

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2010 and 2009
with
Report of Independent Auditors

CENTURY HOUSING CORPORATION AND AFFILIATES

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Report of Independent Auditors

To the Board of Directors
Century Housing Corporation and Affiliates:

We have audited the accompanying consolidated statements of financial position of Century Housing Corporation, a California nonprofit public benefit corporation, and Affiliates (the "Corporation") as of June 30, 2010 and 2009, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Century Housing Corporation and Affiliates as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements of Century Housing Corporation and Affiliates taken as a whole. The accompanying supplemental information on pages 31 through 34 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic consolidated financial statements taken as a whole.

Novogradac & Company LLP

September 24, 2010
San Francisco, California

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 9,731,595	\$ 10,301,878
Restricted cash	2,495,526	2,161,799
Accounts receivable, net	1,896,918	942,077
Investments	31,259,201	26,295,187
Interest receivable	617,239	987,889
Notes receivable, net	85,996,600	115,878,392
Intangible assets, net	504,759	464,113
Prepaid expenses and other assets	1,156,543	1,698,655
Real estate held for sale	7,103,141	4,650,941
Real estate held for investment, net	75,118,124	74,600,736
Furniture, fixtures and equipment, net	<u>897,104</u>	<u>945,326</u>
Total assets	<u>\$ 216,776,750</u>	<u>\$ 238,926,993</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 1,294,891	\$ 3,971,659
Accrued interest	42,541	75,364
Security deposits	1,225,831	1,106,904
Deferred income	173,335	-
Notes payable and lines of credit	<u>56,996,510</u>	<u>95,809,956</u>
Total liabilities	59,733,108	100,963,883
Non-controlling interest	29,330,829	10,680,414
Net assets:		
Unrestricted	127,700,419	127,270,302
Temporarily restricted	<u>12,394</u>	<u>12,394</u>
Total net assets	<u>127,712,813</u>	<u>127,282,696</u>
Total liabilities and net assets	<u>\$ 216,776,750</u>	<u>\$ 238,926,993</u>

see accompanying notes to financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
LENDING AND CORPORATE REVENUE:		
Investment interest and dividends	\$ 1,289,388	\$ 1,581,009
Income from notes receivable	6,874,300	10,006,918
Residual receipts, contingent assets and fee income	637,662	3,786,324
Other income	41,572	24,600
Total lending and corporate revenue	<u>8,842,922</u>	<u>15,398,851</u>
PROGRAM REVENUE AND SUPPORT:		
CVC and other real estate operations		
Rental property income	5,457,788	4,740,617
Real estate sold	3,901,400	2,993,400
Other real estate income	515,011	340,121
CCTI income	262,420	300,713
Century/LIFT income	261,108	-
Contributions and fundraising income	1,035,005	258,357
Total program revenue and support	<u>11,432,732</u>	<u>8,633,208</u>
Total revenue	<u>20,275,654</u>	<u>24,032,059</u>
LENDING EXPENSES:		
Allocation for loan losses	951,671	4,018,363
Borrowing fees	130,709	169,779
Interest expense	1,143,174	1,869,319
Total financing expenses	<u>2,225,554</u>	<u>6,057,461</u>
PROGRAM EXPENSES:		
CVC and other real estate operations:		
Rental property expenses	5,502,929	3,590,003
Cost of real estate sold	4,658,001	2,953,152
Other real estate expenses	400,381	456,908
CCTI support	1,762,481	2,014,285
Charter school support	567,348	596,170
Century/LIFT support	842,294	866,954
Other program support	-	106,075
Total program expenses	<u>13,733,434</u>	<u>10,583,547</u>

