controlling interest	(12,423)	(12,221)
Syndication costs paid by non-controlling interest	(65,074)	(167,069)
Change in net assets without donor restriction	<u>28,895,002</u>	<u>31,006,311</u>
Change in net assets with donor restriction		
Contributions	8,200,000	7,186,500
Release from net assets with donor restriction	(2,000,000)	-
Change in net assets with donor restriction	<u>6,200,000</u>	<u>7,186,500</u>
Change in net assets	35,095,002	38,192,811
Net assets at beginning of year	<u>280,860,666</u>	<u>242,667,855</u>
Net assets at end of year	<u>\$ 315,955,668</u>	<u>\$ 280,860,666</u>

see accompanying notes to consolidated financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program	Administrative	Fundraising	Total
LENDING AND CORPORATE EXPENSES				
Allocation for loan losses	\$ 871,858	\$ -	\$ -	\$ 871,858
Borrowing fees	305,252	-	-	305,252
Interest expense	10,030,007	-	-	10,030,007
Salaries and employee benefits	1,689,201	3,180,412	35,478	4,905,091
Professional fees	323,032	-	-	323,032
Business development expenses	399,309	-	-	399,309
General and administrative expenses	-	911,835	-	911,835
Depreciation and amortization expense	-	76,036	-	76,036
Total lending and corporate expenses	<u>13,618,659</u>	<u>4,168,283</u>	<u>35,478</u>	<u>17,822,420</u>
HOUSING EXPENSES				
CVC, CADI and other real estate operations				
Rental property expenses	7,243,332	-	91,823	7,335,155
Property depreciation and amortization	7,623,233	-	-	7,623,233
Interest expense	2,408,048	-	-	2,408,048
Other real estate expenses	328,177	-	-	328,177
Housing salaries and employee benefits	4,435,263	1,273,716	-	5,708,979
Total housing expenses	<u>22,038,053</u>	<u>1,273,716</u>	<u>91,823</u>	<u>23,403,592</u>
TOTAL	<u>35,656,712</u>	<u>5,441,999</u>	<u>127,301</u>	<u>41,226,012</u>
OTHER EXPENSES				
Unrealized loss on interest rate swap	2,861,603	-	-	2,861,603
Income tax expense	15,300	-	-	15,300
Bad debt expense	131,419	-	-	131,419
Total other expenses	<u>3,008,322</u>	<u>-</u>	<u>-</u>	<u>3,008,322</u>
TOTAL EXPENSES	<u>\$ 38,665,034</u>	<u>\$ 5,441,999</u>	<u>\$ 127,301</u>	<u>\$ 44,234,334</u>

see accompanying notes to consolidated financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program	Administrative	Fundraising	Total
LENDING AND CORPORATE EXPENSES				
Allocation for loan losses	\$ 1,139,304	\$ -	\$ -	\$ 1,139,304
Borrowing fees	113,723	-	-	113,723
Interest expense	7,386,845	-	-	7,386,845
Salaries and employee benefits	1,497,017	518,270	36,357	2,051,644
Professional fees	380,029	-	10,500	390,529
Business development expenses	358,342	-	-	358,342
General and administrative expenses	500	868,206	-	868,706
Depreciation and amortization expense	-	58,375	-	58,375
Total lending and corporate expenses	<u>10,875,760</u>	<u>1,444,851</u>	<u>46,857</u>	<u>12,367,468</u>
HOUSING EXPENSES				
CVC, CADI and other real estate operations				
Rental property expenses	6,223,044	-	69,369	6,292,413
Property depreciation and amortization	6,467,677	-	-	6,467,677
Interest expense	1,410,931	-	-	1,410,931
Other real estate expenses	261,031	-	-	261,031
Housing salaries and employee benefits	2,652,857	1,311,679	-	3,964,536
Total housing expenses	<u>17,015,540</u>	<u>1,311,679</u>	<u>69,369</u>	<u>18,396,588</u>
TOTAL	<u>27,891,300</u>	<u>2,756,530</u>	<u>116,226</u>	<u>30,764,056</u>
OTHER EXPENSES				
Realized and unrealized losses				
on financial investments	4,941,621	-	-	4,941,621
Unrealized loss on interest rate swap	415,943	-	-	415,943
Income tax expense	-	15,490	-	15,490
Bad debt expense	143,291	-	-	143,291
Total other expenses	<u>5,500,855</u>	<u>15,490</u>	<u>-</u>	<u>5,516,345</u>
TOTAL EXPENSES	<u>\$ 33,392,155</u>	<u>\$ 2,772,020</u>	<u>\$ 116,226</u>	<u>\$ 36,280,401</u>

see accompanying notes to consolidated financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 35,095,002	\$ 38,192,811
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contributions from non-controlling interest	(17,122,573)	(29,375,640)
Distributions to non-controlling interest	12,423	12,221
Syndication costs paid by non-controlling interest	65,074	167,069
Debt forgiveness income	(327,237)	(405,429)
Interest expense - debt issuance costs	435,322	18,585
Depreciation and amortization expense	7,699,269	6,526,052
Allocation for loan losses	871,858	979,138
Bad debt expense	131,419	143,291
Realized and unrealized (gains) losses on financial investments	(9,604,527)	4,941,621
Unrealized loss on interest rate swap	2,861,603	415,943
(Increase) decrease in assets		
Accounts receivable, net	(331,143)	(81,407)
Interest receivable	(389,810)	(343,860)
Prepaid expenses and other assets	(113,332)	(88,793)
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	831,303	346,516
Accrued interest	1,088,068	471,683
Security deposits	176,823	50,416
Other liabilities	1,247,856	509,254
Deferred income	398,100	727,337
Net cash provided by operating activities	<u>23,025,498</u>	<u>23,206,808</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment of accounts payable and accrued expenses - construction	(8,490,035)	(4,902,012)
Purchase of real estate held for investment	(30,758,075)	(37,910,970)
Purchase of furniture, fixtures and equipment	(1,310,817)	(1,738,752)
Increase in deferred charges	(33,978)	(22,365)
Advances in notes receivable	(246,789,027)	(288,138,462)
Receipts from notes receivable	203,401,478	230,573,160
Purchase of investment securities	(18,704,301)	(18,558,833)
Proceeds from sales of investment securities	15,752,369	8,345,600
Net cash used in investing activities	<u>(86,932,386)</u>	<u>(112,352,634)</u>

see accompanying notes to consolidated financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable and lines of credit	\$ 162,422,821	\$ 115,520,413
Payments of notes payable and lines of credit	(204,216,070)	(71,059,288)
Proceeds from bonds payable	100,000,000	-
Increase in debt issuance costs	(1,025,284)	(353,357)
Proceeds from interest rate swap	-	19,051
Contributions from non-controlling interest	17,122,573	29,375,640
Distributions to non-controlling interest	(12,423)	(12,221)
Syndication costs paid by non-controlling interest	(65,074)	(167,069)
Net cash provided by financing activities	<u>74,226,543</u>	<u>73,323,169</u>
Net change in cash, cash equivalents and restricted cash	10,319,655	(15,822,657)
Cash, cash equivalents and restricted cash at beginning of year	<u>30,236,778</u>	<u>46,059,435</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$ 40,556,433</u>	<u>\$ 30,236,778</u>
Cash and cash equivalents	\$ 16,677,357	\$ 16,447,673
Restricted cash	<u>23,879,076</u>	<u>13,789,105</u>
Total cash, cash equivalents and restricted cash	<u>\$ 40,556,433</u>	<u>\$ 30,236,778</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 12,520,441</u>	<u>\$ 9,873,530</u>
Cash paid for income taxes	<u>\$ 15,300</u>	<u>\$ 15,490</u>
Interest capitalized to fixed assets	<u>\$ 1,605,776</u>	<u>\$ 1,772,963</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Increase in real estate assets held for investment, net and accounts payable and accrued liabilities	<u>\$ 9,225,447</u>	<u>\$ 8,920,596</u>

see accompanying notes to consolidated financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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 42,031 affordable housing units throughout the State of California.

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

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

Affordable Housing Development – Century engages in the development, preservation, and management of affordable housing through its Century Villages at Cabrillo, Inc. (“CVC”) and Century Affordable Development, Inc. (“CADI”) affiliates.

2. Summary of significant accounting policies and nature of operations

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.
Century California Fund, LLC, and
Century Metropolitan Fund, LLC
Century Long Term Value Fund, LLC

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

CVC Entities

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 II, LLC, CVC Phase IV, LLC and CVC Phase V, LLC, which is the sole general partner of Plaza de Cabrillo, L.P. (“Plaza de Cabrillo”), Cabrillo Gateway, L.P. (“Cabrillo Gateway”) and Anchor Place, L.P. (“Anchor Place”), respectively. CVC Phase II, LLC owns a 99% interest in Plaza de Cabrillo. CVC Phase IV, LLC and CVC Phase V, LLC owns a 0.01% interest in Cabrillo Gateway and Anchor Place, respectively. CVC is the sole member of Century Villages Property Management, LLC (“CVPM”), which is the property management business for the Villages at Cabrillo.

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

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

CADI Entities

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 Hall”) and owns a 0.01% interest in Academy Hall. CADI is the sole member of CADI VI, LLC, which is the sole general partner of Century Arrowhead Vista, L.P. (“Arrowhead Vista”) and owns a 0.01% interest in Arrowhead Vista. CADI is the sole member of CADI VII, LLC, which is the sole general partner of Florence Morehouse, L.P. (“Florence Morehouse”) and owns a 0.01% interest in Florence Morehouse. CADI is the sole member of CADI VIII, LLC, which is the sole general partner of Beacon Place, L.P. (“Beacon Place”) and owns a 0.01% interest in Beacon Place. CADI is the sole member of CADI IX, LLC, which is the sole general partner of Beacon Pointe, L.P. (“Beacon Pointe”) and owns a 0.01% interest in Beacon Pointe. CADI is the sole member of CADI X, LLC, which is the sole general partner of Century Beachwood Apartments 2, LP (“Century Beachwood 2”) and owns a 0.01% interest in Century Beachwood 2. CADI is the sole member of CADI Eleven, LLC, which is the sole general partner of Casa Rita, LP (“Casa Rita”) and owns a 0.01% in Casa Rita. CADI also owns 99.9% and 99.99% of Savannah and Casa, respectively. CADI is the sole member of CADI XII, LLC, which is the sole general partner of Woodbridge Apartments, L.P. (“Woodbridge”) and owns a 51% interest in Woodbridge.

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.	Century Beachwood Apartments 2, L.P.
Casa de Cabrillo, L.P.	Beacon Pointe, L.P.
The Family Commons at Cabrillo, L.P.	Beacon Place, L.P.
Academy Hall, L.P.	Casa Rita, L.P.
Cabrillo Gateway, L.P.	Plaza de Cabrillo, L.P.
Anchor Place, L.P.	Woodbridge Apartments, L.P.
Century Arrowhead Vista, L.P.	West LA Veterans Collective, LLC
Florence Morehouse, L.P.	

Basis of accounting

The Corporation prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

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 two classes of net assets: net assets without donor restriction and net assets with donor restriction. Furthermore, information is required to segregate program service expenses from management and general expenses. Income earnings on net assets with donor restriction are recognized as net assets without donor restriction.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

Use of estimates

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

Cash and cash equivalents

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

Restricted cash

Restricted cash is not considered cash and cash equivalents, and 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 CDFI Fund. The carrying amounts of restricted cash approximate their fair value.

Contributions

Contributions received are recorded as support with or without donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. The Corporation reports contributions with donor restrictions whose restrictions are met in the same reporting period as contributions without donor restrictions.

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 net assets without donor restrictions.

