CENTURY HOUSING CORPORATION AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

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 financial statements of Century Housing Corporation, a California nonprofit public benefit corporation, and Affiliates (the "Corporation"), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 35-40 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position or changes in net assets of the individual entities, and they are also not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the accompanying supplemental schedules are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2016, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Novogradac & Company LLP

Walnut Creek, California
April 25, 2016

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and cash equivalents	$ 12,678,487	$ 10,544,279
Restricted cash	7,148,863	7,855,402
Accounts receivable, net	449,426	117,479
Investments	77,888,761	71,741,523
Interest receivable	706,819	548,466
Notes receivable, net	162,759,035	78,785,057
Intangible assets, net	726,268	459,849
Prepaid expenses and other assets	480,062	877,790
Real estate held for investment, net	127,671,647	110,441,819
Furniture, fixtures and equipment, net	1,693,627	1,145,914
Total assets	$ 392,202,995	$ 282,517,578
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	$ 3,010,366	$ 3,487,303
Accrued interest	1,459,054	250,188
Security deposits	695,336	546,894
Deferred income	339,988	331,225
Notes payable and lines of credit	196,220,717	101,164,984
Forgivable loans	1,976,858	2,382,286
Total liabilities	203,702,319	108,162,880
Net assets:		
Unrestricted		
Controlling interest	154,100,438	146,417,271
Non-controlling interest	28,900,238	22,937,427
Total unrestricted net assets	183,000,676	169,354,698
Temporarily restricted - controlling interest	5,500,000	5,000,000
Total net assets	188,500,676	174,354,698
Total liabilities and net assets	$ 392,202,995	$ 282,517,578

see accompanying notes to consolidated financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
LENDING AND CORPORATE REVENUE		
Investment interest and dividends	$ 2,439,596	$ 1,932,518
Income from notes receivable	12,652,259	8,730,166
Residual receipts and contingent asset income	3,734,604	1,542,132
Other income	127,870	76,482
Total lending and corporate revenue	18,954,329	12,281,298
HOUSING REVENUE AND SUPPORT		
CVC, CADI and other real estate operations		
Rental property income	7,823,028	6,979,989
Real estate sold	-	2,560,000
Debt forgiveness income	405,428	405,429
Other real estate income	82,294	338,259
Contributions and fundraising income	234,631	658,326
Total housing revenue and support	8,545,381	10,942,003
Total revenue	27,499,710	23,223,301
LENDING AND CORPORATE EXPENSES		
Allocation for loan losses	400,746	762,752
Borrowing fees	509,571	246,063
Interest expense	3,888,282	2,010,889
Salaries and employee benefits	4,198,415	4,415,868
Professional fees	325,043	490,300
Business development expenses	361,233	305,965
General and administrative expenses	837,764	842,635
Depreciation and amortization expense	54,906	56,811
Total lending and corporate expenses	10,575,960	9,131,283
HOUSING EXPENSES		
CVC, CADI and other real estate operations		
Rental property expenses	3,948,424	3,086,642
Property depreciation and amortization	3,297,992	2,673,864
Cost of real estate sold	-	2,501,754
Other real estate expenses	54,967	699,606
Housing salaries and employee benefits	2,665,644	2,464,760
Total housing expenses	9,967,027	11,426,626
Total expenses	20,542,987	20,557,909

see accompanying notes to consolidated financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Change in unrestricted net assets before other income and expenses	$ 6,956,723	$ 2,665,392
OTHER INCOME AND (EXPENSES)		
Realized and unrealized (losses) gains on financial investments	(3,607,926)	423,198
Income tax expense	(16,540)	(75,537)
Bad debt expense	(86,139)	(57,426)
Loss from disposal of fixed assets	(2,878)	(3,070)
Net other income and (expenses)	(3,713,483)	287,165
Change in unrestricted net assets from continuing operations	3,243,240	2,952,557
Contributions from non-controlling interest	10,521,842	1,190,094
Distributions to non-controlling interest	(41,604)	(29,694)
Syndication costs paid by non-controlling interest	(77,500)	(42,800)
Change in unrestricted net assets	13,645,978	4,070,157
Temporarily restricted net assets		
Contributions	500,000	-
Change in temporarily restricted net assets	500,000	-
Change in net assets	14,145,978	4,070,157
Net assets at beginning of year	174,354,698	170,284,541
Net assets at end of year	$ 188,500,676	$ 174,354,698

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 14,145,978	$ 4,070,157
Adjustments to reconcile change in net assets to net cash cash provided by operating activities		
Contributions from non-controlling interest	(10,521,842)	(1,190,094)
Distributions to non-controlling interest	41,604	29,694
Syndication costs paid by non-controlling interest	77,500	42,800
Debt forgiveness income	(405,428)	(405,429)
Gain from repayments of contingent assets	(768,257)	-
Depreciation and amortization expense	3,352,898	2,730,675
Amortization of discount on notes payable and accrued interest	59,175	-
Allocation for loan (gains) losses	(98,723)	399,710
Bad debt expense	86,139	57,426
Loss from disposal of fixed assets	2,878	3,070
Gain from sale of real estate held for sale	-	(58,246)
Realized and unrealized (losses) gains on financial investments	3,607,926	(423,198)
(Increase) decrease in assets		
Accounts receivable, net	(418,086)	9,217
Interest receivable	(158,353)	59,285
Prepaid expenses and other assets	397,728	(46,754)
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	747,653	89,856
Accrued interest	236,070	67,031
Security deposits	148,442	27,493
Deferred income	8,763	(96,032)
Net cash provided by operating activities	10,542,065	5,366,661
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in restricted cash	706,539	(630,316)
Proceeds from sale of real estate held for sale	-	2,560,000
Increase in real estate held for sale	-	(226,320)
Payment of accounts payable and accrued expenses - construction	(2,017,328)	-
Purchase of real estate held for investment	(16,806,281)	(16,630,991)
Purchase of furniture, fixtures and equipment	(973,007)	(611,724)
Purchase of intangible assets	(317,170)	(229,636)
Advances in notes receivable	(263,076,214)	(187,024,571)
Receipts from notes receivable	179,200,959	183,985,669
Purchase of investment securities	(20,967,750)	(46,525,892)
Proceeds from sales of investment securities	11,212,586	29,525,926
Net cash used in investing activities	(113,037,666)	(35,807,855)

see accompanying notes to consolidated financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable and lines of credit	$ 101,313,979	$ 47,591,557
Payments of notes payable and lines of credit	(7,086,908)	(17,971,314)
Contributions from non-controlling interest	10,521,842	1,190,094
Distributions to non-controlling interest	(41,604)	(29,694)
Syndication costs paid by non-controlling interest	(77,500)	(42,800)
Net cash provided by financing activities	104,629,809	30,737,843
Net increase in cash and cash equivalents	2,134,208	296,649
Cash and cash equivalents at beginning of year	10,544,279	10,247,630
Cash and cash equivalents at end of year	$ 12,678,487	$ 10,544,279
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 2,372,023	$ 1,943,858
Interest capitalized to fixed assets	$ 328,058	$ -
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Increase in real estate assets held for investment, net and accrued interest	$ -	$ 184,238
Increase in real estate assets held for investment, net and accounts payable and accrued liabilities	$ 792,738	$ 2,017,328
Accrued interest converted to note payable	$ -	$ 119,147
Notes receivable transferred to real estate held for investment through assumption of debt	$ -	$ 12,816,692
Increase in real estate held for investment, notes payable, and accrued interest through assumption of debt	$ 2,510,540	$ 2,015,246

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 25,000 affordable housing units throughout the State of California.

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

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

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.

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

2. Summary of significant accounting policies and nature of operations

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

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

Century Villages at Cabrillo, Inc. and affiliates,
Century Affordable Development, Inc. and affiliates,
Century Community Children's Centers, Inc.,
Century Pointe, Inc.
The Century Community Lending Company, LLC,
Century 224th Street, LLC,
Century California Fund, LLC, and
Century Metropolitan Fund, LLC

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

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

CVC Entities

CVC is the sole general partner in three limited partnerships: Long Beach Savannah Housing, L.P. ("Savannah"), Casa de Cabrillo, L.P. ("Casa"), and The Family Commons at Cabrillo, L.P. ("Family Commons"). CVC owns 0.1% of Savannah, 0.01% of Casa and 0.01% of Family Commons. CVC is the sole member of CVC Phase IV, LLC and CVC Phase V, LLC, which is the sole general partner of Cabrillo Gateway, L.P. ("Cabrillo Gateway") and Anchor Place, L.P. ("Anchor Place"), respectively. CVC Phase IV, LLC and CVC Phase V, LLC owns a 0.01% interest in Cabrillo Gateway and Anchor Place, respectively. CVC is the sole member of Century Villages Property Management, LLC ("CVPM"), which is the property management business for the Villages at Cabrillo.

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

CADI Entities

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

Partnerships that are controlled by Century and its controlled affiliates, regardless of ownership percentage, are included in the consolidated financial statements. The accompanying consolidated financial statements include the assets, liabilities, net assets and financial activities of the following partnerships:

Long Beach Savannah Housing, L.P.
Casa de Cabrillo, L.P.
The Family Commons at Cabrillo, L.P.
Academy Hall, L.P.
Cabrillo Gateway, L.P.
Anchor Place, L.P.
Century Arrowhead Vista, L.P.
Florence Morehouse, L.P.

