

Century Housing Corporation and Affiliates

**Consolidated Financial Statements with Report of Independent Auditors
December 31, 2022 and 2021**

CENTURY HOUSING CORPORATION AND AFFILIATES

TABLE OF CONTENTS

	PAGE
Report of Independent Auditors	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5
Consolidated Statements of Functional Expenses	7
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	11
Supplementary Information	
Consolidating Statements of Financial Position	48
Consolidating Statements of Activities	50
Statements of Financial Position - Century Housing Corporation	54
Statements of Activities - Century Housing Corporation	55
Schedule of Expenditures of Federal Awards	57
Notes to Schedule of Expenditures of Federal Awards	58
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 <i>Government Auditing Standards</i>	59
Report of Independent Auditors on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	61
Schedule of Findings and Questioned Costs and Recommendations	63



Report of Independent Auditors

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Century Housing Corporation, a California nonprofit public benefit corporation, and Affiliates ("Century"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Century as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Century and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, Century adopted accounting standards changes related to accounting and disclosure for leasing arrangements. Our opinion is not modified with respect to those matters.

Responsibilities of Management for the Consolidated 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Century's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Century's ability to continue as a going concern for a reasonable period of time.

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

Report on 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, which is 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, are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the accompanying supplementary information are 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 27, 2023, on our consideration of the internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Century's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Century's internal control over financial reporting and compliance.

Novogradac & Company LLP

Walnut Creek, California
April 27, 2023

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 31,012,386	\$ 7,050,025
Cash equivalents (restricted)	31,357,190	37,218,529
Accounts receivable, net	1,154,416	928,667
Investments	112,458,038	127,353,335
Interest receivable	2,430,930	1,918,885
Prepaid expenses and other assets	1,293,097	1,653,067
Notes receivable, net	363,243,866	366,708,545
Other notes receivable	11,163,417	-
Real estate held for investment, net	415,947,090	372,771,001
Furniture, fixtures and equipment, net	5,022,947	6,961,245
Deferred charges, net	537,451	577,832
	<hr/>	<hr/>
Total assets	\$ 975,620,828	\$ 923,141,131
	<hr/>	<hr/>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 9,975,582	\$ 7,092,466
Accrued interest	6,046,705	4,645,862
Tenant security deposits	1,642,323	1,559,260
Deferred income	3,409,547	2,504,877
Fair value of interest rate swap liability	294,134	2,013,149
Bonds payable, net	223,382,473	238,979,755
Notes payable, net	251,700,205	222,702,237
Commercial paper	25,000,000	-
Other liabilities	9,527,710	6,591,340
Total liabilities	530,978,679	486,088,946
	<hr/>	<hr/>
Net assets:		
Without donor restriction		
Controlling interest	296,689,030	282,200,142
Non-controlling interest	115,235,527	111,178,656
Total net assets without donor restriction	411,924,557	393,378,798
With donor restriction - controlling interest	32,717,592	43,673,387
Total net assets	444,642,149	437,052,185
	<hr/>	<hr/>
Total liabilities and net assets	\$ 975,620,828	\$ 923,141,131
	<hr/>	<hr/>

see accompanying notes to consolidated financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Lending revenue		
Income on notes receivable	\$ 27,884,364	\$ 27,835,912
Net assets released from restrictions	700,000	686,500
Other income	26,952	241,116
Total lending revenue	<u>28,611,316</u>	<u>28,763,528</u>
Housing revenue and support		
CVC, CADI and other real estate operations		
Rental property income	25,727,440	19,333,965
Other real estate income	25,500	822,556
Debt forgiveness income	-	233,334
Grant income	946,000	586,000
Income from certificated state credits	179,574	68,386
Contributions and fundraising income	458,507	405,649
Net assets released from restrictions	13,780,795	100,000
Total housing revenue and support	<u>41,117,816</u>	<u>21,549,890</u>
Corporate revenue		
Residual receipts and contingent asset income	3,511,073	1,041,741
Corporate office building rental income	155,850	138,000
Total corporate revenue	<u>3,666,923</u>	<u>1,179,741</u>
Total revenue	<u>73,396,055</u>	<u>51,493,159</u>
Lending expenses		
Allocation for loan losses	(458,172)	(34,387)
Borrowing fees	94,897	193,545
Bond fees	1,066,426	798,559
Interest expense	7,280,573	6,180,351
Salaries and employee benefits	1,945,121	2,272,132
Direct lending expenses	167,530	79,999
Total lending expenses	<u>10,096,375</u>	<u>9,490,199</u>
Housing expenses		
CVC, CADI and other real estate operations		
Rental property expenses	12,152,889	9,251,810
Other real estate expenses	348,229	315,799
Property depreciation and amortization	12,186,024	9,943,284
Interest expense	5,030,510	3,483,607
Housing salaries and employee benefits	6,775,627	6,412,009
Loss on disposal of fixed assets	636,492	-
Other program support	312,470	129,926
Total housing expenses	<u>37,442,241</u>	<u>29,536,435</u>

see accompanying notes to consolidated financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Corporate expenses		
Salaries and employee benefits	5,055,257	3,487,253
Professional fees	434,734	269,578
Business development expenses	122,001	108,912
General and administrative expenses	972,129	901,322
Depreciation	170,149	187,494
Total corporate expenses	<u>6,754,270</u>	<u>4,954,559</u>
Total expenses	<u>54,292,886</u>	<u>43,981,193</u>
Other income and (expenses)		
Investment interest and dividends	3,302,713	2,236,173
Other program support	(258,750)	(419,899)
Income tax expense for LLCs	(28,730)	(34,905)
Total other income and (expenses)	<u>3,015,233</u>	<u>1,781,369</u>
Increase in net assets without donor restriction before realized and unrealized gains (losses) on investments	22,118,402	9,293,335
Realized and unrealized gains (losses) on investments		
Realized and unrealized (loss) gains on investments	(18,225,952)	5,472,963
Realized and unrealized gains on interest rate swaps	1,178,615	327,485
Total realized and unrealized gains (losses) on investments	<u>(17,047,337)</u>	<u>5,800,448</u>
Increase in net assets without donor restriction from operations	5,071,065	15,093,783
Contributions from non-controlling interest	13,495,259	7,318,629
Distributions to non-controlling interest	(13,065)	(18,345)
Syndication costs paid by non-controlling interest	(7,500)	(208,767)
Increase in net assets without donor restriction	<u>18,545,759</u>	<u>22,185,300</u>
Change in net assets with donor restriction		
Contributions	3,525,000	24,183,265
Net assets released from restrictions	(14,480,795)	(786,500)
Change in net assets with donor restriction	<u>(10,955,795)</u>	<u>23,396,765</u>
Increase in net assets	7,589,964	45,582,065
Net assets at beginning of year	<u>437,052,185</u>	<u>391,470,120</u>
Net assets at end of year	<u><u>\$ 444,642,149</u></u>	<u><u>\$ 437,052,185</u></u>

see accompanying notes to consolidated financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program	Administrative	Fundraising	Total
Lending expenses				
Allocation for loan losses	\$ (458,172)	\$ -	\$ -	\$ (458,172)
Borrowing fees	94,897	-	-	94,897
Bond fees	1,066,426	-	-	1,066,426
Interest expense	7,280,573	-	-	7,280,573
Salaries and employee benefits	1,945,121	-	-	1,945,121
Direct lending expenses	<u>167,530</u>	<u>-</u>	<u>-</u>	<u>167,530</u>
Total lending expenses	<u>10,096,375</u>	<u>-</u>	<u>-</u>	<u>10,096,375</u>
Housing expenses				
CVC, CADI and other real estate operations				
Rental property expenses	12,061,016	-	91,873	12,152,889
Other real estate expenses	348,229	-	-	348,229
Property depreciation and amortization	12,186,024	-	-	12,186,024
Interest expense	5,030,510	-	-	5,030,510
Housing salaries and employee benefits	4,615,526	2,160,101	-	6,775,627
Loss on disposal of fixed assets	636,492	-	-	636,492
Borrowing fees	<u>312,470</u>	<u>-</u>	<u>-</u>	<u>312,470</u>
Total housing expenses	<u>35,190,267</u>	<u>2,160,101</u>	<u>91,873</u>	<u>37,442,241</u>
Corporate expenses				
Salaries and employee benefits	-	4,985,796	69,461	5,055,257
Professional fees	434,734	-	-	434,734
Business development expenses	122,001	-	-	122,001
General and administrative expenses	-	972,129	-	972,129
Depreciation and amortization expense	<u>-</u>	<u>170,149</u>	<u>-</u>	<u>170,149</u>
Total corporate expenses	<u>556,735</u>	<u>6,128,074</u>	<u>69,461</u>	<u>6,754,270</u>
Total	45,843,377	8,288,175	161,334	54,292,886
Other expenses				
Other program support	258,750	-	-	258,750
Income tax expense for LLCs	28,730	-	-	28,730
Realized and unrealized losses on investments	<u>18,225,952</u>	<u>-</u>	<u>-</u>	<u>18,225,952</u>
Total other expenses	<u>18,513,432</u>	<u>-</u>	<u>-</u>	<u>18,513,432</u>
Total expenses	<u>\$ 64,356,809</u>	<u>\$ 8,288,175</u>	<u>\$ 161,334</u>	<u>\$ 72,806,318</u>

see accompanying notes to consolidated financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program	Administrative	Fundraising	Total
Lending expenses				
Allocation for loan losses	\$ (34,387)	\$ -	\$ -	\$ (34,387)
Borrowing fees	193,545	-	-	193,545
Bond fees	798,559	-	-	798,559
Interest expense	6,180,351	-	-	6,180,351
Salaries and employee benefits	2,272,132	-	-	2,272,132
Direct lending expenses	79,999	-	-	79,999
Total lending expenses	<u>9,490,199</u>	<u>-</u>	<u>-</u>	<u>9,490,199</u>
Housing expenses				
CVC, CADI and other real estate operations				
Rental property expenses	9,164,127	-	87,683	9,251,810
Other real estate expenses	315,799	-	-	315,799
Property depreciation and amortization	9,943,284	-	-	9,943,284
Interest expense	3,483,607	-	-	3,483,607
Housing salaries and employee benefits	4,424,257	1,987,752	-	6,412,009
Other program support	129,926	-	-	129,926
Total housing expenses	<u>27,461,000</u>	<u>1,987,752</u>	<u>87,683</u>	<u>29,536,435</u>
Corporate expenses				
Salaries and employee benefits	-	3,434,707	52,546	3,487,253
Professional fees	269,578	-	-	269,578
Business development expenses	108,912	-	-	108,912
General and administrative expenses	-	901,322	-	901,322
Depreciation	-	187,494	-	187,494
Total corporate expenses	<u>378,490</u>	<u>4,523,523</u>	<u>52,546</u>	<u>4,954,559</u>
Total	37,329,689	6,511,275	140,229	43,981,193
Other expenses				
Other program support	419,899	-	-	419,899
Income tax expense for LLCs	34,905	-	-	34,905
Loss on interest rate swap termination	2,834,050	-	-	2,834,050
Total other expenses	<u>3,288,854</u>	<u>-</u>	<u>-</u>	<u>3,288,854</u>
Total expenses	<u>\$ 40,618,543</u>	<u>\$ 6,511,275</u>	<u>\$ 140,229</u>	<u>\$ 47,270,047</u>

see accompanying notes to consolidated financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 7,589,964	\$ 45,582,065
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Contributions from non-controlling interest	(13,495,259)	(7,318,629)
Distributions to non-controlling interest	13,065	18,345
Syndication costs paid by non-controlling interest	7,500	208,767
Debt forgiveness income	-	(233,334)
Interest expense - debt issuance costs	966,215	817,942
Interest expense - bond premium amortization	(672,418)	(70,311)
Depreciation and amortization expense	12,356,173	10,130,778
Loss on disposal of fixed assets	636,492	-
Allocation for loan gains	(458,172)	(34,387)
Bad debt expense	489,486	297,671
Realized and unrealized losses (gains) on financial investments	18,225,952	(5,472,963)
Unrealized gains on interest rate swap	(1,178,615)	(3,161,535)
(Increase) decrease in assets		
Accounts receivable, net	(715,235)	(619,924)
Interest receivable	(512,045)	122,008
Prepaid expenses and other assets	359,970	(787,851)
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	(437,096)	624,358
Accrued interest	1,400,843	815,578
Security deposits	83,063	211,721
Other liabilities	2,811,994	3,564,522
Deferred income	904,670	390,943
Net cash provided by operating activities	<u>28,376,547</u>	<u>45,085,764</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment of accounts payable and accrued expenses - construction	(2,215,380)	(1,345,766)
Purchase of real estate held for investment	(47,401,595)	(81,330,909)
Purchase of furniture, fixtures and equipment	(1,109,242)	(3,767,620)
Increase in deferred charges	(19,270)	(9,706)
Advances in notes receivable	(239,934,249)	(207,593,128)
Receipts from notes receivable	243,857,100	207,511,630
Advances in other notes receivable	(11,163,417)	-
Purchase of investment securities	(8,955,210)	(2,184,214)
Proceeds from sales of investment securities	5,624,555	110,300
Net cash used in investing activities	<u>(61,316,708)</u>	<u>(88,609,413)</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable and lines of credit	\$ 48,923,816	\$ 65,029,724
Payments of notes payable and lines of credit	(19,839,559)	(123,403,391)
Proceeds from bonds payable	56,138,000	145,906,135
Payments of bonds payable	(71,927,000)	(40,000,000)
Proceeds from commercial paper	35,000,000	-
Payments of commercial paper	(10,000,000)	-
Increase in debt issuance costs	(188,368)	(2,179,210)
Payment of interest rate swap termination	(540,400)	-
Contributions from non-controlling interest	13,495,259	7,318,629
Distributions to non-controlling interest	(13,065)	(18,345)
Syndication costs paid by non-controlling interest	(7,500)	(208,767)
Net cash provided by financing activities	<u>51,041,183</u>	<u>52,444,775</u>
Net change in cash, cash equivalents and restricted cash	18,101,022	8,921,126
Cash, cash equivalents and restricted cash at beginning of year	<u>44,268,554</u>	<u>35,347,428</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$ 62,369,576</u>	<u>\$ 44,268,554</u>
Cash and cash equivalents	\$ 31,012,386	\$ 7,050,025
Restricted cash	31,357,190	37,218,529
Total cash, cash equivalents and restricted cash	<u>\$ 62,369,576</u>	<u>\$ 44,268,554</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 11,683,403</u>	<u>\$ 9,098,527</u>
Cash paid for income taxes	<u>\$ 28,730</u>	<u>\$ 34,905</u>
Interest capitalized to fixed assets	<u>\$ 303,260</u>	<u>\$ 203,903</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Increase in real estate assets held for investment, net, accounts payable and accrued liabilities, accrued interest, and other liabilities	<u>\$ 6,273,349</u>	<u>\$ 2,215,380</u>
Increase in real estate assets held for investment from assumed notes payable	<u>\$ -</u>	<u>\$ 12,525,000</u>
Reclassification of debt issuance costs from real estate assets held for investment	<u>\$ -</u>	<u>\$ 374,316</u>

see accompanying notes to consolidated financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