Fair value measurements

The Corporation applies the accounting provisions related to fair value measurements. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the reporting entity's own data. These provisions also provide valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows) and the cost approach (cost to replace the service capacity of an asset or replacement cost).

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

Fair value measurements (continued)

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

Level 1: Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Unobservable inputs that reflect the Corporation's own assumptions.

The following tables present 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, 2019 and 2018:

	December 31, 2019			
	Level 1	Level 2	Level 3	Fair Value Measurements
Assets				
Marketable securities	\$ 81,151,645	\$ -	\$ -	\$ 81,151,645
U.S. Treasury obligations	27,645,925	-	-	27,645,925
Guarantee fees	-	-	50,701	50,701
Notes receivable, net	-	-	284,519,978	284,519,978
	<u>\$ 108,797,570</u>	<u>\$ -</u>	<u>\$ 284,570,679</u>	<u>\$ 393,368,249</u>
Liabilities				
Guaranty liability	\$ -	\$ -	\$ 50,701	\$ 50,701
Interest rate swap	-	3,277,546	-	3,277,546
Bonds payable	99,400,035	-	-	99,400,035
Notes payable and lines of credit	279,332,012	-	-	279,332,012
Forgivable loans	433,334	-	-	433,334
	<u>\$ 379,165,381</u>	<u>\$ 3,277,546</u>	<u>\$ 50,701</u>	<u>\$ 382,493,628</u>

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2. Summary of significant accounting policies and nature of operations (continued)

Fair value measurements (continued)

	December 31, 2018			Fair Value Measurements
	Level 1	Level 2	Level 3	
Assets				
Marketable securities	\$ 68,684,547	\$ -	\$ -	\$ 68,684,547
U.S. Treasury obligations	27,556,564	-	-	27,556,564
Guarantee fees	-	-	50,701	50,701
Notes receivable, net	-	-	242,238,733	242,238,733
	<u>\$ 96,241,111</u>	<u>\$ -</u>	<u>\$ 242,289,434</u>	<u>\$ 338,530,545</u>
Liabilities				
Guaranty liability	\$ -	\$ -	\$ 50,701	\$ 50,701
Interest rate swap	-	415,943	-	415,943
Notes payable and lines of credit	321,349,704	-	-	321,349,704
Forgivable loans	760,571	-	-	760,571
	<u>\$ 322,110,275</u>	<u>\$ 415,943</u>	<u>\$ 50,701</u>	<u>\$ 322,576,919</u>

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

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

Interest rate swaps are classified within Level 2 of the fair market value hierarchy because the fair value of the interest rate swap is based on notional amounts, interest rates, maturity date and other contract terms and is valued using a third-party.

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 bonds payable, notes payable and lines of credit, and forgivable loans approximate fair value because the Corporation can obtain similar loans at the same terms.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2. Summary of significant accounting policies and nature of operations (continued)

Fair value measurements (continued)

The changes in notes receivable 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, 2018	\$ 185,652,569
Advances	288,138,462
Principal payments received	(230,573,160)
Allocation for loan losses	<u>(979,138)</u>
Balance, December 31, 2018	242,238,733
Advances	246,789,027
Principal payments received	(203,635,924)
Allocation for loan losses	<u>(871,858)</u>
Balance, December 31, 2019	<u>\$ 284,519,978</u>

Derivatives and hedging activities

The Corporation recognizes all derivatives on the statement of financial position at fair value. Derivatives that do not qualify for the hedge accounting are adjusted to fair value through income. If the derivative is a hedge instrument, depending on the nature of the hedge transaction, the changes in the fair value of derivative instrument are either offset against the earnings of the hedged item or recognized in other comprehensive income (loss) in net assets until the hedged item is recognized in earnings. The ineffective portion of a derivative hedge instrument is immediately recognized in earnings. The Corporation is a party to a derivative financial instrument for the purpose of limiting its exposure to interest rate fluctuations through the use of interest rate swaps. Derivatives are held only for the purpose of hedging or limiting such risks, not for speculation. As of December 31, 2019 and 2018, none of the Corporation's derivative financial instruments qualify as hedges.

Investment in limited partnerships

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

Rental income

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

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.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2. Summary of significant accounting policies and nature of operations (continued)

Accounts receivable and allowance for doubtful accounts

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management closely monitors outstanding balances and provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are generally written off through a charge to the valuation allowance and a credit to trade accounts receivable. As of December 31, 2019 and 2018, management had established an allowance for doubtful accounts in the amount of \$0.

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 up to 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, 2019 and 2018, management had established an allowance for loan losses in the amount of \$4,616,120 and \$3,744,262, respectively. The allowance for loan losses at December 31, 2019 and 2018 is summarized as follows:

Balance, January 1, 2018	\$ 2,765,124
Provision for losses	<u>979,138</u>
Balance, December 31, 2018	3,744,262
Provision for losses	<u>871,858</u>
Balance, December 31, 2019	<u>\$ 4,616,120</u>

Real estate held for investment

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

Buildings, leasehold improvements and office equipment are stated at cost of acquisition or construction. Assets purchased from commonly controlled entities are recorded at the seller's carrying value. 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.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

Real estate held for investment (continued)

The useful lives of the assets are estimated as follows:

Buildings and improvements	27.5 - 40 years
Furniture and fixtures	5 - 7 years
Equipment	5 years
Leasehold improvements	Over life of lease

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 of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flows expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. There were no impairment losses recognized during 2019 or 2018.

Deferred charges and amortization

Deferred charges are recorded at cost and amortized on a straight-line basis. Tax credit fees are amortized over the tax credit compliance period. Ground lease fees are amortized over the life of the lease.

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. 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 from non-consolidated affiliates is recognized as the project is completed under a percentage of completion method or in accordance with the developer fee agreement. Developer fees earned on the development of properties owned by CVC, CADI, and Century, either temporarily or permanently, are not recognized as income. Developer fee profits recognized from affiliated limited partnerships are eliminated as intercompany transactions. Century estimates that 90% of its developer fees cover related project costs. Project costs include costs of development, such as consultants, allocated internal salaries and benefits, related overhead, and other non-reimbursed fees that are ordinarily capitalized. The 10% profit portion of the development fees is considered deferred income and amortized annually to offset the depreciation expense related to the fee capitalized as real property costs. See deferred development fee income schedule on page 40.

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.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

Non-controlling interests in limited partnerships

The non-controlling interests in limited partnerships represent the aggregate positive balances of the limited partners' equity interests in Family Commons, Academy Hall, Cabrillo Gateway, Anchor Place, Arrowhead Vista, Florence Morehouse, Beacon Pointe, Beacon Place, Century Beachwood 2, and Casa Rita that are included in the consolidated financial statements, while the negative balances of the limited partners' interest reduce the Corporation's net assets.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of functional expenses. Expenses that are directly identifiable are allocated to programs. Accordingly, certain administrative costs are allocated among program services and supporting services based on estimates of time and effort.

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.

Income taxes on partnership and LLC income are levied on the partners and members in their individual capacity. Accordingly, all profits and losses of the partnerships are recognized by each partner and member on its respective tax return.

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. The Corporation 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 Corporation are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying consolidated financial statements.

Concentration of credit risk

The Corporation maintains its cash balances in various banks. The balances are insured by the Federal Deposit Insurance Corporation ("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, 2019, cash balances in excess of the FDIC limits totaled \$25,472,000.

Changes in accounting principles

On January 1, 2019, the Corporation adopted new accounting standards that affects the accounting for revenue. The Corporation's revenue is derived from leases and income from notes receivable which is not impacted by this standard. The Corporation also derives revenue from contributions. Adopting these standards did not have a significant impact on the consolidated financial statements.

The new revenue standard also introduced new guidance for accounting for other revenue. Adopting this standard did not have a significant impact on the consolidated financial statements.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

Changes in accounting principles (continued)

On January 1, 2019, the Corporation adopted new accounting standards that affect the statement of cash flows. These new standards address how certain cash receipts and payments are presented and classified in the statement of cash flows, including that debt prepayments and other debt extinguishment related payments are required to be classified as financing activities, when previously these payments were classified as an operating activity. The new standards also require the statement of cash flows to explain the change in cash, cash equivalents and restricted cash. Previously, changes in restricted cash were presented in the statement of cash flows as operating, investing or financing activities depending upon the intended purpose of the restricted funds.

The effect of the revisions to the statements of cash flows for the year ended December 31, 2018 is as follows:

	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Revised</u>
Net cash flows used in investing activities	\$ (97,138,380)	\$ (15,214,254)	\$ (112,352,634)

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

Subsequent events

Subsequent events have been evaluated through April 28, 2020, which is the date the consolidated financial statements were available to be issued. The following is a summary of significant transactions through April 28, 2020:

The spread of a novel strain of coronavirus (COVID-19) in the first quarter of 2020 has caused significant volatility in U.S. markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. economy. The extent of the impact of COVID-19 on the Corporation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on tenants, borrowers, donors, employees and vendors, all of which are uncertain and cannot be determined at this time.

3. Restricted cash

The Corporation's restricted cash consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Security deposits	\$ 1,132,359	\$ 970,480
Replacement reserves	5,336,054	5,232,347
Operating reserves	2,299,322	1,618,664
Transition reserves	391,148	311,148
Construction reserves	1,595,504	303
General Partner reserves	45,021	-
Impound deposits	131,668	89,663
CDFI/Capital Magnet Funds	9,238,000	5,566,500
Swap collateral	3,710,000	-
Total restricted cash	<u>\$ 23,879,076</u>	<u>\$ 13,789,105</u>

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

4. Investments – Century Housing Corporation

Publicly traded securities and U.S. Treasury obligations are valued at quoted market prices. These investments are comprised of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Total Market Equity Fund	\$ 11,982,996	\$ 12,937,779
Loomis Sayles High Yield Fund	6,561,372	7,803,202
Bain Senior Loan Fund	6,526,534	7,941,979
Vanguard Total International Stock Index Fund	9,256,528	11,639,692
Dodge & Cox Fund	20,550,371	14,132,723
JP Morgan Core Bond Fund	20,401,961	14,229,172
U.S. Treasury Inflation-Protected Securities	27,645,925	27,556,564
BlackRock Minimum Volatility Index Fund	5,871,883	-
Total securities	<u>\$ 108,797,570</u>	<u>\$ 96,241,111</u>

As of December 31, 2019 and 2018, Century held shares of Federal Home Loan Bank of San Francisco (“FHLB”) capital stock in the amount of \$1,032,800 for both years. 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.

The following schedule summarizes the investment return and its classification in the consolidated statements of activities for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest on cash and cash equivalents	\$ 400,054	\$ 129,932
Interest income and dividends	2,048,155	1,959,460
Unrealized/realized gains (losses)	6,742,924	(5,357,564)
Total investment gains (losses)	<u>\$ 9,191,133</u>	<u>\$ (3,268,172)</u>

5. Notes receivable, net – Century Housing Corporation

Notes receivable consist of notes secured by the real property of affordable housing development projects located in the State of California. Advances under the notes receivable bear interest at rates ranging from 2% to 10%. Notes receivable, secured by affordable housing development projects and unsecured, totaled \$299,513,325 and \$252,330,062 as of December 31, 2019 and 2018, 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 are 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, 2019 and 2018, the portion of the loan funded by GSAF was \$7,314,781 and \$6,347,067, respectively, and is offset against notes receivable on the accompanying consolidated statements of financial position.

Century owes GSAF interest accrued on the portion of loans funded by GSAF. The outstanding balance due to GSAF as of December 31, 2019 and 2018 was \$36,872 and \$29,472, respectively, which is included in accrued interest on the accompanying consolidated statements of financial position.

