CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2011 and for the period
beginning July 1, 2010 and ending December 31, 2010
with
Report of Independent Auditors

CENTURY HOUSING CORPORATION AND AFFILIATES

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Report of Independent Auditors

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

We have audited the accompanying consolidated statements of financial position of Century Housing Corporation, a California nonprofit public benefit corporation, and Affiliates (the "Corporation") as of December 31, 2011 and 2010, and the related consolidated statements of activities and cash flows for the year ended December 31, 2011 and for the period beginning July 1, 2010 and ending December 31, 2010. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Unites States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Century Housing Corporation and Affiliates as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the year ended December 31, 2011 and for the period beginning July 1, 2010 and ending December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2012, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Novogradac & Company LLP

San Francisco, California
April 13, 2012

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS		
Cash and cash equivalents	$ 14,454,505	$ 8,408,172
Restricted cash	7,402,027	2,574,699
Funds held in trust	5	3,702,446
Accounts receivable, net	277,315	204,568
Investments	55,612,445	34,572,658
Interest receivable	674,061	471,857
Notes receivable, net	73,270,958	68,554,331
Intangible assets, net	386,616	480,108
Prepaid expenses and other assets	710,904	641,452
Real estate held for sale	4,216,328	9,414,380
Real estate held for investment, net	73,741,825	74,235,709
Furniture, fixtures and equipment, net	585,181	793,563
Total assets	$ 231,332,170	$ 204,053,943
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	$ 1,101,820	$ 558,757
Accrued interest	78,117	34,797
Security deposits	456,067	514,408
Deferred income	617,445	154,705
Funds held in trust	-	3,702,446
Notes payable and lines of credit	68,979,562	39,375,128
Total liabilities	71,233,011	44,340,241
Net assets:		
Unrestricted		
Controlling interest	128,339,795	130,918,575
Non-controlling interest	26,759,364	28,782,733
Total unrestricted net assets	155,099,159	159,701,308
Temporarily restricted - controlling interest	5,000,000	12,394
Total net assets	160,099,159	159,713,702
Total liabilities and net assets	$ 231,332,170	$ 204,053,943

see accompanying notes to consolidated financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011 AND
FOR THE PERIOD BEGINNING JULY 1, 2010 AND ENDING DECEMBER 31, 2010

	Year Ended December 31, 2011	6-month Period Ended December 31, 2010
LENDING AND CORPORATE REVENUE:		
Investment interest and dividends	$ 1,840,493	$ 1,180,406
Income from notes receivable	5,232,684	2,866,474
Residual receipts, contingent assets and fee income	426,165	1,045,870
Other income	18,005	6,781
Total lending and corporate revenue	7,517,347	5,099,531
PROGRAM REVENUE AND SUPPORT:		
CVC and other real estate operations		
Rental property income	5,836,811	2,730,594
Real estate sold	5,646,781	335,000
CCTP income	-	3,591
Contributions and fundraising income	792,980	23,190
Net assets released from restrictions	12,394	-
Total program revenue and support	12,288,966	3,092,375
Total revenue	19,806,313	8,191,906
LENDING EXPENSES:		
Allocation for loan losses	564,352	562,981
Borrowing fees	17,250	84,848
Interest expense	813,646	432,090
Total lending expenses	1,395,248	1,079,919
PROGRAM EXPENSES:		
CVC and other real estate operations:		
Rental property expenses	4,441,783	2,362,342
Property depreciation and amortization	2,247,241	1,046,562
Cost of real estate sold	5,622,562	282,844
Other real estate expenses	506,867	145,419
CCTP support	477	15,548
Charter school support	-	100,000
Century/LIFT support	-	13,775
Total program expenses	12,818,930	3,966,490

see accompanying notes to consolidated financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011 AND
FOR THE PERIOD BEGINNING JULY 1, 2010 AND ENDING DECEMBER 31, 2010

	Year Ended December 31, 2011	6-month Period Ended December 31, 2010
MANAGEMENT AND GENERAL EXPENSES:		
Salaries and employee benefits	$ 4,285,854	$ 2,171,688
Professional fees	416,739	245,900
Business development expenses	182,064	65,533
General and administrative expenses	874,033	375,115
Depreciation and amortization expense	197,893	77,415
Total management and general expenses	5,956,583	2,935,651
Total expenses	20,170,761	7,982,060
Change in unrestricted net assets before other income and expenses	(364,448)	209,846
OTHER INCOME AND (EXPENSES):		
Realized and unrealized (losses) gains on financial investments	(1,892,416)	1,977,409
Settlement expense	(84,319)	-
Bad debt expense	(35,540)	(22,358)
Loss from disposal of fixed assets	(243)	(9,848)
Loss from impairment of real estate held for investment	(776,625)	-
Loss from impairment of real estate held for sale	(1,410,366)	-
Total other income and (expenses)	(4,199,509)	1,945,203
Change in unrestricted net assets before non-controlling interest	(4,563,957)	2,155,049
Contributions from non-controlling interest	-	515,011
Distributions to non-controlling interest	(38,192)	-
Change in unrestricted net assets	(4,602,149)	2,670,060
Temporarily restricted net assets		
Contributions	5,000,000	-
Net assets released from restrictions	(12,394)	-
Change in temporarily restricted net assets	4,987,606	-
Change in net assets	385,457	2,670,060
Net assets at beginning of year	159,713,702	157,043,642
Net assets at end of year	$ 160,099,159	$ 159,713,702

see accompanying notes to consolidated financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND
FOR THE PERIOD BEGINNING JULY 1, 2010 AND ENDING DECEMBER 31, 2010

	Year Ended December 31, 2011	6-month Period Ended December 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in unrestricted net assets	$ 385,457	$ 2,670,060
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization expense	2,445,134	1,224,217
Allocation for loan losses	564,352	562,981
Bad debt expense	35,540	22,358
Loss from disposal of fixed assets	243	9,848
Gain from sale of real estate held for sale	(24,219)	(52,156)
Loss from impairment of real estate held for investment	776,625	-
Loss from impairment of real estate held for sale	1,410,366	-
Realized and unrealized losses (gains) on financial investments	1,892,416	(1,977,409)
(Increase) decrease in assets:		
Accounts receivable, net	(108,287)	1,640,901
Interest receivable	(202,204)	145,382
Prepaid expenses and other assets	(69,452)	515,091
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	543,063	(736,134)
Accrued interest	43,320	(7,744)
Security deposits	(58,341)	(711,423)
Deferred income	462,740	(18,630)
Net cash provided by operating activities	8,096,753	3,287,342
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in restricted cash	(4,827,333)	(50,082)
Proceeds from sale of real estate held for sale	5,646,781	335,000
Increase in real estate held for sale	(1,834,876)	(214,083)
Increase in real estate held for investment	(2,383,044)	(164,147)
Purchase of furniture, fixtures and equipment	(44,600)	(39,388)
Advances in notes receivable	(91,700,874)	(28,056,016)
Receipts from notes receivable	86,419,895	42,555,304
Purchase of investment securities	(26,515,506)	(6,933,897)
Proceeds from sales of investment securities	3,583,303	5,597,849
Net cash (used in) provided by investing activities	(31,656,254)	13,030,540

see accompanying notes to consolidated financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011 AND
FOR THE PERIOD BEGINNING JULY 1, 2010 AND ENDING DECEMBER 31, 2010