Financial statement presentation

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

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

Use of estimates

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

Cash and cash equivalents

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

Restricted cash

Restricted cash is not considered cash and cash equivalents, and includes cash deposited into separate bank accounts being held as collateral, and security deposits, operating reserves and replacement reserves that certain entities have been required to establish. Restricted cash also includes cash held under the provisions of the Capital Magnet Fund award. The carrying amounts of restricted cash approximate their fair value.

Contributions

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

Investments

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

Fair value measurements

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

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

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

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

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

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

The following tables present certain Corporation assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of December 31, 2015 and 2014:

	December 31, 2015			
	Level 1	Level 2	Level 3	Fair Value Measurements
Assets				
Marketable securities	$ 67,995,256	$ -	$ -	$ 67,995,256
U.S. Treasury obligations	9,051,405	-	-	9,051,405
Guarantee fees	-	-	50,701	50,701
Notes receivable, net	-	-	162,759,035	162,759,035
	$ 77,046,661	$ -	$ 162,809,736	$ 239,856,397
Liabilities				
Guaranty liability	$ -	$ -	$ 50,701	$ 50,701
Notes payable and lines of credit	196,418,069	-	-	196,418,069
Forgivable loans	1,976,858	-	-	1,976,858
	$ 198,197,575	$ -	$ 50,701	$ 198,445,628

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

Fair value measurements (continued)

	December 31, 2014			
	Level 1	Level 2	Level 3	Fair Value Measurements
Assets				
Marketable securities	$ 62,513,826	$ -	$ -	$ 62,513,826
U.S. Treasury obligations	7,996,706	-	-	7,996,706
Guarantee fees	-	-	50,701	50,701
Notes receivable, net	-	-	78,785,057	78,785,057
	$ 70,510,532	$ -	$ 78,835,758	$ 149,346,290
Liabilities				
Guaranty liability	$ -	$ -	$ 50,701	$ 50,701
Notes payable and lines of credit	101,164,984	-	-	101,164,984
Forgivable loans	2,382,286	-	-	2,382,286
	$ 103,547,270	$ -	$ 50,701	$ 103,597,971

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

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

Guarantee fees and liability are classified within Level 3 of the fair market value hierarchy because they are valued based on the income approach (e.g., the discounted cash flow method) and based on management's assumption of the discount rate.

Notes receivable are classified within Level 3 of the fair value hierarchy because they are valued based on future discounted cash flows and management's assumptions of various lending risk factors and existing market conditions.

The carrying amounts of notes payable and lines of credit and forgivable loans approximate fair value because the Organization can obtain similar loans at the same terms.

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

Fair value measurements (continued)

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

Notes receivable, net:	
Balance, January 1, 2014	$ 88,962,557
Advances	187,024,571
Principal payments received	(183,985,669)
Receivable transferred to property	(12,816,692)
Allocation for loan losses	(399,710)
Balance, December 31, 2014	78,785,057
Advances	263,076,214
Principal payments received	(179,200,959)
Charge offs of loan losses	98,723
Balance, December 31, 2015	$ 162,759,035

Investment in limited partnerships

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

Rental income

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

Loan fees

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

Accounts receivable and allowance for doubtful accounts

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management closely monitors outstanding balances and provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are generally written off through a charge to the valuation allowance and a credit to trade accounts receivable. As of December 31, 2015 and 2014, management had established an allowance for doubtful accounts in the amount of $0.

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

Notes receivable and allowance for loan losses

Notes receivable are reported net of an allowance for loan losses. Management's estimate of the allowance is based on historical collection experience and a review of the current status and collections of notes receivable. Management's policy is to establish an allowance for loan losses of up to 2% on the outstanding balance of loans with no prior history of non-performance. Loans that exhibit non-performance are re-evaluated by management and the allowance for loan losses is adjusted accordingly. As of December 31, 2015 and 2014, management had established an allowance for loan losses in the amount of $1,976,075 and $2,074,798, respectively. The allowance for loan losses at December 31, 2015 and 2014 is summarized as follows:

Balance, January 1, 2014	$ 9,485,283
Provision for losses	399,710
Direct write-downs	(7,810,195)
Balance, December 31, 2014	2,074,798
Charge offs	(98,723)
Balance, December 31, 2015	$ 1,976,075

Real estate held for investment

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

Buildings, leasehold improvements and office equipment are stated at cost of acquisition or construction. 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 - 40 years
Furniture and fixtures	5 - 7 years
Equipment	5 years
Leasehold improvements	Over life of lease

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 did not recognize any impairment losses on its real estate held for sale for the years ended December 31, 2015 and 2014. The Corporation did not recognize any impairment losses on its real estate held for investment for the years ended December 31, 2015 and 2014.

Intangible assets and amortization

Intangible assets are recorded at cost and amortized on a straight-line basis. Financing fees are amortized over the terms of the related debt. Tax credit fees are amortized over the tax credit compliance period. Ground lease fees are amortized over the life of the lease. Accounting principles generally accepted in the United States of America require that the effective interest method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective interest 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 from non-consolidated affiliates is recognized as the project is completed under a percentage of completion method or in accordance with the developer fee agreement. Developer fees earned on the development of properties owned by CVC, CADI, and Century, either temporarily or permanently, are not recognized as income. Developer fee profits recognized from affiliated limited partnerships are eliminated as intercompany transactions. Century estimates that 90% of its developer fees cover related project costs. Project costs include costs of development, such as consultants, allocated internal salaries and benefits, related overhead, and other non-reimbursed fees that are ordinarily capitalized. The 10% profit portion of the development fees is considered deferred income and amortized annually to offset the depreciation expense related to the fee capitalized as real property costs.

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.

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

Non-controlling interests in limited partnerships
The non-controlling interests in limited partnerships represent the aggregate positive balance of the limited partners' equity interests in Casa, Family Commons, Academy, Cabrillo Gateway, Anchor Place, and Arrowhead Vista, and the general partner interest in Florence Morehouse that are included in the consolidated financial statements, while the negative balances of the limited partners' interest reduce the Organization's net assets.

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

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

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

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Corporation to report information regarding its exposure to various tax positions taken by the Corporation. The Corporation has determined whether any tax positions have met the recognition threshold and has measured the Corporation's exposure to those tax positions. Management believes that the Corporation has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Corporation are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying consolidated financial statements.

Concentration of credit risk
The Corporation maintains its cash balances in various banks. The balances are insured by the Federal Deposit Insurance 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, 2015 and 2014, cash balances in excess of the FDIC limits totaled $14,154,481 and $14,278,992, respectively.

Subsequent events
Subsequent events have been evaluated through April 25, 2016, which is the date the consolidated 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, 2015 and 2014:

	2015	2014
Security deposits	$ 648,962	$ 485,427
Replacement reserves	1,886,866	1,878,617
Operating reserves	665,320	449,393
Impound deposits	41,715	41,965
Capital Magnet Funds	3,906,000	5,000,000
Total restricted cash	$ 7,148,863	$ 7,855,402

4. Investments

Publicly traded securities and U.S. Treasury obligations are valued at quoted market prices. These investments are comprised of the following at December 31, 2015 and 2014:

	2015	2014
Total Market Equity Fund	$ 12,953,422	$ 12,067,575
Loomis Sayles High Yield Fund	9,831,624	8,600,461
Sankaty Senior Loan Fund	5,085,410	5,147,338
Vanguard Total International Stock Index Fund	12,983,455	12,144,213
Dodge & Cox Fund	13,558,326	12,273,831
JP Morgan Core Bond Fund	13,583,019	12,280,408
U.S. Treasury Inflation-Protected Securities	9,051,405	7,996,706
Total securities	$ 77,046,661	$ 70,510,532

As of December 31, 2015 and 2014, Century held shares of Federal Home Loan Bank of San Francisco ("FHLB") capital stock in the amount of $842,100 and $828,700, respectively. Members of FHLB are required to own a certain amount of stock based on the level of borrowings and other factors. The carrying value of FHLB capital stock approximates fair value.

As of December 31, 2015 and 2014, Century held an interest in Wilshire Private Markets Fund III, L.P. which is accounted for using the equity method of accounting, in the amount of $0 and $402,291, respectively.

The following schedule summarizes the investment return and its classification in the consolidated statements of activities for the years ended December 31, 2015 and 2014:

	2015	2014
Interest on cash and cash equivalents	$ 89,080	$ 32,683
Interest income and dividends	2,350,516	1,899,835
Unrealized/realized (losses) gains	(3,607,926)	423,198
Total investment (loss) gain	$ (1,168,330)	$ 2,355,716

5. Notes receivable, net

Notes receivable consist of notes secured by the real property of affordable housing development projects located in the State of California, as well as notes made to non-officer employees of the Corporation. Advances under the notes receivable bear interest at rates ranging from 2% to 9%. Notes receivable, secured by affordable housing development projects and unsecured, totaled $175,181,087 and $86,670,340 as of December 31, 2015 and 2014, respectively. Notes receivable from non-officer employees of the Corporation totaled $0 and $447,690 as of December 31, 2015 and 2014, respectively.

