

DHIC, Inc. and Subsidiaries

Consolidated Financial Statements
and Supplementary Information

Years Ended
December 31, 2013 and 2012



DIXON HUGHES GOODMAN^{LLP}
Certified Public Accountants and Advisors

DHIC, Inc. and Subsidiaries

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
DHIC, Inc. and Subsidiaries
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of DHIC, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of certain subsidiaries, which statements reflect total assets of \$16,840,730 as of December 31, 2013 and total revenues of \$1,984,325 for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those subsidiaries, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DHIC, Inc. and Subsidiaries as of December 31, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the DHIC, Inc. and Subsidiaries' 2012 consolidated financial statements. We did not audit the financial statements of certain subsidiaries, which reflect total assets of \$17,292,388 as of December 31, 2012 and total revenue of \$1,918,327 for the year then ended. Those statements were audited by other auditors whose reports were furnished to us, and our opinion, insofar as it relates to the amounts included for those subsidiaries, was based solely on the reports of other auditors. Our report dated May 31, 2013 expressed an unmodified opinion on those audited consolidated financial statements based on our audit and the reports of other auditors. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating and combining schedules on pages 22 through 33 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and change in net assets of the included companies, and are not a required part of the consolidated financial statements. The NeighborWorks America Capital Funds schedules on pages 34 and 35 are for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, which, insofar as it relates to the subsidiaries, is based on the reports of other auditors, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Dixon Hughes Goodman LLP

June 10, 2014

DHIC, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

ASSETS	2013	2012
CURRENT ASSETS		
Cash, parent company	\$ 327,747	\$ 381,601
Cash, subsidiary construction	14,457	111,280
Cash, subsidiary operations	1,778,751	1,368,619
Accounts receivable	223,323	213,941
Current portion of notes receivable - second mortgages	19,253	19,167
Inventories	530,623	1,105,420
Prepaid expenses	228,659	203,401
TOTAL CURRENT ASSETS	3,122,813	3,403,429
PROPERTY AND EQUIPMENT, net	118,863,987	109,719,586
OTHER ASSETS		
Designated cash - security deposits, operating reserves and escrows	7,757,975	7,343,952
Designated cash - board-designated reserve fund	604,844	602,607
Designated cash - other	49,193	138,261
Restricted cash - NeighborWorks America	1,076,877	892,262
Notes receivable - second mortgages, net of current portion	397,944	469,664
Deferred costs, net	1,660,492	1,700,777
Due from affiliates	1,501	1,499
TOTAL ASSETS	\$ 133,535,626	\$ 124,272,037
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 1,367,803	\$ 1,712,789
Current portion of interim debt	3,018,242	4,057,381
Current portion of construction loans payable	2,545,443	21,629
Accounts payable and accrued liabilities	1,607,486	533,387
Deferred revenue	74,674	50,645
Accrued interest payable	1,293,623	1,075,182
TOTAL CURRENT LIABILITIES	9,907,271	7,451,013
RESTRICTED DEPOSITS		
Tenants' security deposits	525,213	490,429
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	66,763,036	66,878,616
Construction loans payable, net of current portion	-	858,371
Accrued interest payable	2,001,763	2,232,299
TOTAL LONG-TERM LIABILITIES	68,764,799	69,969,286
NET ASSETS		
Unrestricted		
Controlling interests	2,446,996	1,808,693
Non-controlling interests	46,496,828	38,608,097
Total unrestricted net assets	48,943,824	40,416,790
Permanently restricted	5,394,519	5,944,519
TOTAL NET ASSETS	54,338,343	46,361,309
TOTAL LIABILITIES AND NET ASSETS	\$ 133,535,626	\$ 124,272,037

DHIC, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
Year Ended December 31, 2013 with Comparative Totals for 2012

	2013			2012
	Unrestricted	Permanently Restricted	Total	Total
SUPPORT AND REVENUE				
Support				
City of Raleigh	\$ 162,000	\$ -	\$ 162,000	\$ 133,000
NeighborWorks America	260,544	450,000	710,544	529,631
AG settlement grant	165,444	-	165,444	65,205
Other grants	228,500	-	228,500	86,500
Other support and contributions	8,525	-	8,525	41,162
Net assets released from restriction	1,000,000	(1,000,000)	-	-
TOTAL SUPPORT	1,825,013	(550,000)	1,275,013	855,498
Revenue				
Sales of improved lots	-	-	-	279,500
Gross rental income - apartment complexes	10,076,115	-	10,076,115	9,525,426
Homeownership counseling	78,757	-	78,757	97,539
Other income	436,112	-	436,112	339,405
Interest income	22,473	-	22,473	42,890
TOTAL REVENUE	10,613,457	-	10,613,457	10,284,760
TOTAL SUPPORT AND REVENUE	12,438,470	(550,000)	11,888,470	11,140,258
COSTS AND EXPENSES				
Program services				
Asset management program	207,771	-	207,771	178,134
Home ownership program	462,649	-	462,649	452,420
Support services program	167,695	-	167,695	177,669
Real estate development	624,303	-	624,303	713,725
Apartment complexes	12,759,769	-	12,759,769	11,998,191
TOTAL PROGRAM SERVICES	14,222,187	-	14,222,187	13,520,139
Supporting services				
Management and general	502,863	-	502,863	478,777
TOTAL COSTS AND EXPENSES	14,725,050	-	14,725,050	13,998,916
CHANGE IN NET ASSETS	(2,286,580)	(550,000)	(2,836,580)	(2,858,658)
CAPITAL CONTRIBUTIONS - NON-CONTROLLING INTERESTS	10,813,614	-	10,813,614	3,157,708
NET ASSETS, BEGINNING	40,416,790	5,944,519	46,361,309	46,062,259
NET ASSETS, ENDING	\$ 48,943,824	\$ 5,394,519	\$ 54,338,343	\$ 46,361,309

DHIC, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (2,836,580)	\$ (2,858,658)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	4,172,705	4,005,263
Bad debt expense	138,662	215,524
Interest capitalized on notes receivable - second mortgages	(6,867)	(10,234)
Loss on disposal of fixed assets	141,922	151,462
Change in assets and liabilities:		
Increase in accounts receivable	(82,890)	(144,810)
Increase in inventories	(350,207)	(66,326)
Increase in prepaid expenses	(25,258)	(81,056)
Decrease in accounts payable and accrued liabilities	(31,321)	(168,111)
Increase in deferred revenue	24,029	2,047
Increase (decrease) in accrued interest payable	(12,095)	210,979
Increase in tenants' security deposits	34,784	30,196
	<u>1,166,884</u>	<u>1,286,276</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(11,302,940)	(8,648,702)
(Increase) decrease in due from affiliates	(2)	2,001
Principal collections on notes receivable - second mortgages	13,347	21,139
Increase in cash restricted by NeighborWorks America	(184,615)	(360,906)
Increase in designated cash - security deposit, reserves and escrows	(414,023)	(84,418)
Increase in designated cash - board-designated	(2,237)	(102,337)
(Increase) decrease in designated cash - other	89,068	(57,456)
	<u>(11,801,402)</u>	<u>(9,230,679)</u>
NET CASH USED BY INVESTING ACTIVITIES		

DHIC, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on line of credit	\$ -	\$ (100,000)
Proceeds from long-term borrowings	3,680,230	8,441,096
Principal payments on long-term borrowings	(6,059,935)	(626,805)
Proceeds from construction loans payable	2,545,443	880,000
Repayment of construction loans payable	-	(3,161,359)
Payment of deferred costs	(85,379)	(158,231)
Capital contributions made to partnerships/ limited liability companies	<u>10,813,614</u>	<u>3,157,708</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>10,893,973</u>	<u>8,432,409</u>
NET INCREASE IN CASH	259,455	488,006
CASH, BEGINNING	<u>1,861,500</u>	<u>1,373,494</u>
CASH, ENDING	<u><u>\$ 2,120,955</u></u>	<u><u>\$ 1,861,500</u></u>
RECONCILIATION OF CASH		
Cash, parent company	\$ 327,747	\$ 381,601
Cash, subsidiary construction	14,457	111,280
Cash, subsidiary operations	<u>1,778,751</u>	<u>1,368,619</u>
CASH, ENDING	<u><u>\$ 2,120,955</u></u>	<u><u>\$ 1,861,500</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest, net of interest capitalized	<u>\$ 1,961,566</u>	<u>\$ 1,858,035</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Investment in property and equipment included in accounts payable and accrued expenses	<u>\$ 1,105,420</u>	<u>\$ -</u>
Construction loan payable converted to permanent loan	<u>\$ 880,000</u>	<u>\$ -</u>
Transfer of assets from inventory to property and equipment	<u>\$ 925,004</u>	<u>\$ -</u>

DHIC, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE A - BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Organization

DHIC, Inc. (“DHIC”), a non-profit corporation, and its affiliates develop, finance, and/or manage affordable housing for low- to moderate-income residents of North Carolina, with a primary emphasis on Wake County and the greater Research Triangle region. DHIC also works to improve deteriorated or blighted neighborhoods by building new housing and other support facilities. In addition, DHIC provides supportive community services to residents of its housing complexes, including support to seniors and youth summer camp scholarships. It also operates a comprehensive homebuyer counseling program, which includes one-on-one and group counseling classes, and access to down payment assistance programs.

A summary of the significant accounting policies of DHIC, Inc. and Subsidiaries (the “Corporation”) consistently applied in the preparation of the accompanying consolidated financial statements follows.

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis.

Principles of Consolidation

The consolidated financial statements include the accounts of DHIC, Inc. and its wholly owned subsidiaries. These wholly owned subsidiaries hold general partner or managing member interests in limited partnerships and/or limited liability companies that own affordable housing projects.