1. Organization

Century Housing Corporation (“Century Housing”) is a California nonprofit public benefit corporation exempt from state and federal income taxation. Century Housing 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 and a Consent Decree entered in settlement of Keith v. Volpe (U.S. District Court, 72-355 HP). Century Housing and its predecessor have developed and/or financed more than 50,655 affordable housing units throughout the State of California.

Century Housing and its controlled affiliates provide certain business activities and service programs to communities within the State of California. The following are the significant activities:

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

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

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 Housing and its controlled affiliates (collectively, “Century”):

Century Villages at Cabrillo, Inc. and affiliates
 Century Affordable Development, Inc. and affiliates
 Century California Fund, LLC,
 Century Metropolitan Fund, LLC and
 Century Long Term Value Fund, LLC and affiliates

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

Century Long Term Value Fund, LLC and affiliates

Century Long Term Value Fund, LLC (“CLTVF”) is the sole member of Century Ackerfield, LLC and also owns 60% of Century CityView, L.P.

Century Villages at Cabrillo, Inc. and affiliates

CVC controls the following entities, in which CVC is the controlling general partner or managing member.

CVC is the sole member in the following LLCs, who in turn hold the general partner interest in the following partnerships:

<u>LLC</u>	<u>Limited Partnership</u>	<u>Ownership</u>
CVC Phase II, LLC	Plaza de Cabrillo, LP (“Plaza de Cabrillo”)	0.01%
CVC Phase IV, LLC	Cabrillo Gateway, LP (“Cabrillo Gateway”)	0.01%
CVC Phase V, LLC	Anchor Place, LP (“Anchor Place”)	0.01%
CVC Phase VI, LLC	The Cove, LP (“Cove”)	0.01%

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

Century Villages at Cabrillo, Inc. and affiliates (continued)

CVC is the sole general partner in the following partnerships:

<u>Limited Partnership</u>	<u>Ownership</u>
Long Beach Savannah Housing, L.P. ("Savannah")	0.10%
Casa de Cabrillo, L.P. ("Casa")	0.01%
The Family Commons at Cabrillo, L.P. ("Family Commons")	0.01%

CVC is the sole member of Century Villages Property Management, LLC ("CVPM"), which is the property management business for the Villages at Cabrillo.

Century Affordable Development, Inc. and affiliates

CADI controls the following entities, in which CADI is the controlling general partner or managing member. CADI is the sole member in the following LLCs, who in turn hold the general partner interest in the following partnerships:

<u>LLC</u>	<u>Limited Partnership</u>	<u>Ownership</u>
CADI VI, LLC	Century Arrowhead Vista, L.P. ("Arrowhead Vista")	0.01%
CADI VII, LLC	Florence Morehouse, L.P. ("Florence Morehouse")	0.01%
CADI VIII, LLC	Beacon Place, L.P. ("Beacon Place")	0.01%
CADI IX, LLC	Beacon Pointe, L.P. ("Beacon Pointe")	0.01%
CADI X, LLC	Century Beachwood Apartments 2, LP ("Century Beachwood 2")	0.01%
CADI Eleven, LLC	Casa Rita, LP ("Casa Rita")	0.01%
CADI XII, LLC	Woodbridge Apartments, L.P. ("Woodbridge")	0.01%
CADI XIII, LLC	The Banning, L.P. ("Banning")	0.01%
CADI XIV, LLC	Century CityView, L.P. ("CityView")	40.0%
CADI XVI, LLC	Villa Vanowen, L.P. ("Villa Vanowen")	99.0%
Century WLAVA 1, LLC	Century WLAVA 1, L.P. ("B404")	.0099%
Century WLAVA 2, LLC	Century WLAVA 2, L.P. ("B156+157")	.0099%
Century WLAVA 3, LLC	Century WLAVA 3, L.P. ("B158")	.0099%

CADI is the 1% managing member of 12010 South Vermont, LLC ("Vermont") and Century Housing 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 also owns 99.9% and 99.99% of Savannah and Casa, respectively.

CADI is the sole member of Century Moonstone, LLC and CADI XV, LLC which operates Moonstone and Costa Mesa Village, respectively.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

Partnerships that are controlled by Century Housing 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.	Plaza de Cabrillo, L.P.
Casa de Cabrillo, L.P.	Woodbridge Apartments, L.P.
The Family Commons at Cabrillo, L.P.	Casa Rita, L.P.
Academy Hall, L.P.	Villa Vanowen, L.P.
Cabrillo Gateway, L.P.	West LA Veterans Collective, LLC
Anchor Place, L.P.	The Cove, L.P.
Century Arrowhead Vista, L.P.	The Banning, L.P.
Florence Morehouse, L.P.	Century CityView, L.P.
Century Beachwood Apartments 2, L.P.	Century WLAVA 1, L.P.
Beacon Pointe, L.P.	Century WLAVA 2, L.P.
Beacon Place, L.P.	Century WLAVA 3, L.P.

Basis of accounting

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

Basis of presentation

Century is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Century. These net assets may be used at the discretion of Century's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, which will be met by actions of Century or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

Cash and cash equivalents

Cash is defined as cash in demand deposit accounts as well as cash on hand. Century 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.

Concentration of credit risk

Century maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Future changes in the banking industry can subject balances exceeding the federally insured limits to be at risk. Century has not experienced any losses in such accounts. Century does not believe it has an adverse credit risk exposure with the financial institutions where cash and cash equivalents are deposited.

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

Century 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).

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 Century's own assumptions.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

Fair value measurements (continued)

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, 2022 and 2021:

		December 31, 2022			
		Level 1	Level 2	Level 3	Fair Value Measurements
Assets					
Marketable securities	\$ 88,457,502	\$ -	\$ -	\$ -	\$ 88,457,502
U.S. Treasury obligations	24,000,536	-	-	-	24,000,536
Notes receivable, net	-	-	363,243,866	-	363,243,866
Other notes receivable	-	-	11,163,417	-	11,163,417
	<u>\$ 112,458,038</u>	<u>\$ -</u>	<u>\$ 374,407,283</u>	<u>\$ -</u>	<u>\$ 486,865,321</u>
Liabilities					
Interest rate swap	\$ -	\$ 294,134	\$ -	\$ -	\$ 294,134
Bonds payable	223,382,473	-	-	-	223,382,473
Notes payable and lines of credit	251,700,205	-	-	-	251,700,205
Commercial paper	25,000,000	-	-	-	25,000,000
	<u>\$ 500,082,678</u>	<u>\$ 294,134</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500,376,812</u>
		December 31, 2021			
		Level 1	Level 2	Level 3	Fair Value Measurements
Assets					
Marketable securities	\$ 95,679,621	\$ -	\$ -	\$ -	\$ 95,679,621
U.S. Treasury obligations	31,673,714	-	-	-	31,673,714
Notes receivable, net	-	-	366,708,545	-	366,708,545
	<u>\$ 127,353,335</u>	<u>\$ -</u>	<u>\$ 366,708,545</u>	<u>\$ -</u>	<u>\$ 494,061,880</u>
Liabilities					
Interest rate swap	\$ -	\$ 2,013,149	\$ -	\$ -	\$ 2,013,149
Bonds payable	238,979,755	-	-	-	238,979,755
Notes payable and lines of credit	222,702,237	-	-	-	222,702,237
	<u>\$ 461,681,992</u>	<u>\$ 2,013,149</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 463,695,141</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.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

Fair value measurements (continued)

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.

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 approximate fair value because Century can obtain similar loans at the same terms.

The changes in notes receivable measured at fair value for which Century has used Level 3 inputs to determine fair value are as follows:

Notes receivable, net:

Balance, January 1, 2021	\$ 366,592,660
Advances	207,593,128
Principal payments received	(207,511,630)
Allocation for loan losses	<u>34,387</u>
Balance, December 31, 2021	366,708,545
Advances	239,934,249
Principal payments received	(243,857,100)
Allocation for loan losses	<u>458,172</u>
Balance, December 31, 2022	<u>\$ 363,243,866</u>

Derivatives and hedging activities

Century 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. Century 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, 2022 and 2021, none of Century's derivative financial instruments qualify as hedges.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

Investment in limited partnerships

Century 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 Century's share of earnings and decreased by Century's share of losses and distributions. Under the equity method, losses from operating partnerships in which Century is not required to fund any operating deficit obligations are no longer recognized once the balance in the investment account reaches zero.

Accounts receivable

Management considers receivables to be fully collectible. If amounts become uncollectible, they are charged to operations in the period in which that determination is made. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

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, 2022 and 2021, management had established an allowance for loan losses in the amount of \$4,832,879 and \$5,291,051, respectively. The allowance for loan losses at December 31, 2022 and 2021 is summarized as follows:

Balance, January 1, 2021	\$ 5,325,438
Provision for losses	<u>(34,387)</u>
Balance, December 31, 2021	5,291,051
Provision for losses	<u>(458,172)</u>
Balance, December 31, 2022	<u>\$ 4,832,879</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. Century rents some of these assets to qualifying tenants under operating leases. Rental payments received in advance are deferred until earned. In addition, Century 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 Century'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.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

Real estate held for investment (continued)

Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the consolidated statements of activities. Depreciation is computed using the straight-line method over estimated useful lives of the assets.

The useful lives of the assets are estimated as follows:

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

Impairment of long-lived assets

Century 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 2022 or 2021.

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.

Revenue recognition

Century is the lessor of affordable housing projects and accounts for tenant leases as operating leases. Century determines if a contract is a lease or contains a lease at inception. At the commencement of an operating lease, no income is recognized; subsequently, lease payments received are recognized on a straight-line basis. Rental revenue attributable to residential leases is recorded when due from residents, generally upon the first day of each month. Leases are for periods of up to one year, with rental payments due monthly. Other revenue such as contingent assets income and sale of certificated state credits is accounted for in the year in which the payments are received. Advance receipts of revenue are deferred and classified as liabilities until earned.

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. Century reports contributions with donor restrictions whose restrictions are met in the same reporting period as contributions without donor restrictions.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

Grant revenue

Century 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.

Loan fees

Loan fees represent the origination fees charged to the borrowers of Century Housing. 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.

Sale of assets

Century 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.

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 Housing, 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 Note 19.

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, Plaza de Cabrillo, Cove, Arrowhead Vista, Florence Morehouse, Beacon Pointe, Beacon Place, Century Beachwood 2, Casa Rita, Woodbridge, Banning, and B404 that are included in the consolidated financial statements, while the negative balances of the limited partners' interest reduce Century'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.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

Income taxes

Century Housing 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 Century Housing 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 Century to report information regarding its exposure to various tax positions taken by Century. Century has determined whether any tax positions have met the recognition threshold and has measured Century's exposure to those tax positions. Management believes that Century 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 Century are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying consolidated financial statements.

Reclassifications

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

Change in accounting principle

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Codification (“ASC”) 842, *Leases* (“FASB ASC 842”) to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the balance sheet by lessees and the disclosure of key information about leasing arrangements.

FASB ASC 842 was adopted January 1, 2022, and any adjustment necessary, if any, was recognized through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

With respect to tenant leases, FASB ASC 842 did not have a material impact on the financial statements.