CENTURY HOUSING CORPORATION AND AFFILIATES
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5. Notes receivable, net – Century Housing Corporation (continued)

During 2019 and 2018, Century received Affordable Housing Program awards from Federal Home Loan Bank of San Francisco (“FHLB AHP”) for certain affordable housing development projects. As of December 31, 2019 and 2018, the portion of the loan funded by FHLB AHP was \$3,062,446 and \$234,446, respectively, and is offset against notes receivable 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:	
2020	\$ 193,296,348
2021	77,910,732
2022	16,376,985
2023	-
2024	563,489
Thereafter	<u>11,365,771</u>
Total notes receivable	299,513,325
Less allowance for doubtful accounts	(4,616,120)
Less participant purchases	<u>(10,377,227)</u>
Total notes receivable, net	<u>\$ 284,519,978</u>

6. Real estate held for investment

The Corporation’s real estate held for investment consists of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 37,924,479	\$ 33,873,370
Buildings and improvements	191,902,160	172,220,286
Leasehold improvements	20,500,015	21,586,827
Construction in progress	<u>63,439,754</u>	<u>46,102,403</u>
Total real estate held for investment	313,766,408	273,782,886
Less accumulated depreciation	<u>(37,276,310)</u>	<u>(31,380,917)</u>
Total real estate held for investment, net	<u>\$ 276,490,098</u>	<u>\$ 242,401,969</u>

Real estate held for investment, net owned by the affiliated entities at December 31, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Century Housing Corporation	\$ 6,500,747	\$ 6,677,811
Century Affordable Development, Inc.	10,155,578	781,954
Century Villages at Cabrillo, Inc.	13,808,663	13,854,813
CVC – Consolidated partnerships	97,405,272	100,871,858
CADI affiliated limited partnerships	<u>148,619,838</u>	<u>120,215,533</u>
Total real estate held for investment, net	<u>\$ 276,490,098</u>	<u>\$ 242,401,969</u>

Depreciation expense on real estate held for investment during 2019 and 2018 was \$5,895,393 and \$5,607,908, respectively.

CENTURY HOUSING CORPORATION AND AFFILIATES
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7. Furniture, fixtures and equipment, net

The Corporation's furniture, fixtures, and equipment consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 8,727,599	\$ 7,502,581
Equipment	<u>2,208,881</u>	<u>2,123,082</u>
Total furniture, fixtures and equipment	10,936,480	9,625,663
Less accumulated depreciation	<u>(6,802,704)</u>	<u>(5,037,753)</u>
Total furniture, fixtures and equipment, net	<u>\$ 4,133,776</u>	<u>\$ 4,587,910</u>

Depreciation expense on furniture, fixtures and equipment during 2019 and 2018 was \$1,764,951 and \$873,383, respectively.

8. Deferred charges and amortization

The Corporation's deferred charges consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Tax credit fees	\$ 723,962	\$ 689,984
Ground lease fees	<u>22,500</u>	<u>22,500</u>
Total deferred charges	746,462	712,484
Accumulated amortization	<u>(315,083)</u>	<u>(276,158)</u>
Total deferred charges, net	<u>\$ 431,379</u>	<u>\$ 436,326</u>

Amortization expense during 2019 and 2018 was \$38,925 and \$44,761, respectively.

9. Employee benefit plans – Century Housing Corporation

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 4% of gross salary to the 403(b) defined contribution plan. During the years ended December 31, 2019 and 2018, the total amount contributed by the Corporation to the plan was \$557,683 and \$454,678, respectively, which is included in salaries and employee benefits on the accompanying consolidated statements of activities.

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

CENTURY HOUSING CORPORATION AND AFFILIATES
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10. Contingent and restricted assets: affordable housing financing – Century Housing Corporation

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 net assets with donor restrictions 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 repayment 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, 2019 and 2018, total \$62,694,750 and \$62,912,272, respectively, and have an effective interest rate of 3% per annum. Unrecognized accrued interest receivable as of December 31, 2019 and 2018 was \$40,406,775 and \$39,023,973, respectively. For the years ended December 31, 2019 and 2018, the Corporation recognized income in the amount \$698,224 and \$2,149,523 from these loans, respectively, which is included in "Residual receipts and contingent asset income" on the consolidated statements of activities.

11. Notes payable: housing activities

Note payable – Federal Home Loan Bank of San Francisco

On November 15, 2007, CVC obtained a development loan from the Federal Home Loan Bank of San Francisco's Affordable Housing Program ("FHLB AHP") in the amount of \$972,000 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 loan is secured by a third deed of trust on the real property of Family Commons. The 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 loan from FHLB AHP. As of December 31, 2019 and 2018, the outstanding principal was \$972,000.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

11. Notes payable: housing activities (continued)

Note payable – Federal Home Loan Bank of San Francisco (continued)

On July 23, 2015 and October 1, 2015, Cabrillo Gateway and Anchor Place, respectively, entered into a development loan agreement with FHLB AHP. During 2016, these were funded by Wells Fargo Financial National Bank in the amount of \$800,000 and \$1,500,000, respectively. The loans are secured by deeds of trust, non-interest bearing, and mature on June 1, 2070 and December 31, 2072, respectively. As of December 31, 2019 and 2018, the outstanding principal was \$2,300,000.

On May 22, 2017 and November 21, 2017, Beacon Place and Beacon Pointe, respectively, entered into a development loan agreement with FHLB AHP. During 2019, these were funded by Wells Fargo Financial National Bank in the amount of \$760,000 and \$1,500,000, respectively. The loans are secured by deeds of trust, non-interest bearing, and mature on May 1, 2072 and December 1, 2072, respectively. As of December 31, 2019, the outstanding principal was \$2,260,000.

On December 1, 2017, Century Beachwood 2, entered into a development loan agreement with FHLB AHP. During 2019, these were funded by MUFG Union Bank, N.A. in the amount of \$440,000. The loans are secured by deeds of trust, non-interest bearing, and mature on December 1, 2072. As of December 31, 2019, the outstanding principal was \$440,000.

Notes payable – Long Beach Community Investment Company

On December 15, 2008, Family Commons obtained financing for the construction of its project from loan proceeds funded by the Long Beach Community Investment Company, formerly known as the Long Beach Housing Development Company, in an amount not to exceed \$11,775,000 (the “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, 2019 and 2018, the outstanding principal was \$11,753,554.

On December 30, 2014, CADI acquired the Long Beach & Anaheim Phase II Property (the “Phase II Property”) through assumption of debt and executed a loan agreement with the Long Beach Community Investment Company (“LBCIC”) to assume the outstanding principal encumbering the Phase II Property in the amount of \$2,276,000 (the “LBCIC Loan”). During 2014, CADI discounted the principal debt assumed at acquisition to its present value as of the acquisition date. On November 15, 2017, the LBCIC Loan was amended and assigned to Beacon Pointe. The amended LBCIC Loan is non-interest bearing and matures 55 years after the recordation of the Release of Construction Covenants, as defined in the loan agreement. As of December 31, 2019 and 2018, the outstanding principal was \$2,276,000.

On November 15, 2017, Beacon Pointe obtained financing for the construction of its project from loan proceeds funded by the LBCIC in the amount of \$10,000,000 (the “LBCIC Construction Loan”). Repayment of the LBCIC Construction Loan is secured by a deed of trust and matures 55 years after the recordation of the Release of Construction Covenants, as defined. The LBCIC Construction Loan accrues interest at 3% per annum, and requires annual principal payments from residual receipts, as defined in the partnership agreement. As of December 31, 2019 and 2018, the outstanding principal was \$10,000,000, and accrued interest was \$627,500 and \$327,500, respectively. Interest expense for the years ended December 31, 2019 and 2018 was \$300,000 for each year, which was capitalized to fixed assets.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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11. Notes payable: housing activities (continued)

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

On April 1, 2009, Academy Hall 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 “Construction Loan”). Repayment of the loan is secured by the real property of the Partnership 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 Construction Loan shall bear interest at a fixed rate of 6.25%. In November 2012, the Construction Loan converted into permanent financing, at which point payments of principal were due based on the redemption of the underlying Tax-Exempt Bonds. The interest rate remained fixed at 6.25%. Any unpaid principal and accrued interest is due in full at maturity on November 1, 2040. As of December 31, 2019 and 2018, the outstanding principal was \$2,075,000 and \$2,120,000, respectively. Interest expense for the years ended December 31, 2019 and 2018 was \$134,306 and \$137,866, respectively.

Notes payable – California Housing Finance Agency

On November 1, 2013, Cabrillo Gateway entered into a promissory note under the Mental Health Services Act Program (“MHSA”) in the amount of \$1,600,000, and on November 1, 2015, Anchor Place entered into a promissory note under the MHSA in the amount of \$1,710,000 (the “MHSA Loans”). Both loans are funded by the California Housing Finance Agency (“CalHFA”). Repayment of the MHSA Loans is secured by deeds of trust and mature on November 1, 2068 and November 1, 2070, respectively. The MHSA Loans bear simple interest at a rate of 3% per annum and require annual payments of accrued interest and outstanding principal from residual receipts, as defined in the promissory note. As of December 31, 2019 and 2018, the outstanding principal was \$3,310,000, and accrued interest was \$505,213 and \$405,913, respectively. Interest expense for the years ended December 31, 2019 and 2018 was \$99,300 for each year.

Notes payable – Wells Fargo Bank, N.A.

On November 15, 2015, Anchor Place entered into a promissory note with Wells Fargo Bank, N.A. (“Wells Fargo”) in an amount up to the total maximum of \$32,000,000 (the “Anchor WFB Loan”) for the construction of a multifamily housing development consisting of 120 units. Repayment of the Anchor 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 Anchor WFB Loan bears interest at a rate equal to one month LIBOR plus 1.75% 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 Anchor WFB Loan, together with all accrued and unpaid interest and all other amounts payable was due on April 15, 2018. Anchor Place has the option to extend the term of the loan upon satisfaction of conditions set forth in the loan agreement. On June 22, 2018, a portion of the loan was repaid upon its conversion to a permanent loan, and the remaining balance of the Anchor WFB Loan was sold from Wells Fargo to California Community Reinvestment Corporation (“CCRC”). Interest expense for the year ended December 31, 2018 was \$465,390.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

11. Notes payable: housing activities (continued)

Notes payable – Wells Fargo Bank, N.A. (continued)

On May 24, 2017, Beacon Place entered into a promissory note with Wells Fargo in an amount up to the total maximum of \$15,933,599 (the “Beacon Place WFB Loan”) for the construction of a multifamily housing development consisting of 39 units. Repayment of the Beacon Place 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 Beacon Place WFB Loan bears interest at a rate equal to one month LIBOR plus 1.75% 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 Beacon Place WFB Loan, together with all accrued and unpaid interest and all other amounts payable are due on March 15, 2020. As of December 31, 2019 and 2018, the outstanding principal was \$15,678,932 and \$11,465,551, respectively, and accrued interest was \$47,220 and \$39,461, respectively. Interest expense for the years ended December 31, 2019 and 2018 was \$601,894 and \$286,960, of which \$142,696 and \$286,960 was capitalized to fixed assets, respectively. On March 20, 2020, a portion of the Beacon Place WFB Loan was repaid upon its conversion to a permanent loan, and the remaining balance was sold from Wells Fargo to CCRC.

On June 1, 2017, Florence Morehouse executed a construction loan with Wells Fargo in the principal amount of \$9,500,000. On June 1, 2019, Florence Morehouse executed a supplemental loan with Wells Fargo in the principal amount of \$4,246,179 as additional financing for the project. The loans are secured by a deed of trust, assignment of leases and rents, and security agreement and fixture filing. The loans bear interest at a rate equal to one month LIBOR plus 1.45% 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 loans, together with all accrued and unpaid interest and all other amounts payable are due on February 17, 2020. As of December 31, 2019 and 2018, the combined principal balance of the loans was \$12,672,816 and \$8,428,619, respectively, and accrued interest was \$34,468 and \$26,770, respectively. Interest expense for the years ended December 31, 2019 and 2018 was \$236,205 and \$250,076, of which \$163,777 and \$219,030 was capitalized to fixed assets, respectively.