see accompanying notes to financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
MANAGEMENT AND GENERAL EXPENSES:		
Salaries and employee benefits	\$ 2,970,964	\$ 3,043,009
Professional fees	278,069	173,490
Business development expenses	194,695	261,061
General and administrative expenses	484,719	471,970
Depreciation and amortization expense	163,070	401,476
Total management and general expenses	<u>4,091,517</u>	<u>4,351,006</u>
Total expenses	<u>20,050,505</u>	<u>20,992,014</u>
Increase in unrestricted net assets before other income and expenses	225,149	3,040,045
OTHER INCOME AND (EXPENSES):		
Realized and unrealized gains (losses) on financial investments	3,265,745	(5,580,849)
Reorganization expenses	(296,067)	-
Addition of net assets of Century/LIFT	169,495	-
Loss from disposal of real estate held for investment	(31,839)	-
Loss from impairment of real estate held for sale	(2,902,366)	-
Total other income and (expenses)	<u>204,968</u>	<u>(5,580,849)</u>
Increase (decrease) in unrestricted net assets	430,117	(2,540,804)
Temporarily restricted net assets		
Net assets released from restrictions	<u>-</u>	<u>(145,050)</u>
Changes in net assets	430,117	(2,685,854)
Net assets at beginning of year	<u>127,282,696</u>	<u>129,968,550</u>
Net assets at end of year	<u>\$ 127,712,813</u>	<u>\$ 127,282,696</u>

see accompanying notes to financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 430,117	\$ (2,685,854)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization expense	2,430,193	1,706,088
Allocation for loan losses	951,671	4,018,363
Bad debt expense	29,834	32,935
Loss from disposal of real estate held for investment	31,839	-
Loss from sale of real estate held for sale	756,601	21,977
Loss from impairment of real estate held for sale	2,902,366	-
Addition of net assets of Century/LIFT	(169,495)	-
Realized and unrealized (gains) losses on financial investments	(3,265,745)	5,580,849
Non-controlling interest	(1,885,116)	(2,305,278)
(Increase) decrease in assets:		
Accounts receivable, net	(928,767)	(302,723)
Interest receivable, net	370,650	328,507
Prepaid expenses and other assets	549,408	81,363
Real estate held for sale	-	(118,655)
Cash from Century/LIFT	97,981	-
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(888,838)	138,251
Accrued interest	(64,142)	25,109
Security deposits	118,927	303,138
Deferred income	173,335	-
Net cash (used in) provided by operating activities	<u>1,640,819</u>	<u>6,824,070</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in restricted cash	(333,727)	(108,267)
Proceeds from sale of real estate held for sale	3,901,400	2,993,400
Increase in real estate held for sale	(1,614,607)	-
Increase in real estate held for investment	(2,615,787)	(20,420,910)
Purchase of furniture, fixtures and equipment	(219,670)	(529,250)
Paydown of construction costs payable	(1,759,208)	-
Advances in notes receivable	(111,632,575)	(89,637,378)
Receipts from notes receivable	132,164,736	57,650,334
Purchase of investment securities	(11,569,305)	(9,310,818)
Sale of investment securities	9,871,036	15,211,647
Net cash provided by (used in) investing activities	<u>16,192,293</u>	<u>(44,151,242)</u>

see accompanying notes to financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable and lines of credit	\$ 3,177,500	\$ 42,288,723
Payment on notes payable and lines of credit	(41,990,946)	(6,706,187)
Distributions to non-controlling interest	(36,551)	(20,480)
Contributions from non-controlling interest	20,572,082	216,600
Syndication costs	-	(37,500)
Payment of loan fees	(125,480)	(147,758)
Net cash (used in) provided by financing activities	<u>(18,403,395)</u>	<u>35,593,398</u>
 Net decrease in cash and cash equivalents	 (570,283)	 (1,733,774)
 Cash and cash equivalents at beginning of year	 <u>10,301,878</u>	 <u>12,035,652</u>
 Cash and cash equivalents at end of year	 <u>\$ 9,731,595</u>	 <u>\$ 10,301,878</u>
 Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 1,207,316</u>	<u>\$ 1,844,210</u>
 Supplemental disclosure of noncash activities		
Increase in accounts payable and accrued expenses included in real estate held for investment	<u>\$ -</u>	<u>\$ 91,053</u>
Notes receivable transferred to real estate held for sale through deed in lieu of foreclosure	<u>\$ 8,397,960</u>	<u>\$ 4,255,767</u>
Assets acquired from Century/LIFT	<u>\$ 166,884</u>	<u>\$ -</u>