On December 14, 2012, Century entered into an Origination and Participation Agreement with Golden State Acquisition Fund, LLC ("GSAF") to which GSAF will provide 25% of the loan funds, which are obtained from the California Department of Housing and Community Development ("HCD"), to support eligible affordable housing developments as governed by the terms and provisions of the HCD Loan Agreement as well as the Participation Agreement. As of December 31, 2015 and 2014, the portion of the loan funded by GSAF was $7,081,414 and $6,258,175, and is offset against notes receivable on the accompanying consolidated statements of financial position.

Century owes GSAF interest accrued on the portion of loans funded by GSAF. The outstanding balance due to GSAF as of December 31, 2015 and 2014 was $35,017, and $22,593, respectively, which is included in accrued interest on the accompanying consolidated statements of financial position.

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

Year ending December 31:	
2016	$ 105,979,601
2017	66,209,265
2018	1,458,000
2019	-
2020	-
Thereafter	1,534,220
Total notes receivable	175,181,086
Less allowance for doubtful accounts	(1,976,075)
Less participant purchases	(10,445,976)
Total notes receivable, net	$ 162,759,035

6. Real estate held for investment

The Corporation's real estate held for investment consists of the following at December 31, 2015 and 2014:

	2015	2014
Land	$ 23,238,538	$ 22,671,957
Buildings and improvements	105,124,469	74,034,840
Leasehold improvements	14,573,180	14,344,792
Construction in progress	6,889,973	18,423,686
Total real estate held for investment	149,826,160	129,475,275
Less accumulated depreciation	(22,154,513)	(19,033,456)
Total real estate held for investment, net	$ 127,671,647	$ 110,441,819

Real estate held for investment, net owned by the affiliated entities at December 31, 2015 and 2014, is as follows:

	2015	2014
Century Housing Corporation	$ 1,429,030	$ 1,439,576
Century Affordable Development, Inc.	18,667,691	18,474,508
Century Villages at Cabrillo, Inc.	14,168,849	13,732,238
CVC – Consolidated partnerships	71,396,908	57,641,829
Century Pointe, Inc.	6,839,628	6,965,833
Century Community Children's Centers, Inc.	430,023	445,847
CADI affiliated limited partnerships	14,739,518	11,741,988
Total real estate held for investment, net	$ 127,671,647	$ 110,441,819

Depreciation expense on real estate held for investment during 2015 and 2014 was $2,876,853 and $2,379,387, respectively.

7. Furniture, fixtures and equipment, net

The Corporation's furniture, fixtures, and equipment consist of the following at December 31, 2015 and 2014:

	2015	2014
Furniture and fixtures	$ 3,480,160	$ 2,540,738
Equipment	1,233,033	1,199,448
Total furniture, fixtures and equipment	4,713,193	3,740,186
Less accumulated depreciation	(3,019,566)	(2,594,272)
Total furniture, fixtures and equipment, net	$ 1,693,627	$ 1,145,914

Depreciation expense on furniture, fixtures and equipment during 2015 and 2014 was $425,294 and $314,074, respectively.

During 2015, the Corporation disposed of fixed assets of $33,655 and related accumulated depreciation of $30,777. The disposal of fixed assets resulted in a loss of $2,878. During 2014, the Corporation disposed of fixed assets of $590,896 and related accumulated depreciation of $587,826. The disposal of fixed assets resulted in a loss of $3,070.

8. Intangible assets, net

The Corporation's intangible assets consist of the following at December 31, 2015 and 2014:

	2015	2014
Financing fees	$ 475,422	$ 348,131
Tax credit fees	588,235	398,356
Ground lease fees	22,500	22,500
Total intangible assets	1,086,157	768,987
Accumulated amortization	(359,889)	(309,138)
Total intangible assets, net	$ 726,268	$ 459,849

Amortization expense during 2015 and 2014 was $50,751 and $37,214, respectively.

Future amortization is expected to be as follows:

2016	$ 45,476
2017	44,764
2018	44,764
2019	42,400
2020	36,240
Thereafter	512,624
Total	$ 726,268

9. 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 4% of gross salary to the 403(b) defined contribution plan. As of December 31, 2015 and 2014, the total amount contributed by the Corporation to the plan was $341,472 and $264,359, 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 had 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 as of December 31, 2015 and 2014 was $0 and $377,141, respectively, and is recorded in "Prepaid expenses and other assets" on the accompanying consolidated statements of financial position. As of April 2015, these policies have been cancelled.

10. Contingent and restricted assets – affordable housing financing

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

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

Contingent assets represented by affordable housing loans outstanding as of December 31, 2015 and 2014, total $74,464,070 and $75,428,546, respectively, and have an effective interest rate of 3% per annum. Unrecognized accrued interest receivable as of December 31, 2015 and 2014 was $42,462,396 and $37,854,692, respectively. For the years ended December 31, 2015 and 2014, the Corporation recognized income in the amount $3,734,604 and $1,130,111 from these loans, respectively, which is included in "Residual receipts and contingent asset income" on the consolidated statements of activities.

11. Notes payable: housing activities

Note payable – 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 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, 2015 and 2014, the outstanding principal was $972,000.

11. Notes payable: housing activities

Note payable – Long Beach Community Investment Company

On December 15, 2008, Family Commons obtained financing for the construction of its project from loan proceeds funded by the Long Beach Community Investment Company, formerly known as the Long Beach Housing Development Company, in an amount not to exceed $11,775,000 (the "LBHDC Loan"). Repayment of the LBHDC Loan is secured by a deed of trust and matures in November 2063. The LBHDC Loan is non-interest bearing and requires annual principal payments from residual receipts, as defined in the partnership agreement. As of December 31, 2015 and 2014, the outstanding principal was $11,753,554 and $11,772,786.

On December 30, 2014, CADI acquired the Long Beach & Anaheim Phase II Property (the "Phase II Property") through assumption of debt and executed a loan agreement with the Long Beach Community Investment Company to assume the outstanding principal encumbering the Phase II Property in the amount of $2,276,000 (the "LBCIC Loan"). The LBCIC Loan is non-interest bearing and matures on June 30, 2019. During 2014, CADI discounted the principal debt assumed at acquisition to its present value as of the acquisition date. During 2015, $55,218 of the discount was amortized and charged to interest expense. As of December 31, 2015 and 2014, the outstanding principal was $2,070,464 and $2,015,246, respectively, net of discount of $205,536 and $260,754, respectively.

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

On April 1, 2009, the Partnership obtained financing for the acquisition and rehabilitation of the Project from the proceeds of tax-exempt Multifamily Housing Revenue Bonds, Series 2009B issued by the City of Los Angeles (the "Issuer") in the amount of $5,000,000 (the "Tax-Exempt Bonds"). Concurrent with the issuance of the Tax-Exempt Bonds, the Issuer entered into a Trust Indenture with The Bank of New York Mellon (the "Trustee"). Proceeds for the Tax-Exempt Bonds were loaned by the Issuer to the Partnership under conditions stipulated in the loan agreement and the Trust Indenture. A loan in the amount of $5,000,000 was funded to the Partnership on April 1, 2009 (the "Construction Loan"). Repayment of the loan is secured by the real property of the Partnership and bears a variable interest rate equal to the sum of the British Bankers Association LIBOR Daily floating rate plus 2.5%, which shall never be less than 3% or exceed 12%. Commencing May 1, 2010, the Construction Loan shall bear interest at a fixed rate of 6.25%. In November 2012, the Construction Loan converted into permanent financing, at which point payments of principal were due based on the redemption of the underlying Tax-Exempt Bonds. The interest rate remained fixed at 6.25%. Any unpaid principal and accrued interest is due in full at maturity on November 1, 2040. As of December 31, 2015 and 2014, the outstanding principal was $2,245,000 and $2,280,000 respectively. Interest incurred during 2015 and 2014 was $145,216 and $148,174, respectively.

Note payable – California Housing Finance Agency

On November 1, 2013, Cabrillo Gateway entered into a promissory note with the Mental Health Services Act Program ("MHSA") in the amount of $1,600,000, and on November 1, 2015, Anchor Place entered into a promissory note with MHSA in the amount of $1,710,000 (the "MHSA Loans"). Both loans are funded by the California Housing Finance Agency ("CalHFA"). Repayment of the MHSA Loans are secured by deeds of trust and mature on November 1, 2068 and November 1, 2070, respectively. The MHSA loans bear simple interest at a rate of 3% per annum and require annual payments of accrued interest and outstanding principal from residual receipts, as defined in the promissory note. As of December 31, 2015 and 2014, the outstanding principal was $3,310,000 and $1,600,000, respectively, and accrued interest was $101,600 and $53,600, respectively.

11. Notes payable: housing activities (continued)

Note payable – Wells Fargo Bank, N.A.