On November 27, 2017, Beacon Pointe entered into a promissory note with Wells Fargo in an amount up to the total maximum of \$37,266,748 (the “Beacon Pointe WFB Loan”) for the construction of a multifamily housing development consisting of 121 units. Repayment of the Beacon Pointe 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 Beacon Pointe WFB Loan bears interest at a rate equal to one month LIBOR plus 1.75% 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 Beacon Pointe WFB Loan, together with all accrued and unpaid interest and all other amounts payable are due on May 15, 2020. As of December 31, 2019 and 2018, the outstanding principal was \$31,024,565 and \$19,083,514, respectively, and accrued interest was \$89,260 and \$63,600, respectively. Interest expense for the years ended December 31, 2019 and 2018 was \$972,879 and \$333,490, respectively, which was capitalized to fixed assets.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

11. Notes payable: housing activities (continued)

Notes payable – Wells Fargo Bank, N.A. (continued)

On January 29, 2018, Casa Rita executed a construction loan with Wells Fargo in the principal amount of \$6,849,200 for the renovation and rehabilitation of Casa Rita Apartments. The loan is secured by a deed of trust, assignment of leases and rents, and security agreement and fixture filing. The loan bears interest at a rate of 2% plus the 1-month LIBO Rate, and matures on August 1, 2019. As of December 31, 2018, the outstanding principal balance was \$5,195,562, and accrued interest was \$19,405. On May 2019, the construction loan was paid off. Interest expense for the years ended December 31, 2019 and 2018 was \$101,172 and \$114,704, of which \$0 and \$107,068 was capitalized to fixed assets, respectively.

California Community Reinvestment Corporation

On February 26, 2016, Wells Fargo sold \$2,935,000 of the Cabrillo WFB Loan to CCRC (“Cabrillo CCRC Loan”). The Cabrillo CCRC Loan is secured by a deed of trust, accrues interest at 5.95%, and matures on March 1, 2031. As of December 31, 2019 and 2018, the outstanding principal was \$2,425,434 and \$2,572,590, respectively. Interest expense for the years ended December 31, 2019 and 2018 was \$149,099 and \$157,579, respectively.

On June 22, 2018, Anchor Place executed a loan with CCRC in the principal amount of \$2,508,000 (the “Anchor CCRC Loan”). The loan is secured by a deed of trust, assignment of leases and rents, and security agreement and fixture filing. The loan bears interest at a rate of 5.25% per annum. The loan has a term of 15 years with all unpaid principal and accrued interest due on June 1, 2033. As of December 31, 2019 and 2018, the outstanding principal was \$2,336,306 and \$2,452,261, respectively. Interest expense for the years ended December 31, 2019 and 2018 was \$125,980 and \$65,594, respectively.

California Department of Housing and Community Development

On June 20, 2018, Anchor Place entered into a promissory note with the California Department of Housing and Community Development (“HCD”) in the principal amount of \$2,191,616. The HCD loan is secured by a deed of trust, assignment of rents, and security agreement and fixture filing. The HCD loan bears simple interest at a rate of 3% per annum with annual payments of accrued interest and principal in an amount equal to the Anchor Place’s residual receipts, as defined in the promissory note. All unpaid principal and accrued interest are due on maturity, which is in 55 years. As of December 31, 2019 and 2018, the principal balance of the loan was \$2,191,616, and accrued interest was \$97,161 and \$31,413, respectively. Interest expense for years ended December 31, 2019 and 2018 was \$65,748 and \$31,413, respectively.

Note payable - PNC Bank, N.A.

In March 2014, Arrowhead Vista obtained financing for the acquisition and rehabilitation of the project from an FHA-insured mortgage under the U.S Department of Housing and Urban Development 223(f) loan program in the amount of \$2,350,000 (the “PNC Loan”) funded by PNC Bank N.A. Repayment of the PNC Loan is secured by a first deed of trust on the real property of the project. The PNC Loan bears interest at a rate of 3.94% per annum, together with an annual mortgage insurance premium of 0.45%. The PNC Loan has a term of 35 years and matures in March 2049. Under the terms of the loan agreement, the partnership is obligated to make monthly principal and interest payments of \$10,321. As of December 31, 2019 and 2018, the outstanding principal was \$2,151,893 and \$2,190,137, respectively, and accrued interest was \$7,065 and \$7,191, respectively. Interest expense for years ended December 31, 2019 and 2018 was \$85,480 and \$86,960, respectively.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

11. Notes payable: housing activities (continued)

Note payable - Goodwill Housing of the Inland Counties, Inc.

On April 1, 2014, Arrowhead Vista entered into a promissory note with Goodwill Housing of the Inland Counties, Inc. in the amount of \$200,000 (the "GHIC Loan") for the acquisition and rehabilitation of the project. The GHIC Loan is unsecured and bears simple interest at a rate of 4.05% per annum. The GHIC Loan has a term of 35 years and matures on April 1, 2049. Payment of interest is due annually or semi-annually commencing April 1, 2015, only to the extent of available cash flow in accordance with the Partnership Agreement. As of December 31, 2019 and 2018, the outstanding principal was \$200,000, and accrued interest was \$38,475 and \$30,375, respectively. Interest expense for years ended December 31, 2019 and 2018 was \$8,100 for each year.

Note payable – Los Angeles Housing and Community Investment Department

On October 2, 2015, the Florence Morehouse acquired Florence Avenue Villas through assumption of debt and executed a loan agreement with the Los Angeles Housing and Community Investment Department ("HCIDLA") to assume the outstanding principal and interest encumbering Florence Avenue Villas in the amount of \$970,796 and \$1,221,014, respectively (the "HCIDLA Loan"). The HCIDLA Loan is secured by a deed of trust, and bears simple interest at a rate of 6% per annum with annual payments of accrued interest and principal in an amount equal to the Florence Avenue Villas' residual receipts, as defined in the loan agreement. During 2015, Florence Morehouse discounted the outstanding principal and accrued interest assumed at acquisition to its present value as of the acquisition date. On June 1, 2017, the HCIDLA Loan was modified and restated. In concurrence with the loan restatement, the discounts on principal and interest were written off as interest expense. As of December 31, 2019 and 2018, the outstanding principal of the HCIDLA Loan was \$2,287,080, and accrued interest was \$166,069 and \$98,472, respectively. Interest expense for the years ended December 31, 2019 and 2018 was \$67,597 and \$49,596, respectively.

On June 1, 2017, Florence Morehouse executed new loan agreements with HCIDLA in the total amount of \$4,046,838. The loans are comprised of the restated HCIDLA Loan in the amount of \$2,287,080 and new funds under HCIDLA's Neighborhood Stabilization Program in the amount of \$1,759,758 (the "NSP Loan"). The HCIDLA Loan bears interest at 2.75% per annum, compounding annually. The NSP Loan bears 3% simple interest. The HCIDLA Loan and NSP Loan are secured by a deed of trust, assignment of leases and rents, and security agreement and fixture filing. Annual payments of accrued interest and principal will be in an amount equal to Florence Morehouse's residual receipts, as defined in the loan agreements. The HCIDLA Loan and NSP Loan have a term of 55 years with all unpaid principal and accrued interest due on June 1, 2072. As of December 31, 2019 and 2018, the principal balance of the NSP loan was \$1,659,758, and accrued interest was \$97,550 and \$46,794, respectively. Interest expense for the years ended December 31, 2019 and 2018 was \$50,756 and \$46,565, of which \$26,424 and \$12,373 was capitalized to fixed assets, respectively.

City of Long Beach

On November 9, 2015, Anchor Place obtained financing for the construction of its project from loan proceeds funded by the City of Long Beach in an amount of \$4,000,000 ("Anchor City loan"). Repayment of the Anchor City loan is secured by a deed of trust, and matures 55 years after project completion. The Anchor City loan bears simple interest rate at a rate of 1% per annum and requires annual payments of accrued interest and outstanding principal from residual receipts, as defined in the promissory note. As of December 31, 2019 and 2018, the outstanding principal was \$4,000,000, and accrued interest was \$149,678 and \$109,678, respectively. Interest expense for the years ended December 31, 2019 and 2018 was \$40,000 and \$39,137, respectively.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

11. Notes payable: housing activities (continued)

City of Long Beach (continued)

On September 16, 2016, CADI obtained financing for the acquisition of Beachwood Apartments from loan proceeds funded by the City of Long Beach in an amount of \$2,100,000 (“Beachwood City loan”). Repayment of the Beachwood City loan is secured by a deed of trust, and matures on September 16, 2071. The Beachwood City loan bears simple interest rate at a rate of 3% per annum and requires annual payments of accrued interest and outstanding principal from residual receipts, as defined in the promissory note. On July 20, 2017, CADI assigned all of its right, title and interest and its obligations and liabilities under the documents evidencing the Beachwood City loan to Century Beachwood. On December 1, 2017, Century Beachwood assigned all of its right, title and interest and its obligations and liabilities under the documents evidencing the Beachwood City loan to Century Beachwood 2. As of December 31, 2019 and 2018, the outstanding principal was \$2,100,000, and accrued interest was \$199,011 and \$136,011, respectively. Interest expense for the years ended December 31, 2019 and 2018 was \$63,000 for each year.

Note payable – MUFG Union Bank, N.A.

On December 1, 2017, Century Beachwood 2 obtained financing for the acquisition and rehabilitation of its project from California Municipal Finance Authority in the amount of \$13,335,274, funded by MUFG Union Bank, N.A (“Union Bank loan”). The Union Bank loan is secured by a deed of trust, and bears interest at a rate equal to 65% of the LIBOR rate plus 1.75% during the construction phase. Any unpaid principal and accrued interest is due in full at maturity on February 1, 2036. As of December 31, 2019 and 2018, the outstanding principal was \$8,046,863 and \$13,335,274, respectively, and accrued interest was \$29,934 and \$37,606, respectively. Interest expense for the years ended December 31, 2019 and 2018 was \$364,120 and \$410,665, of which \$0 and \$96,609 was capitalized to fixed assets, respectively.

Note payable – U.S. Bank, N.A.

On December 26, 2017, Casa Rita obtained financing for the acquisition and rehabilitation of its project from the proceeds of tax-exempt Multifamily Housing Revenue Bonds, Series 2017A issued by California Municipal Finance Authority (the “Issuer”) in the amount of \$11,900,000, funded by Wells Fargo (the “Casa Rita Bonds”). Concurrent with the issuance of the Casa Rita Bonds, the Issuer entered into a Trust Indenture with U.S. Bank N.A (the “US Bank”). Proceeds for the Casa Rita Bonds were loaned by the Issuer to Casa Rita under conditions stipulated in the loan agreement and the Trust Indenture. The Casa Rita Bonds bears interest at a rate of 4.19% per annum and any unpaid principal and accrued interest is due in full at maturity on February 1, 2033. As of December 31, 2019 and 2018, the outstanding principal was \$11,095,206 and \$11,173,000 respectively, and accrued interest was \$40,032 and \$40,313, respectively. Interest expense for the years ended December 31, 2019 and 2018 was \$473,555 and \$436,159, of which \$0 and \$417,433 was capitalized to fixed assets, respectively.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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12. Notes payable and lines of credit: lending activities – Century Housing Corporation

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, 2019 and 2018, Century has investments under the custody of City National Bank in the amount of \$59,191,044 and \$49,102,609, respectively. On March 24, 2020, Century signed a Eighth Amendment to Credit Agreement, extending the maturity date to April 1, 2021. The line of credit has two interest rate options: LIBOR plus 1.20% per annum, or the greater of Prime Rate minus 1.05% 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, 2019 and 2018, the outstanding principal was \$0, and accrued interest was \$0 and \$1,088, respectively. Interest incurred during 2019 and 2018 was \$61,396 and \$75,945, respectively.