Subsequent events

Subsequent events have been evaluated through April 27, 2023, which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

3. Restricted cash

Century's restricted cash consisted of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Security deposits	\$ 1,623,594	\$ 1,563,164
Replacement reserves	7,133,487	5,116,041
Operating reserves	4,069,518	3,661,002
Transition reserves	1,161,634	793,287
General Partner reserves	45,100	45,021
Impound deposits	149,036	135,159
CDFI/Capital Magnet Funds	5,244,859	3,269,012
Swap collateral	-	1,210,167
Debt service reserve fund	719,041	860,198
Veteran services grant fund	10,645,451	20,000,008
Holdback escrow	565,470	565,470
Total restricted cash	<u>\$ 31,357,190</u>	<u>\$ 37,218,529</u>

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Total Market Equity Fund	\$ 14,573,737	\$ 18,028,090
Loomis Sayles High Yield Fund	6,490,831	7,348,688
Bain Senior Loan Fund	7,050,319	7,331,609
Vanguard Total International Stock Index Fund	9,405,835	11,194,664
Dodge & Cox Fund	19,864,457	22,287,623
JP Morgan Core Bond Fund	19,135,369	21,812,273
U.S. Treasury Inflation-Protected Securities	24,000,536	31,673,714
BlackRock Minimum Volatility Index Fund	6,204,477	6,900,374
PIMCO Commodity Real Return Strategy Fund	4,866,477	-
Total securities	<u>\$ 111,592,038</u>	<u>\$ 126,577,035</u>

As of December 31, 2022 and 2021, Century Housing held shares of Federal Home Loan Bank of San Francisco ("FHLB") capital stock in the amount of \$866,000 and \$776,300, respectively. Members of FHLB are required to own a certain amount of stock based on the level of borrowings and other factors. The carrying value of FHLB capital stock approximates fair value.

The following schedule summarizes the investment return and its classification in the consolidated statements of activities for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest on cash and cash equivalents	\$ 65,809	\$ 50,564
Interest income and dividends	3,236,904	2,185,609
Unrealized/realized (losses) gains	(17,610,957)	5,390,264
Total investment (losses) gains	<u>\$ (14,308,244)</u>	<u>\$ 7,626,437</u>

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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 11%. Notes receivable, secured by affordable housing development projects and unsecured, totaled \$389,307,135 and \$390,570,718 as of December 31, 2022 and 2021, respectively.

On December 14, 2012, Century Housing 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, 2022 and 2021, the portion of the loan funded by GSAF was \$8,342,944 and \$7,853,676, respectively, and is offset against notes receivable on the accompanying consolidated statements of financial position.

Century Housing owes GSAF interest accrued on the portion of loans funded by GSAF. The outstanding balance due to GSAF as of December 31, 2022 and 2021 was \$32,527 and \$40,032, respectively, which is included in accrued interest on the accompanying consolidated statements of financial position.

During 2022 and 2021, Century Housing 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, 2022 and 2021, the portion of the loan funded by FHLB AHP was \$12,887,446 and \$10,717,446, 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:	
2023	\$ 216,912,121
2024	88,713,666
2025	5,845,170
2026	337,173
2027	3,524,916
Thereafter	<u>73,974,089</u>
Total notes receivable	389,307,135
Less allowance for doubtful accounts	(4,832,879)
Less participant purchases	<u>(21,230,390)</u>
Total notes receivable, net	<u>\$ 363,243,866</u>

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

6. Real estate held for investment, net

Century's real estate held for investment consists of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 69,762,923	\$ 56,280,058
Buildings and improvements	339,691,606	329,875,832
Leasehold improvements	26,313,084	27,043,896
Construction in progress	<u>38,256,549</u>	<u>7,850,153</u>
Total real estate held for investment	474,024,162	421,049,939
Less accumulated depreciation	<u>(58,077,072)</u>	<u>(48,278,938)</u>
Total real estate held for investment, net	<u>\$ 415,947,090</u>	<u>\$ 372,771,001</u>

Real estate held for investment, net owned by the affiliated entities at December 31, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Century Housing Corporation	\$ 20,687,470	\$ 22,487,966
Century Affordable Development, Inc.	5,291,650	8,557,491
Century Villages at Cabrillo, Inc.	12,638,489	12,851,133
CVC affiliated limited partnerships	114,377,647	105,126,327
CADI affiliated limited partnerships	<u>262,951,834</u>	<u>223,748,084</u>
Total real estate held for investment, net	<u>\$ 415,947,090</u>	<u>\$ 372,771,001</u>

Depreciation expense on real estate held for investment during 2022 and 2021 was \$10,515,982 and \$8,642,593, respectively.

7. Furniture, fixtures and equipment, net

Century's furniture, fixtures, and equipment consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Furniture and fixtures	\$ 8,816,730	\$ 7,892,838
Equipment	<u>6,383,245</u>	<u>7,464,895</u>
Total furniture, fixtures and equipment	15,199,975	15,357,733
Less accumulated depreciation	<u>(10,177,028)</u>	<u>(8,396,488)</u>
Total furniture, fixtures and equipment, net	<u>\$ 5,022,947</u>	<u>\$ 6,961,245</u>

Depreciation expense on furniture, fixtures and equipment during 2022 and 2021 was \$1,780,540 and \$1,437,263, respectively.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

8. Deferred charges, net

Century's deferred charges consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Tax credit fees	\$ 868,304	\$ 849,034
Ground lease fees	<u>22,500</u>	<u>22,500</u>
Total deferred charges	890,804	871,534
Accumulated amortization	<u>(353,353)</u>	<u>(293,702)</u>
Total deferred charges, net	<u>\$ 537,451</u>	<u>\$ 577,832</u>

Amortization expense during 2022 and 2021 was \$59,651 and \$50,922, respectively.

9. Employee benefit plans – Century Housing Corporation

Century 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, Century 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, 2022 and 2021, the total amount contributed by Century to the plan was \$812,864 and \$732,629, respectively, which is included in salaries and employee benefits on the accompanying consolidated statements of activities.

10. Contingent and restricted assets: affordable housing financing – Century Housing Corporation

During the formation of Century Housing, Century Housing'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 Housing 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 Century. Therefore, should repayment occur, it will be accounted for as contingent assets income in the year in which the payments are received.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

10. Contingent and restricted assets: affordable housing financing – Century Housing Corporation (continued)

Contingent assets represented by affordable housing loans outstanding as of December 31, 2022 and 2021, total \$54,173,668 and \$57,324,503, respectively, and have an effective interest rate of 3% per annum. Unrecognized accrued interest receivable as of December 31, 2022 and 2021 was \$38,703,730 and \$38,777,025, respectively. For the years ended December 31, 2022 and 2021, Century recognized income in the amount \$3,511,073 and \$1,041,741 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

Notes 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, 2022 and 2021, the outstanding principal was \$972,000.

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, 2022 and 2021, 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, 2022 and 2021, 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, the loan was funded by MUFG Union Bank, N.A. in the amount of \$440,000. The loan is secured by a deed of trust, non-interest bearing, and matures on December 1, 2072. As of December 31, 2022 and 2021, the outstanding principal was \$440,000.

On June 1, 2019, Florence Morehouse entered into a development loan agreement with FHLB AHP. During 2020, the loan was funded by Wells Fargo Financial National Bank in the amount of \$590,000. The loan is secured by a deed of trust, non-interest bearing, and matures on June 1, 2074. As of December 31, 2022 and 2021, the outstanding principal was \$590,000.

On September 1, 2020, Plaza de Cabrillo entered into a development loan agreement with FHLB AHP. During 2022, the loan was funded by Wells Fargo National Bank West in the amount of \$1,500,000. The loan is secured by a deed of trust, non-interest bearing, and matures on March 1, 2077. As of December 31, 2022 and 2021, the principal balance of the loan was \$1,500,000 and \$0, respectively.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

11. Notes payable: housing activities (continued)

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 (“LBCIC”), 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 on 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, 2022 and 2021, 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 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 on March 16, 2075. As of December 31, 2022 and 2021, 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 on March 16, 2075. 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, 2022 and 2021, the outstanding principal was \$10,000,000, and accrued interest was \$1,288,950 and \$1,029,589, respectively. Interest expense for the years ended December 31, 2022 and 2021 was \$300,000 for each year.

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 Academy Hall under conditions stipulated in the loan agreement and the Trust Indenture. A loan in the amount of \$5,000,000 was funded to Academy Hall on April 1, 2009 (the “Construction Loan”). Repayment of the loan is secured by the real property of Academy Hall 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, 2022 and 2021, the outstanding principal was \$1,920,000 and \$1,975,000, respectively. Interest expense for the years ended December 31, 2022 and 2021 was \$121,768 and \$130,179, respectively.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

11. Notes payable: housing activities (continued)

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 the loans 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, 2022 and 2021, the outstanding principal was \$3,310,000, and accrued interest was \$803,113 and \$703,813, respectively. Interest expense for the years ended December 31, 2022 and 2021 was \$99,300 for each year.

On October 1, 2020, Beacon Pointe executed a loan with CalHFA under the Local Government Special Needs Housing Program (the “SNHP”) in the principal amount of \$1,000,000. The SNHP loan is secured by a deed of trust, assignment of rents, and security agreement and fixture filing. The SNHP 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 project’s residual receipts, as defined in the loan agreement. Any unpaid principal and accrued interest is due in full at maturity on October 1, 2075. As of December 31, 2022 and 2021, the principal balance of the loan was \$1,000,000 and accrued interest was \$65,167 and \$35,167, respectively. Interest expense for years ended December 31, 2022 and 2021 was \$30,000 and \$35,167, respectively.

Notes payable – Wells Fargo Bank, N.A.

During September 2020, Plaza de Cabrillo entered in a loan agreement with Wells Fargo Bank, N.A. (“Wells Fargo”) to receive a loan in the maximum principal amount of \$8,100,000 for the renovation and rehabilitation of the project. 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 equal to one-month LIBOR 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 loan, together with all accrued and unpaid interest and all other amounts payable are due on March 1, 2022. The Partnership has exercised its option to extend the term of the loan to September 1, 2022. As of December 31, 2021, the outstanding principal balance was \$6,924,027 and accrued interest was \$12,694. Interest expense for years ended December 31, 2022 and 2021 was \$153,401 and \$84,165, of which \$0 and \$72,240 has been capitalized to fixed assets, respectively. On September 30, 2022, the construction loan was paid off.

On May 1, 2020, Woodbridge executed a construction loan agreement with Wells Fargo in the principal amount of \$13,115,700. 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 equal to one-month LIBOR 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 loan, together with all accrued and unpaid interest and all other amounts payable are due on October 15, 2021. On December 15, 2021, a portion of the loan was sold from Wells Fargo to California Community Reinvestment Corporation (“CCRC”) and the remainder was paid off. Interest expense for year ended December 31, 2021 was \$193,278, of which \$73,455 was capitalized to fixed assets.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

11. Notes payable: housing activities (continued)

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

On June 2, 2022, Banning executed a construction loan agreement with Wells Fargo in the total principal amount of \$21,463,423 for the acquisition and construction of the project. The loan is secured by a deed of trust, assignment of leases and rents, and security agreement and fixture filing. The loans bear interest at a variable rate based on the 30-day SOFR Average, as defined in the promissory notes. Interest is payable 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 September 1, 2024. As of December 31, 2022, the outstanding principal balance was \$6,387,616 and accrued interest was \$32,204. Interest expense for year ended December 31, 2022 was \$146,110, which has been capitalized to fixed assets.

On November 1, 2022, WLAVA 1 executed a construction disbursement agreement with Wells Fargo to finance a portion of the construction and related improvements of the property. 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 variable rate based on the 30-day SOFR Average, as defined in agreement, and is payable on the first business day of each month. The entire principal balance of the loan, together with all accrued and unpaid interest and all other amounts payable are due on July 16, 2025. As of December 31, 2022, the outstanding principal balance was \$614,307 and accrued interest was \$3,097. Interest expense for year ended December 31, 2022 was \$4,404, which has been capitalized to fixed assets.

During April 2022, Cove entered into a construction loan agreement with Wells Fargo to receive a loan in the maximum principal amount of \$27,454,538 for the construction of the project. 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 base rate equal to the Federal Funds Rate, as defined in the interest rate agreement, plus 0.50%. Interest accrued shall be due and payable on the first business day of each month. The entire principal balance of the loan, together with all accrued and unpaid interest and all other amounts payable are due on August 27, 2024. As of December 31, 2022, the outstanding principal balance was \$4,401,000 and accrued interest was \$21,516. For the year ended December 31, 2022, interest expense was \$107,746, all of which has been capitalized to fixed assets.

Notes payable – California Community Reinvestment Corporation

On February 26, 2016, Cabrillo Gateway executed a loan with CCRC in the principal amount of \$2,935,000 (“Cabrillo Gateway 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 5.95% per annum and matures on March 1, 2031. As of December 31, 2022 and 2021, the outstanding principal was \$1,927,737 and \$2,103,574, respectively. Interest expense for the years ended December 31, 2022 and 2021 was \$120,419 and \$130,552, respectively.

On June 22, 2018, Anchor Place executed a loan with CCRC in the principal amount of \$2,508,000 (the “Anchor Place 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 and matures on June 1, 2033. As of December 31, 2022 and 2021, the outstanding principal was \$1,949,663 and \$2,085,351, respectively. Interest expense for the years ended December 31, 2022 and 2021 was \$106,247 and \$113,172, respectively.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

11. Notes payable: housing activities (continued)

Notes payable – California Community Reinvestment Corporation (continued)

On March 20, 2020, Beacon Place executed a loan with CCRC (“Beacon Place CCRC Loan”) in the principal amount of \$1,535,300. 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 5.34% per annum and matures on April 1, 2055. As of December 31, 2022 and 2021, the principal balance of the loan was \$1,492,330 and \$1,509,163, respectively, and accrued interest was \$6,641 and \$6,716, respectively. Interest expense for the years ended December 31, 2022 and 2021 was \$80,106 and \$80,984, respectively.