On November 15, 2013, Cabrillo Gateway entered into a promissory note with Wells Fargo Bank, N.A. in an amount up to the total maximum of $21,000,000 (the "WFB Loan") for the construction of a multifamily housing development consisting of eighty-one units. Repayment of the WFB Loan is secured by a deed of trust and an accommodation deed of trust encumbering certain improvements and property as legally defined in the loan agreement. The WFB loan bears interest at a rate equal to 1-month LIBOR plus 1.9% and is calculated on a basis of a 360-day year. Interest is payable in arrears on the first business day of each month. As of December 31, 2015 and 2014, the outstanding principal was $21,000,000 and $13,370,572, respectively, and accrued interest was $43,989 and $22,336, respectively. Interest expense for the year ended December 31, 2015 was $556,410, of which $328,058 was capitalized to fixed assets. On February 26, 2016, concurrent with the sale of the loan from Wells Fargo Bank, N.A. to California Community Reinvestment Corporation, the loan was paid down and converted to a permanent loan with a 15-year term in the amount of $2,935,000.

On November 15, 2015, Anchor Place entered into a promissory note with Wells Fargo Bank, N.A. in an amount up to the total maximum of $32,000,000 (the "WFB Loan") for the construction of a multifamily housing development consisting of 120 units. Repayment of the WFB Loan is secured by a deed of trust and an accommodation deed of trust encumbering certain improvements and property as legally defined in the loan agreement. The WFB loan bears interest at a rate equal to one month LIBOR plus 1.75% and is calculated on a basis of a 360-day year. Interest is payable in arrears on the first business day of each month. The entire principal balance of the WFB loan, together with all accrued and unpaid interest and all other amounts payable are due on February 1, 2018. Anchor Place has the option to extend the term of the loan upon satisfaction of conditions set forth in the loan agreement. As of December 31, 2015, the outstanding principal was $3,015,595, and accrued interest was $5,194 which was capitalized to fixed assets.

Note payable - PNC Bank, N.A.

In March 2014, Arrowhead Vista obtained financing for the acquisition and rehabilitation of the Project from an FHA-insured mortgage under the U.S Department of Housing and Urban Development 223(f) loan program in the amount of $2,350,000 (the "PNC Loan") funded by PNC Bank N.A. Repayment of the PNC Loan is secured by a first deed of trust on the real property of the Project. The PNC Loan bears interest at a rate of 3.94% per annum, together with an annual mortgage insurance premium of 0.45%. The PNC Loan has a term of 35 years and matures in March 2049. Under the terms of the loan agreement, the partnership is obligated to make monthly principal and interest payments of $10,321. As of December 31, 2015 and 2014, the outstanding principal was $2,296,243 and $2,328,919, respectively, and accrued interest was $7,539 and $7,647, respectively. Interest incurred during 2015 and 2014 was $91,066 and $71,704, respectively.

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

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

11. Notes payable: housing activities (continued)

Note payable – Los Angeles Housing and Community Investment Department

On October 2, 2015, Florence Morehouse acquired the Florence Avenue Villas (the "Florence Villas") through assumption of debt and executed a loan agreement with the Los Angeles Housing and Community Investment Department to assume the outstanding principal and interest encumbering the Florence Villas in the amount of $970,796 and $1,221,014, respectively, (the "HCID Loan"). The HCID Loan bears interest at a rate of 3% and matures on October 1, 2032. During 2015, Florence Morehouse discounted the outstanding principal and accrued interest assumed at acquisition to its present value as of the acquisition date. During 2015, $7,281 of the discount was amortized and charged to interest expense. As of December 31, 2015, the outstanding principal was $773,444, net of discount of $197,352, and accrued interest was $980,077, net of discount of $248,218.

12. Notes payable and lines of credit: lending activities

Note payable – Calvert Social Investment Foundation

On March 31, 2010, Century entered into a promissory note with Calvert Social Investment Foundation in the amount of $2,000,000 (the "Calvert Loan"). During 2012, an additional $1,000,000 was funded by Calvert. The Calvert Loan is unsecured and bears simple interest at a rate of 4.5% per annum. Interest payments shall be made semi-annually in arrears on each March 31 and September 30. All unpaid principal and interest was due and payable at maturity on September 30, 2014. On December 15, 2014, the Calvert Loan was renewed and the loan amount was increased by an additional $2,000,000. The renewed Calvert Loan is unsecured and bears simple interest at a rate of 4% per annum. Interest payments shall be made quarterly in arrears on each March 30, June 30, September 30, and December 30. All unpaid principal and interest shall be due and payable at maturity on December 30, 2019. As of December 31, 2015 and 2014, the outstanding principal was $5,000,000, and accrued interest was $0 and $36,922, respectively. Interest incurred during 2015 and 2014 was $200,667 and $138,172, respectively.

Note payable – Housing Trust Fund of San Luis Obispo County

On February 26, 2014, Century executed a promissory note with the Housing Trust Fund of San Luis Obispo County in the amount of $138,000 (the "San Luis Obispo Loan") to fund a portion of a loan made by Century to South Street Family Apartments, LP. The loan is unsecured and matures on January 30, 2015. The San Luis Obispo Loan bears interest at a compound rate equal to 1-month LIBOR plus 4.5% with a floor rate of 5.5% per annum based on a 365-day year. Interest shall be paid on the first day of each month. The San Luis Obispo Loan was paid in full in December 2014.

Note payable – Wells Fargo Community Investment Holdings

On June 24, 2014, Century executed a subordinated Equity Equivalent Investments Agreement with Wells Fargo Community Investment Holdings in the amount of $1,000,000 (the "EQ2 Loan"). The EQ2 Loan bears simple interest at a rate equal to 2% per annum and is calculated on a 360-day basis. Interest payments in the amount of $5,000 shall be payable quarterly in arrears on the first day of the month after the end of each quarter. All unpaid principal and interest shall be due and payable at maturity on June 30, 2024. As of December 31, 2015 and 2014, the outstanding principal was $1,000,000, and accrued interest was $5,000. Interest incurred during 2015 and 2014 was $20,000 and $10,056, respectively.

12. Notes payable and lines of credit: lending activities

Note Payable – Los Angeles County Housing Innovation Fund II

On October 8, 2014, Century executed a promissory note with the Community Development Commission of the County of Los Angeles in the amount of $165,000 (the "LACHIF Loan") funded by the Los Angeles County Housing Innovation Fund II. The LACHIF Loan is secured by a deed of trust and matures on May 29, 2022. The LACHIF Loan bears simple interest at a rate of 2% per annum. As of December 31, 2015 and 2014, the outstanding principal was $897,388 and $165,000, respectively, and accrued interest was $4,134 and $669, respectively. Interest incurred during 2015 and 2014 was $5,491 and $7,731, 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, 2015 and 2014, Century has investments under the custody of City National Bank in the amount of $49,926,123 and $45,222,008, respectively. On March 28, 2014, Century signed a Fourth Amendment to Credit Agreement, extending the maturity date to December 1, 2016. The line of credit has two interest rate options: LIBOR plus 1.5% per annum, or the greater of Prime Rate minus .75% or 1.50% per annum. There is also a quarterly unused facility fee equal to 0.15% of the average daily difference between the revolving credit commitment and the revolving credit loans, letters of credit, and unpaid drafts under drawn letters of credit outstanding. As of December 31, 2015 and 2014, the outstanding principal was $0, and interest expense for 2015 and 2014 was $9,014 and $38,616, 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. On July 19, 2013, the maximum commitment amount was increased to $25,000,000. On December 31, 2013, Charles Schwab Bank ("Schwab") joined the Chase Revolving Facility as a co-lender under which Schwab agrees to provide a line of credit to Century in an amount up to a maximum of $10,000,000. On July 28, 2014, HSBC Bank USA, N.A. ("HSBC") and Wells Fargo Bank, N.A. ("Wells Fargo") joined the Chase Revolving Facility as co-lenders under which HSBC and Wells Fargo agree to provide a line of credit to Century in an amount up to a maximum of $10,000,000 each, bringing the aggregate maximum commitment amount to $55,000,000. On November 28, 2014, Schwab increased its commitment by $5,000,000 to $15,000,000 and Compass Bank ("Compass") also joined the line with a $10,000,000 commitment increasing the total size of the facility to $70,000,000. 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. On July 31, 2015, Chase, Schwab, Wells Fargo, and Compass increased each of their commitment by $5,000,000, to $30,000,000, $20,000,000, $15,000,000, and $15,000,000, respectively. U.S. Bank also joined the line with a $10,000,000 commitment, and increasing the total size of the facility to $100,000,000. The maturity of the note was extended to July 31, 2017. Under the terms, should the facility not be renewed upon the expiration of a draw period (described here as the "maturity of the note"), any outstanding balances converts to a two year term loan. During 2015 and 2014, interest expense was $1,702,051 and $830,110, respectively. As of December 31, 2015 and 2014, the outstanding principal was $50,974,750 and $42,828,983, respectively, and accrued interest was $121,242 and $99,116, respectively.