The Corporation presents its consolidated financial statements under FASB ASC 958-810, which requires consolidation of all entities in which DHIC has a controlling financial interest and all not-for profit entities that share board control, and for which an economic interest exists. Under the guidance of Emerging Issues Task Force Issue No. 04-05, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights*, the consolidated financial statements include the accounts of limited partnership or limited liability companies in which DHIC or one of its wholly owned subsidiaries is the general partner or managing member, but does not hold a majority financial interest. All significant intercompany transactions and balances have been eliminated in the consolidation.

A schedule of the DHIC wholly owned subsidiaries, limited partnerships/liability companies and corresponding ownership percentage at December 31, 2013 is as follows:

<u>100% DHIC, Inc.-Owned Subsidiary</u>	<u>Limited Partnership/Liability Company</u>	<u>Managing General Partner/ Member Ownership Percentage</u>
Bayboro Homes, Inc.	Bay River Limited Partnership	0.0050
Brookridge Affordable Housing, Inc.	Brookridge Housing, LLC	0.0090
Camden Glen Affordable Housing, Inc.	Camden Glen, LLC*	90.0000
Capital Ventures Investment Group, Inc.	Braebourne Limited Partnership	0.0100
Cardinal Chase, Inc.	Cardinal Chase Development, LLC	0.0100
Carlton Place, Inc.	Carlton Place Development, LLC	0.0090

DHIC, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE A - BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

Principles of Consolidation (Continued)

<u>100% DHIC, Inc.-Owned Subsidiary</u>	<u>Limited Partnership/Liability Company</u>	<u>Managing General Partner/ Member Ownership Percentage</u>
Common Oaks Affordable Housing, Inc.	Wakefield Affordable Housing, LLC	0.0100
Creston Commons Development Corporation	Creston Commons II, LLC	0.0100
Dacian Glen Redevelopment, Inc.	Dacian Glen LLC	0.0100
Davis Drive Development, Inc.	Willow Creek Seniors, LLC*	90.0000
Highland Seniors Development, Inc.	Highland Seniors Limited Partnership	0.0090
Highland Village Development, Inc.	Highland Village Limited Partnership	0.0100
Lennox Chase, Inc.	Lennox Chase Development, LLC	0.0100
MacGregor Village, Inc.	MacGregor Housing Limited Partnership	0.0100
Maplewood Senior Housing, Inc.	Maplewood Partners, LLC	0.0034
Meadowcreek Seniors, Inc.	Meadowcreek Commons, LLC	0.0100
Peak Housing Corporation	Beechridge II, LLC	0.0100
Peak Housing Corporation	Beechridge Limited Partnership	0.0100
Prairie Associates, Inc.	Prairie, LLC	0.0100
Ripley Station, Inc.	Ripley Station Limited Partnership	1.0000
ROG Development, Inc.	ROG Preservation, LLC*	0.0100
Santree Development Corporation	Santree Commons Limited Partnership	0.0500
Second Peak Housing Corporation	Creston Commons, LLC	0.0100
Tryon Road Improvement Corporation	Tryon Grove Limited Partnership	1.0000
Wakefield Senior Housing, Inc.	Wakefield Manor, LLC	0.0100
Water Garden Affordable Housing, Inc.	Water Garden Village, LLC	0.0090
Water Garden Senior Housing, Inc.	Water Garden Park, LLC	0.0100

*DHIC is also one of the initial members of the LLC at December 31, 2013

Additionally, the consolidated financial statements include the accounts of other non-profit entities that are commonly controlled by DHIC Board members and for which an economic interest exists. These entities are as follows:

- Caraleigh Housing Investment Corporation
- Community Revitalization and Preservation Corporation (“CRPC”)
- MacGregor Housing Development Corporation

As of December 31, 2013 and 2012, CRPC is the sole member of the following companies:

- Avonlea, LLC
- Highland Terrace, LLC
- Jeffries Ridge, LLC
- Murphey School, LLC
- Sedgebrook, LLC

As of December 31, 2013, CRPC is also the sole member of:

- Weston Trace Housing LLC

DHIC, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE A - BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

Principles of Consolidation (Continued)

All inter-company transactions have been eliminated in consolidation. A summary of the eliminations is as follows:

- Development fee income for DHIC incurred by the limited partners/liability companies and capitalized into building costs, net of depreciation expense.
- Partnership management fee income for DHIC and related partnership management fee expense for the limited partnerships/liability companies.
- Interest income and corresponding interest expense on notes receivable between DHIC and the limited partnerships/liability companies.
- Rent income and related rent expense between DHIC and one of the limited liability companies.
- Notes receivable and accrued interest receivable for DHIC and the related notes payable and accrued interest payable of the limited partnerships/liability companies.
- Development fees and partnership management fees receivable for DHIC and the related payables on the limited partnerships/liability companies.

The consolidated financial statements do not include the accounts of other separate non-profit corporations as noted below, which are affiliated with DHIC through common board members and the providing of managerial, accounting and administrative services by DHIC to the affiliated corporations. There is no economic interest between DHIC and these entities due to regulatory agreements with HUD pertaining to the operation of projects funded under the HUD 202 program.

- Chadwick Apartments, Inc.
- Highland Manor Apartments, Inc.
- Roanoke Housing Development Corporation
- WFEH, Incorporated

Accounts Receivable and Notes Receivable

Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Notes receivable are stated at principal amounts and are collateralized by a deed of trust on the related property and the improvements located thereon. Management reviews each receivable and establishes an allowance for doubtful accounts, when determined necessary, based on historical experience, current economic conditions and by regularly evaluating individual receivables. Management determined that an allowance for doubtful accounts was not necessary at December 31, 2013 and 2012.

DHIC, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE A - BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

Accounts Receivable and Notes Receivable (Continued)

Tenant receivables for the affordable housing properties are charged to bad debt expense when they are determined to be uncollectible. 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 for these receivables is not materially different from the results that would have been obtained under the allowance method.

Inventories

Inventories represent the cost of townhomes and land under development for purposes of ultimate sale. Inventories are stated at the lower of cost or fair value. The fair value is based on management's best estimate of current market conditions and appraisals.

Property, Equipment and Depreciation

Purchased property and equipment are recorded at cost, and donated equipment is recorded at fair market value. The Corporation primarily uses the straight-line method of depreciation over the estimated useful lives of the assets, as follows:

Land improvements	15 to 20 years
Buildings and improvements	40 to 50 years
Furnishings and equipment	3 to 10 years

Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred.

Impairment of Long-Lived Assets

The Corporation reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. No impairment losses were recognized during the years ended December 31, 2013 and 2012.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statements of activities.

DHIC, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE A - BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

Income Taxes

DHIC and its non-profit affiliates are not-for-profit corporations pursuant to Section 501(c)(3) of the Internal Revenue Code and, accordingly, are exempt from federal and state income taxes. The income or loss from the limited partnerships/liability companies is reported by the individual partners/members on their income tax returns. Thus, the accompanying consolidated financial statements do not reflect a provision or liability under federal and state income taxes. DHIC has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2013. Fiscal years ending on or after December 31, 2010 remain subject to examination by federal and state tax authorities.

Public Support and Revenue

Public support and revenue are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. If the restrictions expire in the year in which the revenues are recognized, then the revenues are reported as increases in the unrestricted net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by donor stipulation or law. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Revenue from government grant and contract agreements is recognized as it is earned through expenditure in accordance with the agreement. Revenue from program service fees is recognized when the service is complete.

Rental income is recognized for residential units as they accrue. Advance receipts of rental income will be deferred until earned. All leases between the Corporation and tenants of the property are operating leases.

Revenue from all home-building activities is recognized upon closing of the sale using the deposit method. During construction, all direct material and labor costs and indirect costs related to acquisition and construction are capitalized, and all customer deposits are treated as liabilities.

DHIC earns fees for development of properties and generally recognizes the fees as earned over the development period pro rata as stated in the development agreements. Development fees from consolidated subsidiaries are eliminated as intercompany transactions. DHIC estimates that 42% of its development fees cover related project costs, such as allocated internal salaries and benefits and related overhead, that are ordinarily capitalized. Therefore, property and equity costs have been reduced by 58% of the developer fees.

DHIC, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE A - BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

Net Assets

Net assets of the Corporation and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. The non-controlling interest in unrestricted net assets represents the aggregate positive balances of the limited partners or investor members' equity interest in non-wholly owned limited partnerships and limited liability companies that are included in the consolidated financial statements.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Corporation. The donors of these assets permit the Corporation to use all or part of the income earned on related investments for general or specific purposes.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying amounts of cash, receivables, prepaid expenses, deposits, designated cash, accounts payable, accrued expenses and refundable security deposits approximate fair value because of the short maturities of these instruments. Variable rate construction loans approximate fair value because of the variable rate. The fair value of the fixed-rate long-term debt, including long-term fixed-rate construction loans, is approximately \$52,000,000 at December 31, 2013 and 2012, which is based on market rates for similar loans.

Subsequent Events

DHIC evaluated the effect subsequent events would have on the consolidated financial statements through June 10, 2014, which is the date the consolidated financial statements were available to be issued. See Note O.

DHIC, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE B - INVENTORIES

Inventory consists of townhomes and land under development for future projects. Total inventories at December 31, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Willow Creek land and improvements	\$ -	\$ 894,622
The 10 at South Person Townhomes	273,143	180,416
Deposit on Washington Terrace property	257,480	-
Other	<u>-</u>	<u>30,382</u>
	<u>\$ 530,623</u>	<u>\$ 1,105,420</u>

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2013 and 2012 consists of the following:

	<u>2013</u>			<u>2012</u>
	<u>DHIC</u>	<u>Housing Entities</u>	<u>Total</u>	<u>Total</u>
Land and improvements	\$ -	\$ 31,130,833	\$ 31,130,833	\$ 28,947,285
Buildings and improvements	-	116,236,951	116,236,951	103,469,094
Furnishings and equipment	356,915	4,637,250	4,994,165	4,716,414
Construction-in-progress	<u>-</u>	<u>703,971</u>	<u>703,971</u>	<u>2,907,327</u>
	356,915	152,709,005	153,065,920	140,040,120
Accumulated depreciation	<u>(81,278)</u>	<u>(34,120,655)</u>	<u>(34,201,933)</u>	<u>(30,320,534)</u>
Total, net of accumulated depreciation	<u>\$ 275,637</u>	<u>\$ 118,588,350</u>	<u>\$ 118,863,987</u>	<u>\$ 109,719,586</u>

Depreciation expense amounted to \$4,047,041 and \$3,882,802, respectively, for the years ended December 31, 2013 and 2012.