	Period Ending December 31, 2011	6-month Period Ended December 31, 2010
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable and lines of credit	$ 68,054,562	$ 7,366,017
Payments of notes payable and lines of credit	(38,450,128)	(24,987,399)
Decrease (increase) in intangible assets	1,400	(19,923)
Net cash provided by (used in) financing activities	29,605,834	(17,641,305)
Net increase (decrease) in cash and cash equivalents	6,046,333	(1,323,423)
Cash and cash equivalents at beginning of year	8,408,172	9,731,595
Cash and cash equivalents at end of year	$ 14,454,505	$ 8,408,172
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 770,326	$ 439,834
Supplemental disclosure of noncash activities		
Notes receivable transferred to real estate held for sale through deed in lieu of foreclosure	$ -	$ 2,380,000

see accompanying notes to consolidated financial statements

1. Organization

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

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

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

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

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

Child Care and Early Education Facilities – Century has supported the creation of five on-site child care centers at Century financed housing complexes and five stand-alone centers. One of the stand-alone centers is owned by Century and leased to a nonprofit operator (see Note 15).

CCTP – Century provided financial and corporate staff support to this construction pre-apprenticeship training and employment placement services program to prepare community residents for high wage employment in the construction industry. On July 12, 2010, an agreement was reached with an unrelated third party to provide similar training and job placement services previously provided by the Century. As a result of this agreement, Century ceased the operations of its CCTP program.

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

2. Summary of significant accounting policies and nature of operations

Accounting method

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

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

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

Century Villages at Cabrillo, Inc. and affiliates,
Century Affordable Development, Inc. and affiliates,
Century Community Children's Centers, Inc.,
Century Pointe, Inc.,
12010 South Vermont, LLC and affiliate,
The Century Community Lending Company, LLC,
Century Community Development Fund, LLC,
Century Warwick Terrace Apartments, LLC, and
Century Neptune, LLC

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

Principles of affiliate consolidation
Century Villages at Cabrillo, Inc. ("CVC") is the sole general partner in three limited partnerships: Long Beach Savannah Housing, L.P. ("Savannah"), Casa de Cabrillo, L.P. ("Casa"), and The Family Commons at Cabrillo, L.P. ("Family Commons") and is the sole member of Century Villages Property Management, LLC ("CVPM"). CVC owns 0.1% of Savannah, 0.01% of Casa, and 0.1% of Family Commons. In addition, 12010 South Vermont, LLC ("Vermont") is the 0.01% sole general partner in Academy Hall, L.P. ("Academy"). Generally accepted accounting principles establish the presumption that the general partner(s) in a limited partnership controls that limited partnership, or similar entity, regardless of the extent of the general partners' ownership interest in the limited partnership. The presumption of control by the general partner(s) can be overcome if the limited partners have either (i) "kick-out rights" - the substantive ability to dissolve or liquidate the partnership or otherwise remove the general partner(s) without cause or (ii) "substantive participating rights" - the ability to effectively participate in significant decisions made in the ordinary course of the limited partnership's business. If the presumption of control cannot be overcome, then the general partner is required to consolidate the limited partnership. CVC determined that the presumption of control for the limited partnerships in which CVC is the general partner had not been overcome and as a result CVC is required to consolidate the financial statements of Savannah, Casa, and Family Commons in its financial statements. Vermont has also determined that it is required to consolidate the financial statements of Academy. The accompanying consolidated financial statements of the Corporation for the year ended December 31, 2011 and for the period beginning July 1, 2010 and ending December 31, 2010 include the consolidated accounts of CVC and Vermont.

Basis of accounting
The Corporation's year end for tax and financial reporting was June 30. Effective July 1, 2010, the Corporation changed from a fiscal year end of June 30 to December 31. A six-month fiscal transition period from July 1, 2010 through December 31, 2010 precedes the start of the new calendar-year cycle.

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

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

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

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

Restricted cash
Restricted cash includes cash deposited into separate bank accounts being held as collateral, and security deposits, operating reserves and replacement reserves that certain entities have been required to establish.

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

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

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

Fair value measurements

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

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

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

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

The following table presents certain Corporation assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of December 31, 2011 and 2010:

	December 31, 2011			
	Level 1	Level 2	Level 3	Fair Value Measurements
Assets				
Investments	$ 51,582,020	$ -	$ 4,030,425	$ 55,612,445
Notes receivable, net	-	-	73,270,958	73,270,958
	$ 51,582,020	$ -	$ 77,345,069	$ 128,883,403

	December 31, 2010			
	Level 1	Level 2	Level 3	Fair Value Measurements
Assets				
Investments	$ 30,323,916	$ -	$ 4,248,742	$ 34,572,658
Notes receivable, net	-	-	68,554,331	68,554,331
	$ 30,323,916	$ -	$ 72,803,073	$ 103,126,989

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

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

Investments in limited partnerships/ companies securities are generally determined based upon their underlying net asset value of the partnerships/ companies and are categorized as Level 3. The Corporation reflects its ownership and applicable profits and losses associated with these vehicles based on its pro rata share of the revenue and expenses generated from the underlying asset of such vehicles. Investments in multifamily housing revenue bonds are classified within Level 3 of the fair value hierarchy because they are valued based on management's assumptions of expected future cash flows.

Notes receivable are classified within Level 3 of the fair value hierarchy because they are valued based on management's assumptions of various lending risk factors.

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

Investments:	
Balance, July 1, 2010	$ 4,484,319
Distributions	(277,683)
Realized gain, net	174,029
Unrealized change in valuation	(131,923)
Balance, December 31, 2010	4,248,742
Distributions	(403,618)
Realized gain, net	423,141
Unrealized change in valuation	(237,840)
Balance, December 31, 2011	$ 4,030,425
Notes receivable, net:	
Balance, July 1, 2010	$ 85,996,600
Advances	28,056,016
Principal payments received	(42,555,304)
Receivable transferred to property	(2,380,000)
Allocation for loan losses	(562,981)
Balance, December 31, 2010	68,554,331
Advances	91,700,874
Principal payments received	(86,419,895)
Allocation for loan losses	(564,352)
Balance, December 31, 2011	$ 73,270,958

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

Investments in limited partnership

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

Rental income

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

Loan fees

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

Accounts receivable and allowance for doubtful accounts

Accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of allowance will change. As of December 31, 2011 and 2010, management has established an allowance for doubtful accounts in the amount of $0.

Notes receivable and allowance for loan losses

Notes receivable are reported net of an allowance for loan losses. Management's estimate of the allowance is based on historical collection experience and a review of the current status and collections of notes receivable. Management's policy is to establish an allowance for loan losses of 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, 2011 and 2010, management had established an allowance for loan losses in the amount of $2,554,032 and $1,989,680, respectively. The allowance for loan losses at December 31, 2011 and 2010 is summarized as follows:

Balance, July 1, 2010	$ 2,367,218
Provision for losses	562,981
Direct write-downs	(940,519)
Balance, December 31, 2010	1,989,680
Provision for losses	564,352
Balance, December 31, 2011	$ 2,554,032

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

Real estate held for investment

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

Buildings, leasehold improvements and office equipment

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

The useful lives of the assets are estimated as follows:

Buildings and improvements	27.5 - 39 years
Office furniture and fixtures	5 - 7 years
Computer equipment	5 years
Leasehold improvements	Over life of lease

Real estate held for sale

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

Reclassifications

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

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

Impairment of long-lived assets
The Corporation reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net discounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. The Corporation recognized impairment losses on its real estate held for sale of $1,410,366 and $0 for the year ended December 31, 2011 and for the period beginning July 1, 2010 and ending December 31, 2010, respectively. The Corporation recognized impairment losses on its real estate held for investment of $776,625 and $0 for the year ended December 31, 2011 and for the period beginning July 1, 2010 and ending December 31, 2010, respectively.