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

Line of credit - Federal Home Loan Bank of San Francisco

On May 27, 2011, Century entered into an Advances and Security Agreement with Federal Home Loan Bank of San Francisco ("FHLB") in the maximum commitment amount of $10,000,000. On October 5, 2012, the maximum commitment amount was increased to $25,000,000. Each advance is subject to the terms and conditions upon which Century and FHLB have agreed upon pursuant to a written confirmation agreement. On May 5, 2015, the maximum commitment amount was increased to $50,000,000. During 2015 and 2014, advances bore interest ranging from 0.42% to 0.59% and had maturity dates ranging from January 11, 2016 to October 26, 2016, respectively. As of December 31, 2015 and 2014, advances secured by U.S. Treasury Inflation-Protected Securities purchased by Century were $9,051,405 and $7,996,706, respectively. As of December 31, 2015 and 2014, there is also a settlement transaction account in the amount of $213,773 and $148,059, respectively, and capital stock in the amount $842,100 and $828,700, respectively. During the years ended December 31, 2015 and 2014, interest expense was $81,747 and $15,593 respectively. As of December 31, 2015 and 2014, the outstanding principal was $30,187,202 and $17,631,478, respectively, and accrued interest was $4,605 and $2,305, respectively.

Line of credit - Citibank

On August 19, 2013, Century California Fund, LLC ("CCF") entered into a loan agreement with Citibank in an initial stated amount of $25,000,000, which can be increased to an amount up to a maximum of $50,000,000 upon satisfactions of the terms and conditions set forth in the loan agreement. Under the terms of the loan agreement, CCF may request advances to fund loans made by the CCF in accordance with its lending policy. The advances are secured by an assignment deed of trust for each loan and mature on February 19, 2016. The advances drawn bear interest at an adjustable rate at 1-month LIBOR plus 3.35% payable on the first day of each month. On April 6, 2015, the line of credit was renewed and increased to $100,000,000, and matures on October 6, 2017. Under the terms, should the facility not be renewed upon the expiration of a draw period (described here as the "maturity of the note"), any outstanding balances converts to a two year term loan. The advances drawn bear interest at an adjustable rate at 1-month LIBOR plus 3% payable on the first day of each month. Interest expense incurred during 2015 and 2014 was $1,170,817 and $744,994, respectively. As of December 31, 2015 and 2014, the outstanding principal was $45,309,552 and $0, respectively, and accrued interest was $126,544 and $0, respectively.

Line of credit – Bank of America, N.A.

On December 18, 2013, Century Metropolitan Fund, LLC ("CMF") entered into a Revolving Credit Note with Bank of America, N.A. under which Bank of America shall provide a line of credit to CMF in an amount up to a maximum of $30,000,000. Advances from the line of credit bear interest at a rate equal to LIBOR plus 2.5% per annum and is calculated on a basis of a 360-day year. Interest is payable in arrears on the 1st day of the following month. The entire principal balance of the note, together with all accrued and unpaid interest and all other amounts payable are due on the funded loan's maturity date, as extended (currently September 28, 2016) and at the latest on the credit facility's Maturity Date, December 18, 2017. Century used the term-out provision in the note maturing December 18, 2015, and did not renew the line. Interest expense incurred during 2015 and 2014 was $49,298 and $0, respectively. As of December 31, 2015 and 2014, the outstanding principal was $7,564,500 and $0, respectively, and accrued interest was $18,038 and $0, respectively.

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

Line of credit – East West Bank

On August 11, 2015, Century entered into a Revolving Credit Note with East West Bank in the amount of $10,000,000. Century has a 24 month draw down period ending on August 11, 2017, and any outstanding principal as of that date shall be converted to a 24 month fully amortized term loan. The advances drawn bear interest at an adjustable rate at 1-month LIBOR plus 2.50%, and is calculated on a 360-day basis. All unpaid principal and interest shall be due and payable at maturity on August 11, 2019. As of December 31, 2015, the outstanding principal was $651,025, and accrued interest was $1,551. Interest expense incurred during 2015 was $2,332.

Line of credit – Manufacturer's Bank

On November 2, 2015, Century entered into a Revolving Credit Note with Manufacturers Bank in the amount of $5,000,000. Century has a 24 month draw down period ending on July 31, 2017, and any outstanding principal as of that date shall be converted to a 24 month fully amortized term loan. The advances drawn bear interest at an adjustable rate at 1-month LIBOR plus 2.50%, and is calculated on a 360-day basis. All unpaid principal and interest shall be due and payable at maturity on July 31, 2019. As of December 31, 2015, the outstanding principal was $0, and accrued interest was $0. Interest expense incurred during 2015 was $0.

COIN CDFI Tax Credit Loan

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

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

Year ending December 31:	
2016	$ 58,825,689
2017	51,050,101
2018	48,406,916
2019	7,153,708
2020	740,803
Thereafter	30,240,852
Total	$ 196,418,069

13. Forgivable loans: housing activities

Department of Housing and Community Development
On November 30, 2010, CVC entered into a promissory note with the Department of Housing and Community Development ("DHCD") in the total maximum amount of $1,000,000. On December 14, 2010, Catholic Charities of Los Angeles ("CCLA") entered into a promissory note with DHCD in the maximum amount of $1,000,000. CVC has agreed to assume the liability of CCLA's promissory note. Proceeds from these notes were used for the construction of the Family Shelter I and II projects. The initial proceeds were funded in March 2011. The notes bear simple interest at a rate of 3% per annum and mature ten years after the promissory note dates. All principal and interest shall remain deferred for the entire loan terms and will be forgiven at the end of the loan terms as long as the Family Shelter I and II projects are in compliance with the terms of the Regulatory Agreement. In the event of default, total accrued interest at 10% per annum and principal are due. The loans are secured by a deed of trust and assignment of rents on the Family Shelter I and II projects. The loan balance has been amortized on a straight-line basis over the term of the loan as debt forgiveness income on the accompanying consolidated statements of activities. As of December 31, 2015 and 2014, the total principal balance of the loans was $1,233,334 and $1,433,334, respectively, net of accumulated amortization of $766,666 and $566,666, respectively. No interest has been accrued on these loans. During 2015 and 2014, CVC recognized debt forgiveness income of $200,000 for both years.

Community Development Commission of the County of Los Angeles
On December 8, 2010, CVC entered into a promissory note with the Community Development Commission of the County of Los Angeles ("CDC") in the total maximum amount of $883,830 for the construction of the Family Shelter I and II projects. Concurrently, CCLA entered into a promissory note with CDC in the total maximum amount of $1,016,170. CVC has agreed to assume the liability of CCLA's promissory note. The initial proceeds were funded in May 2011. The loans shall bear interest at a rate of 3% per annum and are secured by a deed of trust on the Family Shelter I and II projects. The loan balance has been amortized on a straight-line basis over the term of the loan as debt forgiveness income. All outstanding principal and accrued interest shall be forgiven on a straight-line basis over a period of seven years after initial occupancy of the Family Shelter I and II projects. As of December 31, 2015 and 2014, the total principal balance of the loans was $743,524 and $948,952, respectively, net of accumulated amortization of $820,476 and $615,048, respectively. No interest has been accrued on these loans. During 2015 and 2014, CVC recognized debt forgiveness income of $205,428 and $205,429, respectively.

14. Century Villages at Cabrillo, Inc.

Century Villages at Cabrillo, Inc. ("CVC"), a California nonprofit public benefit corporation, is a place-based supportive housing affiliate of Century Housing Corporation ("CHC"), and presently represents the centerpiece for CHC's housing development division. As a nonprofit community development organization that serves as the steward of the Villages at Cabrillo, CVC delivers property management, real estate development, and supportive services which aim to empower residents, restore health and inspire hope. CVC was formed on July 31, 1996 for the purpose of rehabilitating and developing a master planned, residential community that provides affordable housing and a comprehensive array of supportive services for homeless individuals, families, and veterans at the former Cabrillo Housing of the U.S. Naval Station, located in the City of Long Beach, California. The 27 acre property was ultimately conveyed to CVC in 1997 under the McKinney Act for the purpose of benefiting the homeless.

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

Since that time, CVC has evolved into a unique, therapeutic residential community that provides housing on any given night to more than 1,300 persons. These include veteran and non-veteran individuals, families, youth and children. More than simply providing shelter, CVC has co-located a palette of valuable social services to help residents regain their independence and establish self-sufficiency. To this end, CVC has partnered with more than twenty established service providers and government agencies to provide much needed supportive services which include: case management, life skills training, substance abuse treatment, affordable child care, a homeless education program, an employment center, a career center, a food service program, a VA medical clinic, a federally qualified health center ("FQHC") run by The Children's Clinic among others. This collaboration of organizations combines to serve over 2,000 unique individuals at CVC each year.