DHIC, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE D - NOTES RECEIVABLE - SECOND MORTGAGES

Notes receivable - second mortgages of DHIC consist of the following at December 31, 2013 and 2012:

Hope III Program

Second mortgages made by DHIC under the Hope III Program consist of 13 loans at December 31, 2013 and 2012, for homes which were acquired, rehabilitated and sold in connection with funds granted to the Corporation under this program. The notes are noninterest-bearing unless and until a default has been declared by the Corporation, whereby an interest rate of 8% would be charged. Payment of principal under the notes will be initially deferred until the end of the 73rd month after the date of the execution of the notes. Beginning on the first day of the 74th month after execution of the note, and on the first day of each month thereafter, the outstanding principal balance shall be forgiven by 1/168th of the original balance until the balance is zero. In the event of default under the note or voluntary sale of the property, the principal balance becomes due immediately. As of December 31, 2013 and 2012, all second mortgages under the Hope III Program have been reserved as uncollectible.

Notes Receivable - Second Mortgages of the DHIC Affiliates

Second mortgages consist of 14 and 21 homes at December 31, 2013 and 2012, respectively, for which affiliates of DHIC have provided secondary mortgages. These loans range from \$3,000 to \$37,500 in original loan amount. Loans typically accrue 4% interest, compounded annually, with no payments due until the home is sold, the loan is refinanced, or 30 years, whichever comes first. Some loans require that the primary loan be paid in full before the second mortgage is repaid. As of December 31, 2013 and 2012, second mortgages of the DHIC affiliates amounted to \$172,797 and \$231,084, respectively.

Other Second Mortgage Loans

Other second mortgages consist of 29 homes at December 31, 2013 and 2012, for which DHIC has provided secondary mortgages. These loans range from \$2,605 to \$20,000 in original loan amount. Loans up to \$5,000 are typically noninterest-bearing notes with no payments due until the home is sold, the loan is refinanced, or 30 years, whichever comes first. Larger loans, which are typically \$15,000 to \$20,000, accrue interest at 2%, with monthly payments being made over a 30-year period. As of December 31, 2013 and 2012, other second mortgage loans, net of an allowance for doubtful accounts, amounted to \$244,400 and \$257,747, respectively.

DHIC, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE D - NOTES RECEIVABLE - SECOND MORTGAGES (Continued)

Maturities of second mortgage loans subsequent to December 31, 2013 are as follows:

<u>Year Ending December 31,</u>		
2014		\$ 19,253
2015		19,341
2016		16,196
2017		10,992
2018		10,860
Thereafter		91,915
*		<u>326,198</u>
		494,755
Allowance for doubtful accounts		<u>(77,558)</u>
		<u>\$ 417,197</u>

**The maturities of these mortgages are undeterminable as of December 31, 2013.*

NOTE E - DESIGNATED AND RESTRICTED CASH

Designated and restricted cash consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Designated cash - security deposits, reserves and escrows:		
Subsidiaries - reserves, security deposits, tax, insurance, and construction escrows	\$ 7,573,593	\$ 7,159,483
DHIC - External operating reserves	184,382	184,469
Board-designated reserve fund	<u>604,844</u>	<u>602,607</u>
	<u>\$ 8,362,819</u>	<u>\$ 7,946,559</u>
Designated cash - other:		
Escrow deposits	\$ 1,039	\$ 1,038
Reserved for second-mortgage funds	20,660	59,768
Loan reserve	26,250	26,250
Grant reserve	<u>1,244</u>	<u>51,205</u>
	<u>\$ 49,193</u>	<u>\$ 138,261</u>
Restricted cash - NeighborWorks America:		
Grant funds	<u>\$ 1,076,877</u>	<u>\$ 892,262</u>

DHIC, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE E - DESIGNATED AND RESTRICTED CASH (Continued)

In 2010, the DHIC Board of Directors voted to establish a designated reserve fund. Officers of DHIC are authorized to use the reserve as an internal credit line as long as there is a clear source of repayment. Other more permanent uses of funds (such as for operations, land purchases, or loans to properties) would require prior Board approval. The balance of the board-designated reserve was \$604,844 and \$602,607 as of December 31, 2013 and 2012, respectively.

NOTE F - DEFERRED COSTS

Deferred costs consist of the following as of December 31:

	<u>2013</u>	<u>2012</u>
Financing costs, net of accumulated amortization of \$359,515 in 2013 and \$430,011 in 2012	\$ 954,357	\$ 961,800
Tax credit fees, net of accumulated amortization of \$423,790 in 2013 and \$383,415 in 2012	676,803	706,978
Prefunded asset management fees, net of accumulated amortization of \$10,668 in 2013 and \$8,001 in 2012	<u>29,332</u>	<u>31,999</u>
	<u>\$ 1,660,492</u>	<u>\$ 1,700,777</u>

Financing costs are being amortized over the terms of the respective loans. Tax credit fees are being amortized using the straight-line method over 15 years, the tax credit compliance period. Prepaid asset management fees are expensed over five years. Amortization expense amounted to \$125,664 and \$122,461, respectively, for the years ended December 31, 2013 and 2012.

NOTE G - LONG-TERM DEBT

Long-term debt at December 31, 2013 and 2012 consists of the following:

	<u>2013</u>	<u>2012</u>
Noninterest-bearing promissory note payable to the Town of Cary, with forgiveness of the loan dependent on occurrence of certain events.	\$ 125,000	\$ 125,000
Loan payable to NeighborWorks Capital Corporation, for the construction of The 10 at South Person Townhomes, secured by a first lien on the mortgage. Note bears interest of 5.50% and is due May 18, 2015, but is deferrable for an additional eighteen months.	200,000	-

DHIC, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE G - LONG-TERM DEBT (Continued)

	<u>2013</u>	<u>2012</u>
Unsecured note payable to Salt Lake Neighborhood Housing Services, Inc., dated September 28, 2011 with interest only payments at 5.25% due monthly. All unpaid principal and interest is due and payable at maturity on May 15, 2016.	\$ 525,000	\$ 525,000
Unsecured note payable to Wells Fargo, dated June 14, 2012, with interest-only payments at 2.00% due monthly. All unpaid principal and interest is due and payable at maturity on June 14, 2016.	350,000	350,000
Permanent first mortgage loans bearing interest from 2% to 9%, generally, with principal and interest due monthly, to be repaid in full through 2039, secured by deeds of trust on the respective apartment complexes.	22,266,408	24,705,070
Local and state loans, bearing interest from 0% to 8%, generally payable monthly, to be repaid in full through 2042, secured by deeds of trust on respective apartment complexes.	33,096,381	31,309,835
Noninterest-bearing interim loan from North Carolina Housing Finance Agency ("NCHFA") in the maximum amount of \$4,057,381, security by deed of trust on apartment complex. All principal shall be due and payable on December 31, 2013. The loan was repaid in full on January 6, 2014.	3,018,242	4,057,381
Local loans, bearing interest from 0% to 8%, generally payable out of excess cash annually in arrears to be repaid in full through 2020, secured by deeds of trust on respective apartment complexes.	<u>11,568,050</u>	<u>11,576,500</u>
	71,149,081	72,648,786
Less current portion	<u>4,386,045</u>	<u>5,770,170</u>
	<u>\$ 66,763,036</u>	<u>\$ 66,878,616</u>

DHIC, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE G - LONG-TERM DEBT (Continued)

Maturities of long-term debt subsequent to December 31, 2013 are as follows:

Year Ending December 31,

2014	\$ 4,386,045
2015	3,916,293
2016	1,966,248
2017	1,156,855
2018	1,823,552
Thereafter	56,318,537
*	<u>1,581,551</u>
	<u>\$ 71,149,081</u>

**The future maturity date of this amount is undeterminable as of December 31, 2013.*

Total interest cost incurred was \$2,022,089 and \$2,029,045, respectively, for the years ended December 31, 2013 and 2012, of which \$72,618 was capitalized and \$1,949,471 was expensed in 2013, and \$93,410 was capitalized and \$1,935,635 was expensed in 2012.

NOTE H - CONSTRUCTION LOANS PAYABLE

As of December 31, 2013 and 2012, one DHIC subsidiary had outstanding construction loans totaling \$2,545,443 and \$880,000, respectively, for an apartment complex under construction. The construction loans bear fixed rates (2 to 3%) with payments due monthly until repaid in full or converted to permanent loans. The loans are secured by the deeds of trust on the respective apartment complex.

DHIC, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE I - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at December 31, 2013 and 2012 were restricted to:

	<u>2013</u>	<u>2012</u>
Investment in perpetuity, income from which is expendable to support operations:		
NeighborWorks America Capital Fund	\$ 3,093,685	\$ 3,216,185
NeighborWorks America CFRAH Fund	455,293	882,793
AHP Bank Grant Fund	<u>1,845,541</u>	<u>1,845,541</u>
	<u>\$ 5,394,519</u>	<u>\$ 5,944,519</u>

NOTE J - VACATION PAY

The vacation policy of DHIC provides for the accumulation of up to 30 days' earned vacation leave, with such leave being fully vested when earned. Accumulated earned vacation at December 31, 2013 and 2012 amounted to \$79,906 and \$69,562, respectively.