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

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

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

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

Non-controlling interests in limited partnerships
The non-controlling interests in limited partnerships represent the aggregate positive balance of the limited partners' equity interest in Savannah, Casa, Family Commons, and Academy that are included in the consolidated financial statements. The aggregate negative balance, if any, of limited partners' interest remain in the organization's net assets.

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

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

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Corporation to report information regarding its exposure to various tax positions taken by the Corporation. Management has determined whether any tax positions have met the recognition threshold and has measured the Corporation's exposure to those tax positions. Management believes that the Corporation has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities.

Concentration of credit risk
The Corporation maintains its cash balances in various banks. The balances are insured by the Federal Deposit Insurance Company ("FDIC") up to $250,000 at each bank. At times, these balances may exceed the federal insurance limit; however the Corporation has not experienced any losses with respect to bank balances in excess of government provided insurance. As of December 31, 2011 and 2010, cash balances in excess of the FDIC limits totaled $18,431,596 and $11,578,543, respectively.

Subsequent events
Subsequent events have been evaluated through April 13, 2012, which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

3. Restricted cash

The Corporation's restricted cash consisted of the following at December 31, 2011 and 2010:

	2011	2010
Collateral	$ 791,645	$ 599,383
Security deposits	424,118	421,674
Replacement reserves	1,188,214	985,041
Operating reserves	446,244	517,630
Impound deposits	50,765	50,971
Capital Magnet Funds	4,501,041	-
Total restricted cash	$ 7,402,027	$ 2,574,699

4. Funds held in trust

During the period beginning July 1, 2010 and ending December 31, 2010, the Corporation and the Community Development Commission of the City of West Covina ("City of West Covina") entered into a participation loan as lenders to finance the acquisition and development of an apartment complex. The Corporation received funds from the City of West Covina to be administered by the Corporation. The funds must be maintained in a separate bank account and disbursements are subject to written approval from the City of West Covina. As of December 31, 2011 and 2010, funds held in trust in connection with this loan totaled $5 and $3,702,446, respectively.

5. Investments

Publicly traded securities are valued at quoted market prices. Investments are comprised of the following at December 31, 2011 and 2010:

	2011	2010
Total Market Equity Fund	$ 8,604,067	$ 5,238,936
Total Return Bond Fund	20,315,878	10,348,726
Private Markets Fund	1,230,425	1,448,742
All Country World Index ETF	7,838,033	5,272,225
Vanguard Inflation-Protected Fund	-	3,218,223
Loomis Sayles High Yield Fund	9,497,407	6,245,806
Multifamily Housing Revenue Bonds	2,800,000	2,800,000
U.S. Treasury Inflation-Protected Securities	5,326,635	-
Total investments	$ 55,612,445	$ 34,572,658

The following schedule summarizes the investment return and its classification in the consolidated statements of activities for the years ended December 31, 2011 and 2010:

	2011	2010
Interest on cash and cash equivalents	$ 101,450	$ 11,746
Interest income and dividends	1,739,043	1,168,660
Unrealized/realized (losses) gains	(1,892,416)	1,977,409
Total investment (loss) gain	$ (51,923)	$ 3,157,815

6. Notes receivable, net

Notes receivable consist of notes primarily secured by the real property of affordable housing development projects located throughout the metropolitan Los Angeles area, as well as notes made to non-officer employees of the Corporation. Advances under the notes receivable bear interest at rates ranging from 1.29% to 9%. Notes receivable, secured by affordable housing development projects and unsecured, totaled $72,584,667 and $67,855,681 as of December 31, 2011 and 2010, respectively. Notes receivable from non-officer employees of the Corporation totaled $686,291 and $698,650 as of December 31, 2011 and 2010, respectively.

6. Notes receivable, net (continued)

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

Year ending December 31:	
2012	$ 61,427,975
2013	11,100,689
2014	-
2015	964,262
2016	-
Thereafter	2,332,064
Total notes receivable	75,824,990
Less allowance for doubtful accounts	(2,554,032)
Total notes receivable, net	$ 73,270,958

7. Real estate held for investment

The Corporation's real estate held for investment consists of the following at December 31, 2011 and 2010:

	2011	2010
Land	$ 6,038,185	$ 6,809,185
Buildings and improvements	63,761,309	63,774,882
Leasehold improvements	13,244,726	13,044,476
Construction in progress	3,184,284	993,542
Total real estate held for investment	86,228,504	84,622,085
Less accumulated depreciation	(12,486,679)	(10,386,376)
Total real estate held for investment, net	$ 73,741,825	$ 74,235,709

Real estate held for investment, net owned by the affiliated entities at December 31, 2011 and 2010, is as follows:

	2011	2010
Century Housing Corporation	$ 1,471,212	$ 1,481,758
Century Villages at Cabrillo, Inc.	11,735,032	9,844,158
CVC – Consolidated partnerships	44,759,906	46,016,423
Century Pointe, Inc.	7,361,736	7,503,180
Century Community Children's Centers, Inc.	490,247	1,275,330
Vermont – Consolidated partnership	7,923,692	8,114,860
Total real estate held for investment, net	$ 73,741,825	$ 74,235,709

Depreciation expense on real estate held for investment for the year ended December 31, 2011 and for the period beginning July 1, 2010 and ending December 31, 2010 was $2,100,303 and $1,046,562, respectively.

8. Real estate held for sale

Properties acquired under Right to Purchase Agreement
Single-family residences and condominiums are sold to low- and moderate-income households. The sales contracts under which these properties are sold include a long-term Right to Purchase Agreement ("RTPA") which gives Century the right to repurchase the homes at a stipulated price if the purchaser fails to comply with the terms of the RTPA or wishes to sell the residence. Subsequent to repurchase, these residences are resold to qualifying low and moderate-income households. As of December 31, 2011 and 2010, homes which had been repurchased under a RTPA or otherwise acquired, and are currently held for sale, amounted to $218,173.

Property acquired through foreclosures on notes receivable
The Corporation acquired land and building as a result of foreclosure proceedings against borrowers that defaulted under the terms of their loan agreements. The assets acquired were recorded at fair market value and applied as a reduction to notes receivable. The assets are classified as real estate held for sale and amount to $3,998,155 and $7,509,239 as of December 31, 2011 and 2010, respectively. Real estate held for sale also includes land purchased by the Corporation with the intent to sell in the amount of $0 and $1,686,968 as of December 31, 2011 and 2010, respectively.