see accompanying notes to financial statements

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

1. Organization

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

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

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

Affordable Housing Sales and Rental Housing – Century sells single-family residences and condominiums to low to moderate-income households. Century also owns, develops and manages homes for the benefit of low- to moderate-income households, as established by Century. Residential rental rates are made affordable to these households.

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

Child Care and Early Education Facilities – Century has supported the creation of five on-site child care centers at Century financed housing complexes and five stand alone centers. Two of the stand alone centers were developed and owned by Century and leased to a nonprofit operator (see Note 16).

More Than Shelter Services, Inc. is a 501(c)(3) supporting organization that provides fundraising for the More Than Shelter family of services, which include Century/Learning Initiatives for Today, Inc. ("Century/LIFT"), Century Community Training Program ("CCTP"), Century Community Charter Schools ("CCCS"), and Century Villages at Cabrillo, Inc. ("CVC").

Century/LIFT – Century provides financial and corporate staff support to Century/LIFT, a program for youths residing in primarily Century financed housing and attending Century Charter Schools. The program provides educational and tutorial assistance to improve learning skills and maximize academic achievement. This program was discontinued on June 30, 2010.

Effective June 1, 2010, the board of directors of Century/Learning Initiatives for Today, Inc. resigned and appointed two officers of the Corporation as directors. Following this transaction, Century/Learning Initiatives for Today, Inc. was wholly controlled by the Corporation and the assets and liabilities of Century/Learning Initiatives for Today, Inc. were consolidated at June 30, 2010, resulting in an increase in net assets of \$169,495, representing the net assets of Century/Learning Initiatives for Today, Inc. that were consolidated into the Corporation.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

1. Organization (continued)

CCTP – Century provides financial and corporate staff support to this construction pre-apprenticeship training and employment placement services program to prepare community residents for high wage employment in the construction industry. This program was discontinued on June 30, 2010.

CCCS – Century supports CCCS financially in the form of loans and provides corporate staff support. CCCS provides middle school education at two locations in Inglewood, California, serving sixth, seventh, and eighth graders. The schools serve nearly 730 children.

2. Summary of significant accounting policies and nature of operations

Accounting method

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

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 Community Training, Inc.,
Century Community Development, Inc.,
Century Villages at Cabrillo, Inc. and affiliates,
Century Affordable Development, Inc. and affiliates,
Century Community Children’s Centers, Inc.,
Century Pointe, Inc.,
12010 South Vermont, LLC and affiliate,
8534 Belford, LLC,
More Than Shelter Services, Inc.,
The Century Community Lending Company, LLC, and
Century/Learning Initiatives for Today, Inc.

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

The following entity is affiliated with Century but is not included in the consolidated financial statements:

Century Community Charter Schools, Inc.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