CVC employs a continuum of care and housing model whereby each resident is connected to a service provider and enveloped by an array of empowering resources. The housing continuum on the campus ranges from emergency shelter/treatment programs, to transitional housing programs, to permanent housing programs. This continuum is replicated for both veterans and non-veteran families and individuals. In support of this continuum, CVC maintains over 340,000 square feet of housing and supportive service space on its campus. With remaining development and redevelopment opportunities, CVC is actively planning for the continued build out of its campus in the years to come in support of its overall mission. During 2015, CVC started construction of Anchor Place, the 5th distinct phase of campus development, which will add 120 permanent supportive homes to the campus. In 2015, CVC completed construction on the LEED Platinum Cabrillo Gateway project, the 4th distinct phase of campus development, which added 80 permanent supportive homes to the campus. In late 2014, CVC completed construction of its new $1.0 million maintenance headquarters, home to the approximately 17 professionals that maintain the community. The maintenance facility also houses a satellite office for PADNET TV in conjunction with Long Beach Community Action Partnership. This allows those in the community with access to state of the art digital video equipment and an editing bay to create visual media for use on public access television. In 2012, CVC completed construction on the Family Shelter I and II projects. This $5 million, 8,500 square-foot complex has provided for the replacement and expansion of Catholic Charities emergency shelter facility which has operated at CVC since 1998. Also in 2012, CVC ground leased an acre of land from the City of Long Beach and installed a 200 tree landscape barrier ("Urban Forest") with funding from the Port of Long Beach and private donors. This Urban Forest was supplemented in 2014 with additional trees, a walking path and fitness equipment thanks to funding from the POLB and Neighborhood Works Urban Lift program in partnership with Wells Fargo. The Urban Forest creates new amenity space for the Villages while improving ambient air quality and reducing greenhouse gas emissions.

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

In 2011, CVC assumed ownership of the Oasis Community Center, which is now operated as a separate business unit of CVC. This community resource facility had been initially funded for 3+ years by a U.S. Department of Housing and Urban Development's Hispanic-Serving Institutions Assisting Communities ("HUD HSIAC") grant to the California State University, Long Beach ("CSULB"). During the grant period, CSULB operated the center in collaboration with Catholic Charities of Los Angeles. The center provides an after school program, life skills classes, employment services, a computer center, and a host of other resources. With the original grant funding expiring in late 2011 and the center facing imminent closure, CVC adopted the center and secured the necessary funding through year end. This funding was comprised of a Community Services Block Grant ("CSBG") which was awarded to CVC as a subgrantee from Long Beach Community Action Partnership. During 2012, CVC secured a grant from the Ahmanson Foundation and an additional CSBG grant to sustain operations. For 2013 and beyond, CVC is actively fundraising to sustain the critical services provided by the Oasis Community Center. In 2015, the Center's footprint and headcount grew as the Oasis Community Center began operating as the service provider of record for residents of Cabrillo Gateway through its Oasis @ Gateway operation.

To effectuate the development of housing on its campus, CVC has entered into long-term ground leases with five limited partnerships of which CVC is the general partner. The limited partnerships, Long Beach Savannah Housing, L.P. ("Savannah"), Casa de Cabrillo, L.P. ("Casa"), The Family Commons at Cabrillo, L.P. ("Family Commons"), Cabrillo Gateway, L.P. ("Cabrillo Gateway"), and Anchor Place, L.P. ("Anchor Place") were formed to develop, own and operate a low-income housing tax credit project on the land that they have leased from CVC. CVC owns 0.1% of Savannah, 0.01% of Casa, 0.01% of Family Commons, 0.01% of Cabrillo Gateway, and 0.01% of Anchor Place. The partnerships have been allocated low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code ("Section 42"). These low-income housing tax credits have been utilized to help finance affordable housing projects. Affiliates of John Hancock Realty Advisors, Inc. have invested $7,136,000 of equity into Savannah, $11,900,000 of equity into Casa, and $19,554,459 of equity into Family Commons, as investor limited partners in exchange for the benefits of the low-income housing tax credits that have been allocated to the projects. Wells Fargo Affordable Housing Community Development Corporation ("WFAHCDC") has committed to contribute an aggregate sum of approximately $25,975,153 and $34,410,134 to Cabrillo Gateway and Anchor Place, respectively, as an investor limited partner in exchange for the benefits of future low-income housing tax credits, upon satisfaction of certain conditions set forth in the Partnership Agreements. As of December 31, 2015 and 2014, WFAHCDC has invested $6,612,202 and $500,000, respectively, of equity into the Cabrillo Gateway project. As of December 31, 2015, WFAHCDC has invested $1,695,757 of equity into the Anchor Place project.

Section 42 regulates the use of the projects as to occupant eligibility and unit gross rent, among other requirements. Each of the projects must meet the provisions of these regulations during each of fifteen consecutive years in order to remain qualified to receive the tax credits. The Savannah project was completed as of June 30, 2001, the Casa project was certified for occupancy on June 23, 2004, Family Commons was certified for occupancy on November 26, 2008, and Cabrillo Gateway was certified for occupancy on July 6, 2015 and fully leased up by October 31, 2015.

Century Villages Property Management, LLC ("CVPM"), wherein CVC is the sole member, was formed on October 15, 2009 for the purpose of providing property management services for low income, affordable housing located in Long Beach, California.

15. Commitments and contingencies

Guaranty of tax credits

CVC is the general partner of three low-income housing tax credit partnerships (Savannah, Casa, Family Commons), which provide affordable housing in Long Beach, California. CADI is the sole managing member of 12010 S. Vermont, which is the general partner of one low-income housing tax credit partnership (Academy), which provides affordable housing in Los Angeles, California. CVC Phase IV, LLC is the general partner of one low-income housing tax credit partnership (Cabrillo Gateway), which provides affordable housing in Long Beach, California. CVC Phase V, LLC is the general partner of one low-income housing tax credit partnership (Anchor Place), which will provide affordable housing in Long Beach, California upon completion of the low-income housing tax credit project. In connection with each partnership, Century has provided certain guarantees to the tax credit investors guarantying the completion and construction of the apartment complexes, operating deficits of the partnerships, and the annual allocation of tax credits to the investor.

Partnership:	The Family Commons at Cabrillo, L.P.
Investor limited partner:	John Hancock Family Commons, LP
Guarantee balance:	$6,000,000

Partnership:	Academy Hall, L.P.
Investor limited partner:	U.S.A. Institutional Tax Credit Fund LXVII, LP
Guarantee balance:	$937,947

Partnership:	Cabrillo Gateway, L.P.
Investor limited partner:	Wells Fargo Affordable Housing Community Development Corporation
Guarantee balance:	$6,612,202

Partnership:	Anchor Place, L.P.
Investor limited partner:	Wells Fargo Affordable Housing Community Development Corporation
Guarantee balance:	$1,695,757

Partnership:	Century Arrowhead Vista, L.P.
Investor limited partner:	Wells Fargo Affordable Housing Community Development Corporation
Guarantee balance:	$3,087,776

Century has entered into a guaranty with Wells Fargo Bank, N.A. to guarantee the debt of principal and interest on the bonds of a third party limited partnership. The assets owned by the limited partnership are the collateral for the underlying loan being guaranteed. If at any time the limited partnerships or their partners are unable to fund their agreed upon principal and interest payments, Century is obligated to make funds available to the respective trustee immediately. Century's maximum exposure under the guarantee would be equal to the difference between the fair market value of collateral held and the outstanding loan amount. The loan guaranteed by Century has a maturity date of February 20, 2036. While it is reasonably possible that a loss could occur, such losses are not anticipated.

15. Commitments and contingencies (continued)

Guaranty of tax credits (continued)

The following is a summary of outstanding guarantees that Century has entered into as of December 31, 2015:

Description	Amount	Borrower
California Statewide Communities Development Authority Multifamily Housing Revenue Bonds (River Run Senior Apartment Project) Series 2003	$ 1,000,000	Steadfast River Run, L.P.
Southwestern Bag, the Property owner Ground Lease Obligation	$ 281,136	N/A

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.

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 lease expiration on December 31, 2019. There were no costs incurred under this guaranty as of December 31, 2015 and 2014.

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

Year ending December 31:	
2016	$ 70,284
2017	70,284
2018	70,284
2019	70,284
	$ 281,136

16. Deferred income

City of Long Beach
During 2010, CVC obtained financing in the form of four grants from the City of Long Beach totaling $196,451 for the construction of leasehold improvements. The terms of the grants are over periods between 24 and 84 months, during which CVC is required to lease its real property to qualifying non-profit corporations. During 2015 and 2014, $19,184 and $24,604, respectively, has been recognized as grant income. As of December 31, 2015 and 2014, the total deferred income was $14,422 and $33,606, respectively.

Community Development Commission of the County of Los Angeles
During 2011, CVC received a $500,000 grant from CDC for the construction of the Family Shelter I and II projects. According to the terms of the grant agreement, CVC must remain in compliance with the terms of the grant agreement for a period of seven years after initial occupancy of the Family Shelter I and II projects. In the event of default, CDC may request repayment of the grant in an amount that is reduced ratably on a straight-line basis over the grant term. During 2015 and 2014, $71,428 and $71,429, respectively, has been recognized as grant income. As of December 31, 2015 and 2014, the total deferred income was $226,191 and $297,619, respectively.

Deferred income also includes $99,375 and $0, net of accumulated amortization of $625 and $0, related to the 10% profit portion of development fees as of December 31, 2015 and 2014, respectively. During the years ended December 31, 2015 and 2014, amortization of development fees capitalized as real property totaled $625 and $0, respectively. The deferred income is amortized using the straight-line method over the estimated useful life of the underlying asset.