9. Furniture, fixtures and equipment, net

The Corporation's furniture, fixtures, and equipment consist of the following at December 31, 2011 and 2010:

	2011	2010
Furniture and fixtures	$ 1,736,756	$ 1,712,497
Equipment	1,466,127	1,464,744
Total furniture, fixtures and equipment	3,202,883	3,177,241
Less accumulated depreciation	(2,617,702)	(2,383,678)
Total furniture, fixtures and equipment, net	$ 585,181	$ 793,563

Depreciation expense on furniture, fixtures and equipment for the year ended December 31, 2011 and for the period beginning July 1, 2010 and ending December 31, 2010 was $252,739 and $133,081, respectively.

During 2011, the Corporation disposed of fixed assets of $18,958 and related accumulated depreciation of $18,715. The disposal of fixed assets resulted in a loss of $243. During the period beginning July 1, 2010 and ending December 31, 2010, the Corporation disposed of fixed assets of $55,184 and related accumulated depreciation of $45,336. The disposal of fixed assets resulted in a loss of $9,848.

10. Intangible assets, net

The Corporation's intangible assets consist of the following at December 31, 2011 and 2010:

	2011	2010
Financing fees	$ 427,829	$ 429,229
Tax credit fees	369,022	369,022
Ground lease fees	22,500	22,500
Total intangible assets	819,351	820,751
Accumulated amortization	(432,735)	(340,643)
Total intangible assets, net	$ 386,616	$ 480,108

Amortization expense for the year ended December 31, 2011 and for the period beginning July 1, 2010 and ending December 31, 2010 was $92,092 and $42,947, respectively.

11. Employee benefit plans

The Corporation has a Section 403(b) defined contribution plan for its employees. Eligible employees may contribute a percentage of their annual compensation, subject to certain limitations, to the 403(b) defined contribution plan. For all participants, the Corporation will contribute 3% of an employee's gross salary and will match employee contributions up to 3% of gross salary to the 403(b) defined contribution plan. For the year ended December 31, 2011 and for the period beginning July 1, 2010 and ending December 31, 2010, the total amount contributed by the Corporation to the plan was $234,423 and $156,893, respectively, which is included in salaries and employee benefits on the accompanying consolidated statements of activities.

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

Certain key executive officers have life insurance policies owned by the Corporation. In the event of death while employed by the Corporation, the officers' estates or designated beneficiaries are entitled to receive a cash payment reflecting the policies death benefits pursuant to the insurance contracts, less the repayment of premiums paid by the Corporation, plus accrued interest. The cash surrender value of the policies was $412,092 and $419,949 as of December 31, 2011 and 2010 respectively, and is recorded in "Prepaid expenses and other assets" on the accompanying consolidated statements of financial position.

12. <u>Contingent and restricted assets – affordable housing financing</u>

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

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

Contingent assets represented by affordable housing loans outstanding as of December 31, 2011 and 2010, total $81,097,482 and $81,221,535, respectively, and have an effective interest rate of 3% per annum. Unrecognized accrued interest receivable as of December 31, 2011 and 2010 was $40,313,770 and $31,565,073, respectively. During the year ended December 31, 2011 and the period beginning July 1, 2010 and ending December 31, 2010, the Corporation received $176,084 and $985,775 of principal and interest payments from these loans, respectively, which are included in "Residual receipts, contingent assets and fee income" on the consolidated statements of activities.

13. <u>Notes payable and lines of credit</u>

<u>Note payable – GEMSA Loan Services, L.P.</u>
On June 28, 2001, Century Pointe, Inc. assumed a loan from GEMSA Loan Services, L.P. in the amount of $2,788,535, bearing interest at a rate of 8.635% per annum. The loan was secured by a first deed of trust on the corporate office building and required monthly payments of principal and interest totaling $21,798, based on a 30-year amortization schedule, and matured on October 31, 2010. As of December 31, 2011 and 2010, the outstanding principal balance was $0. Interest expense for the year ended December 31, 2011 and for the period beginning July 1, 2010 and ending December 31, 2010 was $0 and $74,546, respectively.

13. Notes payable and lines of credit (continued)

Note payable – First Federal Bank of California

On November 15, 2007, CVC obtained a development loan from the Federal Home Loan Bank of San Francisco's Affordable Housing Program ("AHP") in the amount of $972,000 (the "AHP Loan") and funded by First Federal Bank of California. Loan proceeds were loaned to CVC under conditions stipulated in certain loan and regulatory agreements. Repayment of the AHP Loan is secured by a third deed of trust on the real property of Family Commons. The AHP Loan bears no interest and matures in November 2023, which is fifteen years from the date of Family Commons' project completion date. If CVC complies with the terms of the loan and regulatory agreements, the principal balance will be forgiven upon maturity. CVC, in turn, made a loan in the amount of $972,000 to Family Commons for the development of its low-income housing tax credit project, subject to the same terms as the AHP Loan. As of December 31, 2011 and 2010, the outstanding principal is $972,000 for both years.

Note payable – Long Beach Housing Development Company

On December 15, 2008, Family Commons obtained financing for the construction of its project from loan proceeds funded by the Long Beach Housing Development Company in an amount not to exceed $11,775,000 ("LBHDC Loan"). Repayment of the LBHDC Loan is secured by a deed of trust and matures in November 2063. The LBHDC Loan is non-interest bearing and requires annual principal payments from residual receipts, as defined in the partnership agreement. As of December 31, 2011 and June 30, 2010, the outstanding principal was $11,775,000.

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

On April 1, 2009, Academy obtained financing for the acquisition and rehabilitation of the Project from the proceeds of tax-exempt Multifamily Housing Revenue Bonds, Series 2009B issued by the City of Los Angeles (the "Issuer") in the amount of $5,000,000 (the "Tax-Exempt Bonds").

Concurrent with the issuance of the Tax-Exempt Bonds, the Issuer entered into a Trust Indenture with The Bank of New York Mellon (the "Trustee"). Proceeds for the Tax-Exempt Bonds were loaned by the Issuer to the Partnership under conditions stipulated in the loan agreement and the Trust Indenture. A loan in the amount of $5,000,000 was funded to the Partnership on April 1, 2009 (the "Tax-Exempt Loan"). Repayment of the loan is secured by the real property of the Partnership and bears a variable interest rate equal to the sum of the British Bankers Association LIBOR Daily floating rate plus 2.5%, which shall never be less than 3% or exceed 12%. Commencing May 1, 2010, the Tax-Exempt Loan shall bear interest at a fixed rate of 6.25%. The Tax-Exempt Loan requires monthly payments and all unpaid principal and accrued interest is due in full at maturity on November 1, 2040. As of December 31, 2011 and 2010, the outstanding principal was $2,375,000 and $2,405,000 respectively. Interest incurred for the year ended December 31, 2011 and for the period beginning July 1, 2010 and ending December 31, 2010 was $159,471 and $62,630, respectively.

13. Notes payable and lines of credit (continued)

Note payable – Calvert Social Investment Foundation

On March 31, 2010, Century entered into a promissory note with Calvert Social Investment Foundation ("Calvert") in the amount of $2,000,000 (the "Calvert Loan"). The Calvert Loan is unsecured and bears simple interest at a rate of 4.5% per annum. Interest payments shall be made semi-annually in arrears on each March 31 and September 30. All unpaid principal and interest shall be due and payable at maturity on March 31, 2013. During the year ended December 31, 2011 and the period beginning July 1, 2010 and ending December 31, 2010, interest expense incurred was $90,000 and $45,000, respectively. As of December 31, 2011 and 2010, the outstanding principal was $2,000,000 and accrued interest was $22,500.