NOTE K - RETIREMENT PLAN

DHIC sponsors a defined contribution retirement plan covering substantially all of its employees. Contributions are determined as 6% of each covered employee's salary and totaled \$55,181 and \$48,188, respectively, for the years ended December 31, 2013 and 2012.

DHIC, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE L - AFFILIATED ORGANIZATIONS

The following non-profit corporations are managed by a board of directors appointed by DHIC. DHIC contributes, at no charge to the affiliated corporations, managerial and administrative services necessary for its ordinary operations. These non-profit corporations are organized to develop and finance affordable housing in the state of North Carolina for persons of low and moderate incomes. The financial position and results of operations for the affiliated non-profit corporations presented below have not been included in these consolidated financial statements. Selected financial information of the affiliated non-profit corporations as of December 31, 2013 and 2012 and for the years then ended are as follows:

	2013			
	Total Assets	Accumulated Deficit	Total Revenues	Revenues Over (Under) Expenses
Chadwick Apartments, Inc.	\$ 1,527,399	\$ (638,315)	\$ 231,677	\$ (27,987)
Highland Manor Apartments, Inc.	2,128,140	(741,894)	165,239	(100,993)
Roanoke Housing Development Corporation	1,821,521	(615,994)	569,286	22,212
WFEH, Incorporated	1,993,262	(942,734)	205,086	(89,721)
	2012			
	Total Assets	Accumulated Deficit	Total Revenues	Revenues Over (Under) Expenses
Chadwick Apartments, Inc.	\$ 1,557,332	\$ (610,328)	\$ 226,471	\$ (34,930)
Highland Manor Apartments, Inc.	2,225,728	(640,901)	161,407	(77,078)
Roanoke Housing Development Corporation	1,838,571	(638,206)	560,803	(32,030)
WFEH, Incorporated	2,082,015	(853,013)	203,269	(48,600)

NOTE M - COMMITMENTS, CONTINGENCIES AND GUARANTEES

Construction Loan Repayment and Completion Guarantees

DHIC has provided repayment guarantees for construction loans used for the development of properties which are consolidated herein. DHIC has also provided unlimited construction completion guarantees to certain lenders for the development of properties. There are no significant completion delays in current DHIC developments. As of December 31, 2013, DHIC has not experienced non-completion of a project, nor has it been called on for any loan repayment guarantee.

NOTE M - COMMITMENTS, CONTINGENCIES AND GUARANTEES (Continued)

Operating Deficit Guarantees

Operating deficit guarantees are commitments to fund future operating deficits of the limited partnerships/liability companies consolidated herein. The guarantees are issued for certain tax credit partnerships and generally are for the 15-year period when the investor is expected to hold its member or limited partner interest, or for shorter periods (for example, until certain debt ratio or breakeven calculations are achieved). A payment under a guarantee would create a receivable from the partnership, and any funding call against the guarantee would first be paid from the general partner's (DHIC's) cash funds. As of December 31, 2013, DHIC has not experienced any calls on these guarantees.

NOTE N - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash deposits in excess of federally insured limits and amounts guaranteed by the United States Government. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. Cash restricted by NeighborWorks is insured by the FDIC and securities evidencing direct obligations of the U.S. government or U.S. government agencies, or obligations guaranteed by either of them.

NOTE O - SUBSEQUENT EVENTS

On January 13, 2014, ROG Preservation, LLC, which is owned by DHIC and a wholly owned subsidiary, signed a construction contract for \$7,271,783 and subsequently closed on a HUD loan amounting to \$3,867,400 on February 28, 2014. On January 28, 2014, College Park Collaborative, LLC, of which CRPC is the sole member, acquired Washington Terrace, a 245 unit apartment complex, for \$4,457,009 with associated debt financing of \$5,100,000.

SUPPLEMENTARY INFORMATION

DHIC, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2013 and Comparative Totals for 2012

ASSETS	2013			2012	
	DHIC, Inc.	Housing Entities	Eliminations	DHIC, Inc. and Subsidiaries	DHIC and Subsidiaries
CURRENT ASSETS					
Cash, parent company	\$ 327,747	\$ -	\$ -	\$ 327,747	\$ 381,601
Cash, subsidiary construction	-	14,457	-	14,457	111,280
Cash, subsidiary operations	-	1,778,751	-	1,778,751	1,368,619
Development fees receivable, current portion	827,500	-	(827,500)	-	-
Management fees receivable, current portion	13,101	-	(13,101)	-	-
Accounts receivable	20,866	202,457	-	223,323	213,941
Due from affiliates, current portion	1,325,000	-	(1,325,000)	-	-
Current portion of notes receivable - second mortgages	19,253	-	-	19,253	19,167
Inventories	530,623	-	-	530,623	1,105,420
Prepaid expenses	7,647	221,012	-	228,659	203,401
TOTAL CURRENT ASSETS	3,071,737	2,216,677	(2,165,601)	3,122,813	3,403,429
PROPERTY AND EQUIPMENT					
Property and equipment, net	275,637	123,815,115	(5,226,765)	118,863,987	109,719,586
OTHER ASSETS					
Designated cash - security deposits, external reserves and escrows	184,382	7,573,593	-	7,757,975	7,343,952
Designated cash - board-designated reserve	604,844	-	-	604,844	602,607
Designated cash - other	49,193	-	-	49,193	138,261
Restricted cash - NeighborWorks America	1,076,877	-	-	1,076,877	892,262
Investments in partnerships/limited liability companies	644,608	-	(644,608)	-	-
Notes receivable - second mortgages, net of current portion	225,147	172,797	-	397,944	469,664
Notes receivable - affiliates	8,043,258	-	(8,043,258)	-	-
Accrued interest receivable - affiliates	2,046,767	-	(2,046,767)	-	-
Development fees receivable, long-term portion	255,107	-	(255,107)	-	-
Management fees receivable, long-term portion	326,847	-	(326,847)	-	-
Deferred costs, net	-	1,660,492	-	1,660,492	1,700,777
Due from affiliates, long-term portion	702,392	-	(700,891)	1,501	1,499
	14,159,422	9,406,882	(12,017,478)	11,548,826	11,149,022
	\$ 17,506,796	\$ 135,438,674	\$ (19,409,844)	\$ 133,535,626	\$ 124,272,037
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Current portion of long-term debt	\$ -	\$ 1,367,803	\$ -	\$ 1,367,803	\$ 1,712,789
Current portion of interim debt	-	3,018,242	-	3,018,242	4,057,381
Current portion of construction loans payable	-	2,545,443	-	2,545,443	21,629
Accounts payable and accrued liabilities	132,391	5,558,541	(4,083,446)	1,607,486	533,387
Deferred revenue	-	74,674	-	74,674	50,645
Accrued interest payable	-	1,293,623	-	1,293,623	1,075,182
TOTAL CURRENT LIABILITIES	132,391	13,858,326	(4,083,446)	9,907,271	7,451,013
RESTRICTED DEPOSITS					
Tenants' security deposits	-	525,213	-	525,213	490,429
LONG-TERM LIABILITIES					
Long-term debt, net of current portion	1,200,000	73,571,294	(8,008,258)	66,763,036	66,878,616
Construction loans payable, net of current portion	-	-	-	-	858,371
Accrued interest payable	-	4,048,530	(2,046,767)	2,001,763	2,232,299
	1,200,000	77,619,824	(10,055,025)	68,764,799	69,969,286
NET ASSETS					
Unrestricted					
Controlling interests	10,779,886	(3,061,517)	(5,271,373)	2,446,996	1,808,693
Non-controlling interests	-	46,496,828	-	46,496,828	38,608,097
Total unrestricted net assets	10,779,886	43,435,311	(5,271,373)	48,943,824	40,416,790
Permanently restricted	5,394,519	-	-	5,394,519	5,944,519
	16,174,405	43,435,311	(5,271,373)	54,338,343	46,361,309
	\$ 17,506,796	\$ 135,438,674	\$ (19,409,844)	\$ 133,535,626	\$ 124,272,037

DHIC, INC. AND SUBSIDIARIES
SCHEDULE OF ASSETS, LIABILITIES AND NET ASSETS - DHIC, INC.
December 31, 2013 and 2012

ASSETS	2013	2012
CURRENT ASSETS		
Cash, parent company	\$ 327,747	\$ 381,601
Development fees receivable, current portion	827,500	140,540
Management fees receivable, current portion	13,101	35,170
Accounts receivable	20,866	66,640
Due from affiliates, current portion	1,325,000	955,143
Current portion of notes receivable - second mortgages	19,253	19,167
Inventories	530,623	1,105,420
Prepaid expenses	7,647	7,632
TOTAL CURRENT ASSETS	3,071,737	2,711,313
PROPERTY AND EQUIPMENT		
Property and equipment, net of accumulated depreciation of \$81,278 in 2013 and \$121,028 in 2012	275,637	70,671
OTHER ASSETS		
Designated cash - external operating reserves	184,382	184,469
Designated cash - board-designated reserve	604,844	602,607
Designated cash - other	49,193	138,261
Restricted cash - NeighborWorks America	1,076,877	892,262
Investments in partnerships/limited liability companies	644,608	644,608
Notes receivable - second mortgages, net of current portion	225,147	238,580
Notes receivable - affiliates	8,043,258	7,930,258
Accrued interest receivable - affiliates	2,046,767	1,786,126
Development fees receivable, long-term portion	255,107	599,335
Management fees receivable, long-term portion	326,847	293,748
Due from affiliates, long-term portion	702,392	466,631
	<u>14,159,422</u>	<u>13,776,885</u>
	<u>\$ 17,506,796</u>	<u>\$ 16,558,869</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	132,391	\$ 90,918
Accrued interest payable	-	7,044
TOTAL CURRENT LIABILITIES	132,391	97,962
LONG-TERM DEBT	1,200,000	1,000,000
NET ASSETS		
Unrestricted	10,779,886	9,516,388
Permanently restricted	5,394,519	5,944,519
	<u>16,174,405</u>	<u>15,460,907</u>
	<u>\$ 17,506,796</u>	<u>\$ 16,558,869</u>