On October 28, 2020, Beacon Pointe executed a loan with CCRC (the “Beacon Pointe CCRC Loan”) in the principal amount of \$10,000,000. 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 5.41% per annum and matures on November 1, 2036. As of December 31, 2022 and 2021, the principal balance of the loan was \$9,844,693 and \$9,921,421, respectively, and accrued interest was \$44,383 and \$44,729, respectively. Interest expense for the years ended December 31, 2022 and 2021 was \$534,519 and \$538,569, respectively.

On October 29, 2020, Florence Morehouse executed a loan with CCRC (the “Florence Morehouse CCRC Loan”) in the principal amount of \$2,167,500. 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 5.15% per annum and matures on November 1, 2037. As of December 31, 2022 and 2021, the principal balance of the loan was \$2,118,924 and \$2,142,894, respectively, and accrued interest was \$9,294. Interest expense for the years ended December 31, 2022 and 2021 was \$109,798 and \$111,007, respectively.

On December 15, 2021, Woodbridge executed a loan with CCRC in the principal amount of \$8,271,000. 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 3.35% per annum and matures on January 1, 2037. As of December 31, 2022 and 2021, the outstanding principal balance was \$8,155,230 and \$8,271,000, respectively. Interest expense for years ended December 31, 2022 and 2021 was \$252,382 and \$13,084, respectively.

Notes payable – 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 loan agreement. All unpaid principal and accrued interest are due on June 22, 2073. As of December 31, 2022 and 2021, the principal balance of the loan was \$2,191,616, and accrued interest was \$294,405 and \$228,657, respectively. Interest expense for the years ended December 31, 2022 and 2021 was \$65,748 for each year.

On March 17, 2020, Beacon Place executed a loan with HCD funded from the Veterans Housing and Homelessness Prevention Program (“VHHP Loan”) in the principal amount of \$5,198,428. The VHHP Loan is secured by a deed of trust, assignment of rents, and security agreement and fixture filing. The VHHP 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 project’s residual receipts, as defined in the loan agreement. All unpaid principal and accrued interest are due on March 20, 2075. As of December 31, 2022 and 2021, the principal balance of the loan was \$5,198,428, and accrued interest was \$395,657 and \$239,704, respectively. Interest expense for the years ended December 31, 2022 and 2021 was \$155,953 for each year.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

11. Notes payable: housing activities (continued)

Notes payable – California Department of Housing and Community Development (continued)

On April 27, 2022, CADI executed a loan agreement with the HCD in the total amount of \$5,933,991 to finance a portion of the acquisition of Moonstone. The loan is non-interest bearing and matures 55 years after project completion, as defined in the agreement. As of December 31, 2022, the outstanding principal was \$5,933,991.

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. As of December 31, 2022 and 2021, the outstanding principal was \$2,027,706 and \$2,070,740, respectively, and accrued interest was \$6,658 and \$6,799, respectively. Interest expense for the years ended December 31, 2022 and 2021 was \$80,674 and \$82,340, respectively.

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 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, 2022 and 2021, the outstanding principal was \$164,760 and \$176,300, respectively, and accrued interest was \$1,913 and \$2,975, respectively. Interest expense for the years ended December 31, 2022 and 2021 was \$6,673 and \$7,700, respectively.

Note payable – Los Angeles Housing and Community Investment Department

On October 2, 2015, Florence Morehouse acquired Florence Avenue Villas by executing 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 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, Florence Morehouse executed new loan agreements with HCIDLA in the total amount of \$4,046,838. The loans are comprised of the modified and restated HCIDLA Loan (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”). On June 4, 2019, the partnership executed a new loan agreement in the amount of \$2,014,663 through the Accessible Housing Program as additional financing for the project (the “AcHP Loan”, and together with the Restated HCIDLA Loan and NSP Loan, collectively, the “HCIDLA Loans”). The Restated HCIDLA Loan bears interest at 2.75% per annum, compounding annually. The NSP Loan and AcHP Loan bear a simple interest at the rate of 3% and 4%, respectively. The HCIDLA Loans are secured by a deed of trust, assignment of leases and rents, and security agreement and fixture filing. Annual payments of principal and accrued interest will be in an amount equal to the project’s residual receipts, as defined in the loan agreements.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

11. Notes payable: housing activities (continued)

Note payable – Los Angeles Housing and Community Investment Department (continued)

All unpaid principal and accrued interest shall be due and payable on the earliest of (i) December 31, 2074, (ii) the date project is sold, assigned, transferred, or refinanced; or (iii) an event of default by Florence Morehouse which has not been cured as provided in the loan agreements. As of December 31, 2022 and 2021, the outstanding principal balance was \$6,061,501 and accrued interest was \$807,035 and \$602,432, respectively. Interest expense for the years ended December 31, 2022 and 2021 was \$204,603 and \$199,696, respectively.

Notes payable – Los Angeles County Development Authority

On April 26, 2022, Cove executed a loan agreement with the Los Angeles County Development Authority (“LACDA”) in the total amount of \$7,100,000 for the construction of the project. The loans are comprised of the County General Funds and No Place Like Home in the principal amounts of \$5,000,000 (“CGF Loan”) and \$2,100,000 (“NPLH Loan”) (collectively, the “LACDA Loans”), respectively. The CGF 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 project’s residual receipts, as defined in the promissory note. The NPLH Loan is non-interest bearing. The loans are secured by a deed of trust, assignment of leases and rents, and security agreement and fixture filing and mature on April 26, 2079. As of December 31, 2022, the outstanding principal and accrued interest of the LACDA Loans was \$149,025 and \$0, respectively.

On June 1, 2022, Banning executed a loan agreement with the LACDA in the total amount of \$7,130,000 for the development of its project. The loan is non-interest bearing and the entire outstanding principal balance together with any other amounts payable shall be due and paid in full on June 1, 2079. The loan is secured by a deed of trust, regulatory agreement, and sponsor operating guaranty. As of December 31, 2022, the outstanding principal of the loan was \$2,284,028.

Note payable – County of Los Angeles

On May 12, 2022, CADI executed a loan agreement with the County of Los Angeles in the amount of \$2,600,000 to fund project costs relating to Moonstone. The loan is non-interest bearing and matures on December 31, 2026. As of December 31, 2022, the outstanding principal was \$2,600,000.

Notes payable – 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 on November 9, 2070. 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, 2022 and 2021, the outstanding principal was \$4,000,000, and accrued interest was \$269,678 and \$229,678, respectively. Interest expense for the years ended December 31, 2022 and 2021 was \$40,000 for each year.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

11. Notes payable: housing activities (continued)

Notes payable – 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, 2022 and 2021, the outstanding principal was \$2,100,000, and accrued interest was \$381,639 and \$318,639, respectively. Interest expense for the years ended December 31, 2022 and 2021 was \$63,000 for each year.

On April 1, 2020, Woodbridge obtained financing for the construction of the project from loan proceeds funded by the City of Long Beach in the amount of \$1,100,000 (the “Woodbridge City Loan”). Repayment of the Woodbridge City Loan is secured by a deed of trust and matures on April 1, 2075. The Woodbridge City Loan accrues interest at 3% per annum, and requires annual principal payments from residual receipts, as defined in the promissory note. As of December 31, 2022 and 2021, the outstanding principal was \$1,100,000 and accrued interest was \$85,250 and \$52,250, respectively. Interest expense for years ended December 31, 2022 and 2021 was \$33,000 for each year, of which \$0 and \$13,208 has been capitalized to fixed assets, respectively.

On April 1, 2020, CADI obtained financing for the acquisition and development of 6801 Atlantic Avenue from the City of Long Beach in the amount of \$1,500,000 (the “Atlantic City Loan”). Repayment of the Atlantic City Loan is secured by a deed of trust and matures on April 1, 2085. The Atlantic City Loan accrues interest at 3% per annum, and requires annual principal payments from residual receipts, as defined in the promissory note. As of December 31, 2022 and 2021, the outstanding principal was \$1,500,000 and accrued interest was \$120,250 and \$75,250, respectively. Interest expense for the years ended December 31, 2022 and 2021 was \$45,000 for each year, all of which has been capitalized to fixed assets.

On April 19, 2022, Cove obtained a financing from City of Long Beach for the construction of its project funded by U.S. Department of Housing and Urban Development’s HOME program in the amount of \$4,000,000. The loan is secured by a deed of trust and matures 55 years after project completion. The loan bears simple interest at a rate equal to 3% 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, 2022, the outstanding principal and accrued interest was \$3,658,397 and \$0, respectively.

Notes payable – MUFG Union Bank, N.A.

On December 1, 2017, Century Beachwood 2 executed a construction and permanent loan agreement with California Municipal Finance Authority (“CMFA”) in the principal amount of \$13,335,274, funded by MUFG Union Bank, N.A. (“Union Bank”). 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, 2022 and 2021, the outstanding principal was \$7,716,484 and \$7,831,392, respectively, and accrued interest was \$28,705 and \$29,133, respectively.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

11. Notes payable: housing activities (continued)

Notes payable – MUFG Union Bank, N.A. (continued)

In December 2017, Century Beachwood 2 entered into an interest rate swap agreement with an effective date of February 1, 2019 (the “Swap”) with Union Bank in the notional amount of \$8,183,300 to fix the effective interest rate on the Union Bank loan to 4.32% per annum. Swap payments, equal to the excess of fixed rate payments over variable rate payments, are payable monthly with the interest payments on the underlying Union Bank loan. The Swap agreement will expire on February 1, 2036. As of December 31, 2022 and 2021, the fair market value of the interest rate swap obligation was \$294,134 and \$857,754, respectively. For the years ended December 31, 2022 and 2021, the unrealized gain on the interest rate swap was \$563,620 and \$410,184, respectively.

For the years ended December 31, 2022 and 2021, interest expense for the Union Bank loan and Swap was \$340,296 and \$345,231, respectively.

Notes 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 CMFA in the amount of \$11,900,000, funded by Wells Fargo (the “Casa Rita Bonds”). Concurrent with the issuance of the Casa Rita Bonds, CMFA entered into a Trust Indenture with U.S. Bank N.A (the “US Bank”). Proceeds for the Casa Rita Bonds were loaned by CMFA to Casa Rita under conditions stipulated in the loan agreement and the Trust Indenture. The Casa Rita Bonds bear 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, 2022 and 2021, the outstanding principal was \$10,656,903 and \$10,809,685, respectively, and accrued interest was \$0. Interest expense for the years ended December 31, 2022 and 2021 was \$456,249 and \$462,593, respectively.

On November 18, 2021, CityView executed a bond financing agreement with CMFA. CMFA authorized the California Municipal Finance Authority Multifamily Housing Revenue Bonds (CityView Apartments), 2021 Series A, in the principal amount of \$43,745,000 which was secured by the Indenture of Trust, as defined in the bond financing agreement. The bonds bear interest at a rate of 4% per annum and matures on November 1, 2036. Interest are paid semi-annually on May 1 and November 1 from escrow accounts held by US Bank. As of December 31, 2022 and 2021, outstanding principal was \$43,745,000 and accrued interest was \$331,527 and \$209,004, respectively. Interest expense for the years ended December 31, 2022 and 2021 was \$1,783,356 and \$209,004, respectively.

Additionally, bond premium proceeds in the amount of \$4,332,067 were received in conjunction with the closing of the CityView bonds. The premium is amortized over the life of the bond under the straight-line method as a reduction to interest expense. The balance of the premium as of December 31, 2022 and 2021 was \$4,019,196 and \$4,308,000, respectively. For the years ended December 31, 2022 and 2021, amortization of the premium was \$288,804 and \$24,067, respectively.

Note payable – Fannie Mae

On June 22, 2021, in concurrence with the acquisition of Ackerfield, Century Ackerfield, LLC assumed a note payable to Fannie Mae. The Fannie Mae loan is secured by a deed of trust, accrues interest at 2.685%, and matures on November 1, 2030. As of December 31, 2022 and 2021, the outstanding principal was \$12,525,000. Interest expense for the years ended December 31, 2022 and 2021 was \$340,967 and \$147,108, respectively.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

11. Notes payable: housing activities (continued)

Note payable – Cedars-Sinai Medical Center

On February 25, 2021, CADI executed a loan agreement with Cedars-Sinai Medical Center in the amount of \$5,000,000. The loan bears interest at an annual rate equal to the LIBOR 30-day floating rate plus 1.0%. The interest rate shall be adjusted annually on the anniversary of the closing date. Accrued interest only shall be payable in arrears monthly, and all unpaid principal and interest shall be due and payable at maturity on December 31, 2025. As of December 31, 2022 and 2021, the outstanding principal was \$3,800,452 and \$360,000, respectively, and accrued interest was \$3,895 and \$336, respectively. Interest expense for the years ended December 31, 2022 and 2021 was \$16,540 and \$1,680, respectively.

12. Notes payable: lending activities – Century Housing Corporation

Line of credit – City National Bank

On December 11, 2006, Century Housing entered into a Credit Agreement with City National Bank under which City National Bank shall provide a line of credit to Century Housing in an amount up to 65% of the market value of the financial assets of Century Housing under the custody of City National Bank, up to a maximum of \$20,000,000. Century Housing has granted City National Bank a lien on the assets under its custody. On February 16, 2021, the line of credit was renewed, extending the maturity date to July 31, 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. On July 31, 2021, any outstanding balance was paid off and the line of credit was terminated.