Note payable – Calvert Social Investment Foundation

On March 31, 2010, Century entered into a promissory note with Calvert Social Investment Foundation 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 was due and payable at maturity on September 30, 2014. On December 15, 2014, the Calvert Loan was renewed and the loan amount was increased by an additional \$2,000,000. The renewed Calvert Loan is unsecured and bears simple interest at a rate of 4% per annum. Interest payments shall be made quarterly in arrears on each March 30, June 30, September 30, and December 30. All unpaid principal and interest shall be due and payable at maturity on December 30, 2019. As of December 31, 2018, the outstanding principal was \$5,000,000. On December 12, 2019, the loan was paid off. Interest incurred during 2019 and 2018 was \$192,778 and \$202,778, respectively.

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. Between 2013 and 2018, Charles Schwab Bank (“Charles Schwab”), HSBC Bank USA, N.A. (“HSBC”), Wells Fargo, Compass Bank (“Compass”), and U.S. Bank (“US Bank”) joined the Chase Revolving Credit facility as co-lenders and the maximum commitment amount was increased to \$145,000,000. 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. The facility has a maturity date of July 31, 2019, and any outstanding balances unpaid as of that date shall be converted to a two year term loan. As of December 31, 2018, the outstanding principal \$118,770,059, and accrued interest was \$534,671. On July 30, 2019, any outstanding balance was paid off and the line of credit was terminated. Interest incurred during 2019 and 2018 was \$2,449,673 and \$5,360,060, respectively.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

12. Notes payable and lines of credit: lending activities – Century Housing Corporation (continued)

Line of credit - Federal Home Loan Bank of San Francisco

On May 27, 2011, Century entered into an Advances and Security Agreement with 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. On May 5, 2015, the maximum commitment amount was increased to \$50,000,000. During 2019 and 2018, advances bore interest ranging from 2.02% to 3.81% and had maturity dates ranging from January 10, 2020 to October 10, 2036, respectively. As of December 31, 2019 and 2018, advances secured by U.S. Treasury Inflation-Protected Securities purchased by Century were \$27,645,925 and \$27,556,564, respectively. As of December 31, 2019 and 2018, there is also a settlement transaction account in the amount of \$283,113 and \$209,345, respectively, and capital stock in the amount \$1,032,800. As of December 31, 2019 and 2018, the outstanding principal was \$38,249,500, and accrued interest was \$3,255 and \$3,265, respectively. Interest incurred during 2019 and 2018 was \$1,202,339 and \$731,031, respectively.

Note Payable – Los Angeles County Housing Innovation Fund II

On May 29, 2014, Century entered into a loan agreement with the Community Development Commission of the County of Los Angeles in the amount of \$19,563,577 funded by the Los Angeles County Housing Innovation Fund II (the “LACHIF Loan II”). Under the terms of the loan agreement, Century may request advances to fund loans made by the Century in accordance with its lending policy. The advances are unsecured and mature on May 29, 2022. On September 9, 2019, the LACHIF Loan II was amended and restated to restructure certain elements of the program and extending the maturity date to September 9, 2027. The LACHIF Loan II bears simple interest at a rate of 2% per annum. As of December 31, 2019 and 2018, the outstanding principal was \$5,736,733 and \$2,193,872, respectively, and accrued interest was \$44,660 and \$21,045, respectively. Interest incurred during 2019 and 2018 was \$158,100 and \$33,192, respectively.

Note payable – Wells Fargo Community Investment Holdings

On June 24, 2014, Century executed a subordinated Equity Equivalent Investments Agreement with Wells Fargo Community Investment Holdings in the amount of \$1,000,000 (the “EQ2 Loan”). The EQ2 Loan bears simple interest at a rate equal to 2% per annum and is calculated on a 360-day basis. Interest payments in the amount of \$5,000 shall be payable quarterly in arrears on the first day of the month after the end of each quarter. All unpaid principal and interest shall be due and payable at maturity on June 30, 2024. As of December 31, 2019 and 2018, the outstanding principal was \$1,000,000, and accrued interest was \$5,000. Interest incurred during 2019 and 2018 was \$20,000 for each year.

COIN CDFI Tax Credit Loan

During 2015, Century, a qualified Community Development Financial Institution (a “CDFI”), executed a deposit and funding agreement with JPMorgan Chase Bank, N.A., and a COIN investment agreement with Pacific Western Bank in the amount of \$5,000,000 and \$2,000,000, respectively (the “COIN Loans”), which qualifies each lender for CDFI tax credits administered by the California Organized Investment Network (“COIN”), a division of the California Department of Insurance. The COIN Loans do not bear interest, and mature on September 23, 2020 and September 14, 2020, respectively. As of December 31, 2019 and 2018, the outstanding principal was \$7,000,000.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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12. Notes payable and lines of credit: lending activities – Century Housing Corporation (continued)

Line of credit – East West Bank

On August 11, 2015, Century entered into a Revolving Credit Note with East West Bank in the amount of \$10,000,000. Century has a 24 month draw down period ending on November 11, 2019, and any outstanding principal as of that date shall be converted to a 24 month fully amortized term loan. On September 27, 2017, the line of credit was increased to \$20,000,000, and the maturity date was extended to November 11, 2021. On October 19, 2018, the line of credit was increased to \$25,000,000. The advances drawn bear interest at an adjustable rate at 1-month LIBOR plus 2.50%, and is calculated on a 360-day basis. As of December 31, 2018, the outstanding principal was \$20,000,000, and accrued interest was \$57,169. On August 5, 2019, any outstanding balance was paid off and the line of credit was terminated. Interest incurred during 2019 and 2018 was \$225,774 and \$651,398, respectively.

Line of credit – Manufacturer’s Bank

On November 2, 2015, Century entered into a Revolving Credit Note with Manufacturers Bank in the amount of \$5,000,000. On October 18, 2017, the line of credit was renewed and extended. Century has a 24 month draw down period ending on August 31, 2019, and any outstanding principal as of that date shall be converted to a 24 month fully amortized term loan. The advances drawn bear interest at an adjustable rate at 1-month LIBOR plus 2.50%, and is calculated on a 360-day basis. All unpaid principal and interest shall be due and payable at maturity on July 31, 2021. As of December 31, 2018, the outstanding principal \$5,000,000, and accrued interest was \$21,776. On February 7, 2019, any outstanding balance was paid off and the line of credit was terminated. Interest incurred during 2019 and 2018 was \$27,939 and \$228,795, respectively.

Note payable – U.S. Bank N.A.

On September 20, 2018, Century entered into a promissory note with U.S. Bank N.A. (“US Bank”) in the amount of \$4,500,000 (the “US Bank Loan”). The US Bank Loan bears simple interest at a rate equal to 4.48% per annum and is calculated on a 360-day basis. Accrued interest only shall be payable in arrears monthly, and all unpaid principal and interest shall be due and payable at maturity on September 20, 2020. As of December 31, 2019 and 2018, the outstanding principal was \$4,500,000. Interest incurred during 2019 and 2018 was \$204,400 and \$83,408, respectively.

Line of credit – U.S. Bank N.A.

On July 30, 2019, Century entered into a Revolving Credit Note of \$125,000,000 with various financial institutions, with US Bank as the Administrative Agent. US Bank, Chase, Wells Fargo, Compass, Charles Schwab, HSBC and City National Bank agreed to provide a line of credit to Century in an amount up to a maximum of \$30,000,000, \$25,000,000, \$17,000,000, \$17,000,000, \$17,000,000, \$11,500,000, and \$7,500,000, respectively. Advances from the line of credit bear interest per annum at a rate equal to the highest of (i) the Prime Rate, (ii) Federal Funds Effective Rate plus 0.50%, or 1-month LIBOR plus 1.8%, and is calculated on a basis of a 360-day year. The line of credit expires on July 31, 2021 and any outstanding principal as of that date shall be converted to a 2 year term loan. As of December 31, 2019, the outstanding principal was \$91,243,442, and accrued interest was \$309,500. Interest incurred during 2019 was \$1,596,613.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

12. Notes payable and lines of credit: lending activities – Century Housing Corporation (continued)

Line of credit – Woodforest National Bank

On October 1, 2018, Century entered into a Revolving Credit Note with Woodforest National Bank in the amount of \$10,000,000. The line of credit has two interest rate options: LIBOR plus 2.5% per annum, or Base Rate plus 0.25% per annum, as defined in the note agreement. There is also a quarterly unused facility fee equal to 0.25% of the difference between the credit limit and the average daily aggregate credit outstanding. The line of credit expires on October 1, 2020, and any outstanding principal as of that date shall be converted to a 24 month fully amortized term loan. All unpaid principal and interest shall be due and payable at maturity on October 1, 2022. As of December 31, 2018, the outstanding principal \$0, and accrued interest was \$0. This line was paid in full and terminated at the borrower's option in March 2019. No interest was incurred during 2019 and 2018.

Notes payable and lines of credit for housing and lending consists of the following as of December 31,

	<u>2019</u>	<u>2018</u>
Principal balance	\$ 280,986,698	\$ 323,014,393
Less: unamortized debt issuance costs	<u>(1,654,686)</u>	<u>(1,664,689)</u>
Notes payable and lines of credit, net of unamortized debt issuance costs	<u>\$ 279,332,012</u>	<u>\$ 321,349,704</u>

Debt issuance costs are being amortized to interest expense over the term of the loan. For 2019 and 2018, the effective interest rate for the Tax-Exempt Bonds was 6.48% and 6.34%, respectively. For 2019 and 2018, the effective interest rate for MHSA Loans was 3.05%. For 2019 and 2018, the effective interest rate for Cabrillo CCRC Loan was 6.19% and 6.16%, respectively. For 2019 and 2018, the effective interest rate for Anchor CCRC Loan was 5.40% and 5.28%, respectively. For 2019 and 2018, the effective interest rate for Anchor City Loan was 1.01%. For 2019 and 2018, the effective interest rate for PNC Loan was 4.18%. For 2019 and 2018, the effective interest rate for HCIDLA Loan and NSP Loan was 2.61% and 3.32%, respectively. During 2019 and 2018, amortization expense for debt issuance costs was \$76,647 and \$18,585, respectively.

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

Year ending December 31:	
2020	\$ 84,738,434
2021	91,885,779
2022	677,249
2023	2,177,902
2024	1,750,536
Thereafter	<u>99,756,798</u>
Total	<u>\$ 280,986,698</u>

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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13. Bonds payable: lending activities – Century Housing Corporation

During 2019, the Corporation issued Century Housing Impact Investment Bonds, Taxable Series 2019 (the “Bonds”) in the principal amount of \$100,000,000 pursuant to the terms of an Indenture of Trust, dated as of January 1, 2019, with The Bank of New York Mellon Trust Company, N.A. as trustee. The Bonds are a general obligation of Century payable from all legally available revenues and assets of Century. The Bonds are not secured by a reserve fund, mortgage lien or security interest on or in any funds or other revenues or assets of Century. The proceeds of the bonds were used to refinance existing obligations and finance loans related to the development of multi-family affordable housing. The Bonds were issued in tranches, wherein \$50,000,000, \$40,000,000, and \$10,000,000, bear interest rates of 3.824%, 3.995% and 4.148%, respectively, and have a maturity date of November 1, 2020, November 1, 2021, and November 1, 2023, respectively. As of December 31, 2019, accrued interest is \$654,133. Interest incurred during 2019 was \$3,532,320.