DHIC, INC. AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF REVENUES, SUPPORT AND EXPENSES
Year Ended December 31, 2013 and Comparative Totals for 2012

	2013			2012	
	DHIC, Inc.	Housing Entities	Eliminations	DHIC and Subsidiaries	DHIC and Subsidiaries
SUPPORT AND REVENUE					
Support					
City of Raleigh	\$ 162,000	\$ -	\$ -	\$ 162,000	\$ 133,000
NeighborWorks America	710,544	-	-	710,544	529,631
AG Settlement grant	165,444	-	-	165,444	65,205
Other grants	228,500	-	-	228,500	86,500
Other support and contributions	8,525	-	-	8,525	41,162
TOTAL SUPPORT	1,275,013	-	-	1,275,013	855,498
Revenue					
Proceeds from sale of improved lots	-	-	-	-	279,500
Gross rental income - apartments	-	10,106,115	(30,000)	10,076,115	9,525,426
Project development fees	650,000	-	(650,000)	-	-
Partnership management fees	268,878	-	(268,878)	-	-
Homeownership counseling fees	78,757	-	-	78,757	97,539
Other income	139,631	296,481	-	436,112	339,405
Interest income	266,500	16,614	(260,641)	22,473	42,890
TOTAL REVENUE	1,403,766	10,419,210	(1,209,519)	10,613,457	10,284,760
TOTAL SUPPORT AND REVENUE	2,678,779	10,419,210	(1,209,519)	11,888,470	11,140,258
COSTS AND EXPENSES					
Salaries and related expenses	1,417,028	1,598,079	(273,000)	2,742,107	2,355,971
Costs of sales of improved lots	-	-	-	-	278,215
Office supplies and expense	32,770	762,734	-	795,504	711,884
Equipment and computer	66,229	-	-	66,229	16,275
Rent, utilities and maintenance	57,212	2,384,577	(30,000)	2,411,789	2,192,522
Memberships and publications	14,747	-	-	14,747	9,216
Professional fees	149,674	32,303	-	181,977	135,963
Audit and accounting fees	45,720	183,496	-	229,216	196,998
Marketing and advertising	29,713	63,435	-	93,148	92,474
Travel and parking	30,298	-	-	30,298	11,271
Events and promotions	13,312	-	-	13,312	25,808
Training and conferences	15,988	-	-	15,988	19,369
Corporate tax, insurance and license fees	11,707	910,316	-	922,023	845,324
Miscellaneous and bank fees	6,703	-	-	6,703	12,104
Donations	3,920	-	-	3,920	2,355
Program expense	9,020	-	-	9,020	16,052
Depreciation and amortization	42,365	4,310,021	(179,681)	4,172,705	4,002,898
Development expense	11,375	-	-	11,375	49,131
Partnership management fees	-	1,043,812	(268,878)	774,934	722,465
Bad debt expense	-	138,662	-	138,662	215,524
Loss on disposal of assets	-	141,922	-	141,922	151,462
Interest expense	7,500	2,202,612	(260,641)	1,949,471	1,935,635
TOTAL COSTS AND EXPENSES	1,965,281	13,771,969	(1,012,200)	14,725,050	13,998,916
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUE OVER COSTS AND EXPENSES	\$ 713,498	\$ (3,352,759)	\$ (197,319)	\$ (2,836,580)	\$ (2,858,658)

DHIC, INC. AND SUBSIDIARIES
SCHEDULE OF REVENUES, SUPPORT AND EXPENSES BY FUND - DHIC, INC.
Year Ended December 31, 2013 and Comparative Totals for 2012

	2013					Total	2012
	Administrative Fund	Program Services			Real Estate Development Activities		
		Asset Management Program	Home-Ownership Program	Support Services Program			
SUPPORT AND REVENUE							
Support							
City of Raleigh	\$ 108,000	\$ -	\$ 54,000	\$ -	\$ -	\$ 162,000	\$ 133,000
NeighborWorks	245,500	-	13,044	2,000	450,000	710,544	529,631
AG Settlement grant	-	-	165,444	-	-	165,444	65,205
Other grants	43,000	-	170,500	15,000	-	228,500	86,500
Other support and contributions	1,300	-	4,100	3,125	-	8,525	41,162
TOTAL SUPPORT	397,800	-	402,988	20,125	450,000	1,275,013	855,498
Revenue							
Proceeds from sale of improved lots	-	-	-	-	-	-	279,500
Project development fees	-	-	-	-	650,000	650,000	1,044,779
Partnership management fees	-	268,878	-	-	-	268,878	192,610
Homeownership counseling fees	-	-	78,757	-	-	78,757	97,539
Other income	15,861	97,020	2,450	24,300	-	139,631	138,631
Interest income	3,610	-	2,249	-	260,641	266,500	266,875
TOTAL REVENUE	19,471	365,898	83,456	24,300	910,641	1,403,766	2,019,934
TOTAL SUPPORT AND REVENUE	417,271	365,898	486,444	44,425	1,360,641	2,678,779	2,875,432
COSTS AND EXPENSES							
Salaries and related expenses	316,137	155,000	313,325	132,663	499,903	1,417,028	1,296,126
Costs of sales of improved lots	-	-	-	-	-	-	278,215
Office supplies and expense	6,219	1,775	16,169	2,705	5,902	32,770	25,584
Equipment and computer	7,591	633	53,152	2,005	2,848	66,229	16,275
Rent, utilities and maintenance	15,858	7,156	19,344	5,608	9,246	57,212	50,333
Memberships and publications	9,430	350	4,352	-	615	14,747	9,216
Professional fees	45,768	38,960	26,699	4,347	33,900	149,674	86,816
Audit and accounting fees	45,720	-	-	-	-	45,720	45,000
Marketing and advertising	21,572	1,090	1,778	1,952	3,321	29,713	32,354
Travel and parking	11,224	1,658	6,124	4,357	6,935	30,298	11,271
Events and promotions	3,200	368	7,635	905	1,204	13,312	25,808
Training and conferences	5,682	-	5,834	2,461	2,011	15,988	19,369
Corporate tax, insurance and license fees	2,721	781	4,689	1,172	2,344	11,707	17,751
Miscellaneous and bank fees	2,903	-	1,800	-	2,000	6,703	4,079
Donations	3,420	-	-	500	-	3,920	2,355
Program expense	-	-	-	9,020	-	9,020	16,052
Depreciation and amortization	4,918	-	-	-	37,447	42,365	11,118
Development expense	-	-	1,748	-	9,627	11,375	49,131
Interest expense	500	-	-	-	7,000	7,500	3,872
TOTAL COSTS AND EXPENSES	502,863	207,771	462,649	167,695	624,303	1,965,281	2,000,725
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUE OVER COSTS AND EXPENSES	\$ (85,592)	\$ 158,127	\$ 23,795	\$ (123,270)	\$ 736,338	\$ 713,498	\$ 874,707

DHIC, INC. AND SUBSIDIARIES
COMBINING SCHEDULE OF ASSETS, LIABILITIES AND EQUITY - HOUSING ENTITIES
December 31, 2013 and Comparative Totals for 2012

	2013									
	Avonlea, LLC	Bay River Limited Partnership	Beechridge Limited Partnership	Beechridge II, LLC	Braebourne Limited Partnership	Brookridge Housing, LLC	Camden Glen, LLC	Cardinal Chase Development, LLC	Carlton Place Development, LLC	Creston Commons, LLC
CURRENT ASSETS										
Cash, subsidiary construction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash, subsidiary operations	53,427	7,589	3,672	21,761	30,729	25,624	-	19,079	33,879	62,320
Accounts receivable	2,608	435	1,301	3,303	6,153	8,263	-	353	3,686	3,771
Prepaid expenses	5,349	6,766	2,023	1,742	10,415	3,982	-	6,018	5,081	48,926
TOTAL CURRENT ASSETS	61,384	14,790	6,996	26,806	47,297	37,869	-	25,450	42,646	115,017
PROPERTY AND EQUIPMENT										
Property and equipment, net of accumulated depreciation of \$38,857,035 in 2013 and \$31,391,471 in 2012	1,165,430	968,015	1,758,829	1,511,877	6,216,123	4,168,975	97,934	3,594,132	8,332,190	2,624,711
OTHER ASSETS										
Designated cash - security deposits, reserves and escrows	199,451	62,213	211,925	157,565	485,384	443,115	-	162,659	326,294	279,786
Notes receivable - second mortgages, net of current portion	-	-	-	-	-	-	-	-	-	-
Deferred costs, net	-	2,648	-	1,200	108,105	118,766	-	50,179	101,483	13,934
	<u>199,451</u>	<u>64,861</u>	<u>211,925</u>	<u>158,765</u>	<u>593,489</u>	<u>561,881</u>	<u>-</u>	<u>212,838</u>	<u>427,777</u>	<u>293,720</u>
	<u>\$ 1,426,265</u>	<u>\$ 1,047,666</u>	<u>\$ 1,977,750</u>	<u>\$ 1,697,448</u>	<u>\$ 6,856,909</u>	<u>\$ 4,768,725</u>	<u>\$ 97,934</u>	<u>\$ 3,832,420</u>	<u>\$ 8,802,613</u>	<u>\$ 3,033,448</u>
LIABILITIES AND EQUITY (DEFICIT)										
CURRENT LIABILITIES										
Current portion of long-term debt	\$ -	\$ 6,000	\$ 38,657	\$ 14,382	\$ 109,083	\$ -	\$ -	\$ 31,445	\$ 45,047	\$ 14,470
Current portion of interim debt	-	-	-	-	-	-	-	-	-	-
Current portion of construction loans payable	-	-	-	-	-	-	-	-	-	-
Accounts payable and accrued liabilities	5,640	177,834	153,200	10,284	25,177	34,688	97,934	55,918	335,496	9,668
Deferred revenue	138	4	59	173	3,584	2,052	-	1,264	2,001	185
Accrued interest payable	855,647	-	2,815	2,740	24,967	-	-	4,121	14,215	2,928
TOTAL CURRENT LIABILITIES	861,425	183,838	194,731	27,579	162,811	36,740	97,934	92,748	396,759	27,251
RESTRICTED DEPOSITS										
Tenants' security deposits	17,218	8,286	12,456	8,469	29,817	15,776	-	9,400	19,788	16,462
LONG-TERM LIABILITIES										
Long-term debt, net of current portion	1,150,317	758,411	1,375,086	917,342	6,495,898	2,187,543	-	2,183,298	4,224,987	1,783,105
Construction loans payable, net of current portion	-	-	-	-	-	-	-	-	-	-
Accrued interest payable	-	68,091	36,915	42,743	194,979	157,346	-	162,537	226,683	152,885
	<u>1,150,317</u>	<u>826,502</u>	<u>1,412,001</u>	<u>960,085</u>	<u>6,690,877</u>	<u>2,344,889</u>	<u>-</u>	<u>2,345,835</u>	<u>4,451,670</u>	<u>1,935,990</u>
EQUITY (DEFICIT)	(602,695)	29,040	358,562	701,315	(26,596)	2,371,320	-	1,384,437	3,934,396	1,053,745
	<u>\$ 1,426,265</u>	<u>\$ 1,047,666</u>	<u>\$ 1,977,750</u>	<u>\$ 1,697,448</u>	<u>\$ 6,856,909</u>	<u>\$ 4,768,725</u>	<u>\$ 97,934</u>	<u>\$ 3,832,420</u>	<u>\$ 8,802,613</u>	<u>\$ 3,033,448</u>