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

Principles of affiliate consolidation

Century Villages at Cabrillo, Inc. ("CVC") is the sole general partner in three limited partnerships: Long Beach Savannah Housing, L.P. ("Savannah"), Casa de Cabrillo, L.P. ("Casa"), and The Family Commons at Cabrillo, L.P. ("Family Commons") and is the sole member of Century Villages Property Management, LLC ("CVPM"). CVC owns 0.1% of Savannah, 0.01% of Casa, and 0.1% of Family Commons. In addition, 12010 South Vermont, LLC ("Vermont") is the 0.01% sole general partner in Academy Hall, L.P. ("Academy"). Generally accepted accounting principles establish the presumption that the general partner(s) in a limited partnership controls that limited partnership, or similar entity, regardless of the extent of the general partners' ownership interest in the limited partnership. The presumption of control by the general partner(s) can be overcome if the limited partners have either (i) "kick-out rights" - the substantive ability to dissolve or liquidate the partnership or otherwise remove the general partner(s) without cause or (ii) "substantive participating right" - the ability to effectively participate in significant decisions made in the ordinary course of the limited partnership's business. If the presumption of control cannot be overcome, then the general partner is required to consolidate the limited partnership. CVC determined that the presumption of control for the limited partnerships in which CVC is the general partner had not been overcome and as a result CVC is required to consolidate the financial statements of Savannah, Casa, and Family Commons in its financial statements. Vermont has also determined that it is required to consolidate the financial statements of Academy. The accompanying consolidated financial statements of the Corporation for the years ended June 30, 2010 and 2009 include the consolidated accounts of CVC and Vermont.

Financial statement presentation

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

Use of estimates

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

Cash and cash equivalents

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

Restricted cash

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

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

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

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 of financial instruments

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

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

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

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

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

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

Fair value of financial instruments (continued)

The following table presents certain Corporation's 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 June 30, 2010 and 2009:

June 30, 2010				
	Level 1	Level 2	Level 3	Fair Value Measurements
Investments	\$ 26,774,882	\$ -	\$ 4,484,319	\$ 31,259,201
Notes receivable, net	-	-	85,996,600	85,996,600
	<u>\$ 26,774,882</u>	<u>\$ -</u>	<u>\$ 90,480,919</u>	<u>\$ 117,255,801</u>
June 30, 2009				
	Level 1	Level 2	Level 3	Fair Value Measurements
Investments	\$ 24,733,942	\$ -	\$ 1,561,242	\$ 26,295,187
Notes receivable, net	-	-	115,878,392	115,878,392
	<u>\$ 24,733,942</u>	<u>\$ -</u>	<u>\$ 117,439,634</u>	<u>\$ 142,173,579</u>

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

Investments:

Balance, July 1, 2008	\$ 2,151,156
Contributed capital	40,000
Distributions	(92,977)
Realized gain, net	44,982
Unrealized change in valuation	<u>(581,919)</u>
Balance, June 30, 2009	1,561,242
Contributed capital	2,880,000
Distributions	(258,910)
Realized gain, net	178,834
Unrealized change in valuation	<u>123,153</u>
Balance, June 30, 2010	<u>\$ 4,484,319</u>

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

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

Fair value of financial instruments (continued)

Notes receivable, net:

Balance, July 1, 2008	\$ 92,227,703
Advances	89,637,378
Principal payments received	(57,650,334)
Receivable transferred to property	(4,317,992)
Allocation for loan losses	<u>(4,018,363)</u>
Balance, June 30, 2009	115,878,392
Advances	111,632,575
Principal payments received	(132,164,736)
Receivable transferred to property	(8,397,960)
Allocation for loan losses	<u>(951,671)</u>
Balance, June 30, 2010	<u>\$ 85,996,600</u>

Investments in limited partnership

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

Loan fees

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

Accounts receivable and allowance for doubtful accounts

Accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of allowance will change. As of June 30, 2010 and 2009, management has established an allowance for doubtful accounts in the amount of \$0 and \$323,590, respectively.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

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 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 June 30, 2010 and 2009, management had established an allowance for loan losses in the amount of \$2,367,218 and \$5,392,186, respectively.

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 certain of these assets to qualifying tenants under operating leases. Rental payments received in advance are deferred until earned. In addition, the Corporation records depreciation expense on the rented homes. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over the estimated service life using the straight-line method.