Bonds payable consist of the following as of December 31,

	<u>2019</u>
Principal balance	\$ 100,000,000
Less: unamortized debt issuance costs	<u>(599,965)</u>
Bonds payable, net of unamortized debt issuance costs	<u>\$ 99,400,035</u>

Debt issuance costs are being amortized to interest expense over the term of the bonds. For 2019, the effective interest rate was 4.21%. During 2019, amortization expense for debt issuance costs was \$358,675.

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 statements of activities. As of December 31, 2019 and 2018, the total principal balance of the loans was \$433,334 and \$633,334, respectively, net of accumulated amortization of \$1,566,666 and \$1,366,666, respectively. No interest has been accrued on these loans. During 2019 and 2018, CVC recognized debt forgiveness income of \$200,000 for each year.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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, 2019 and 2018, the total principal balance of the loans was \$0 and \$127,237, respectively, net of accumulated amortization of \$1,564,000 and \$1,436,763, respectively. No interest has been accrued on these loans. During 2019 and 2018, CVC recognized debt forgiveness income of \$127,237 and \$205,429, respectively.

15. Century Villages at Cabrillo, Inc.

CVC is a place-based supportive housing affiliate of Century, and presently represents the centerpiece for Century’s housing development division. As 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. CVC was formed on July 31, 1996 for the purpose of rehabilitating and developing a master 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 more than 1,500 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 more than thirty established service providers, educational institutions 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, a VA medical clinic, a federally qualified health center (“FQHC”) run by The Children’s Clinic among others. This collaboration of organizations combines to serve over 2,000 unique individuals at CVC each year.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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 460,000 square feet of housing and supportive service space on its campus. With remaining development and redevelopment opportunities, CVC is actively planning for the continued build out of its campus in the years to come in support of its overall mission. During 2017, CVC completed construction of Anchor Place, the 5th distinct phase of campus development, which has added 120 permanent supportive homes to the campus. During 2017, CVC also launched its Pathways to Health program which aspires to increase the health and wellness of residents through a variety of programs and activities. In 2015, CVC completed construction on the LEED Platinum Cabrillo Gateway project, the 4th distinct phase of campus development, which added 80 permanent supportive homes to the campus. In late 2014, CVC completed construction of its new \$1.0 million maintenance headquarters, home to the approximately 17 professionals that maintain the community. The maintenance facility also houses a satellite office for PADNET TV in conjunction with Long Beach Community Action Partnership. This allows those in the community with access to state of the art digital video equipment and an editing bay to create visual media for use on public access television.

Also 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 (“Urban Forest”) with funding from the Port of Long Beach (“POLB”) and private donors. This Urban Forest was supplemented in 2014 with additional trees, a walking path and fitness equipment thanks to funding from the POLB and Neighborhood Works Urban Lift program in partnership with Wells Fargo. The Urban Forest creates new amenity space for the Villages at Cabrillo while improving ambient air quality and reducing greenhouse gas emissions.

In 2011, CVC assumed ownership of the Oasis Community Center (“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 Center. In 2015, the Center’s footprint and headcount grew as it began operating as the service provider of record for residents of Cabrillo Gateway through its Oasis @ Gateway operation. In 2017, the Center’s footprint expanded again with the expansion of residential services at Anchor Place. In addition, in 2017 CVC became an authorized contract service provider with the County of Los Angeles’ Housing for Health program which will now fund intensive case management services at both Cabrillo Gateway and Anchor Place.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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15. Century Villages at Cabrillo, Inc. (continued)

To effectuate the development of housing on its campus, CVC has entered into long-term ground leases with five limited partnerships of which CVC is the general partner. The limited partnerships, Savannah, Casa, Family Commons, Cabrillo Gateway, and Anchor Place, 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, 0.01% of Cabrillo Gateway, and 0.01% of Anchor Place. 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 and \$34,410,134 to Cabrillo Gateway and Anchor Place, respectively, as an investor limited partner in exchange for the benefits of future low-income housing tax credits, upon satisfaction of certain conditions set forth in the partnership agreements. As of December 31, 2019 and 2018, WFAHCDC has invested \$26,003,510 of equity into the Cabrillo Gateway project. As of December 31, 2019 and 2018, WFAHCDC has invested \$33,910,134 of equity into the Anchor Place 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, Family Commons was certified for occupancy on November 26, 2008, Cabrillo Gateway was certified for occupancy on July 6, 2015, and Anchor Place was certified for occupancy on September 28, 2017.

CVPM 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 credits

CVC Phase IV, LLC is the general partner of one low-income housing tax credit partnership (Cabrillo Gateway), which provides affordable housing in Long Beach, California. CVC Phase V, LLC is the general partner of one low-income housing tax credit partnership (Anchor Place), which provides affordable housing in Long Beach, California. CADI VI, LLC is the general partner of one low-income housing tax credit partnership (Arrowhead Vista), which provides affordable housing in San Bernadino, California. CADI VII, LLC is the general partner of one low-income housing tax credit partnership (Florence Morehouse), which provides affordable housing in Los Angeles, California. CADI VIII, LLC is the general partner of one low-income housing tax credit partnership (Beacon Place), which provides affordable housing in Long Beach, California. CADI X, LLC is the general partner of one low-income housing tax credit partnership (Century Beachwood 2), which provides affordable housing in Long Beach, California. CADI Eleven, LLC is the general partner of one low-income housing tax credit partnership (Casa Rita), which provides affordable housing in Huntington Park, California.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

16. Commitments and contingencies (continued)

Guaranty of tax credits (continued)

CADI IX, LLC is the general partner of one low-income housing tax credit partnership (Beacon Pointe), 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:	Cabrillo Gateway, L.P.
Investor limited partner:	Wells Fargo Affordable Housing Community Development Corporation
Guaranty balance:	\$13,001,755

Partnership:	Anchor Place, L.P.
Investor limited partner:	Wells Fargo Affordable Housing Community Development Corporation
Guaranty balance:	\$26,284,932

Partnership:	Century Arrowhead Vista, L.P.
Investor limited partner:	Wells Fargo Affordable Housing Community Development Corporation
Guaranty balance:	\$1,372,346

Partnership:	Beacon Place, L.P.
Investor limited partner:	Wells Fargo Affordable Housing Community Development Corporation
Guaranty balance:	\$1,617,800

Partnership:	Beacon Pointe, L.P.
Investor limited partner:	Wells Fargo Community Investment Holdings, LLC Corporation
Guaranty balance:	\$3,985,972

Partnership:	Century Beachwood Apartments 2, L.P.
Investor limited partner:	Wells Fargo Affordable Housing Community Development Corporation
Guaranty balance:	\$4,883,054

Partnership:	Florence Morehouse, L.P.
Investor limited partner:	Wells Fargo Affordable Housing Community Development Corporation
Guaranty balance:	\$183,260

Partnership:	Casa Rita, L.P.
Investor limited partner:	Wells Fargo Affordable Housing Community Development Corporation
Guaranty balance:	\$6,999,931

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

Century has entered into a guaranty with Wells Fargo Bank, N.A. to guarantee the debt of principal and interest on the bonds of a third party limited partnership. The assets owned by the limited partnership 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 payments, 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.

The following is a summary of outstanding guarantees that Century has entered into as of December 31, 2019:

<u>Description</u>	<u>Amount</u>	<u>Borrower</u>
California Statewide Communities Development Authority Multifamily Housing Revenue Bonds (River Run Senior Apartment Project) Series 2003	\$ 1,000,000	Steadfast River Run, L.P.

Order of Dismissal

On May 8, 2018, the Honorable United States District Judge Virginia A. Phillips entered on order dismissing, with prejudice, Century from the *Keith v. Volpe* litigation, Case No. CV 72-355-HP in the United States District Court for the Central District of California and terminating the Consent Decree approved by the Court's order dated July 31, 1995, as amended by further orders of the Court. The court determined that Century had conducted itself in accordance with the requirements of the 1995 Consent Decree, as amended, from the time of its incorporation until the entry of the dismissal.

Legal proceedings

The Corporation is 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.

17. Deferred income

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 2019 and 2018, \$11,904 and \$71,429, respectively, has been recognized as grant income. As of December 31, 2019 and 2018, the total deferred income was \$0 and \$11,904, respectively.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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17. Deferred income (continued)

Deferred development fee (“DDF”) income

Deferred development fee income was \$1,426,742 and \$1,139,688, net of accumulated amortization of \$32,542 and \$10,625, respectively, related to the 10% profit portion of development fees as of December 31, 2019 and 2018, respectively. During the years ended December 31, 2019 and 2018, amortization of development fees capitalized as real property totaled \$21,917 and \$6,250, respectively. The deferred income is amortized using the straight-line method over the estimated useful life of the underlying asset.

	DDF Income 12/31/18	Developer fee income	Eliminated against salaries expense	Amortization of DDF income	DDF Income 12/31/19
Cabrillo Gateway	\$ 45,625	\$ -	\$ -	\$ (1,250)	\$ 44,375
Anchor Place	193,750	-	-	(5,000)	188,750
Century Beachwood 2	213,347	-	-	(5,334)	208,013
Florence Morehouse	115,296	1,961,713	(1,765,542)	-	311,467
Beacon Pointe	118,334	528,000	(475,200)	-	171,134
Beacon Place	140,000	600,000	(540,000)	(2,500)	197,500
Casa Rita	313,336	-	-	(7,833)	305,503
Total	\$ 1,139,688	\$ 3,089,713	\$ (2,780,742)	\$ (21,917)	\$ 1,426,742

	DDF Income 12/31/17	Developer fee income	Eliminated against salaries expense	Amortization of DDF income	DDF Income 12/31/18
Cabrillo Gateway	\$ 46,875	\$ -	\$ -	\$ (1,250)	\$ 45,625
Anchor Place	198,750	-	-	(5,000)	193,750
Century Beachwood 2	65,397	1,479,500	(1,331,550)	-	213,347
Florence Morehouse	84,000	312,962	(281,666)	-	115,296
Beacon Pointe	58,334	600,000	(540,000)	-	118,334
Beacon Place	80,000	600,000	(540,000)	-	140,000
Casa Rita	-	3,133,364	(2,820,028)	-	313,336
Total	\$ 533,356	\$ 6,125,826	\$ (5,513,244)	\$ (6,250)	\$ 1,139,688

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

18. Net assets with donor restriction – Century Housing Corporation

Net assets with donor restriction at December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
CDFI Funds	\$ 1,386,500	\$ 2,686,500
Capital Magnet Funds	<u>14,000,000</u>	<u>6,500,000</u>
Total	<u>\$ 15,386,500</u>	<u>\$ 9,186,500</u>

During 2019 and 2018, the Corporation was awarded \$700,000 and \$686,500, respectively, of CDFI Funds and must be committed for use by December 2021 and December 2020, respectively, in a manner prescribed in the grant agreement. The CDFI Funds must be used to finance loans, equity investments, and similar financing activities, including the purchase of loans and the provision of loan guarantees, which service low-income families. The Corporation loans these funds on a short term basis generally for periods not to exceed 12 months. During 2019 and 2018, the Corporation disbursed \$936,500 and \$2,336,788, respectively, of the CDFI Funds to eligible recipients.