DHIC, INC. AND SUBSIDIARIES
COMBINING SCHEDULE OF ASSETS, LIABILITIES AND EQUITY - HOUSING ENTITIES (Continued)
December 31, 2013 and Comparative Totals for 2012

	2013									
	Creston Commons II, LLC	Dacian Glen LLC	Highland Seniors Limited Partnership	Highland Terrace, LLC	Highland Village Limited Partnership	Jeffries Ridge, LLC	Lennox Chase Development, LLC	MacGregor Housing Limited Partnership	MacGregor Housing Development Corporation	Maplewood Partners, LLC
CURRENT ASSETS										
Cash, subsidiary construction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash, subsidiary operations	5,670	26,586	20,840	321,834	49,563	44,683	7,848	106,394	31,246	15,118
Accounts receivable	807	4,635	9,718	10,962	25,109	9,230	5,379	522	2,016	-
Prepaid expenses	4,074	5,592	6,534	23,896	6,366	3,381	3,309	5,925	3,991	4,040
TOTAL CURRENT ASSETS	10,551	36,813	37,092	356,692	81,038	57,294	16,536	112,841	37,253	19,158
PROPERTY AND EQUIPMENT										
Property and equipment, net of accumulated depreciation of \$38,857,035 in 2013 and \$31,391,471 in 2012	2,653,315	6,486,317	4,802,787	7,674,754	4,400,005	476,334	2,113,661	2,653,371	1,524,783	3,775,251
OTHER ASSETS										
Designated cash - security deposits, reserves and escrows	134,385	306,169	403,606	338,293	272,809	202,364	426,950	315,262	173,511	118,327
Notes receivable - second mortgages, net of current portion	-	-	-	-	-	-	-	-	-	-
Deferred costs, net	19,024	164,309	66,132	154,089	59,836	59,721	10,725	3,600	4,641	47,123
	<u>153,409</u>	<u>470,478</u>	<u>469,738</u>	<u>492,382</u>	<u>332,645</u>	<u>262,085</u>	<u>437,675</u>	<u>318,862</u>	<u>178,152</u>	<u>165,450</u>
	<u>\$ 2,817,275</u>	<u>\$ 6,993,608</u>	<u>\$ 5,309,617</u>	<u>\$ 8,523,828</u>	<u>\$ 4,813,688</u>	<u>\$ 795,713</u>	<u>\$ 2,567,872</u>	<u>\$ 3,085,074</u>	<u>\$ 1,740,188</u>	<u>\$ 3,959,859</u>
LIABILITIES AND EQUITY (DEFICIT)										
CURRENT LIABILITIES										
Current portion of long-term debt	\$ 24,154	\$ 10,537	\$ 40,526	\$ 33,078	\$ 38,408	\$ 10,952	\$ -	\$ -	\$ 14,100	\$ 10,721
Current portion of interim debt	-	-	-	-	-	-	-	-	-	-
Current portion of construction loans payable	-	-	-	-	-	-	-	-	-	-
Accounts payable and accrued liabilities	26,633	3,701	38,058	5,539	221,887	2,411	4,357	7,840	3,784	24,476
Deferred revenue	24	1,789	4,463	6,269	9,102	4,619	1,620	931	877	1,348
Accrued interest payable	179,881	4,609	5,323	25,679	7,377	4,075	28,661	-	-	-
TOTAL CURRENT LIABILITIES	230,692	20,636	88,370	70,565	276,774	22,057	34,638	8,771	18,761	36,545
RESTRICTED DEPOSITS										
Tenants' security deposits	10,640	26,824	20,160	48,330	20,280	12,457	13,255	17,567	12,461	8,618
LONG-TERM LIABILITIES										
Long-term debt, net of current portion	1,505,164	3,514,914	2,258,739	8,931,260	2,551,397	1,548,740	1,598,062	1,677,285	2,168,420	1,498,514
Construction loans payable, net of current portion	-	-	-	-	-	-	-	-	-	-
Accrued interest payable	-	260,968	288,184	53,514	132,950	76,257	264,944	50,844	17,236	113,656
	<u>1,505,164</u>	<u>3,775,882</u>	<u>2,546,923</u>	<u>8,984,774</u>	<u>2,684,347</u>	<u>1,624,997</u>	<u>1,863,006</u>	<u>1,728,129</u>	<u>2,185,656</u>	<u>1,612,170</u>
EQUITY (DEFICIT)	1,070,779	3,170,266	2,654,164	(579,841)	1,832,287	(863,798)	656,973	1,330,607	(476,690)	2,302,526
	<u>\$ 2,817,275</u>	<u>\$ 6,993,608</u>	<u>\$ 5,309,617</u>	<u>\$ 8,523,828</u>	<u>\$ 4,813,688</u>	<u>\$ 795,713</u>	<u>\$ 2,567,872</u>	<u>\$ 3,085,074</u>	<u>\$ 1,740,188</u>	<u>\$ 3,959,859</u>

DHIC, INC. AND SUBSIDIARIES
COMBINING SCHEDULE OF ASSETS, LIABILITIES AND EQUITY - HOUSING ENTITIES (Continued)
December 31, 2013 and Comparative Totals for 2012

	2013									
	Meadowcreek Commons, LLC	Murphey School, LLC	Prairie, LLC	Ripley Station Limited Partnership	ROG Preservation, LLC	Santree Commons Limited Partnership	Sedgebrook, LLC	Tryon Grove Limited Partnership	Wakefield Affordable Housing, LLC	Wakefield Manor, LLC
CURRENT ASSETS										
Cash, subsidiary construction	\$ -	\$ -	\$ -	\$ 48	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash, subsidiary operations	33,425	93,949	13,964	44,808	368,839	25,523	30,553	43,983	49,833	63,853
Accounts receivable	392	826	3,545	31,130	43,008	399	713	7,706	6,713	3,110
Prepaid expenses	5,882	5,086	1,900	5,931	810	2,676	4,100	5,910	10,565	8,872
TOTAL CURRENT ASSETS	39,699	99,861	19,409	81,917	412,657	28,598	35,366	57,599	67,111	75,835
PROPERTY AND EQUIPMENT										
Property and equipment, net of accumulated depreciation of \$38,857,035 in 2013 and \$31,391,471 in 2012	5,563,801	1,377,382	1,194,641	1,687,280	2,684,040	960,739	883,146	1,556,159	7,986,767	9,172,209
OTHER ASSETS										
Designated cash - security deposits, reserves and escrows	200,528	336,147	39,327	367,119	17,871	153,502	91,033	193,332	406,338	409,194
Notes receivable - second mortgages, net of current portion	-	-	-	-	-	-	-	-	-	-
Deferred costs, net	98,457	42,736	10,084	2,309	33,701	320	-	3,284	124,075	188,712
	298,985	378,883	49,411	369,428	51,572	153,822	91,033	196,616	530,413	597,906
	<u>\$ 5,902,485</u>	<u>\$ 1,856,126</u>	<u>\$ 1,263,461</u>	<u>\$ 2,138,625</u>	<u>\$ 3,148,269</u>	<u>\$ 1,143,159</u>	<u>\$ 1,009,545</u>	<u>\$ 1,810,374</u>	<u>\$ 8,584,291</u>	<u>\$ 9,845,950</u>
LIABILITIES AND EQUITY (DEFICIT)										
CURRENT LIABILITIES										
Current portion of long-term debt	\$ 13,706	\$ 15,086	\$ 15,992	\$ 23,993	\$ 171,197	\$ 17,263	\$ -	\$ 540,573	\$ 28,488	\$ 21,824
Current portion of interim debt	3,018,242	-	-	-	-	-	-	-	-	-
Current portion of construction loans payable	-	-	-	-	-	-	-	-	-	-
Accounts payable and accrued liabilities	30,056	11,008	117,006	8,935	776,871	171,011	135,994	7,828	15,474	15,009
Deferred revenue	3,468	1,375	555	13,044	6,402	56	655	15	4,512	1,792
Accrued interest payable	1,577	11,031	2,764	3,160	127	-	866	52,230	29,401	14,602
TOTAL CURRENT LIABILITIES	3,067,049	38,500	136,317	49,132	954,597	188,330	137,515	600,646	77,875	53,227
RESTRICTED DEPOSITS										
Tenants' security deposits	23,899	11,748	6,010	19,732	11,026	12,995	10,309	11,545	43,821	19,800
LONG-TERM LIABILITIES										
Long-term debt, net of current portion	2,137,548	2,558,373	509,075	1,088,549	2,128,804	1,205,648	782,298	1,032,723	4,382,420	4,326,048
Construction loans payable, net of current portion	-	-	-	-	-	-	-	-	-	-
Accrued interest payable	-	492,305	-	406,498	-	52,684	518,840	-	180,544	96,927
	2,137,548	3,050,678	509,075	1,495,047	2,128,804	1,258,332	1,301,138	1,032,723	4,562,964	4,422,975
EQUITY (DEFICIT)	673,989	(1,244,800)	612,059	574,714	53,842	(316,498)	(439,417)	165,460	3,899,631	5,349,948
	<u>\$ 5,902,485</u>	<u>\$ 1,856,126</u>	<u>\$ 1,263,461</u>	<u>\$ 2,138,625</u>	<u>\$ 3,148,269</u>	<u>\$ 1,143,159</u>	<u>\$ 1,009,545</u>	<u>\$ 1,810,374</u>	<u>\$ 8,584,291</u>	<u>\$ 9,845,950</u>