17. Temporarily restricted net assets

Temporarily restricted net assets at December 31, 2015 and 2014 consisted of the following:

	2015	2014
Capital Magnet Funds	$ 5,000,000	$ 5,000,000
Anchor Place development	500,000	-
Total	$ 5,500,000	$ 5,000,000

During 2011, the Corporation was awarded $5,000,000 of Capital Magnet Funds from the U.S. Treasury Community Development Financial Institutions Fund. Capital Magnet Funds must be used to finance affordable housing projects for low-income, very-low income, and extremely-low income families, or located in High Housing Need areas. The funds must be committed for use by July 18, 2013, and the projects receiving the funds must be placed in service by July 18, 2016 (the "Completion Date"). The Corporation loans these funds on a short term basis generally for periods not to exceed 12 months. During 2015 and 2014, the Corporation disbursed Capital Magnet funds of $1,094,000 and $977,117, respectively, to eligible recipients. As of December 31, 2015 and 2014, total committed funds to date were $17,514,117 and $16,420,117, respectively. The entire award will remain restricted until after the Completion Date, after which the funds will become unrestricted to the Corporation. If the Corporation meets certain benchmarks as described in the agreement prior to the Completion Date, the funds will become unrestricted to the Corporation.

18. Reconciliation of unrestricted net assets

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

	Total	Controlling Interest	Non-controlling Interest
Unrestricted net assets, January 1, 2014	$ 165,284,541	$ 141,688,031	$ 23,596,510
Contributions	1,190,094	-	1,190,094
Distributions	(29,694)	-	(29,694)
Syndication costs	(42,800)	-	(42,800)
Change in net assets from continuing operations	2,952,557	4,729,240	(1,776,683)
Unrestricted net assets, December 31, 2014	169,354,698	146,417,271	22,937,427
Contributions	10,521,842	-	10,521,842
Distributions	(41,604)	-	(41,604)
Syndication costs	(77,500)	-	(77,500)
Transfer of net assets to controlling interest	-	1,705,720	(1,705,720)
Change in net assets from continuing operations	3,243,240	5,977,447	(2,734,207)
Unrestricted net assets, December 31, 2015	$ 183,000,676	$ 154,100,438	$ 28,900,238

SUPPLEMENTARY INFORMATION

CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015

	Century and wholly controlled affiliates before Non-recourse Entities and Operating Partnerships	Non-recourse Entities	Operating Partnerships	Eliminations	Consolidated Total
ASSETS					
Cash and cash equivalents	$ 9,321,816	$ 2,230,044	$ 1,126,627	$ -	$ 12,678,487
Restricted cash	4,276,505	-	2,872,358	-	7,148,863
Accounts receivable, net	4,004,019	-	188,574	(3,743,167)	449,426
Investments	88,478,747	-	-	(10,589,986)	77,888,761
Interest receivable	2,237,795	93,257	-	(1,624,233)	706,819
Notes receivable, net	117,544,045	53,925,118	-	(8,710,128)	162,759,035
Intangible assets, net	-	-	726,268	-	726,268
Prepaid expenses and other assets	383,107	-	96,955	-	480,062
Real estate held for investment, net	40,815,668	-	91,431,088	(4,575,109)	127,671,647
Furniture, fixtures and equipment, net	730,139	-	963,488	-	1,693,627
Total assets	$ 267,791,841	$ 56,248,419	$ 97,405,358	$ (29,242,623)	$ 392,202,995
LIABILITIES AND NET ASSETS					
Accounts payable and accrued liabilities	$ 2,392,933	$ 12,456	$ 4,348,144	$ (3,743,167)	$ 3,010,366
Accrued interest	169,998	144,582	2,768,707	(1,624,233)	1,459,054
Security deposits	102,375	-	592,961	-	695,336
Deferred income	339,988	-	-	-	339,988
Notes payable and lines of credit	97,780,829	52,874,052	54,275,964	(8,710,128)	196,220,717
Forgivable loans	1,976,858	-	-	-	1,976,858
Total liabilities	102,762,981	53,031,090	61,985,776	(14,077,528)	203,702,319
Net assets:					
Unrestricted					
Controlling interest	159,528,860	3,217,329	6,519,344	(15,165,095)	154,100,438
Non-controlling interest	-	-	28,900,238	-	28,900,238
Temporarily restricted - controlling interest	5,500,000	-	-	-	5,500,000
Total net assets	165,028,860	3,217,329	35,419,582	(15,165,095)	188,500,676
Total liabilities and net assets	$ 267,791,841	$ 56,248,419	$ 97,405,358	$ (29,242,623)	$ 392,202,995

CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014

	Century and wholly controlled affiliates before Operating Partnerships	Non-recourse Entities	Operating Partnerships	Eliminations	Consolidated Total
ASSETS					
Cash and cash equivalents	$ 10,374,131	$ 25,442	$ 144,706	$ -	$ 10,544,279
Restricted cash	5,463,026	-	2,392,376	-	7,855,402
Accounts receivable, net	2,092,186	-	80,073	(2,054,780)	117,479
Investments	84,119,482	-	-	(12,377,959)	71,741,523
Interest receivable	1,962,585	-	-	(1,414,119)	548,466
Notes receivable, net	88,287,224	-	-	(9,502,167)	78,785,057
Intangible assets, net	-	-	459,849	-	459,849
Prepaid expenses and other assets	787,615	-	90,175	-	877,790
Real estate held for investment, net	40,659,872	-	72,580,585	(2,798,638)	110,441,819
Furniture, fixtures and equipment, net	888,381	-	257,533	-	1,145,914
Total assets	$ 234,634,502	$ 25,442	$ 76,005,297	$ (28,147,663)	$ 282,517,578
LIABILITIES AND NET ASSETS					
Accounts payable and accrued liabilities	$ 1,406,139	$ 19,752	$ 4,116,192	$ (2,054,780)	$ 3,487,303
Accrued interest	166,605	-	1,497,702	(1,414,119)	250,188
Security deposits	97,408	-	449,486	-	546,894
Deferred income	331,225	-	-	-	331,225
Notes payable and lines of credit	68,640,707	-	42,026,444	(9,502,167)	101,164,984
Forgivable loans	2,382,286	-	-	-	2,382,286
Total liabilities	73,024,370	19,752	48,089,824	(12,971,066)	108,162,880
Net assets:					
Unrestricted					
Controlling interest	156,610,132	5,690	4,978,046	(15,176,597)	146,417,271
Non-controlling interest	-	-	22,937,427	-	22,937,427
Temporarily restricted - controlling interest	5,000,000	-	-	-	5,000,000
Total net assets	161,610,132	5,690	27,915,473	(15,176,597)	174,354,698
Total liabilities and net assets	$ 234,634,502	$ 25,442	$ 76,005,297	$ (28,147,663)	$ 282,517,578

see report of independent auditors

CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Century and wholly controlled affiliates before Non-recourse Entities and Operating Partnerships	Non-recourse Entities	Operating Partnerships	Eliminations	Consolidated Total
LENDING AND CORPORATE REVENUE					
Investment interest and dividends	$ 2,435,730	$ -	$ 3,866	$ -	$ 2,439,596
Income from notes receivable	9,963,956	3,254,087	-	(565,784)	12,652,259
Residual receipts and contingent asset income	3,734,604	-	-	-	3,734,604
Other income	100,875	26,995	-	-	127,870
Total lending and corporate revenue	16,235,165	3,281,082	3,866	(565,784)	18,954,329
HOUSING REVENUE AND SUPPORT					
CVC, CADI and other real estate operations					
Rental property income	4,890,867	-	5,276,951	(2,344,790)	7,823,028
Real estate sold	-	-	-	-	-
Debt forgiveness income	405,428	-	-	-	405,428
Other real estate income	82,294	-	-	-	82,294
Loss on equity investments	(502)	-	-	502	-
Contributions and fundraising income	234,631	-	-	-	234,631
Total housing revenue and support	5,612,718	-	5,276,951	(2,344,288)	8,545,381
Total revenue	21,847,883	3,281,082	5,280,817	(2,910,072)	27,499,710
LENDING AND CORPORATE EXPENSES					
Allocation for loan losses	-	400,746	-	-	400,746
Borrowing fees	130,452	379,119	-	-	509,571
Interest expense	2,076,520	1,220,115	1,157,431	(565,784)	3,888,282
Salaries and employee benefits	4,198,415	-	-	-	4,198,415
Professional fees	325,043	-	-	-	325,043
Business development expenses	361,233	-	-	-	361,233
General and administrative expenses	823,324	14,440	-	-	837,764
Depreciation and amortization expense	54,906	-	-	-	54,906
Total lending and corporate expenses	7,969,893	2,014,420	1,157,431	(565,784)	10,575,960
HOUSING EXPENSES					
CVC, CADI and other real estate operations					
Rental property expenses	1,821,832	-	4,471,382	(2,344,790)	3,948,424
Property depreciation and amortization	836,520	-	2,472,472	(11,000)	3,297,992
Other real estate expenses	54,967	-	-	-	54,967
Housing salaries and employee benefits	2,665,644	-	-	-	2,665,644
Total housing expenses	5,378,963	-	6,943,854	(2,355,790)	9,967,027
Total expenses	13,348,856	2,014,420	8,101,285	(2,921,574)	20,542,987
Change in unrestricted net assets before other income and expenses	8,499,027	1,266,662	(2,820,468)	11,502	6,956,723
OTHER INCOME AND (EXPENSES)					
Realized and unrealized gains on financial investments	(3,607,926)	-	-	-	(3,607,926)
Income tax expense	(16,540)	-	-	-	(16,540)
Bad debt expense	(7,978)	-	(78,161)	-	(86,139)
Loss from disposal of fixed assets	(2,878)	-	-	-	(2,878)
Net other income and (expenses)	(3,635,322)	-	(78,161)	-	(3,713,483)
Change in unrestricted net assets from continuing operations	4,863,705	1,266,662	(2,898,629)	11,502	3,243,240
Contributions from non-controlling interest	-	-	10,521,842	-	10,521,842
Distributions to non-controlling interest	-	-	(41,604)	-	(41,604)
Syndication costs paid by non-controlling interest	-	-	(77,500)	-	(77,500)
Change in unrestricted net assets	4,863,705	1,266,662	7,504,109	11,502	13,645,978
Temporarily restricted net assets					
Contributions	500,000	-	-	-	500,000
Change in temporarily restricted net assets	500,000	-	-	-	500,000
Total change in net assets	5,363,705	1,266,662	7,504,109	11,502	14,145,978
Net assets at beginning of year	160,312,139	1,303,683	27,915,473	(15,176,597)	174,354,698
Net assets at end of year	$ 165,675,844	$ 2,570,345	$ 35,419,582	$ (15,165,095)	$ 188,500,676