During 2019 and 2018, the Corporation was awarded \$7,500,000 and \$6,500,000, respectively, 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 2 years after Effective Date, as defined in the grant agreements, and the projects receiving the funds must be placed in service by the Completion Date, as defined in the grant agreements. The Corporation loans these funds on a short term basis generally for periods not to exceed 12 months. As of December 31, 2019 and 2018, the Corporation disbursed Capital Magnet funds of \$8,000,000 and \$1,620,000, respectively, to eligible recipients. The entire award will remain as net assets with donor restriction until after the Completion Date, after which the funds will become net assets without donor restriction to the Corporation. If the Corporation meets certain benchmarks as described in the agreement prior to the Completion Date, the funds will become net assets without donor restriction to the Corporation.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

19. Reconciliation of net assets without donor restriction

Following is a reconciliation of the beginning and ending balances of net assets without donor restriction attributable to the Corporation and to the non-controlling interest:

	<u>Total</u>	<u>Controlling Interest</u>	<u>Non-controlling Interest</u>
Net assets without donor restriction, January 1, 2018	\$ 240,667,855	197,651,254	43,016,601
Contributions	29,375,640	-	29,375,640
Distributions	(12,221)	-	(12,221)
Syndication costs	(167,069)	-	(167,069)
Change in net assets from continuing operations	<u>1,809,961</u>	<u>6,536,406</u>	<u>(4,726,445)</u>
Net assets without donor restriction, December 31, 2018	271,674,166	204,187,660	67,486,506
Contributions	17,122,573	-	17,122,573
Distributions	(12,423)	-	(12,423)
Syndication costs	(65,074)	-	(65,074)
Change in net assets from continuing operations	<u>11,849,926</u>	<u>19,823,493</u>	<u>(7,973,567)</u>
Net assets without donor restriction, December 31, 2019	<u>\$ 300,569,168</u>	<u>\$ 224,011,153</u>	<u>\$ 76,558,015</u>

20. Liquidity and availability of financial assets

As of December 31, 2019 and 2018, the Corporation has \$210,483,489 and \$220,475,996, respectively, of financial assets available for general expenditure within one year of the statement of financial position date. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. In addition to operating the Corporation in a manner to ensure compliance with the approved budget, the Corporation has various other sources of liquidity.

SUPPLEMENTARY INFORMATION

CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019

	Century and wholly controlled affiliates before	Operating	Operating	Eliminations	Consolidated
	Operating	Partnerships	Partnerships		Total
ASSETS	Partnerships	Partnerships	Partnerships	Eliminations	Total
Cash and cash equivalents	\$ 15,343,534	\$ 1,333,823	\$ -	\$ -	\$ 16,677,357
Restricted cash	16,295,617	10,532,013	(2,948,554)		23,879,076
Accounts receivable, net	3,554,407	339,842	(3,384,465)		509,784
Investments	110,272,577	-	(442,207)		109,830,370
Interest receivable	4,988,437	-	(3,096,352)		1,892,085
Notes receivable, net	301,187,386	-	(16,667,408)		284,519,978
Deferred charges, net	-	431,379	-		431,379
Prepaid expenses and other assets	262,265	285,087	-		547,352
Real estate held for investment, net	30,765,768	251,632,560	(5,908,230)		276,490,098
Furniture, fixtures and equipment, net	760,298	3,496,571	(123,093)		4,133,776
	<u>483,430,289</u>	<u>268,051,275</u>	<u>(32,570,309)</u>	<u></u>	<u>718,911,255</u>
Total assets	\$	\$	\$	\$	\$
LIABILITIES AND NET ASSETS					
Accounts payable and accrued liabilities	\$ 3,606,084	\$ 12,434,045	\$ (3,384,465)	\$ -	\$ 12,655,664
Accrued interest	759,618	5,518,790	(3,096,352)		3,182,056
Security deposits	111,930	1,063,774	-		1,175,704
Deferred income	1,717,126	25,000	-		1,742,126
Fair value of interest rate swap liability	2,561,082	716,464	-		3,277,546
Bonds payable,					
net of unamortized debt issuance costs	99,400,035	-	-		99,400,035
Notes payable and lines of credit,					
net of unamortized debt issuance costs	128,738,110	170,209,864	(19,615,962)		279,332,012
Other liabilities	1,757,110	-	-		1,757,110
Forgivable loans	433,334	-	-		433,334
	<u>239,084,429</u>	<u>189,967,937</u>	<u>(26,096,779)</u>	<u></u>	<u>402,955,587</u>
Net assets:					
Without donor restriction					
Controlling interest	228,959,360	1,525,323	(6,473,530)		224,011,153
Non-controlling interest	-	76,558,015	-		76,558,015
With donor restriction - controlling interest	15,386,500	-	-		15,386,500
	<u>244,345,860</u>	<u>78,083,338</u>	<u>(6,473,530)</u>	<u></u>	<u>315,955,668</u>
Total liabilities and net assets	\$	\$	\$	\$	\$
	<u>483,430,289</u>	<u>268,051,275</u>	<u>(32,570,309)</u>	<u></u>	<u>718,911,255</u>

see report of independent auditors

CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018

	Century and wholly controlled affiliates before	Operating	Operating	Eliminations	Consolidated
	Operating	Partnerships	Partnerships		Total
ASSETS	Partnerships	Partnerships	Partnerships	Eliminations	Total
Cash and cash equivalents	\$ 13,457,495	\$ 2,990,178	\$ -	\$ -	\$ 16,447,673
Restricted cash	8,840,833	7,896,826	(2,948,554)		13,789,105
Accounts receivable, net	2,977,855	173,676	(2,841,471)		310,060
Investments	99,235,338	-	(1,961,427)		97,273,911
Interest receivable	4,369,777	-	(2,867,502)		1,502,275
Notes receivable, net	258,927,480	-	(16,688,747)		242,238,733
Deferred charges, net	-	436,326	-		436,326
Prepaid expenses and other assets	130,118	303,902	-		434,020
Real estate held for investment, net	21,580,737	226,492,080	(5,670,848)		242,401,969
Furniture, fixtures and equipment, net	596,620	4,114,383	(123,093)		4,587,910
Total assets	\$ 410,116,253	\$ 242,407,371	\$ (33,101,642)	\$ -	\$ 619,421,982
LIABILITIES AND NET ASSETS					
Accounts payable and accrued liabilities	\$ 1,901,014	\$ 12,029,406	\$ (2,841,471)	\$ -	\$ 11,088,949
Accrued interest	928,032	4,033,458	(2,867,502)		2,093,988
Security deposits	63,939	934,942	-		998,881
Deferred income	1,344,026	-	-		1,344,026
Fair value of interest rate swap liability	415,943	-	-		415,943
Notes payable and lines of credit net of unamortized debt issuance costs	185,446,484	155,540,521	(19,637,301)		321,349,704
Other liabilities	509,254	-	-		509,254
Forgivable loans	760,571	-	-		760,571
Total liabilities	191,369,263	172,538,327	(25,346,274)	\$ -	338,561,316
Net assets:					
Without donor restriction					
Controlling interest	209,560,490	2,382,538	(7,755,368)		204,187,660
Non-controlling interest	-	67,486,506	-		67,486,506
With donor restriction - controlling interest	9,186,500	-	-		9,186,500
Total net assets	218,746,990	69,869,044	(7,755,368)	\$ -	280,860,666
Total liabilities and net assets	\$ 410,116,253	\$ 242,407,371	\$ (33,101,642)	\$ -	\$ 619,421,982

see report of independent auditors

CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Century and wholly controlled affiliates before			
	Operating Partnerships	Operating Partnerships	Eliminations	Consolidated Total
LENDING AND CORPORATE REVENUE				
Investment interest and dividends	\$ 2,173,521	\$ 274,688	\$ -	\$ 2,448,209
Income from notes receivable	25,704,348	-	(709,832)	24,994,516
Residual receipts and contingent asset income	698,224	-	-	698,224
Other income	72,258	-	-	72,258
Net assets released from restrictions	2,000,000	-	-	2,000,000
Total lending and corporate revenue	<u>30,648,351</u>	<u>274,688</u>	<u>(709,832)</u>	<u>30,213,207</u>
HOUSING REVENUE AND SUPPORT				
CVC, CADI and other real estate operations				
Rental property income	5,022,363	11,959,080	(1,668,787)	15,312,656
Debt forgiveness income	327,237	-	-	327,237
Other real estate income	19,150	-	-	19,150
Loss on equity investments	(737)	-	737	-
Contributions and fundraising income	607,483	-	-	607,483
Total housing revenue and support	<u>5,975,496</u>	<u>11,959,080</u>	<u>(1,668,050)</u>	<u>16,266,526</u>
Total revenue	36,623,847	12,233,768	(2,377,882)	46,479,733
LENDING AND CORPORATE EXPENSES				
Allocation for loan losses	871,858	-	-	871,858
Borrowing fees	305,252	-	-	305,252
Interest expense	10,030,007	-	-	10,030,007
Salaries and employee benefits	4,905,091	-	-	4,905,091
Professional fees	323,032	-	-	323,032
Business development expenses	399,309	-	-	399,309
General and administrative expenses	911,835	-	-	911,835
Depreciation and amortization expense	76,036	-	-	76,036
Total lending and corporate expenses	<u>17,822,420</u>	<u>-</u>	<u>-</u>	<u>17,822,420</u>
HOUSING EXPENSES				
CVC, CADI and other real estate operations				
Rental property expenses	(894)	10,065,579	(2,729,530)	7,335,155
Property depreciation and amortization	803,949	6,830,284	(11,000)	7,623,233
Interest expense	-	3,300,516	(892,468)	2,408,048
Other real estate expenses	328,177	-	-	328,177
Housing salaries and employee benefits	5,708,979	-	-	5,708,979
Total housing expenses	<u>6,840,211</u>	<u>20,196,379</u>	<u>(3,632,998)</u>	<u>23,403,592</u>
Total expenses	24,662,631	20,196,379	(3,632,998)	41,226,012

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CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENTS OF ACTIVITIES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

	Century and wholly controlled affiliates before			Consolidated
	Operating Partnerships	Operating Partnerships	Eliminations	Total
Change in net assets without donor restriction before other income and expenses	11,961,216	(7,962,611)	1,255,116	5,253,721
OTHER INCOME AND (EXPENSES)				
Realized and unrealized gain on financial investments	9,604,527	-	-	9,604,527
Unrealized loss on interest rate swap	(2,145,139)	(716,464)	-	(2,861,603)
Income tax expense	(4,000)	(11,300)	-	(15,300)
Bad debt expense	(17,734)	(113,685)	-	(131,419)
Net other income and (expenses)	<u>7,437,654</u>	<u>(841,449)</u>	<u>-</u>	<u>6,596,205</u>
Change in net assets without donor restriction from operations	19,398,870	(8,804,060)	1,255,116	11,849,926
Contributions from non-controlling interest	-	17,122,573	-	17,122,573
Distributions to non-controlling interest	-	(12,423)	-	(12,423)
Distributions to controlling interest	-	(26,722)	26,722	-
Syndication costs paid by non-controlling interest	-	(65,074)	-	(65,074)
Change in net assets without donor restriction	<u>19,398,870</u>	<u>8,214,294</u>	<u>1,281,838</u>	<u>28,895,002</u>
Net assets with donor restriction				
Contributions	8,200,000	-	-	8,200,000
Release from net assets with donor restriction	(2,000,000)	-	-	(2,000,000)
Change in net assets with donor restriction	<u>6,200,000</u>	<u>-</u>	<u>-</u>	<u>6,200,000</u>
Total change in net assets	25,598,870	8,214,294	1,281,838	35,095,002
Net assets at beginning of year	<u>218,746,990</u>	<u>69,869,044</u>	<u>(7,755,368)</u>	<u>280,860,666</u>
Net assets at end of year	<u>\$ 244,345,860</u>	<u>\$ 78,083,338</u>	<u>\$ (6,473,530)</u>	<u>\$ 315,955,668</u>