Line of credit – The Century Community Lending Company, LLC

On December 8, 2005, The Century Community Lending Company, LLC ("CCLC") entered into a Revolving Construction Loan Facility Agreement with contributing lenders to provide financing for CCLC. The administrative agent representing the contributing lenders was Bank of America, N.A. Under the terms of the agreement CCLC may request advances to fund loans made by CCLC in conformity with its lending policy. Each advance was evidenced by a promissory note that specifies the principal amount of the advance, the interest rate and maturity date, which shall not exceed two years from the date of the note. On December 1, 2008, the Company signed an amendment to the agreement, lowering the original commitment amount of $50,000,000 to $30,000,000. The line of credit matured on December 8, 2011. The total amount drawn as of December 31, 2011 and 2010 was $0 and $3,002,128, respectively. The advances were secured by an assignment of deed of trust and security agreement. The advances drawn bore interest at LIBOR plus 2.25% per annum payable on the first day of each month. During the year ended December 31, 2011 and the period beginning July 1, 2010 and ending December 31, 2010, interest expense incurred was $10,310 and $90,277, respectively.

CCLC also incurred an administrative agent fee of $25,000 per year and quarterly fees on the unused portion of the line of credit at a rate of 0.25%. During the year ended December 31, 2011 and the period beginning July 1, 2010 and ending December 31, 2010, line of credit fees of $1,294 and $52,578, respectively, have been incurred.

Line of credit – Wells Fargo Bank

On December 20, 2006, Century entered into a loan and security agreement with Wells Fargo Bank (successor-by-merger to Wachovia Bank, National Association). Under the terms of the agreement, Century may request advances to fund loans made by Century in conformity with its lending policy. Each advance is evidenced by a promissory note that specifies the principal amount of the advance, the interest rate and maturity date, which shall not exceed two years from the date of the note. The draw period termination date is November 30, 2011, and the maximum commitment amount is $20,000,000. Under the terms of the facility, drawn amounts may remain outstanding until the second anniversary of their draw dates. The advances are secured by an assignment deed of trust and a security agreement. The advances drawn bear interest at LIBOR plus 2.59% per annum payable on the fifteenth day of the month commencing on January 1, 2007. During the year ended December 31, 2011 and the period beginning July 1, 2010 and ending December 31, 2010, interest expense incurred was $341,712 and $43,055, respectively. As of December 31, 2011 and 2010, the outstanding principal was $19,905,000 and $5,268,000, respectively, and accrued interest was $27,095 and $3,384, respectively.

13. Notes payable and lines of credit (continued)

Line of credit – Fannie Mae

On December 21, 2007, Century entered into a Revolving Credit Facility Agreement with Fannie Mae under which Fannie Mae shall provide a line of credit to Century in an amount up to a maximum of $25,000,000. The agreement has a term of five years and expires on December 21, 2012. The line of credit bears interest at an adjustable rate at 3-month LIBOR plus 75 basis points, which is adjusted on the first day of each calendar quarter. The interest rate as of December 31, 2011 and 2010 was 1.12% and 1.04%, respectively. The line of credit is secured by an assignment deed of trust and a security agreement. Accrued interest is paid in arrears in monthly installments of the first day of each calendar month. The entire principal balance of the note, together with all accrued and unpaid interest and all other amounts payable are due on December 21, 2012. During the year ended December 31, 2011 and the period beginning July 1, 2010 and ending December 31, 2010, interest expense was $170,852 and $101,744, respectively. As of December 31, 2011 and 2010, the outstanding principal was $21,062,000 and $9,953,000, respectively, and accrued interest was $19,215 and $8,913, respectively.

Line of credit – City National Bank

On December 11, 2006, Century entered into a Credit Agreement with City National Bank under which City National Bank shall provide a line of credit to Century in an amount up to 65% of the market value of the financial assets of Century under the custody of City National Bank, up to a maximum of $20,000,000. Century has granted City National Bank a lien on the assets under its custody. As of December 31, 2011 and 2010, Century has investments under the custody of City National Bank in the amount of $29,813,285 and $19,812,755, respectively. On December 15, 2010, Century signed a Second Amendment to Credit Agreement, extending the maturity date to December 1, 2012. The line of credit has two interest rate options: LIBOR plus 1.5% per annum, or the greater of Prime Rate minus .75% or a minimum of 3.5% per annum. During the year ended December 31, 2011 and the period beginning July 1, 2010 and ending December 31, 2010, Century drew $0 and $4,000,000, respectively. During the year ended December 31, 2011 and the period beginning July 1, 2010 and ending December 31, 2010, interest expense was $3,500 and $7,146, respectively. As of December 31, 2011 and 2010, the outstanding principal was $0 and $4,000,000, respectively.

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

On July 21, 2011, Century entered into a Revolving Credit Note with JPMorgan Chase Bank, N.A. ("Chase") under which Chase shall provide a line of credit to Century in an amount up to a maximum of $20,000,000. Advances from the line of credit bear interest at a rate equal to 1-month LIBOR plus 2.5% and is calculated on a basis of a 360-day year. Interest is payable in arrears on the 5th day of the following month. The entire principal balance of the note, together with all accrued and unpaid interest and all other amounts payable are due on July 19, 2015. During the year ended December 31, 2011 and the period beginning July 1, 2010 and ending December 31, 2010, interest expense was $35,885 and $0, respectively. As of December 31, 2011, the outstanding principal was $3,683,500 and $0, respectively, and accrued interest was $8,763 and $0, respectively.

13. Notes payable and lines of credit (continued)

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, CVC entered into a second promissory note with DHCD in the maximum amount of $1,000,000. Proceeds from these notes were used for the construction of the Family Shelter I and II projects. The initial proceeds were funded in March 2011. The notes bear simple interest at a rate of 3% per annum and mature ten years after the promissory note dates. All principal and interest shall remain deferred for the entire loan terms and will be forgiven at the end of the loan terms as long as the Family Shelter I and II projects (see Note 14) are in compliance with the terms of the Regulatory Agreement. In the event of default, total accrued interest at 10% per annum and principal are due. The loans are secured by a deed of trust and assignment of rents on the Family Shelter I and II projects. As of December 31, 2011 and 2010, the total principal balance of the loans was $1,697,162 and $0, respectively. No interest has been accrued on these loans.

Community Development Commission of the County of Los Angeles

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

Line of credit - Federal Home Loan Bank of San Francisco

On May 27, 2011, Century entered into an Advances and Security Agreement with Federal Home Loan Bank of San Francisco ("FHLB") in the maximum commitment amount of $10,000,000. Each advance is subject to the terms and conditions upon which Century and FHLB have agreed upon pursuant to a written confirmation agreement. During 2011, advances bore interest ranging from 0.19% to 0.3% and had maturity dates ranging from June 11, 2012 to June 18, 2012. Advances are secured by U.S. Treasury Inflation-Protected Securities purchased by Century in the amount of $5,326,635. Other collateral includes a demand deposit in the amount of $12,434 and a transaction settlement account in the amount of $264,000. During the year ended December 31, 2011 and the period beginning July 1, 2010 and ending December 31, 2010, interest expense was $1,741 and $0, respectively. As of December 31, 2011 and 2010, the outstanding principal was $5,000,000 and $0, respectively, and accrued interest was $544 and $0, respectively.