Line of credit - Federal Home Loan Bank of San Francisco

On May 27, 2011, Century Housing 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 Housing 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 2022 and 2021, advances bore interest ranging from 0.20% to 3.81% and had maturity dates ranging from February 10, 2021 to October 10, 2036, respectively. As of December 31, 2022 and 2021, advances secured by U.S. Treasury Inflation-Protected Securities purchased by Century Housing were \$24,000,536 and \$31,673,714, respectively. As of December 31, 2022 and 2021, there is also a settlement transaction account in the amount of \$283,453 and \$140,669, respectively, and capital stock in the amount \$866,000 and \$776,300, respectively. As of December 31, 2022 and 2021, the outstanding principal was \$25,000,000, and accrued interest was \$76,274 and \$2,383, respectively. Interest incurred during 2022 and 2021 was \$894,059 and \$870,930, respectively.

Note Payable – Los Angeles County Housing Innovation Fund II

On May 29, 2014, Century Housing 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 Housing may request advances to fund loans made by Century Housing 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 extend 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, 2022 and 2021, the outstanding principal was \$6,979,125 and \$6,274,125, respectively, and accrued interest was \$33,283 and \$31,268, respectively. Interest incurred during 2022 and 2021 was \$149,243 and \$130,200, respectively.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

12. Notes payable: lending activities – Century Housing Corporation (continued)

Note payable – Wells Fargo Community Investment Holdings

On June 24, 2014, Century Housing 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, 2022 and 2021, the outstanding principal was \$1,000,000 and accrued interest was \$5,000. Interest incurred during 2022 and 2021 was \$20,000 for each year.

Line of credit – U.S. Bank N.A.

On July 30, 2019, Century Housing 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 Housing 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 (iii) 1-month LIBOR plus 1.8%, and is calculated on a basis of a 360-day year. On May 29, 2020, the maximum commitment amount was increased to \$150,000,000. The commitment of US Bank, Chase, Wells Fargo, Compass Bank, Charles Schwab, HSBC and City National Bank was amended to \$36,000,000, \$30,000,000, \$20,400,000, \$20,400,000, \$20,400,000, \$13,800,000, and \$9,000,000, respectively. On July 28, 2021, the maximum commitment amount was decreased to \$100,000,000 and maturity of the line of credit was extended to July 31, 2023. The commitment of US Bank, Chase, Wells Fargo, Compass Bank, Charles Schwab, HSBC and City National Bank was amended to \$24,000,000, \$20,000,000, \$13,600,000, \$13,600,000, \$13,600,000, \$9,200,000, and \$6,000,000, respectively. Any outstanding principal as of the maturity date shall be converted to a 2-year term loan. As of December 31, 2022 and 2021, the outstanding principal was \$5,000,000 and \$14,743,442, respectively, and accrued interest was \$25,053 and \$37,656, respectively. Interest incurred during 2022 and 2021 was \$324,002 and \$1,298,804, respectively.

Note payable – Cedars-Sinai Medical Center

On December 4, 2020, Century Housing executed a loan agreement with Cedars-Sinai Medical Center in the amount of \$5,000,000. The loan bears simple interest at a rate equal to 1.15% per annum. Accrued interest only shall be payable in arrears monthly, and all unpaid principal and interest shall be due and payable at maturity on December 4, 2022. On December 1, 2022, the loan agreement was amended extending the maturity date to June 1, 2023. As of December 31, 2022 and 2021, the outstanding principal was \$5,000,000 and accrued interest was \$4,792. Interest incurred during 2022 and 2021 was \$57,500 for each year.

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

On June 30, 2022, Century Housing entered into a Revolving Credit Loan with JPMorgan Chase Bank, N.A. (“Chase”) under which Chase shall provide a line of credit to Century Housing in an amount up to a maximum of \$15,000,000. Advances from the line of credit bear interest at a rate equal to the Adjusted Term SOFR Rate plus 1.55%, as defined in the loan agreement. The line of credit has a maturity date of June 28, 2024. As of December 31, 2022, the outstanding principal was \$15,000,000, and accrued interest was \$74,315. Interest incurred during 2022 was \$196,226.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

12. Notes payable: lending activities – Century Housing Corporation (continued)

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

	<u>2022</u>	<u>2021</u>
Principal balance	\$ 250,605,470	\$ 221,521,213
Add: bonds payable premium	4,019,196	4,308,000
less: unamortized debt issuance costs	<u>(2,924,461)</u>	<u>(3,126,976)</u>
Notes payable and lines of credit, net of premium and unamortized debt issuance costs	<u>\$ 251,700,205</u>	<u>\$ 222,702,237</u>

Debt issuance costs are being amortized to interest expense over the term of each loan. For 2022 and 2021, the effective interest rate for MHSA Loans was 3.05%. For 2022 and 2021, the effective interest rate for Cabrillo Gateway CCRC Loan was 6.25% and 6.22%, respectively. For 2022 and 2021, the effective interest rate for Anchor Place CCRC Loan was 5.40%. For 2022 and 2021, the effective interest rate for Anchor City Loan was 1.01%. For 2022 and 2021, the effective interest rate for PNC Loan was 4.19% and 4.20%, respectively. For 2022 and 2021, the effective interest rate for HCIDLA Loans was 3.38% and 3.29%, respectively. For 2022 and 2021, the effective interest rate for Florence Morehouse CCRC Loan was 6.13% and 6.12%, respectively. For 2022 and 2021, the effective interest rate of Beacon Place CCRC Loan was 5.46% and 5.49%, respectively. For 2022 and 2021, the effective interest rate for the Tax-Exempt Bonds was 6.34% and 6.60%, respectively. During 2022 and 2021, amortization expense for debt issuance costs was \$202,515 and \$124,462, respectively.

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

Year ending December 31:	
2023	\$ 11,940,089
2024	27,804,765
2025	1,678,215
2026	4,923,270
2027	8,444,206
Thereafter	<u>195,814,925</u>
Total	<u>\$ 250,605,470</u>

13. Bonds payable: lending activities – Century Housing Corporation

During 2019, Century Housing issued Century Housing Impact Investment Bonds, Taxable Series 2019 (the “Impact 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 Impact Bonds are a general obligation of Century Housing payable from all legally available revenues and assets of Century Housing. The Impact 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 Housing. The proceeds of the bonds were used to refinance existing obligations and finance loans related to the development of multi-family affordable housing. The Impact 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, 2022 and 2021, the outstanding Impact Bonds payable was \$10,000,000 and accrued interest was \$69,133. Interest incurred during 2022 and 2021 was \$414,800 and \$1,746,467, respectively.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

13. Bonds payable: lending activities – Century Housing Corporation (continued)

During 2020, Century Housing issued California Municipal Finance Authority Taxable Bonds, Series 2020 (Century Housing Corporation) (Sustainability Bonds) (the “CMFA Bonds”) in the principal amount of \$85,000,000 pursuant to the terms of an Indenture of Trust, dated as of June 1, 2020, with US Bank as trustee. The CMFA Bonds are a general obligation of Century Housing payable from all legally available revenues and assets of Century Housing. The CMFA 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 Housing. The proceeds of the bonds were used to refinance existing obligations and finance loans related to the development of multi-family affordable housing. The CMFA Bonds were issued in tranches, wherein \$30,000,000, \$35,000,000, and \$20,000,000, bear interest rates of 1.486%, 1.605%, and 2.877%, respectively, and have a maturity date of November 1, 2022, November 1, 2023, and November 1, 2035, respectively. As of December 31, 2022 and 2021, the outstanding CMFA Bonds payable was \$55,000,000 and \$85,000,000, respectively, and accrued interest was \$189,525 and \$263,825, respectively. Interest incurred during 2022 and 2021 was \$1,508,650 and \$1,582,950, respectively.

During 2021, Century Housing issued Century Sustainable Impact Notes (the “Impact Notes”) in the total aggregate offering of \$150,000,000 with US Bank as trustee. The Impact Notes are a general obligation of Century Housing payable from all legally available revenues and assets of Century Housing. The Impact Notes are not secured by a reserve fund, mortgage lien or security interest on or in any funds or other revenues or assets of Century Housing. The proceeds of the bonds were used to refinance existing obligations and finance loans related to the development of multi-family affordable housing. The interest rates for the Impact Notes are set forth in the relevant pricing supplement and had various terms of between six months and 20 years, as set forth in the relevant pricing supplement. As of December 31, 2022 and 2021, outstanding bonds payable was \$88,766,000 and \$74,555,000, respectively, and accrued interest was \$162,245 and \$49,868, respectively. Interest incurred during 2022 and 2021 was \$992,239 and \$214,698, respectively.

During 2021, Century Housing executed a bond agreement with New York Life in the principal amount of \$50,000,000. The New York Life bonds are a general obligation of Century Housing, payable from all legally available revenues and assets of Century Housing. The New York Life 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 Housing. The proceeds of the bonds were used to refinance existing obligations and finance loans related to the development of multi-family affordable housing. The New York Life bonds were issued in tranches, wherein \$15,000,000, \$25,000,000, and \$10,000,000, bear interest rates of 2.39%, 2.64% and 2.98%, respectively, and have a maturity date of November 1, 2031, November 1, 2036, and November 1, 2041, respectively. As of December 31, 2022 and 2021, outstanding principal was \$50,000,000 and accrued interest was \$219,417. Interest incurred during 2022 and 2021 was \$1,316,500 and \$219,417, respectively.

During 2021, Century Housing issued California Municipal Finance Authority Tax-Exempt Bonds, 2021 Series A (Century Housing Corporation) (Sustainability Bonds) (the “Series 2021A Bonds”) in the principal amount of \$17,515,000 pursuant to the terms of an Indenture of Trust, dated as of November 1, 2021, with US Bank as trustee. The proceeds of the bonds were used to finance the acquisition of CityView. The bonds bear interest at a rate of 4% per annum and matures on November 1, 2031. Interest is paid semi-annually on May 1 and November 1 from escrow accounts held by US Bank. As of December 31, 2022 and 2021, outstanding principal was \$17,515,000 and accrued interest was \$116,767 and \$85,629, respectively. Interest incurred during 2022 and 2021 was \$700,600 and \$85,629, respectively.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

13. Bonds payable: lending activities – Century Housing Corporation (continued)

Additionally, bond premium proceeds in the amount of \$3,836,135 were received in conjunction with the closing of the bonds. The premium is amortized over the life of the bond under the straight-line method as a reduction to interest expense. The balance of the premium as of December 31, 2022 and 2021 was \$3,406,277 and \$3,789,891, respectively. For the years ended December 31, 2022 and 2021, amortization of the premium was \$383,614 and \$46,244, respectively.

Bonds payable consist of the following as of December 31,

	<u>2022</u>	<u>2021</u>
Principal balance	\$ 221,281,000	\$ 237,070,000
add: bonds payable premium	3,406,277	3,789,891
less: unamortized debt issuance costs	<u>(1,304,804)</u>	<u>(1,880,136)</u>
Bonds payable, net of premium and unamortized debt issuance costs	<u>\$ 223,382,473</u>	<u>\$ 238,979,755</u>

Debt issuance costs are being amortized to interest expense over the term of the bonds. During 2022 and 2021, amortization expense for debt issuance costs was \$763,700 and \$693,300, respectively.

Expected future annual principal payments on the bonds payable are as follows:

Year ending December 31:

2023	\$ 112,819,000
2024	14,624,000
2025	-
2026	-
2027	-
Thereafter	<u>93,838,000</u>
Total	<u>\$ 221,281,000</u>

14. Commercial paper: lending activities – Century Housing Corporation

During 2022, Century Housing issued Taxable Commercial Paper (Sustainability) Notes Series 2022-A (“Commercial Paper”) in the total aggregate offering of \$100,000,000 with US Bank as trustee. The Commercial Paper is a general obligation of Century Housing payable from all legally available revenues and assets of Century Housing. The Commercial Paper is not secured by a reserve fund, mortgage lien or security interest on or in any funds or other revenues or assets of Century Housing. The proceeds of the Commercial Paper were used to refinance existing obligations and finance loans related to the development of multi-family affordable housing. The interest rates for the Commercial Paper varies as agreed to by US Bank and Century Housing and maturity of each Commercial Paper shall be determined on the date of issuance of the Commercial Paper. The current outstanding Commercial Paper has a maturity date of January 17, 2023. As of December 31, 2022, outstanding balance was \$25,000,000 and accrued interest was \$37,397. Interest incurred during 2022 was \$239,534.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

15. 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. No interest has been accrued on these loans. During 2021, the loan was fully amortized and all outstanding principal and interest was forgiven. During 2022 and 2021, CVC recognized debt forgiveness income of \$0 and \$233,334, respectively.

16. Century Villages at Cabrillo, Inc.

Century Villages at Cabrillo, Inc. (“CVC”), a California nonprofit public benefit corporation, is a place-based supportive housing affiliate of Century Housing Corporation (“CHC”). As a nonprofit community development organization that serves as the steward of the Villages at Cabrillo, CVC aims 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.

CVC is a vibrant supportive housing community offering emergency, transitional, and permanent housing and is supported by the Villages at Cabrillo Collaborative (“VACC”), a partnership comprising more than a dozen on-site nonprofit and government agencies that collectively provide residents with access to the skills, tools, and services needed for self-sufficiency. CVC is also a direct service provider, one of many within The Villages that offer a multitude of wraparound services to more than 1,500 residents on any given day. These residents include formerly homeless veterans, families and children, as well as individuals in vulnerable populations, such as those experiencing drug and/or alcohol use disorders, domestic or family violence, mental illness, and/or physical disabilities. To this end, CVC has partnered with 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 approximately 2,000 unique individuals at CVC each year. CVC’s mission is embedded within CHC to finance, build, and operate exceptional affordable housing so that the people we serve may have a dignified home, a healthy and hopeful future, and attain economic independence.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

16. 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.