see report of independent auditors

CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Century and wholly controlled affiliates before			
	Operating Partnerships	Operating Partnerships	Eliminations	Consolidated Total
LENDING AND CORPORATE REVENUE				
Investment interest and dividends	\$ 2,082,061	\$ 7,331	\$ -	\$ 2,089,392
Income from notes receivable	20,088,592	-	(796,197)	19,292,395
Residual receipts and contingent asset income	2,149,523	-	-	2,149,523
Other income	99,585	-	-	99,585
Net assets released from restrictions	-	-	-	-
Total lending and corporate revenue	<u>24,419,761</u>	<u>7,331</u>	<u>(796,197)</u>	<u>23,630,895</u>
HOUSING REVENUE AND SUPPORT				
CVC, CADI and other real estate operations				
Rental property income	3,722,639	11,240,114	(1,546,850)	13,415,903
Debt forgiveness income	405,429	-	-	405,429
Other real estate income	17,880	-	-	17,880
Loss on equity investments	(638)	-	638	-
Contributions and fundraising income	620,255	-	-	620,255
Total housing revenue and support	<u>4,765,565</u>	<u>11,240,114</u>	<u>(1,546,212)</u>	<u>14,459,467</u>
Total revenue	29,185,326	11,247,445	(2,342,409)	38,090,362
LENDING AND CORPORATE EXPENSES				
Allocation for loan losses	1,139,304	-	-	1,139,304
Borrowing fees	113,723	-	-	113,723
Interest expense	7,386,845	-	-	7,386,845
Salaries and employee benefits	2,051,644	-	-	2,051,644
Professional fees	390,529	-	-	390,529
Business development expenses	358,342	-	-	358,342
General and administrative expenses	868,706	-	-	868,706
Depreciation and amortization expense	58,375	-	-	58,375
Total lending and corporate expenses	<u>12,367,468</u>	<u>-</u>	<u>-</u>	<u>12,367,468</u>
HOUSING EXPENSES				
CVC, CADI and other real estate operations				
Rental property expenses	-	8,572,005	(2,279,592)	6,292,413
Property depreciation and amortization	817,103	5,661,574	(11,000)	6,467,677
Interest expense	-	2,377,081	(966,150)	1,410,931
Other real estate expenses	261,031	-	-	261,031
Housing salaries and employee benefits	3,964,536	-	-	3,964,536
Total housing expenses	<u>5,042,670</u>	<u>16,610,660</u>	<u>(3,256,742)</u>	<u>18,396,588</u>
Total expenses	17,410,138	16,610,660	(3,256,742)	30,764,056

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CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENTS OF ACTIVITIES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

	Century and wholly controlled affiliates before Operating Partnerships	Operating Partnerships	Eliminations	Consolidated Total
Change in net assets without donor restriction before other income and expenses	11,775,188	(5,363,215)	914,333	7,326,306
OTHER INCOME AND (EXPENSES)				
Realized and unrealized loss on financial investments	(4,941,621)	-	-	(4,941,621)
Unrealized loss on interest rate swap	(415,943)	-	-	(415,943)
Income tax expense	(15,490)	-	-	(15,490)
Bad debt expense	(23,747)	(119,544)	-	(143,291)
Total other income and (expenses)	<u>(5,396,801)</u>	<u>(119,544)</u>	<u>-</u>	<u>(5,516,345)</u>
Change in net assets without donor restriction from operations	6,378,387	(5,482,759)	914,333	1,809,961
Contributions from non-controlling interest	-	29,375,640	-	29,375,640
Contributions from controlling interest	-	476,600	(476,600)	-
Distributions to non-controlling interest	-	(12,221)	-	(12,221)
Distributions to controlling interest	-	(26,722)	26,722	-
Syndication costs paid by non-controlling interest	-	(167,069)	-	(167,069)
Capital adjustment from intercompany real estate sale	-	(9,342,428)	9,342,428	-
Change in net assets without donor restriction	<u>6,378,387</u>	<u>14,821,041</u>	<u>9,806,883</u>	<u>31,006,311</u>
Net assets with donor restriction				
Contributions	7,186,500	-	-	7,186,500
Change in net assets with donor restriction	<u>7,186,500</u>	<u>-</u>	<u>-</u>	<u>7,186,500</u>
Total change in net assets	13,564,887	14,821,041	9,806,883	38,192,811
Net assets at beginning of year	<u>205,182,103</u>	<u>55,048,003</u>	<u>(17,562,251)</u>	<u>242,667,855</u>
Net assets at end of year	<u>\$ 218,746,990</u>	<u>\$ 69,869,044</u>	<u>\$ (7,755,368)</u>	<u>\$ 280,860,666</u>

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CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTARY INFORMATION
STATEMENTS OF FINANCIAL POSITION - CENTURY HOUSING CORPORATION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 14,575,083	\$ 11,902,284
Restricted cash	13,053,228	5,566,500
Accounts receivable, net	468,187	134,314
Accounts receivable from affiliates	-	48,340
Investments	109,830,370	97,273,911
Investments in affiliates	2,944,724	2,941,324
Interest receivable	1,892,991	1,503,181
Interest receivable from affiliates	3,184,494	2,658,520
Notes receivable, net	284,519,978	242,238,733
Notes receivable from affiliates	37,862,609	28,682,652
Prepaid expenses and other assets	132,352	72,150
Real estate held for investment, net	6,500,747	6,677,811
Furniture, fixtures and equipment, net	<u>224,171</u>	<u>172,019</u>
 Total assets	 <u>\$ 475,188,934</u>	 <u>\$ 399,871,739</u>
 LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 1,515,143	\$ 1,572,088
Accrued interest	1,053,420	673,486
Fair value of interest rate swap liability	2,561,082	415,943
Security deposits	9,674	674
Deferred income	290,384	192,434
Other liabilities	1,349,441	509,254
Bonds payable, net of unamortized debt issuance costs	99,400,035	-
Notes payable and lines of credit	<u>147,729,675</u>	<u>201,947,877</u>
Total liabilities	253,908,854	205,311,756
 Net assets:		
Net assets without donor restriction	205,893,580	185,373,483
Net assets with donor restriction	<u>15,386,500</u>	<u>9,186,500</u>
Total net assets	<u>221,280,080</u>	<u>194,559,983</u>
 Total liabilities and net assets	 <u>\$ 475,188,934</u>	 <u>\$ 399,871,739</u>

see report of independent auditors

CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTARY INFORMATION
STATEMENTS OF ACTIVITIES - CENTURY HOUSING CORPORATION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
LENDING AND CORPORATE REVENUE		
Investment interest and dividends	\$ 2,173,521	\$ 1,978,729
Income from notes receivable	26,578,884	20,615,275
Residual receipts and contingent asset income	698,224	2,149,523
Other income	80,987	88,103
Net assets released from restrictions	<u>2,000,000</u>	<u>-</u>
Total lending and corporate revenue	31,531,616	24,831,630
 HOUSING REVENUE AND SUPPORT		
Other real estate operations		
Rental property income	109,500	35,118
Contributions and fundraising income	<u>274,401</u>	<u>980,285</u>
Total housing revenue and support	<u>383,901</u>	<u>1,015,403</u>
 Total revenue	 31,915,517	 25,847,033
 LENDING EXPENSES		
Allocation for loan losses	871,858	1,139,304
Borrowing fees	305,252	102,241
Interest expense	<u>10,030,007</u>	<u>7,386,845</u>
Total lending expenses	11,207,117	8,628,390
 HOUSING EXPENSES		
Other real estate operations		
Rental property expenses	24,319	11,167
Property depreciation and amortization	<u>86,956</u>	<u>8,364</u>
Total housing expenses	<u>111,275</u>	<u>19,531</u>
 MANAGEMENT AND GENERAL EXPENSES		
Salaries and employee benefits	5,829,131	5,673,849
Professional fees	323,032	389,029
Bad debt expense	-	16,490
Business development expenses	399,309	358,342
General and administrative expenses	908,908	840,825
Depreciation and amortization expense	<u>76,036</u>	<u>58,375</u>
Total management and general expenses	<u>7,536,416</u>	<u>7,336,910</u>
 Total expenses	 <u>18,854,808</u>	 <u>15,984,831</u>

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CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTARY INFORMATION
STATEMENTS OF ACTIVITIES - CENTURY HOUSING CORPORATION - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Change in net assets without donor restriction before other income and expenses	13,060,709	9,862,202
OTHER INCOME AND (EXPENSES)		
Realized and unrealized gains (losses) on financial investments	9,604,527	(4,941,621)
Unrealized loss on interest rate swap	(2,145,139)	(415,943)
Income tax expense	-	(800)
Net other income and (expenses)	<u>7,459,388</u>	<u>(5,358,364)</u>
Change in net assets from continuing operations	20,520,097	4,503,838
Change in net assets with donor restriction		
Contributions	8,200,000	7,186,500
Release from net assets with donor restriction	(2,000,000)	-
Change in net assets with donor restriction	<u>6,200,000</u>	<u>7,186,500</u>
Change in net assets	26,720,097	11,690,338
Net assets at beginning of year	<u>194,559,983</u>	<u>182,869,645</u>
Net assets at end of year	<u>\$ 221,280,080</u>	<u>\$ 194,559,983</u>

see report of independent auditors

CENTURY HOUSING CORPORATION AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Federal Grantor/Pass-through Agent/ Program Title	Catalog of Federal Domestic Assistance Number	Agreement Number	Federal Expenditures
<u>Department of the Treasury:</u>			
Community Development Financial Institutions Program	21.020	171FA021869	\$ 686,500
Community Development Financial Institutions Program	21.020	181FA022921	250,000
Community Development Financial Institutions Program – Capital Magnet Fund	21.011	171CM022288	6,500,000
Community Development Financial Institutions Program – Capital Magnet Fund	21.011	181CM050468	<u>1,500,000</u>
Total Expenditures of Federal Awards			<u>\$ 8,936,500</u>

See report of independent auditors and accompanying notes to
Schedule of Expenditures of Federal Awards

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the expenditures of Century Housing Corporation (a California non-profit public benefit corporation) and affiliates under programs of the federal government for the year ended December 31, 2019. The information in the Schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the basic consolidated financial statements.

For purposes of the Schedule, federal awards include all sub awards to the organization by nonfederal organizations pursuant to federal grants, contracts and similar agreements.

2. Summary of significant accounting policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed. Catalogue of Federal Domestic Assistance numbers (“CFDA No.”) are provided when available.

The organization elected not to use the 10% de minimis indirect cost rate.

3. Prior year’s expenditures

The accompanying Schedule of Expenditures of Federal Awards includes \$1,956,788 in expenditures from prior year for which continuing compliance is required.

See report of independent auditors



REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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 consolidated financial statements of Century Housing Corporation, a California nonprofit public benefit corporation, and Affiliates (the "Corporation"), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 28, 2020.

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 the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Century Housing Corporation and Affiliates' 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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Novogradac & Company LLP

Walnut Creek, California
April 28, 2020

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended December 31, 2019. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of 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 Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain 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 that 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 all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

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 the Uniform Guidance, 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 Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 a 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 requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Novogradac & Company LLP

Walnut Creek, California
April 28, 2020

CENTURY HOUSING CORPORATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued:		Unqualified	
Internal control over financial reporting:			
Material weakness(es) identified?	_____	Yes	_____ x _____ No
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	Yes	_____ x _____ None reported
Noncompliance material to financial statements noted?	_____	Yes	_____ x _____ No

Federal Awards

Internal Control over major programs:			
Material weakness(es) identified?	_____	Yes	_____ x _____ No
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	Yes	_____ x _____ None reported
Type of auditor's report issued on compliance for major programs:		Unqualified	
Audit findings required to be reported in accordance with 2 CFR section 200.516(a)?	_____	Yes	_____ x _____ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.011	Community Development Financial Institutions Program – Capital Magnet Fund

Dollar threshold used to distinguish between Type A and Type B programs: _____ \$750,000 _____

Auditee qualified as low-risk auditee? _____ X _____ Yes _____ No

Section II - Financial Statement Findings

There were no findings noted.

Section III - Federal Award Findings and Questioned Costs

There were no findings noted.