13. Notes payable and lines of credit (continued)

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

Year ending December 31:	
2012	$ 26,092,000
2013	21,935,000
2014	35,000
2015	3,718,500
2016	40,000
Thereafter	17,159,062
Total	$ 68,979,562

14. Century Villages at Cabrillo, Inc.

CVC is the supportive housing affiliate of Century. CVC was formed on July 31, 1996 for the purpose of rehabilitating and developing a planned, residential community that provides affordable housing and a comprehensive array of supportive services for homeless individuals, families, and veterans at the former site of the U.S. Naval Station, located in the City of Long Beach, California. The 26 acre property was ultimately conveyed to CVC in 1997 under the McKinney Act for the purpose of benefiting the homeless. As of December 31, 2011 and 2010, Century has outstanding notes receivable of $13,678,671 and $14,507,140, respectively, and accrued interest of $2,448,344 and $2,486,353, respectively, related to this facility. The notes receivable and accrued interest eliminate in consolidation against the payables recorded on CVC's books.

To effectuate the development of housing on its campus, CVC has entered into long-term ground leases with Savannah, Casa, and Family Commons. These three partnerships have been allocated low-income housing tax credits under the program described in Section 42 of the Internal Revenue Code. 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.

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 325,000 square feet of housing and supportive service space on its campus. With remaining acreage at the southern and western bounds of its campus, CVC is actively planning for the remaining build out of its campus in the years to come in support of its overall mission. In 2011, CVC started construction on the Family Shelter I and II projects. This $5 million, 8,500 square-foot complex will provide for the replacement and expansion of Catholic Charities emergency shelter facility which has operated at CVC since 1998. CVC completed construction in March 2012.

CVPM, wherein CVC is the sole member, was formed on October 15, 2009 for the purpose of providing property management services for low income, affordable housing located in Long Beach, California.

15. Child care centers

Century owns the Century Community Children's Center, which is leased and operated by a nonprofit service provider. Pursuant to a court order, this facility was developed on a parcel of land that is restricted for use as a child care and community center. As of December 31, 2011 and 2010, Century's remaining temporarily restricted net assets committed for the development and operation of the child care center was $0 and $12,394, respectively.

16. Commitments and contingencies

Guaranty of tax credit

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

Partnership:	Casa de Cabrillo, L.P.
Investor limited partner:	John Hancock Corporate Tax Credit Fund VIII, LP
Guarantee balance:	$2,400,000
Partnership:	The Family Commons at Cabrillo, L.P.
Investor limited partner:	John Hancock Family Commons, LP
Guarantee balance:	$14,000,000
Partnership:	Academy Hall, L.P.
Investor limited partner:	U.S.A. Institutional Tax Credit Fund LXVII, LP
Guarantee balance:	$1,875,894

Guaranty of third-party indebtedness

Century has entered into a guaranty with Wells Fargo Bank, N.A. to guarantee the debt of principal and interest on bonds of certain third party limited partnerships. The assets owned by the limited partnerships are the collateral for the underlying loans being guaranteed. If at any time the limited partnerships or their partners are unable to fund their agreed upon principal and interest payment, Century is obligated to make funds available to the respective trustee immediately. Century's maximum exposure under the guarantee would be equal to the difference between the fair market value of collateral held and the outstanding loan amount. The loans guaranteed by Century have maturity dates ranging from 2015 to 2036. While it is reasonably possible that a loss could occur, such losses are not anticipated. As of December 31, 2011 and 2010, Century has recognized a liability under these guarantees in the amount of $47,000, which is included in "Accounts payable and accrued liabilities" on the accompanying consolidated statements of financial position.

16. Commitments and contingencies (continued)

Guaranty of third-party indebtedness (continued)

The following is a summary of outstanding guarantees that Century has entered into as of December 31, 2011 and 2010:

Bond Series Number	Amount	Borrower
California Statewide Communities Development Authority Multifamily Housing Revenue Bonds (Pioneer Gardens Apartment Project) Subordinate 2000 Series BB-S	$ 515,000	KDF Pioneer, L.P.
California Statewide Communities Development Authority Multifamily Housing Revenue Bonds (Claremont Village Apartment Project) Subordinate 2000 Series AA-S	$ 515,000	KDF Claremont, L.P.
California Statewide Communities Development Authority Multifamily Housing Revenue Bonds (River Run Senior Apartment Project) Series 2003	$ 1,000,000	Steadfast River Run, L.P.

Settlement agreement

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

Legal proceedings

The Corporation is involved in various legal proceedings associated with its normal operations. While the ultimate disposition of each proceeding is not determinable, management believes that such proceedings will not have a materially adverse effect on its financial condition or results of operations. During the year ended December 31, 2011 and the period beginning July 1, 2010 and ending December 31, 2010, the Corporation incurred settlement costs of $84,319 and $0, respectively.

Performance guarantee of ground lease obligation

As a condition of the assignment of the ground lease to the buyer of a commercial building previously owned by Century, Century entered into an agreement with the land owner (lessor) to guarantee all payments due under the terms of the original ground lease in the event of a default of the buyer of the terms of the ground lease. The base rent is $5,857 per month and is scheduled to increase every five years by the increase in the Consumer Price Index through the lease expiration date December 31, 2019. There were no costs incurred under this guaranty during the year ended December 31, 2011 and the period beginning July 1, 2010 and ending December 31, 2010.

16. Commitments and contingencies (continued)

Performance guarantee of ground lease obligation (continued)

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

Year ending December 31:		
2012	$	70,284
2013		70,284
2014		70,284
2015		70,284
2016		70,284
Thereafter		105,426
Total	$	456,846

17. Government grants

City of Long Beach

During the year ended June 30, 2010, CVC obtained financing in the form of four grants from the City of Long Beach totaling $196,451 for the construction of leasehold improvements. The terms of the grants are over periods between 24 and 84 months, during which CVC is required to lease its real property to qualifying non-profit corporations. During the year ended December 31, 2011 and the period beginning July 1, 2010 and ending December 31, 2010, $37,259 and $21,630, respectively has been recognized as income and is included in "Contributions and fundraising income" on the accompanying consolidated statements of activities. As of December 31, 2011 and 2010, the total deferred income was $117,445 and $154,705, respectively.

Community Development Commission of the County of Los Angeles

During 2011, CVC received a $500,000 grant from CDC for the construction of the Family Shelter I and II projects. According to the terms of the grant agreement, CVC must remain in compliance with the terms of the grant agreement for a period of seven years after initial occupancy of the Family Shelter I and II projects. In the event of default, CDC may request repayment of the grant in an amount that is reduced ratably on a straight-line basis over the grant term. As of December 31, 2011 and 2010, the total deferred income was $500,000 and $0, respectively.