CVC began as a steward of the property allowing service partners to focus on their delivery of programs in a safe and secure environment. As CVC grew, it became apparent that for the collective impact model to be successful, CVC needed to take a more direct role serving as a backbone to its partners. In 2009, Century Villages Property Management, LLC (“CVPM”), wherein CVC is the sole member, was formed for the purpose of providing property management services for low income, affordable housing at CVC and eventually beyond. 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 provided 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. Since then, CVC is actively fundraising to sustain the critical services provided by the Center.

In 2012, an agreement to convene the VACC was formalized among the dozen on site nonprofit partners. 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, 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 late 2014, CVC completed construction of its new \$1 million maintenance headquarters, home to the approximately 31 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.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

In 2015, the Century Oasis Residential Services (CORS) footprint and headcount grew as the Oasis Community Center began operating as the service provider of record for residents of the 80 apartment Cabrillo Gateway LEED Platinum development. In 2017, the CORS footprint expanded again with the expansion of residential services for the 120 apartment Anchor Place LEED Platinum development. In addition, 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. 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. CVC's Oasis Residential Services (CORS) is now providing services at developments outside the Villages at Cabrillo community. With the completion of Anchor Place in 2017 CVC embarked on a planning process to chart the future of the community. This began with the development of a new master plan which was codified in 2019. This master plan evolved into a formal Specific Plan entitlement document with the City of Long Beach. In early 2023, the City of Long Beach adopted the Specific Plan into its municipal zoning code and certified the environmental impact report. This specific plan provides the entitlement foundation for an additional 500+ supportive homes at the community (on a net basis).

During 2020, CVC has implemented diversity, equity and inclusion initiatives in response to rising social tension and injustice taking place across the nation and around the world. CVC is committed to provide an environment for workers, residents and collaborative partners that acknowledges the centrality of diversity, equity and inclusion and works actively to dismantle systems of structural racism in all aspects of its business including: affordable housing development, property management, resident services and finance. This goal will be accomplished by exploring and implementing the recommendations of the CVC Workgroup on Diversity and Inclusion including but not limited to: trainings/dialogues with senior staff on anti-racism and power and privilege; and promoting a culture that celebrates differences among our collaborative partners and residents in all convenings, trainings and events.

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, Long Beach Savannah Housing, L.P. ("Savannah"), Casa de Cabrillo, L.P. ("Casa"), The Family Commons at Cabrillo, L.P. ("Family Commons"), Cabrillo Gateway, L.P. ("Cabrillo Gateway"), Anchor Place, L.P. ("Anchor Place"), Plaza de Cabrillo, L.P. ("Plaza de Cabrillo"), The Cove, L.P. ("Cove") 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 0.10% of Savannah, 0.01% of Casa, 0.01% of Family Commons, 0.01% of Cabrillo Gateway, 0.01% of Anchor Place, 0.01% of Plaza de Cabrillo, and 0.01% of Cove. 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. Effective April 1, 2015 and June 30, 2016, affiliates of John Hancock Realty Advisors, Inc. sold all of their partnership interests on Savannah and Casa, respectively, to Century Affordable Development, Inc. ("CAD"), an affiliate of CVC. During 2020, the Casa project was acquired and resyndicated by Plaza de Cabrillo.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

WF Affordable Housing LLC (“WFAH”) (formerly known as Wells Fargo Affordable Housing Community Development Corporation) has committed to contribute an aggregate sum of approximately \$25,975,153, \$34,410,134, \$10,873,833 and \$24,372,563 to Cabrillo Gateway, Anchor Place, Plaza de Cabrillo, and Cove, 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, 2022 and 2021, WFAH has invested \$26,003,510 and \$34,905,187 of equity Cabrillo Gateway and Anchor Place project, respectively. As of December 31, 2022 and 2021, WFAH has invested \$10,572,385 and \$1,325,898 of equity into the Plaza de Cabrillo project, respectively. As of December 31, 2022 and 2021, WFAH has invested \$1,218,628 and \$0 of equity into the Cove project, respectively.

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, Anchor Place was certified for occupancy on September 28, 2017 and Plaza de Cabrillo was certified for occupancy November 30, 2021.

17. Master Planned Communities

During 2018, CADI partnered with Thomas Safran & Associates Development, Inc. (“TSA”) and United States Veterans Initiative (“US VETS”) and formed West LA Veterans Collective LLC (“West LA”). West LA was selected as the principal developer of the approximately 388-acre campus in West Los Angeles, to develop the campus into a master planned community and create and rehabilitate around 1,450 units to provide supportive housing for veterans, homeless and special needs populations. The predevelopment costs are initially borne by CADI, and reimbursements are made on a quarterly basis by TSA and US VETS. As of December 31, 2022 and 2021, TSA’s and US VETS’s share of predevelopment expenses relating to the West LA development was \$124,376 and \$737,757, respectively.

Also, during 2018, CADI partnered with National Community Renaissance of California (“CORE”) and Richman Group Affordable Housing Corporation (“Richman”) and formed One San Pedro Collaborative, LLC (“OSP”). OSP was selected as the principal developer of the 21-acre campus in San Pedro, CA, to develop the campus into a master planned community and create and rehabilitate around 1,600 units to provide affordable housing solutions for low-income, seniors and special needs residents. As of December 31, 2022 and 2021, CADI incurred \$936,214 and \$553,873 of predevelopment costs on the OSP project, respectively, which is included in real estate held for investment, net in the accompanying consolidated statements of financial position.

In 2020, Century, TSA and Charles Drew University were selected by the County of Los Angeles to redevelop a 12.8 acre former Compton Unified Elementary School site into a mixed-use community that includes a mix of affordable, workforce, student and mixed-income housing; office, retail, research, community and clinic space; athletics and recreational facilities; and parking for to-be-developed uses, as well as for the surrounding areas. The three partners formed the CDU MLK Wellness Collaborative, LLC, a joint venture, to lease and develop this master planned community that is central to the University’s strategic growth plans. As of December 31, 2022 and 2021, CADI incurred \$223,248 and \$22,500 of predevelopment costs on the CDU MLK project, respectively, which is included in real estate held for investment, net of accumulated depreciation in the accompanying consolidated statements of financial position.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

17. Master Planned Communities (continued)

Other notes receivable

During 2022, West LA committed and disbursed a portion of the Veteran Services Grant Support (“CalVET”) funds to the developer partners of the master planned communities as loans or grants with restrictions, for the purpose of funding acquisition and predevelopment expenses associated with the West Los Angeles VA Medical Center campus (see Note 20). As of December 31, 2022, the outstanding notes receivable from TSA, CORE, and US VETS were \$4,433,961, \$1,950,000 and \$4,779,456, respectively.

18. Commitments and contingencies

Guaranty of tax credits

In connection with the following partnerships, 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.

<u>Partnership</u>	<u>Investor Limited Partner</u>	<u>Guaranty Balance</u>	<u>Affordable Housing Location</u>
Cabrillo Gateway, L.P.	WFAH	5,200,702	Long Beach, CA
Anchor Place, L.P.	WFAH	16,609,416	Long Beach, CA
Plaza de Cabrillo, L.P.	WFAH	8,455,003	Long Beach, CA
The Cove, L.P.	WFAH	1,398,202	Los Angeles, CA
Century Arrowhead Vista, L.P.	WFAH	343,088	San Bernardino, CA
Beacon Place, L.P.	WFAH	7,629,149	Long Beach, CA
Beacon Pointe, L.P.	Wells Fargo Community Investment Holdings, LLC	24,655,846	Long Beach, CA
Century Beachwood Apartments 2, L.P.	WFAH	3,397,944	Long Beach, CA
Florence Morehouse, L.P.	WFAH	5,456,561	Los Angeles, CA
Casa Rita, L.P.	WFAH	4,707,244	Huntington Park, CA
Woodbridge Apartments, L.P.	WFAH	4,995,418	Long Beach, CA
The Banning, L.P.	WFAH	1,737,380	Los Angeles, CA
Century WLAVA 1, L.P.	WFAH	1,142,764	Los Angeles, CA

Legal proceedings

Century 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.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

19. Deferred income

Deferred development fee (“DDF”) income

Deferred development fee income was \$2,357,135 and \$2,047,940, net of accumulated amortization of \$164,009 and \$110,059, respectively, related to the 10% profit portion of development fees as of December 31, 2022 and 2021, respectively. During the years ended December 31, 2022 and 2021, amortization of development fees capitalized as real property totaled \$53,950 and \$40,667, respectively. The deferred income is amortized using the straight-line method over the estimated useful life of the underlying asset.

	DDF Income 12/31/21	Developer fee income	Eliminated against salaries expense	Amortization of DDF income	DDF Income 12/31/22
Cabrillo Gateway	\$ 41,875	\$ -	\$ -	\$ (1,250)	\$ 40,625
Anchor Place	178,750	-	-	(5,000)	173,750
Century Beachwood 2	197,345	-	-	(5,334)	192,011
Florence Morehouse	285,717	-	-	(7,519)	278,198
Beacon Pointe	186,744	-	-	(4,914)	181,830
Beacon Place	187,500	-	-	(5,000)	182,500
Casa Rita	289,837	-	-	(7,833)	282,004
Woodbridge	257,978	-	-	(6,545)	251,433
Plaza de Cabrillo	422,194	-	-	(10,555)	411,639
Cove	-	980,000	(882,000)	-	98,000
Banning	-	1,210,000	(1,089,000)	-	121,000
WLAVA 1	-	1,441,452	(1,297,307)	-	144,145
Total	<u>\$ 2,047,940</u>	<u>\$ 3,631,452</u>	<u>\$ (3,268,307)</u>	<u>\$ (53,950)</u>	<u>\$ 2,357,135</u>

	DDF Income 12/31/20	Developer fee income	Eliminated against salaries expense	Amortization of DDF income	DDF Income 12/31/21
Cabrillo Gateway	\$ 43,125	\$ -	\$ -	\$ (1,250)	\$ 41,875
Anchor Place	183,750	-	-	(5,000)	178,750
Century Beachwood 2	202,679	-	-	(5,334)	197,345
Florence Morehouse	293,235	-	-	(7,518)	285,717
Beacon Pointe	191,658	-	-	(4,914)	186,744
Beacon Place	192,500	-	-	(5,000)	187,500
Casa Rita	297,670	-	-	(7,833)	289,837
Woodbridge	179,500	822,961	(740,665)	(3,818)	257,978
Plaza de Cabrillo	163,180	2,590,139	(2,331,125)	-	422,194
Total	<u>\$ 1,747,297</u>	<u>\$ 3,413,100</u>	<u>\$ (3,071,790)</u>	<u>\$ (40,667)</u>	<u>\$ 2,047,940</u>

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

20. Net assets with donor restriction

Net assets with donor restriction at December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
CDFI Funds	\$ 2,908,265	\$ 3,083,265
Capital Magnet Funds	20,590,122	20,590,122
West Los Angeles Veterans Collective	<u>9,219,205</u>	<u>20,000,000</u>
Total	<u>\$ 32,717,592</u>	<u>\$ 43,673,387</u>

During 2022 and 2021, Century Housing was awarded \$0 and \$1,826,265, respectively, of CDFI Funds - Rapid Response Program and \$525,000 and \$557,000, respectively of CDFI Funds - Financial Assistance Grants (collectively, "CDFI grants") that must be committed for use in a manner prescribed in the grant agreement. The CDFI grants 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. Century Housing loans these funds on a short-term basis generally for periods not to exceed 12 months. During 2022 and 2021, Century Housing disbursed \$1,782,000 and \$1,257,000, respectively, of the CDFI grants to eligible recipients.

During 2020, Century Housing was awarded \$4,790,122 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 used as revolving loans and 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. Century Housing loans these funds on a short-term basis generally for periods not to exceed 12 months. As of December 31, 2022 and 2021, Century Housing disbursed Capital Magnet funds of \$18,790,122 and \$18,311,110 to eligible recipients. As of December 31, 2022 and 2021, total funds committed to date were \$37,768,122 and \$30,789,100, respectively. 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 Century. If Century Housing meets certain benchmarks as described in the agreement prior to the Completion Date, the funds will become net assets without donor restriction to Century.

During 2021, CADI was awarded \$1,800,000 of Capital Magnet Funds that must be used as affordable housing fund to finance for very-low income, and extremely-low income families. 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. During 2021, CADI disbursed Capital Magnet funds of \$1,800,000 to eligible recipients.

During 2021, CADI was awarded \$20,000,000 of Veteran Services Grant Support appropriated for use for the West Los Angeles Veterans Collective to build affordable housing units and related infrastructure as part of the permanent supportive housing community on the West Los Angeles VA Medical Center campus.