DHIC, INC. AND SUBSIDIARIES
COMBINING SCHEDULE OF ASSETS, LIABILITIES AND EQUITY - HOUSING ENTITIES (Continued)
December 31, 2013 and Comparative Totals for 2012

	2013						2012	
	Water Garden Park, LLC	Water Garden Village, LLC	Weston Trace Limited Partnership	Willow Creek Seniors, LLC	Caraleigh Housing Investment Corporation	Community Revitalization and Preservation Corporation		Total
CURRENT ASSETS								
Cash, subsidiary construction	\$ 13,258	\$ 1,151	\$ -	\$ -	\$ -	\$ -	\$ 14,457	\$ 111,280
Cash, subsidiary operations	18,322	62,279	24,253	17,305	-	-	1,778,751	1,368,619
Accounts receivable	-	919	5,745	-	-	-	202,457	244,273
Prepaid expenses	-	5,681	6,189	-	-	-	221,012	195,769
TOTAL CURRENT ASSETS	31,580	70,030	36,187	17,305	-	-	2,216,677	1,919,941
PROPERTY AND EQUIPMENT								
Property and equipment, net of accumulated depreciation of \$38,857,035 in 2013 and \$31,391,471 in 2012	11,812,999	9,066,982	1,820,530	1,049,646	-	-	123,815,115	114,689,387
OTHER ASSETS								
Designated cash - security deposits, reserves and escrows	44,600	211,952	82,582	-	-	-	7,573,593	7,159,483
Notes receivable - second mortgages, net of current portion	-	-	-	-	172,797	-	172,797	231,084
Deferred costs, net	-	164,251	7,048	-	-	-	1,660,492	1,700,777
	44,600	376,203	89,630	-	172,797	-	9,406,882	9,091,344
	<u>\$ 11,889,179</u>	<u>\$ 9,513,215</u>	<u>\$ 1,946,347</u>	<u>\$ 1,066,951</u>	<u>\$ 172,797</u>	<u>\$ -</u>	<u>\$ 135,438,674</u>	<u>\$ 125,700,672</u>
LIABILITIES AND EQUITY (DEFICIT)								
CURRENT LIABILITIES								
Current portion of long-term debt	\$ 28,524	\$ 10,047	\$ 39,550	\$ -	\$ -	\$ -	\$ 1,367,803	\$ 1,712,789
Current portion of interim debt	-	-	-	-	-	-	3,018,242	4,057,381
Current portion of construction loans payable	2,545,443	-	-	-	-	-	2,545,443	21,629
Accounts payable and accrued liabilities	1,565,905	194,239	197,729	1,066,951	-	-	5,558,541	3,628,509
Deferred revenue	-	1,318	980	-	-	-	74,674	50,645
Accrued interest payable	-	9,479	5,348	-	-	-	1,293,623	1,068,138
TOTAL CURRENT LIABILITIES	4,139,872	215,083	243,607	1,066,951	-	-	13,858,326	10,539,091
RESTRICTED DEPOSITS								
Tenants' security deposits	600	15,306	10,158	-	-	-	525,213	490,429
LONG-TERM LIABILITIES								
Long-term debt, net of current portion	877,594	2,528,508	1,685,224	-	-	-	73,571,294	73,808,874
Construction loans payable, net of current portion	-	-	-	-	-	-	-	858,371
Accrued interest payable	-	-	-	-	-	-	4,048,530	4,018,425
	877,594	2,528,508	1,685,224	-	-	-	77,619,824	78,685,670
EQUITY (DEFICIT)	6,871,113	6,754,318	7,358	-	172,797	-	43,435,311	35,985,482
	<u>\$ 11,889,179</u>	<u>\$ 9,513,215</u>	<u>\$ 1,946,347</u>	<u>\$ 1,066,951</u>	<u>\$ 172,797</u>	<u>\$ -</u>	<u>\$ 135,438,674</u>	<u>\$ 125,700,672</u>

DHIC, INC. AND SUBSIDIARIES
COMBINING SCHEDULE OF REVENUE, SUPPORT AND EXPENSES - HOUSING ENTITIES
Year Ended December 31, 2013 and Comparative Totals for December 31, 2012

	2013									
	Avonlea, LLC	Bay River Limited Partnership	Beechridge Limited Partnership	Beechridge II, LLC	Braebourne Limited Partnership	Brookridge Housing, LLC	Camden Glen, LLC	Cardinal Chase Development, LLC	Carlton Place Development, LLC	Creston Commons, LLC
REVENUE										
Gross rental income - apartments	\$ 333,663	\$ 101,533	\$ 282,905	\$ 220,686	\$ 1,007,725	\$ 190,972	\$ -	\$ 290,336	\$ 606,404	\$ 311,808
Other income	6,079	1,605	-	-	68,001	4,788	-	8,491	8,954	-
Interest income	133	30	195	160	1,010	312	-	210	1,170	394
TOTAL REVENUE	339,875	103,168	283,100	220,846	1,076,736	196,072	-	299,037	616,528	312,202
COSTS AND EXPENSES										
Salaries and related expenses	47,640	23,529	45,237	35,441	157,427	36,237	-	41,994	92,313	46,381
Office supplies and expense	17,713	4,266	22,497	15,850	40,923	15,491	-	10,812	37,101	14,355
Rent, utilities and maintenance	79,952	23,508	45,691	46,374	252,411	63,508	-	81,210	166,133	77,474
Professional fees	2,152	790	1,254	618	119	-	-	225	-	2,364
Audit and accounting fees	4,495	4,470	5,047	5,175	10,745	5,150	-	4,650	9,372	4,805
Marketing and advertising	145	267	1,272	1,166	7,608	2,754	-	1,756	10,471	499
Corporate tax, insurance and license fees	19,381	20,814	21,622	20,094	95,371	22,557	-	34,911	66,223	36,117
Miscellaneous and bank fees	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	62,803	56,946	86,631	68,634	249,764	190,588	-	129,343	294,788	103,467
Partnership management fees	37,902	20,372	34,000	17,795	48,069	17,113	-	20,859	43,284	26,778
Bad debt expense	3,881	244	6,783	3,769	-	3,044	-	7,093	2,530	4,396
Loss on disposal of assets	88,905	1,583	-	-	-	-	-	1,515	-	4,040
Interest expense	78,092	4,718	47,200	46,739	323,298	43,200	-	67,109	154,084	46,748
TOTAL COSTS AND EXPENSES	443,061	161,507	317,234	261,655	1,185,735	399,642	-	401,477	876,299	367,424
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUE OVER COSTS AND EXPENSES	\$ (103,186)	\$ (58,339)	\$ (34,134)	\$ (40,809)	\$ (108,999)	\$ (203,570)	\$ -	\$ (102,440)	\$ (259,771)	\$ (55,222)

DHIC, INC. AND SUBSIDIARIES
COMBINING SCHEDULE OF REVENUE, SUPPORT AND EXPENSES - HOUSING ENTITIES (Continued)
Year Ended December 31, 2013 and Comparative Totals for December 31, 2012