18. Temporarily restricted net assets

Temporarily restricted net assets at December 31, 2011 and 2010 consisted of the following:

		2011		2010
Capital Magnet Funds	$	5,000,000	$	-
Grants restricted to:				
Child care center development/operations		-		12,394
	$	5,000,000	$	12,394

18. Temporarily restricted net assets (continued)

During 2011, the Corporation was awarded $5,000,000 of Capital Magnet Funds from the U.S. Treasury Community Development Financial Institutions Fund. Capital Magnet Funds must be used to finance affordable housing projects for low-income, very-low income, and extremely-low income families, or located in High Housing Need areas. The funds must be committed for use by July 18, 2013, and the projects receiving the funds must be placed in service by July 18, 2016 (the "Completion Date"). In 2011, the Corporation made a loan of $500,000 using Capital Magnet Funds to an eligible recipient. The entire award will remain restricted until after the Completion Date, after which the funds will become unrestricted to the Corporation. If the Corporation meets certain benchmarks as described in the agreement prior to the Completion Date, the funds will become unrestricted to the Corporation.

19. Reconciliation of changes in unrestricted net assets

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

	Total	Controlling Interest	Non-controlling Interest
Unrestricted net assets, July 1, 2010	$ 157,031,248	$ 127,700,419	$ 29,330,859
Contributions	515,011	-	515,011
Change in net assets from continuing operations	2,155,049	3,218,156	(1,063,107)
Unrestricted net assets, December 31, 2010	159,701,308	130,918,575	28,782,733
Distributions	(38,192)	-	(38,192)
Net assets released from restriction	12,394	12,394	-
Change in net assets from continuing operations	(4,576,351)	(2,591,174)	(1,985,177)
Unrestricted net assets, December 31, 2011	$ 155,099,159	$ 128,339,795	$ 26,759,364

SUPPLEMENTARY INFORMATION

CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTAL INFORMATION
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011

	Century and wholly controlled affiliates before EITF 04-5 Entities	EITF 04-5 Entities	Eliminations	Consolidated Total
ASSETS				
Cash and cash equivalents	$ 14,314,188	$ 140,317	$ -	$ 14,454,505
Restricted cash	5,427,587	1,974,440	-	7,402,027
Funds held in trust	5	-	-	5
Accounts receivable, net	566,520	47,877	(337,082)	277,315
Investments	69,737,445	-	(14,125,000)	55,612,445
Interest receivable	2,187,002	-	(1,512,941)	674,061
Notes receivable, net	81,421,516	-	(8,150,558)	73,270,958
Intangible assets, net	55,000	331,616	-	386,616
Prepaid expenses and other assets	616,143	94,761	-	710,904
Real estate held for sale	4,216,328	-	-	4,216,328
Real estate held for investment, net	21,213,960	53,386,506	(858,641)	73,741,825
Furniture, fixtures and equipment, net	253,970	331,211	-	585,181
Total assets	$ 200,009,664	$ 56,306,728	$ (24,984,222)	$ 231,332,170
LIABILITIES AND NET ASSETS				
Accounts payable and accrued liabilities	$ 905,702	$ 533,200	$ (337,082)	$ 1,101,820
Accrued interest	78,117	1,512,941	(1,512,941)	78,117
Security deposits	73,588	382,479	-	456,067
Deferred income	617,445	-	-	617,445
Notes payable and lines of credit	54,829,562	22,300,558	(8,150,558)	68,979,562
Total liabilities	56,504,414	24,729,178	(10,000,581)	71,233,011
Net assets:				
Unrestricted				
Controlling interest	138,505,250	4,818,186	(14,983,641)	128,339,795
Non-controlling interest	-	26,759,364	-	26,759,364
Temporarily restricted - controlling interest	5,000,000	-	-	5,000,000
Total net assets	143,505,250	31,577,550	(14,983,641)	160,099,159
Total liabilities and net assets	$ 200,009,664	$ 56,306,728	$ (24,984,222)	$ 231,332,170

CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTAL INFORMATION
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010

	Century and wholly controlled affiliates before EITF 04-5 Entities	EITF 04-5 Entities	Eliminations	Consolidated Total
ASSETS				
Cash and cash equivalents	$ 8,207,252	$ 200,920	$ -	$ 8,408,172
Restricted cash	712,074	1,862,625	-	2,574,699
Funds held in trust	3,702,446	-	-	3,702,446
Accounts receivable, net	1,583,636	41,350	(1,420,418)	204,568
Investments	48,698,169	-	(14,125,511)	34,572,658
Interest receivable	3,938,225	-	(3,466,368)	471,857
Notes receivable, net	83,911,773	-	(15,357,442)	68,554,331
Intangible assets, net	106,667	373,441	-	480,108
Prepaid expenses and other assets	556,161	85,291	-	641,452
Real estate held for sale	9,414,380	-	-	9,414,380
Real estate held for investment, net	20,083,792	55,010,558	(858,641)	74,235,709
Furniture, fixtures and equipment, net	405,758	387,805	-	793,563
Total assets	$ 181,320,333	$ 57,961,990	$ (35,228,380)	$ 204,053,943
LIABILITIES AND NET ASSETS				
Accounts payable and accrued liabilities	$ 1,660,770	$ 318,405	$ (1,420,418)	$ 558,757
Accrued interest	2,173,773	1,327,392	(3,466,368)	34,797
Security deposits	151,335	363,073	-	514,408
Deferred income	154,705	-	-	154,705
Funds held in trust	3,702,446	-	-	3,702,446
Notes payable and lines of credit	32,380,893	22,351,677	(15,357,442)	39,375,128
Total liabilities	40,223,922	24,360,547	(20,244,228)	44,340,241
Net assets:				
Unrestricted				
Controlling interest	141,084,017	4,818,710	(14,984,152)	130,918,575
Non-controlling interest	-	28,782,733	-	28,782,733
Temporarily restricted - controlling interest	12,394	-	-	12,394
Total net assets	141,096,411	33,601,443	(14,984,152)	159,713,702
Total liabilities and net assets	$ 181,320,333	$ 57,961,990	$ (35,228,380)	$ 204,053,943

CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTAL INFORMATION
CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Century and wholly controlled affiliates before EITF 04-5 Entities	EITF 04-5 Entities	Eliminations	Consolidated Total
LENDING AND CORPORATE REVENUE:				
Investment interest and dividends	$ 1,833,138	$ 7,355	$ -	$ 1,840,493
Income from notes receivable	5,774,311	-	(541,627)	5,232,684
Residual receipts, contingent assets and fee income	426,165	-	-	426,165
Other income	18,005	-	-	18,005
Total lending and corporate revenue	8,051,619	7,355	(541,627)	7,517,347
PROGRAM REVENUE AND SUPPORT:				
CVC and other real estate operations				
Rental property income	2,748,684	3,855,099	(766,972)	5,836,811
Real estate sold	5,646,781	-	-	5,646,781
Loss on equity investments	(511)	-	511	-
Contributions and fundraising income	792,980	-	-	792,980
Net assets released from restrictions	12,394	-	-	12,394
Total program revenue and support	9,200,328	3,855,099	(766,461)	12,288,966
Total revenue	17,251,947	3,862,454	(1,308,088)	19,806,313
LENDING EXPENSES:				
Allocation for loan losses	564,352	-	-	564,352
Borrowing fees	17,250	-	-	17,250
Interest expense	654,175	701,098	(541,627)	813,646
Total lending expenses	1,235,777	701,098	(541,627)	1,395,248
PROGRAM EXPENSES:				
CVC and other real estate operations:				
Rental property expenses	1,835,282	3,373,473	(766,972)	4,441,783
Property depreciation and amortization	503,739	1,743,502	-	2,247,241
Cost of real estate sold	5,622,562	-	-	5,622,562
Other real estate expenses	506,867	-	-	506,867
CCTP support	477	-	-	477
Total program expenses	8,468,927	5,116,975	(766,972)	12,818,930
MANAGEMENT AND GENERAL EXPENSES:				
Salaries and employee benefits	4,285,854	-	-	4,285,854
Professional fees	416,739	-	-	416,739
Business development expenses	182,064	-	-	182,064
General and administrative expenses	874,033	-	-	874,033
Depreciation and amortization expense	197,893	-	-	197,893
Total management and general expenses	5,956,583	-	-	5,956,583
Total expenses	15,661,287	5,818,073	(1,308,599)	20,170,761
Change in unrestricted net assets before other income and expenses	1,590,660	(1,955,619)	511	(364,448)
OTHER INCOME AND (EXPENSES):				
Realized and unrealized (losses) gains on financial investments	(1,892,416)	-	-	(1,892,416)
Settlement expense	(84,319)	-	-	(84,319)
Bad debt expense	(5,458)	(30,082)	-	(35,540)
Loss from disposal of fixed assets	(243)	-	-	(243)
Loss from impairment of real estate held for investment	(776,625)	-	-	(776,625)
Loss from impairment of real estate held for sale	(1,410,366)	-	-	(1,410,366)
Total other income and (expenses)	(4,169,427)	(30,082)	-	(4,199,509)
Change in unrestricted net assets before non-controlling interest	(2,578,767)	(1,985,701)	511	(4,563,957)
Distributions to non-controlling interest	-	(38,192)	-	(38,192)
Change in unrestricted net assets	(2,578,767)	(2,023,893)	511	(4,602,149)
Temporarily restricted net assets				
Contributions	5,000,000	-	-	5,000,000
Net assets released from restrictions	(12,394)	-	-	(12,394)
Change in temporarily restricted net assets	4,987,606	-	-	4,987,606
Change in net assets	2,408,839	(2,023,893)	511	385,457
Net assets at beginning of year	141,096,411	33,601,443	(14,984,152)	159,713,702
Net assets at end of year	$ 143,505,250	$ 31,577,550	$ (14,983,641)	$ 160,099,159

see report of independent auditors

CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTAL INFORMATION
CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE PERIOD BEGINNING JULY 1, 2010 AND ENDING DECEMBER 31, 2010

	Century and wholly controlled affiliates before EITF 04-5 Entities	EITF 04-5 Entities	Eliminations	Consolidated Total
LENDING AND CORPORATE REVENUE:				
Investment interest and dividends	$ 1,175,473	$ 4,933	$ -	$ 1,180,406
Income from notes receivable	3,340,772	-	(474,298)	2,866,474
Residual receipts, contingent assets and fee income	1,045,870	-	-	1,045,870
Other income	6,781	-	-	6,781
Total lending and corporate revenue	5,568,896	4,933	(474,298)	5,099,531
PROGRAM REVENUE AND SUPPORT:				
CVC and other real estate operations				
Rental property income	1,458,393	1,626,705	(354,504)	2,730,594
Real estate sold	335,000	-	-	335,000
Loss on equity investments	(259)	-	259	-
CCTP income	3,591	-	-	3,591
Contributions and fundraising income	23,190	-	-	23,190
Total program revenue and support	1,819,915	1,626,705	(354,245)	3,092,375
Total revenue	7,388,811	1,631,638	(828,543)	8,191,906
LENDING EXPENSES:				
Allocation for loan losses	562,981	-	-	562,981
Borrowing fees	84,848	-	-	84,848
Interest expense	575,466	330,922	(474,298)	432,090
Total lending expenses	1,223,295	330,922	(474,298)	1,079,919
PROGRAM EXPENSES:				
CVC and other real estate operations:				
Rental property expenses	1,258,725	1,483,373	(379,756)	2,362,342
Property depreciation and amortization	175,184	871,378	-	1,046,562
Cost of real estate sold	282,844	-	-	282,844
Other real estate expenses	145,419	-	-	145,419
CCTP support	15,548	-	-	15,548
Charter school support	100,000	-	-	100,000
Century/LIFT support	13,775	-	-	13,775
Total program expenses	1,991,495	2,354,751	(379,756)	3,966,490
MANAGEMENT AND GENERAL EXPENSES:				
Salaries and employee benefits	2,171,688	-	-	2,171,688
Professional fees	245,900	-	-	245,900
Business development expenses	65,533	-	-	65,533
General and administrative expenses	375,115	-	-	375,115
Depreciation and amortization expense	77,415	-	-	77,415
Total management and general expenses	2,935,651	-	-	2,935,651
Total expenses	6,150,441	2,685,673	(854,054)	7,982,060
Change in unrestricted net assets before other income and expenses	1,238,370	(1,054,035)	25,511	209,846
OTHER INCOME AND (EXPENSES):				
Realized and unrealized gains (losses) on financial investments	1,977,409	-	-	1,977,409
Bad debt expense	(13,019)	(9,339)	-	(29,834)
Loss from disposal of real estate held for investment	(9,848)	-	-	(9,848)
Total other income and (expenses)	1,954,542	(9,339)	-	1,937,727
Change in unrestricted net assets before non-controlling interest	3,192,912	(1,063,374)	25,511	2,155,049
Contributions from non-controlling interest	-	515,011	-	515,011
Change in unrestricted net assets	3,192,912	(548,363)	25,511	2,670,060
Net assets at beginning of year	137,903,499	34,149,806	(15,009,663)	157,043,642
Net assets at end of year	$ 141,096,411	$ 33,601,443	$ (14,984,152)	$ 159,713,702

CENTURY HOUSING CORPORATION AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor / Pass Through Grantor / Federal Program Title:	Federal CFDA No.	Expenditures
U.S. Department of the Treasury:		
Community Development Financial Institutions Program – Capital Magnet Fund	21.011	$ 500,000

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

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

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

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

We have audited the consolidated financial statements of Century Housing Corporation, a California nonprofit public benefit corporation, and Affiliates (the "Corporation"), as of and for the year ended December 31, 2011, and have issued our report thereon dated April 13, 2012. We conducted our audit in accordance with auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's consolidated financial statements are free of 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.*

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We noted certain other matters that we reported to management of the Corporation in a separate letter dated April 13, 2012.

This report is intended solely for the information and use of the management, audit committee, board of directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Novogradac & Company LLP

San Francisco, California
April 13, 2012

NOVOGRADAC
& COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of Century Housing Corporation, a California nonprofit public benefit corporation, and Affiliates (the "Corporation"), with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended December 31, 2011. The Corporation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Corporation's management.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Corporation's compliance with those requirements.

In our opinion, the Corporation complied, in all material respects, with the 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, 2011.

Internal Control over Compliance

The management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Corporation's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance, in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliances that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management, audit committee, board of directors, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Novogradac & Company LLP

San Francisco, California
April 13, 2012

CENTURY HOUSING CORPORATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011

Section I – Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

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

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

	Yes	No
Auditee qualified as low-risk auditee?		X

CENTURY HOUSING CORPORATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.