During 2022, West LA was awarded \$3,000,000 from US VETS for the construction of permanent supportive housing for veterans at Building 402, West Los Angeles VA Medical Center campus.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

21. 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 Century 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, 2021	\$ 371,193,498	\$ 258,421,540	\$ 112,771,958
Contributions	7,318,629	-	7,318,629
Distributions	(18,345)	-	(18,345)
Syndication costs	(208,767)	-	(208,767)
Change in net assets from continuing operations	<u>15,093,783</u>	<u>23,778,602</u>	<u>(8,684,819)</u>
Net assets without donor restriction, December 31, 2021	393,378,798	282,200,142	111,178,656
Contributions	13,495,259	-	13,495,259
Distributions	(13,065)	-	(13,065)
Syndication costs	(7,500)	-	(7,500)
Change in net assets from continuing operations	<u>5,071,065</u>	<u>14,488,888</u>	<u>(9,417,823)</u>
Net assets without donor restriction, December 31, 2022	<u>\$ 411,924,557</u>	<u>\$ 296,689,030</u>	<u>\$ 115,235,527</u>

22. Liquidity and availability of financial assets

As of December 31, 2022 and 2021, Century has \$249,078,923 and \$279,370,780, 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 Century in a manner to ensure compliance with the approved budget, Century has various other sources of liquidity.

SUPPLEMENTARY INFORMATION

CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022

	Century and lending entities ⁽¹⁾	Century California Fund	CLTVF and affiliates	CADI and affiliates	CVC and affiliates	Eliminations	Consolidated Total
ASSETS							
Cash and cash equivalents	\$ 26,238,495	\$ 292,614	\$ 27,935	\$ 4,158,577	\$ 294,765	\$ -	\$ 31,012,386
Cash equivalents (restricted)	7,668,285	-	183,674	18,602,219	4,903,012	-	31,357,190
Accounts receivable, net	11,558	517,260	292,322	4,714,536	556,221	(4,937,481)	1,154,416
Investments	140,320,644	-	25,899,617	-	-	(53,762,223)	112,458,038
Interest receivable	7,430,335	140,309	-	-	-	(5,139,714)	2,430,930
Prepaid expenses and other assets	76,987	-	24,185	843,724	348,201	-	1,293,097
Notes receivable, net	408,120,928	7,797,518	-	-	-	(52,674,580)	363,243,866
Other notes receivable	-	-	-	11,163,417	-	-	11,163,417
Real estate held for investment, net	6,302,090	-	16,055,075	268,243,484	127,016,136	(1,669,695)	415,947,090
Furniture, fixtures and equipment, net	160,784	-	32,547	2,718,695	2,234,014	(123,093)	5,022,947
Deferred charges, net	-	-	-	312,123	225,328	-	537,451
	<u>\$ 596,330,106</u>	<u>\$ 8,747,701</u>	<u>\$ 42,515,355</u>	<u>\$ 310,756,775</u>	<u>\$ 135,577,677</u>	<u>\$ (118,306,786)</u>	<u>\$ 975,620,828</u>
Total assets							
LIABILITIES AND NET ASSETS							
Accounts payable and accrued liabilities	\$ 1,465,931	\$ 3,800	\$ (897)	\$ 3,744,219	\$ 5,910,196	\$ (1,147,667)	\$ 9,975,582
Accrued interest	1,163,493	-	-	5,070,688	4,952,239	(5,139,715)	6,046,705
Tenant security deposits	9,674	-	103,772	764,225	764,652	-	1,642,323
Deferred income	1,040,269	-	-	2,154,903	214,375	-	3,409,547
Fair value of interest rate swap liability	-	-	-	294,134	-	-	294,134
Bonds payable, net	223,382,473	-	-	-	-	-	223,382,473
Notes payable, net	65,779,125	-	37,544,501	169,201,177	57,277,785	(78,102,383)	251,700,205
Commercial paper	25,000,000	-	-	-	-	-	25,000,000
Other liabilities	8,986,307	-	5,011	455,936	3,994,595	(3,914,139)	9,527,710
Total liabilities	<u>326,827,272</u>	<u>3,800</u>	<u>37,652,387</u>	<u>181,685,282</u>	<u>73,113,842</u>	<u>(88,303,904)</u>	<u>530,978,679</u>
Net assets:							
Without donor restriction							
Controlling interest	247,804,447	8,743,901	4,862,968	42,769,870	677,178	(8,169,334)	296,689,030
Non-controlling interest	-	-	-	75,282,418	61,786,657	(21,833,548)	115,235,527
With donor restriction - controlling interest	21,698,387	-	-	11,019,205	-	-	32,717,592
Total net assets	<u>269,502,834</u>	<u>8,743,901</u>	<u>4,862,968</u>	<u>129,071,493</u>	<u>62,463,835</u>	<u>(30,002,882)</u>	<u>444,642,149</u>
Total liabilities and net assets	<u>\$ 596,330,106</u>	<u>\$ 8,747,701</u>	<u>\$ 42,515,355</u>	<u>\$ 310,756,775</u>	<u>\$ 135,577,677</u>	<u>\$ (118,306,786)</u>	<u>\$ 975,620,828</u>

⁽¹⁾ Includes Century Housing Corporation and Century Metropolitan Fund, LLC

see report of independent auditors

CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021

	Century and lending entities ⁽¹⁾	Century California Fund	CLTVF and affiliates	CADI and affiliates	CVC and affiliates	Eliminations	Consolidated Total
ASSETS							
Cash and cash equivalents	\$ 3,057,754	\$ 53,409	\$ 113,547	\$ 3,078,249	\$ 747,066	\$ -	\$ 7,050,025
Cash equivalents (restricted)	6,668,013	-	273,753	26,158,044	4,118,719	-	37,218,529
Accounts receivable, net	(2,302,613)	8,274,907	69,376	4,925,300	549,062	(10,587,365)	928,667
Investments	150,382,656	-	25,137,637	-	-	(48,166,958)	127,353,335
Interest receivable	5,996,655	22,482	-	-	-	(4,100,252)	1,918,885
Prepaid expenses and other assets	101,485	-	10,218	1,292,436	248,928	-	1,653,067
Notes receivable, net	398,232,854	(22,482)	-	-	-	(31,501,827)	366,708,545
Real estate held for investment, net	6,354,355	-	16,133,611	233,829,739	117,977,460	(1,524,164)	372,771,001
Furniture, fixtures and equipment, net	205,115	-	5,803	4,674,189	2,199,231	(123,093)	6,961,245
Deferred charges, net	-	-	-	322,079	255,753	-	577,832
Total assets	<u>\$ 568,696,274</u>	<u>\$ 8,328,316</u>	<u>\$ 41,743,945</u>	<u>\$ 274,280,036</u>	<u>\$ 126,096,219</u>	<u>\$ (96,003,659)</u>	<u>\$ 923,141,131</u>
LIABILITIES AND NET ASSETS							
Accounts payable and accrued liabilities	\$ 1,755,363	\$ -	\$ 65,816	\$ 2,588,798	\$ 3,669,117	\$ (986,628)	\$ 7,092,466
Accrued interest	809,003	-	-	3,799,838	4,141,023	(4,104,002)	4,645,862
Tenant security deposits	9,674	-	91,796	699,171	758,619	-	1,559,260
Deferred income	440,508	-	-	1,843,744	220,625	-	2,504,877
Fair value of interest rate swap liability	1,155,395	-	-	857,754	-	-	2,013,149
Bonds payable, net	238,979,755	-	-	-	-	-	238,979,755
Notes payable, net	52,017,567	-	37,530,356	135,522,753	54,981,658	(57,350,097)	222,702,237
Other liabilities	6,345,911	-	2,198	79,757	4,047,613	(3,884,139)	6,591,340
Total liabilities	<u>301,513,176</u>	<u>-</u>	<u>37,690,166</u>	<u>145,391,815</u>	<u>67,818,655</u>	<u>(66,324,866)</u>	<u>486,088,946</u>
Net assets:							
Without donor restriction							
Controlling interest	245,309,711	8,328,316	4,053,779	28,854,558	1,593,997	(5,940,219)	282,200,142
Non-controlling interest	-	-	-	78,233,663	56,683,567	(23,738,574)	111,178,656
With donor restriction - controlling interest	21,873,387	-	-	21,800,000	-	-	43,673,387
Total net assets	<u>267,183,098</u>	<u>8,328,316</u>	<u>4,053,779</u>	<u>128,888,221</u>	<u>58,277,564</u>	<u>(29,678,793)</u>	<u>437,052,185</u>
Total liabilities and net assets	<u>\$ 568,696,274</u>	<u>\$ 8,328,316</u>	<u>\$ 41,743,945</u>	<u>\$ 274,280,036</u>	<u>\$ 126,096,219</u>	<u>\$ (96,003,659)</u>	<u>\$ 923,141,131</u>

⁽¹⁾ Includes Century Housing Corporation and Century Metropolitan Fund, LLC

CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Century Housing and lending entities ⁽¹⁾	Century California Fund	CLTVF and affiliates	CADI and affiliates	CVC and affiliates	Eliminations	Consolidated Total
Lending revenue							
Income on notes receivable	\$ 29,520,903	\$ 467,282	\$ -	\$ -	\$ -	\$ (2,103,821)	\$ 27,884,364
Net assets released from restrictions	700,000	-	-	-	-	-	700,000
Other income	26,952	-	-	-	-	-	26,952
Total lending revenue	30,247,855	467,282	-	-	-	(2,103,821)	28,611,316
Housing revenue and support							
CVC, CADI and other real estate operations							
Rental property income	-	-	1,179,239	14,100,862	10,646,408	(199,069)	25,727,440
Other real estate income	-	-	-	39,047	-	(13,547)	25,500
Debt forgiveness income	-	-	-	-	-	-	-
Grant income	-	-	-	-	946,000	-	946,000
Income from certificated state credits	-	-	-	-	179,574	-	179,574
Contributions and fundraising income	-	42,353	-	-	508,507	(92,353)	458,507
Net assets released from restrictions	-	-	-	13,780,795	-	-	13,780,795
Total housing revenue and support	-	42,353	1,179,239	27,920,704	12,280,489	(304,969)	41,117,816
Corporate revenue							
Residual receipts and contingent asset income	3,511,073	-	-	-	-	-	3,511,073
Corporate office building rental income	155,850	-	-	-	-	-	155,850
Total corporate revenue	3,666,923	-	-	-	-	-	3,666,923
Total revenue	33,914,778	509,635	1,179,239	27,920,704	12,280,489	(2,408,790)	73,396,055
Lending expenses							
Allocation for loan losses	(458,172)	-	-	-	-	-	(458,172)
Borrowing fees	94,897	-	-	-	-	-	94,897
Bond fees	1,066,426	-	-	-	-	-	1,066,426
Interest expense	7,280,573	-	-	-	-	-	7,280,573
Salaries and employee benefits	1,945,121	-	-	-	-	-	1,945,121
Direct lending expenses	167,530	-	-	-	-	-	167,530
Total lending expenses	10,096,375	-	-	-	-	-	10,096,375
Housing expenses							
CVC, CADI and other real estate operations							
Rental property expenses	-	-	552,274	5,894,670	5,913,787	(207,842)	12,152,889
Other real estate expenses	-	-	15,432	182,653	150,144	-	348,229
Property depreciation and amortization	-	-	184,212	6,833,362	5,168,450	-	12,186,024
Interest expense	-	-	340,967	5,307,864	1,186,211	(1,804,532)	5,030,510
Housing salaries and employee benefits	-	-	38,950	1,476,333	5,260,344	-	6,775,627
Loss on disposal of fixed assets	-	-	-	-	636,492	-	636,492
Other program support	-	-	14,145	133,176	206,493	(41,344)	312,470
Total housing expenses	-	-	1,145,980	19,828,058	18,521,921	(2,053,718)	37,442,241

see report of independent auditors

CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENTS OF ACTIVITIES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

	Century Housing and lending entities ⁽¹⁾	Century California Fund	CLTVF and affiliates	CADI and affiliates	CVC and affiliates	Eliminations	Consolidated Total
Corporate expenses							
Salaries and employee benefits	5,055,257	-	-	-	-	-	5,055,257
Professional fees	434,734	-	-	-	-	-	434,734
Business development expenses	122,001	-	-	-	-	-	122,001
General and administrative expenses	971,379	500	250	-	-	-	972,129
Depreciation expense	170,149	-	-	-	-	-	170,149
Total corporate expenses	6,753,520	500	250	-	-	-	6,754,270
Total expenses	16,849,895	500	1,146,230	19,828,058	18,521,921	(2,053,718)	54,292,886
Other income and (expenses)							
Investment interest and dividends	3,302,713	-	-	9,917	-	(9,917)	3,302,713
Other program support	(261,103)	(90,000)	-	-	-	92,353	(258,750)
Income tax expense for LLCs	(800)	(3,550)	(800)	(12,280)	(11,300)	-	(28,730)
Total other income and (expenses)	3,040,810	(93,550)	(800)	(2,363)	(11,300)	82,436	3,015,233
Increase (decrease) in net assets without donor restriction before realized and unrealized gains (losses) on investments	20,105,693	415,585	32,209	8,090,283	(6,252,732)	(272,636)	22,118,402
Realized and unrealized gains (losses) on investments							
Realized and unrealized loss on investments	(18,225,952)	-	761,980	-	-	(761,980)	(18,225,952)
Realized and unrealized gains on interest rate swaps	614,995	-	-	563,620	-	-	1,178,615
Total realized and unrealized gains (losses) on investments	(17,610,957)	-	761,980	563,620	-	(761,980)	(17,047,337)
Increase (decrease) in net assets without donor restriction from operations	2,494,736	415,585	794,189	8,653,903	(6,252,732)	(1,034,616)	5,071,065
Contributions from non-controlling interest	-	-	65,000	3,030,144	10,465,115	(65,000)	13,495,259
Distributions to non-controlling interest	-	-	-	(717,480)	(21,112)	725,527	(13,065)
Syndication costs paid by non-controlling interest	-	-	-	(2,500)	(5,000)	-	(7,500)
Distributions to non-controlling interest	-	-	(50,000)	-	-	50,000	-
Change in net assets without donor restriction	2,494,736	415,585	809,189	10,964,067	4,186,271	(324,089)	18,545,759
Net assets with donor restriction							
Contributions	525,000	-	-	3,000,000	-	-	3,525,000
Net assets released from restrictions	(700,000)	-	-	(13,780,795)	-	-	(14,480,795)
Change in net assets with donor restriction	(175,000)	-	-	(10,780,795)	-	-	(10,955,795)
Total change in net assets	2,319,736	415,585	809,189	183,272	4,186,271	(324,089)	7,589,964
Net assets at beginning of year	267,183,098	8,328,316	4,053,779	128,888,221	58,277,564	(29,678,793)	437,052,185
Net assets at end of year	<u>\$ 269,502,834</u>	<u>\$ 8,743,901</u>	<u>\$ 4,862,968</u>	<u>\$ 129,071,493</u>	<u>\$ 62,463,835</u>	<u>\$ (30,002,882)</u>	<u>\$ 444,642,149</u>