	2013									
	Creston Commons II, LLC	Dacian Glen LLC	Highland Seniors Limited Partnership	Highland Terrace, LLC	Highland Village Limited Partnership	Jeffries Ridge, LLC	Lennox Chase Development, LLC	MacGregor Housing Limited Partnership	MacGregor Housing Development Corporation	Maplewood Partners, LLC
REVENUE										
Gross rental income - apartments	\$ 186,347	\$ 379,716	\$ 433,681	\$ 524,588	\$ 325,577	\$ 224,346	\$ 177,097	\$ 236,432	\$ 161,310	\$ 167,364
Other income	-	10,519	10,003	17,203	10,922	1,703	-	8,518	8,234	4,501
Interest income	179	510	86	518	170	228	292	218	559	162
TOTAL REVENUE	186,526	390,745	443,770	542,309	336,669	226,277	177,389	245,168	170,103	172,027
COSTS AND EXPENSES										
Salaries and related expenses	27,675	82,096	66,054	64,662	54,456	32,353	25,312	53,104	43,642	21,760
Office supplies and expense	9,033	23,938	30,487	57,800	39,377	27,227	18,000	24,057	11,041	21,642
Rent, utilities and maintenance	41,465	88,830	85,486	89,650	57,122	42,974	78,013	68,926	46,461	48,011
Professional fees	1,637	2,571	-	126	-	-	1,587	639	4,198	-
Audit	5,065	8,575	7,050	6,590	7,250	5,025	4,470	4,650	4,150	5,675
Marketing and advertising	295	3,013	5,259	1,135	452	615	-	1,446	-	363
Corporate tax, insurance and license fees	25,797	33,716	35,482	32,209	24,307	9,299	21,516	22,409	9,082	27,766
Miscellaneous and bank fees	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	89,684	329,794	179,555	313,629	136,909	52,602	71,331	99,218	59,670	121,630
Partnership management fees	17,088	32,852	39,831	34,206	24,922	22,789	16,610	55,303	31,716	18,519
Bad debt expense	1,990	6,361	-	-	-	3,425	3,725	-	4,805	1,005
Loss on disposal of assets	2,837	-	1,583	-	2,298	412	2,828	3,846	1,614	-
Interest expense	29,736	110,569	113,328	109,596	67,402	53,042	28,661	3,685	1,440	26,400
TOTAL COSTS AND EXPENSES	252,302	722,315	564,115	709,603	414,495	249,763	272,053	337,283	217,819	292,771
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUE OVER COSTS AND EXPENSES	\$ (65,776)	\$ (331,570)	\$ (120,345)	\$ (167,294)	\$ (77,826)	\$ (23,486)	\$ (94,664)	\$ (92,115)	\$ (47,716)	\$ (120,744)

DHIC, INC. AND SUBSIDIARIES
COMBINING SCHEDULE OF REVENUE, SUPPORT AND EXPENSES - HOUSING ENTITIES (Continued)
Year Ended December 31, 2013 and Comparative Totals for December 31, 2012

	2013									
	Meadowcreek Commons, LLC	Murphey School, LLC	Prairie, LLC	Ripley Station Limited Partnership	ROG Preservation, LLC	Santree Commons Limited Partnership	Sedgebrook, LLC	Tryon Grove Limited Partnership	Wakefield Affordable Housing, LLC	Wakefield Manor, LLC
REVENUE										
Gross rental income - apartments	\$ 272,231	\$ 448,912	\$ 107,500	\$ 353,536	\$ 133,268	\$ 165,794	\$ 253,639	\$ 358,836	\$ 540,052	\$ 600,571
Other income	27,871	5,067	-	8,199	2,999	6,910	-	6,731	18,232	7,996
Interest income	20	83	28	552	232	77	52	114	1,265	697
TOTAL REVENUE	300,122	454,062	107,528	362,287	136,499	172,781	253,691	365,681	559,549	609,264
COSTS AND EXPENSES										
Salaries and related expenses	27,772	46,661	-	37,198	34,172	20,990	27,358	100,321	45,686	97,133
Office supplies and expense	45,184	34,257	4,663	35,177	4,326	16,953	10,914	33,024	33,260	54,287
Rent, utilities and maintenance	77,038	112,219	23,648	115,527	33,347	44,349	76,801	77,670	110,183	123,286
Professional fees	-	639	-	639	1,434	-	1,516	1,606	-	3,788
Audit	5,900	6,550	4,235	4,850	9	7,250	4,495	5,525	7,250	7,250
Marketing and advertising	-	4,053	-	97	388	276	248	637	1,877	283
Corporate tax, insurance and license fees	34,481	22,209	9,721	31,495	162	13,506	13,196	11,975	59,430	60,852
Miscellaneous and bank fees	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	174,056	144,843	47,464	68,313	-	79,569	65,547	101,073	276,707	316,929
Partnership management fees	20,408	50,875	9,264	48,608	8,816	32,528	32,955	32,369	44,604	109,528
Bad debt expense	-	654	-	(58)	-	-	-	5,509	3,007	604
Loss on disposal of assets	-	383	-	-	-	2,791	12,958	7,640	6,689	-
Interest expense	18,929	113,058	34,026	77,020	4	19,639	38,908	57,611	180,154	144,089
TOTAL COSTS AND EXPENSES	403,768	536,401	133,021	418,866	82,658	237,851	284,896	434,960	768,847	918,029
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUE OVER COSTS AND EXPENSES	\$ (103,646)	\$ (82,339)	\$ (25,493)	\$ (56,579)	\$ 53,841	\$ (65,070)	\$ (31,205)	\$ (69,279)	\$ (209,298)	\$ (308,765)

DHIC, INC. AND SUBSIDIARIES
COMBINING SCHEDULE OF REVENUE, SUPPORT AND EXPENSES - HOUSING ENTITIES (Continued)
Year Ended December 31, 2013 and Comparative Totals for December 31, 2012

	2013						Total	2012
	Water Garden Park, LLC	Water Garden Village, LLC	Weston Trace Limited Partnership	Willow Creek Seniors, LLC	Caraleigh Housing Investment Corporation	Community Revitalization and Preservation Corporation		
REVENUE								
Gross rental income - apartments	\$ 1,100	\$ 391,646	\$ 316,540	\$ -	\$ -	\$ -	\$ 10,106,115	\$ 9,555,426
Other income	15,840	19,125	7,990	-	-	-	296,481	200,774
Interest income	-	52	39	-	6,867	-	16,614	36,655
TOTAL REVENUE	16,940	410,823	324,569	-	6,867	-	10,419,210	9,792,855
COSTS AND EXPENSES								
Salaries and related expenses	17,686	90,814	54,975	-	-	-	1,598,079	1,498,652
Office supplies and expense	3,845	23,925	21,309	-	-	-	762,734	686,300
Rent, utilities and maintenance	611	66,658	40,041	-	-	-	2,384,577	2,172,189
Professional fees	455	3,446	500	-	-	-	32,303	49,147
Audit	-	10,700	7,073	-	-	-	183,496	151,998
Marketing and advertising	1,486	13,178	2,396	-	-	-	63,435	60,120
Corporate tax, insurance and license fees	-	39,365	35,251	-	-	-	910,316	827,573
Miscellaneous and bank fees	-	-	-	-	-	-	-	8,025
Depreciation and amortization	-	258,370	80,164	-	-	-	4,310,021	4,153,504
Partnership management fees	11,792	38,451	43,606	-	-	-	1,043,812	915,075
Bad debt expense	-	2,316	8,425	-	47,636	17,518	138,662	215,524
Loss on disposal of assets	-	-	-	-	-	-	141,922	151,462
Interest expense	-	89,463	74,664	-	-	-	2,202,612	2,192,403
TOTAL COSTS AND EXPENSES	35,875	636,686	368,404	-	47,636	17,518	13,771,969	13,081,972
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUE OVER COSTS AND EXPENSES	\$ (18,935)	\$ (225,863)	\$ (43,835)	\$ -	\$ (40,769)	\$ (17,518)	\$ (3,352,759)	\$ (3,289,117)

DHIC, INC. AND SUBSIDIARIES
NEIGHBORWORKS AMERICA CAPITAL FUNDS
Year Ended December 31, 2013

<u>Schedule of Financial Position - December 31, 2013</u>	<u>Capital Fund</u>	<u>CFRAH Fund (Capital Funding for the Rehabilitation of Affordable Housing)</u>
Assets		
Cash	\$ 1,674,821	\$ -
Notes receivable - affiliates	5,331,424	455,293
Notes receivable - second mortgages	87,440	-
Assets released from restriction	<u>(4,000,000)</u>	<u>-</u>
Total assets	<u>\$ 3,093,685</u>	<u>\$ 455,293</u>
Net assets	<u>\$ 3,093,685</u>	<u>\$ 455,293</u>
<u>Statement of Activities - for the Year Ended December 31, 2013</u>	<u>Capital Fund</u>	<u>CFRAH Fund</u>
Revenue, grants and other support		
Capital grants - NeighborWorks America	\$ 450,000	\$ -
Transfer of CFRAH grants - NeighborWorks America	427,500	(427,500)
Release of NeighborWorks restricted net assets	<u>(1,000,000)</u>	<u>-</u>
Change in net assets	(122,500)	(427,500)
Net assets, beginning of year	<u>3,216,185</u>	<u>882,793</u>
Net assets, end of year	<u>\$ 3,093,685</u>	<u>\$ 455,293</u>

DHIC, INC. AND SUBSIDIARIES
NEIGHBORWORKS AMERICA CAPITAL FUNDS
Year Ended December 31, 2012

<u>Schedule of Financial Position - December 31, 2012</u>	<u>Capital Fund</u>	<u>CFRAH Fund (Capital Funding for the Rehabilitation of Affordable Housing)</u>
Assets		
Cash	\$ 1,396,269	\$ -
Notes receivable - affiliates	4,728,924	882,793
Notes receivable - second mortgages	90,992	-
Assets released from restriction	<u>(3,000,000)</u>	<u>-</u>
Total assets	<u>\$ 3,216,185</u>	<u>\$ 882,793</u>
Net assets	<u>\$ 3,216,185</u>	<u>\$ 882,793</u>
<u>Statement of Activities - for the Year Ended December 31, 2012</u>	<u>Capital Fund</u>	<u>CFRAH Fund</u>
Revenue, grants and other support		
Capital grants - NeighborWorks America	\$ 337,500	\$ -
CFRAH grants - NeighborWorks America	-	-
Release of NeighborWorks restricted net assets	<u>(1,000,000)</u>	<u>-</u>
Change in net assets	(662,500)	-
Net assets, beginning of year	<u>3,878,685</u>	<u>882,793</u>
Net assets, end of year	<u>\$ 3,216,185</u>	<u>\$ 882,793</u>