see report of independent auditors

CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Century and wholly controlled affiliates before Operating Partnerships	Non-recourse Entities	Operating Partnerships	Eliminations	Consolidated Total
LENDING AND CORPORATE REVENUE					
Investment interest and dividends	$ 1,928,626	$ -	$ 3,892	$ -	$ 1,932,518
Income from notes receivable	6,964,184	2,369,936	-	(603,954)	8,730,166
Residual receipts and contingent asset income	1,542,132	-	-	-	1,542,132
Other income	73,279	3,203	-	-	76,482
Total lending and corporate revenue	10,508,221	2,373,139	3,892	(603,954)	12,281,298
HOUSING REVENUE AND SUPPORT					
CVC, CADI and other real estate operations					
Rental property income	4,203,995	-	4,497,643	(1,721,649)	6,979,989
Real estate sold	2,560,000	-	-	-	2,560,000
Debt forgiveness income	405,429	-	-	-	405,429
Other real estate income	338,259	-	-	-	338,259
Loss on equity investments	(565)	-	-	565	-
Contributions and fundraising income	658,326	-	-	-	658,326
Total housing revenue and support	8,165,444	-	4,497,643	(1,721,084)	10,942,003
Total revenue	18,673,665	2,373,139	4,501,535	(2,325,038)	23,223,301
LENDING AND CORPORATE EXPENSES					
Allocation for loan losses	762,752	-	-	-	762,752
Borrowing fees	62,154	183,909	-	-	246,063
Interest expense	1,046,017	744,994	790,832	(570,954)	2,010,889
Salaries and employee benefits	4,415,868	-	-	-	4,415,868
Professional fees	490,300	-	-	-	490,300
Business development expenses	305,965	-	-	-	305,965
General and administrative expenses	827,975	14,660	-	-	842,635
Depreciation and amortization expense	56,811	-	-	-	56,811
Total lending and corporate expenses	7,967,842	943,563	790,832	(570,954)	9,131,283
HOUSING EXPENSES					
CVC, CADI and other real estate operations					
Rental property expenses	1,222,897	-	3,585,394	(1,721,649)	3,086,642
Property depreciation and amortization	787,285	-	1,886,579	-	2,673,864
Cost of real estate sold	2,501,754	-	-	-	2,501,754
Other real estate expenses	699,606	-	-	-	699,606
Housing salaries and employee benefits	2,464,760	-	-	-	2,464,760
Total housing expenses	7,676,302	-	5,471,973	(1,721,649)	11,426,626
Total expenses	15,644,144	943,563	6,262,805	(2,292,603)	20,557,909
Change in unrestricted net assets before other income and expenses	3,029,521	1,429,576	(1,761,270)	(32,435)	2,665,392
OTHER INCOME AND (EXPENSES)					
Realized and unrealized gains on financial investments	423,198	-	-	-	423,198
Income tax expense	(75,537)	-	-	-	(75,537)
Bad debt expense	(41,392)	-	(16,034)	-	(57,426)
Loss from disposal of fixed assets	(3,070)	-	-	-	(3,070)
Total other income and (expenses)	303,199	-	(16,034)	-	287,165
Change in net assets from continuing operations	3,332,720	1,429,576	(1,777,304)	(32,435)	2,952,557
Contributions from non-controlling interest	-	-	1,190,094	-	1,190,094
Non-cash contributions from controlling interest	-	-	161,455	(161,455)	-
Distributions to non-controlling interest	-	-	(29,694)	-	(29,694)
Syndication costs paid by non-controlling interest	-	-	(42,800)	-	(42,800)
Change in net assets	3,332,720	1,429,576	(498,249)	(193,890)	4,070,157
Net assets at beginning of year	156,979,419	(125,893)	28,413,722	(14,982,707)	170,284,541
Net assets at end of year	$ 160,312,139	$ 1,303,683	$ 27,915,473	$ (15,176,597)	$ 174,354,698

CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTARY INFORMATION
STATEMENT OF FINANCIAL POSITION - CENTURY HOUSING CORPORATION
DECEMBER 31, 2015

ASSETS	
Cash and cash equivalents	$ 8,305,481
Restricted cash	3,906,000
Accounts receivable, net	1,019,399
Investments	90,899,836
Interest receivable	2,319,237
Notes receivable, net	139,288,301
Prepaid expenses and other assets	407,971
Real estate held for investment, net	1,429,030
Furniture, fixtures and equipment, net	140,087
Total assets	$ 247,715,342
LIABILITIES AND NET ASSETS	
Accounts payable and accrued liabilities	$ 1,028,515
Accrued interest	169,998
Security deposits	885
Notes payable and lines of credit	95,710,365
Total liabilities	96,909,763
Net assets:	
Unrestricted net assets	145,805,579
Temporarily restricted net assets	5,000,000
Total net assets	150,805,579
Total liabilities and net assets	$ 247,715,342

CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTARY INFORMATION
STATEMENT OF ACTIVITIES - CENTURY HOUSING CORPORATION
FOR THE YEAR ENDED DECEMBER 31, 2015

LENDING AND CORPORATE REVENUE	
Investment interest and dividends	$ 2,434,328
Income from notes receivable	10,092,842
Residual receipts and contingent asset income	3,734,604
Other income	510,699
Total lending and corporate revenue	16,772,473
HOUSING REVENUE AND SUPPORT	
Other real estate operations	
Rental property income	37,964
Contributions and fundraising income	5,000
Total housing revenue and support	42,964
Total revenue	16,815,437
LENDING EXPENSES	
Borrowing fees	130,452
Interest expense	2,021,302
Total lending expenses	2,151,754
HOUSING EXPENSES	
Other real estate operations	
Rental property expenses	19,675
Property depreciation and amortization	10,545
Other real estate expenses	1,983
Total housing expenses	32,203
MANAGEMENT AND GENERAL EXPENSES	
Salaries and employee benefits	5,098,415
Professional fees	320,043
Business development expenses	361,233
General and administrative expenses	834,722
Depreciation and amortization expense	54,906
Total management and general expenses	6,669,319
Total expenses	8,853,276
Change in unrestricted net assets before other income and expenses	7,962,161
OTHER INCOME AND (EXPENSES)	
Realized and unrealized losses on financial investments	(3,607,926)
Income tax expense	(3,340)
Net other income and (expenses)	(3,611,266)
Change in net assets from continuing operations	4,350,895
Net assets at beginning of year	146,454,684
Net assets at end of year	$ 150,805,579

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Century Housing Corporation, a California nonprofit public benefit corporation, and Affiliates (the "Corporation"), which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 25, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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Purpose of this Report

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

Novogradac & Company LLP

Walnut Creek, California
April 25, 2016

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

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of Century Housing Corporation, a California nonprofit public benefit corporation, and Affiliates (the "Corporation"), with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Corporation's major programs for the year ended December 31, 2015. The Corporation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control over Compliance

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

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Novogradac & Company LLP

Walnut Creek, California
April 25, 2016

CENTURY HOUSING CORPORATION AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic consolidated financial statements.

CENTURY HOUSING CORPORATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal Control over major programs:				
Material weakness(es) identified?	____	Yes	x	No
Significant deficiency(ies) identified not considered to be material weaknesses?	____	Yes	x	None reported
Type of auditor's report issued on compliance for major programs:		Unqualified		
Noncompliance material to financial statements noted?	____	Yes	x	No

Identification of major programs:

CFDA Number(s)	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:		$750,000		
Auditee qualified as low-risk auditee?	x	Yes	____	No

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.