⁽¹⁾ Includes Century Housing Corporation and Century Metropolitan Fund, LLC

CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Century Housing and lending entities ⁽¹⁾	Century California Fund	CLTVF and affiliates	CADI and affiliates	CVC and affiliates	Eliminations	Consolidated Total
Lending revenue							
Income on notes receivable	\$ 28,681,789	\$ 89,563	\$ -	\$ -	\$ -	\$ (935,440)	\$ 27,835,912
Net assets released from restrictions	686,500	-	-	-	-	-	686,500
Other income	241,116	-	-	-	-	-	241,116
Total lending revenue	29,609,405	89,563	-	-	-	(935,440)	28,763,528
Housing revenue and support							
CVC, CADI and other real estate operations							
Rental property income	-	-	583,006	8,982,425	9,816,544	(48,010)	19,333,965
Other real estate income	-	-	-	1,037,896	-	(215,340)	822,556
Debt forgiveness income	-	-	-	-	233,334	-	233,334
Grant income	-	-	-	-	586,000	-	586,000
Income from certificated state credits	-	-	-	68,386	-	-	68,386
Contributions and fundraising income	-	-	-	-	405,649	-	405,649
Net assets released from restrictions	-	-	-	-	100,000	-	100,000
Total housing revenue and support	-	-	583,006	10,088,707	11,141,527	(263,350)	21,549,890
Corporate revenue							
Residual receipts and contingent asset income	1,041,741	-	-	-	-	-	1,041,741
Corporate office building rental income	138,000	-	-	-	-	-	138,000
Total corporate revenue	1,179,741	-	-	-	-	-	1,179,741
Total revenue	30,789,146	89,563	583,006	10,088,707	11,141,527	(1,198,790)	51,493,159
Lending expenses							
Allocation for loan losses	6,923	(41,310)	-	-	-	-	(34,387)
Borrowing fees	193,545	-	-	-	-	-	193,545
Bond fees	798,559	-	-	-	-	-	798,559
Interest expense	6,180,351	-	-	-	-	-	6,180,351
Salaries and employee benefits	2,272,132	-	-	-	-	-	2,272,132
Direct lending expenses	79,999	-	-	-	-	-	79,999
Total lending expenses	9,531,509	(41,310)	-	-	-	-	9,490,199
Housing expenses							
CVC, CADI and other real estate operations							
Rental property expenses	-	-	260,614	4,359,285	4,679,921	(48,010)	9,251,810
Other real estate expenses	-	-	202,243	86,546	229,198	(202,188)	315,799
Property depreciation and amortization	-	-	107,457	5,221,634	4,614,193	-	9,943,284
Interest expense	-	-	147,108	3,155,662	826,932	(646,095)	3,483,607
Housing salaries and employee benefits	-	-	-	445,916	5,273,611	692,482	6,412,009
Other program support	-	-	8,250	107,618	14,058	-	129,926
Total housing expenses	-	-	725,672	13,376,661	15,637,913	(203,811)	29,536,435

see report of independent auditors

CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENTS OF ACTIVITIES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

	Century Housing and lending entities ⁽¹⁾	Century California Fund	CLTVF and affiliates	CADI and affiliates	CVC and affiliates	Eliminations	Consolidated Total
Corporate expenses							
Salaries and employee benefits	4,179,735	-	-	-	-	(692,482)	3,487,253
Professional fees	269,578	-	-	-	-	-	269,578
Business development expenses	108,216	696	-	-	-	-	108,912
General and administrative expenses	900,572	500	250	-	-	-	901,322
Depreciation expense	187,494	-	-	-	-	-	187,494
Total corporate expenses	5,645,595	1,196	250	-	-	(692,482)	4,954,559
Total expenses	15,177,104	(40,114)	725,922	13,376,661	15,637,913	(896,293)	43,981,193
Other income and (expenses)							
Investment interest and dividends	1,642,173	594,000	-	3,750	-	(3,750)	2,236,173
Other program support	(149,899)	(270,000)	-	-	-	-	(419,899)
Income tax expense for LLCs	(800)	(13,267)	(800)	(10,413)	(9,625)	-	(34,905)
Total other income and (expenses)	1,491,474	310,733	(800)	(6,663)	(9,625)	(3,750)	1,781,369
Increase (decrease) in net assets without donor restriction before realized and unrealized gains (losses) on investments	17,103,516	440,410	(143,716)	(3,294,617)	(4,506,011)	(306,247)	9,293,335
Realized and unrealized gains (losses) on investments							
Realized and unrealized gains on investments	5,472,963	-	-	-	-	-	5,472,963
Realized and unrealized gains (losses) on interest rate swaps	(82,699)	-	-	410,184	-	-	327,485
Total realized and unrealized gains (losses) on investments	5,390,264	-	-	410,184	-	-	5,800,448
Increase (decrease) in net assets without donor restriction from operations	22,493,780	440,410	(143,716)	(2,884,433)	(4,506,011)	(306,247)	15,093,783
Contributions from non-controlling interest	-	-	4,197,495	27,476,815	782,206	(25,137,887)	7,318,629
Distributions to non-controlling interest	-	-	-	(11,000)	(20,497)	13,152	(18,345)
Syndication costs paid by non-controlling interest	-	-	-	(83,675)	(125,092)	-	(208,767)
Change in net assets without donor restriction	22,493,780	440,410	4,053,779	24,497,707	(3,869,394)	(25,430,982)	22,185,300
Net assets with donor restriction							
Contributions	2,383,265	-	-	21,800,000	-	-	24,183,265
Net assets released from restrictions	(686,500)	-	-	-	(100,000)	-	(786,500)
Change in net assets with donor restriction	1,696,765	-	-	21,800,000	(100,000)	-	23,396,765
Total change in net assets	24,190,545	440,410	4,053,779	46,297,707	(3,969,394)	(25,430,982)	45,582,065
Net assets at beginning of year	242,992,553	7,887,906	-	82,590,514	62,246,958	(4,247,811)	391,470,120
Net assets at end of year	\$ 267,183,098	\$ 8,328,316	\$ 4,053,779	\$ 128,888,221	\$ 58,277,564	\$ (29,678,793)	\$ 437,052,185

⁽¹⁾ Includes Century Housing Corporation and Century Metropolitan Fund, LLC

CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTARY INFORMATION
STATEMENTS OF FINANCIAL POSITION - CENTURY HOUSING CORPORATION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 26,208,170	\$ 3,027,429
Cash equivalents (restricted)	7,668,285	6,668,013
Accounts receivable, net	42,683	32,214
Investments	112,458,038	127,353,335
Investments in affiliates	27,862,606	20,725,869
Interest receivable	7,430,335	5,996,655
Notes receivable, net	363,246,348	366,731,027
Notes receivable from affiliates	44,874,580	31,501,827
Prepaid expenses and other assets	76,987	101,485
Furniture, fixtures and equipment, net	160,784	205,115
Real estate held for investment, net	<u>6,302,090</u>	<u>6,354,355</u>
Total assets	<u>\$ 596,330,906</u>	<u>\$ 568,697,324</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 1,464,631	\$ 1,755,363
Accrued interest	1,163,493	809,003
Fair value of interest rate swap liability	-	1,155,395
Deferred income	1,040,269	440,508
Bonds payable, net	223,382,473	238,979,755
Notes payable	65,779,125	52,017,567
Commercial paper	25,000,000	-
Other liabilities	<u>8,995,981</u>	<u>6,355,585</u>
Total liabilities	326,825,972	301,513,176
Net assets:		
Net assets without donor restriction	247,806,547	245,310,761
Net assets with donor restriction	<u>21,698,387</u>	<u>21,873,387</u>
Total net assets	<u>269,504,934</u>	<u>267,184,148</u>
Total liabilities and net assets	<u>\$ 596,330,906</u>	<u>\$ 568,697,324</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Lending revenue		
Income on notes receivable	\$ 29,520,903	\$ 28,681,789
Net assets released from restrictions	700,000	686,500
Other income	26,952	241,116
Total lending revenue	<u>30,247,855</u>	<u>29,609,405</u>
Corporate revenue		
Residual receipts and contingent asset income	3,511,073	1,041,741
Corporate office building rental income	155,850	138,000
Total corporate revenue	<u>3,666,923</u>	<u>1,179,741</u>
Total revenue	<u>33,914,778</u>	<u>30,789,146</u>
Lending expenses		
Allocation for loan losses	(458,172)	6,923
Borrowing fees	94,897	193,545
Bond fees	1,066,426	798,559
Interest expense	7,280,573	6,180,351
Salaries and employee benefits	1,945,121	2,272,132
Direct lending expenses	167,530	79,999
Total lending expenses	<u>10,096,375</u>	<u>9,531,509</u>
Corporate expenses		
Corporate office building rental expenses	55,439	18,020
Corporate office building depreciation	90,063	90,062
Total corporate expenses	<u>145,502</u>	<u>108,082</u>
Management and general expenses		
Salaries and employee benefits	5,055,257	4,179,735
Professional fees	434,734	269,578
Business development expenses	122,001	108,216
General and administrative expenses	915,690	882,302
Depreciation	80,086	97,432
Total management and general expenses	<u>6,607,768</u>	<u>5,537,263</u>
Total expenses	<u>16,849,645</u>	<u>15,176,854</u>

see report of independent auditors

CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTARY INFORMATION
STATEMENTS OF ACTIVITIES - CENTURY HOUSING CORPORATION - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Other income and (expenses)		
Investment interest and dividends	3,302,713	1,642,173
Other program support	<u>(261,103)</u>	<u>(149,899)</u>
Total other income and (expenses)	<u>3,041,610</u>	<u>1,492,274</u>
 Increase in net assets without donor restriction before realized and unrealized gains (losses) on investments	 20,106,743	 17,104,566
 Realized and unrealized gains (losses) on investments		
Realized and unrealized (losses) gains on investments	(18,225,952)	5,472,963
Realized and unrealized gains (losses) on interest rate swaps	<u>614,995</u>	<u>(82,699)</u>
Total realized and unrealized gains (losses) on investments	<u>(17,610,957)</u>	<u>5,390,264</u>
 Increase in net assets without donor restriction	 2,495,786	 22,494,830
 Change in net assets with donor restriction		
Contributions	525,000	2,383,265
Net assets released from restrictions	<u>(700,000)</u>	<u>(686,500)</u>
Change in net assets with donor restriction	<u>(175,000)</u>	<u>1,696,765</u>
 Increase in net assets	 2,320,786	 24,191,595
 Net assets at beginning of year	 <u>267,184,148</u>	 <u>242,992,553</u>
 Net assets at end of year	 <u><u>\$ 269,504,934</u></u>	 <u><u>\$ 267,184,148</u></u>

see report of independent auditors

CENTURY HOUSING CORPORATION AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-through Agent/ Program Title	Assistance Listing Number	Agreement Number	Federal Expenditures
<u>Department of the Treasury:</u>			
Community Development Financial Institutions Program – Financial Assistance	21.020	211FA056617	\$ 525,000
Community Development Financial Institutions Program – Capital Magnet Fund	21.011	181CM050468	<u>6,500,000</u>
Total Expenditures of Federal Awards			<u>\$ 7,025,000</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, 2022

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, 2022. 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. Assistance Listing numbers (“AL No.”) are provided when available.

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



NOVOGRADAC
& COMPANY LLP®

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, which comprise the consolidated statement of financial position as of December 31, 2022, 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 27, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Novogradac & Company LLP

Walnut Creek, California
April 27, 2023



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

Opinion on Each Major Federal Program

We have audited the compliance of Century Housing Corporation, a California nonprofit public benefit corporation, and Affiliates (the "Century"), with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Century's major federal programs for the year ended December 31, 2022. Century's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Century 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Century Housing Corporation and Affiliates and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Century Housing Corporation and Affiliates' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Century Housing Corporation and Affiliates' federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Century Housing Corporation and Affiliates' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions,

misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Century Housing Corporation and Affiliates' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Century Housing Corporation and Affiliates' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Century Housing Corporation and Affiliates' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Century Housing Corporation and Affiliates' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 27, 2023

CENTURY HOUSING CORPORATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>AL 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:	<u> \$750,000 </u>
--	----------------------

Auditee qualified as low-risk auditee?	<u> X </u>	Yes	<u> </u>	No
--	--------------	-----	-------------------	----

Section II - Financial Statement Findings

There were no findings noted.

Section III - Federal Award Findings and Questioned Costs

There were no findings noted.