Buildings, leasehold improvements and office equipment

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

The useful lives of the assets are estimated as follows:

Buildings and improvements	30 - 39 years
Office furniture and fixtures	5 - 7 years
Computer equipment	5 years
Leasehold improvements	Over life of lease

Real estate held for sale

Real estate held for sale consists of properties under development acquired as a result of foreclosure proceedings against borrowers that defaulted under the terms of their loan agreements, and single-family residences and condominiums that have been repurchased under the Right to Purchase Agreements. Real estate held for sale is recorded at the lesser of cost or fair value, less selling costs. These assets are generally held less than 12 months. No depreciation is recorded for real estate held for sale.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

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

Impairment of long-lived assets

The Corporation reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net discounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. The Corporation recognized impairment losses on its real estate held for sale of \$2,902,366 for the year ended June 30, 2010. There were no impairment losses recognized during 2009.

Intangible assets and amortization

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

Grant revenue

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

Development fee income

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

Sale of assets

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

Non-controlling interests in limited partnerships

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

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

Functional allocation of expenses

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

Income taxes

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

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

Concentration of credit risk

The Corporation maintains its cash balances in six 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 June 30, 2010 and 2009, cash balances in excess of the FDIC limits totaled \$9,313,269 and \$9,952,107, respectively.

Recent accounting pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") issued the Accounting Standards Codification ("Codification"). Effective July 1, 2009, the Codification is the single source of authoritative accounting principles recognized by the FASB to be applied by non-governmental entities in the preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP"). The Codification is intended to reorganize, rather than change, existing GAAP. Accordingly, all references to currently existing GAAP have been removed and have been replaced with plain English explanations of the Corporation's accounting policies. The adoption of the Codification did not have a material impact on the Corporation's financial position or results of operations.

Reclassification

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

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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3. Restricted cash

The Corporation's restricted cash consisted of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Collateral	\$ 640,544	\$ 711,633
Security deposits	423,163	392,816
Replacement reserves	900,384	813,448
Operating reserves	519,843	243,902
Impound deposits	11,592	-
Total restricted cash	<u>\$ 2,495,526</u>	<u>\$ 2,161,799</u>

4. Investments

Publicly traded securities are valued at quoted market prices. Investments are comprised of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Mutual Funds/Separate Accounts:		
Total Market Equity Fund	\$ 5,089,825	\$ 6,475,753
Total Return Bond Fund	9,918,950	6,289,735
Private Markets Fund	1,684,319	1,561,242
Goldman High Yield Fund	-	5,938,054
International Core Equity Fund	3,276,920	3,561,123
Vanguard Inflation-Protected Fund	2,863,893	2,469,280
Loomis Sayles High Yield Fund	5,625,294	-
Multifamily Housing Revenue Bonds	2,800,000	-
Total investments	<u>\$ 31,259,201</u>	<u>\$ 26,295,187</u>

The following schedule summarizes the investment return and its classification in the consolidated statements of activities for the years ended June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Interest on cash and cash equivalents	\$ 77,189	\$ 173,430
Interest income and dividends	1,212,199	1,407,579
Unrealized/realized gains (losses)	3,265,745	(5,580,849)
Total investment income (loss)	<u>\$ 4,555,133</u>	<u>\$ (3,999,840)</u>

CENTURY HOUSING CORPORATION AND AFFILIATES
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5. Notes receivable, net

Notes receivable consist of notes primarily secured by real property affordable housing development projects located throughout the metropolitan Los Angeles area, as well as notes made to non-officer employees of the Corporation. Advances under the notes receivable bear interest at rates ranging from 1.25% to 9%. Notes receivable, secured by affordable housing development projects and unsecured, totaled \$85,291,656 and \$114,767,158 as of June 30, 2010 and 2009, respectively. Notes receivable from non-officer employees of the Corporation totaled \$704,944 and \$1,111,234 as of June 30, 2010 and 2009, respectively.

During the years ended June 30, 2010 and 2009, Century entered into various loan participation agreements with HSBC Bank USA ("HSBC"), RSF Social Investment Fund, Inc. ("RSF"), and LA County Fund, LLC ("LACF, LLC"). Under these agreements, the participants bear the risk of loss associated with their share of the notes receivable financed. The participants' share of notes receivable has been recorded as a contra account to the notes receivable on the accompanying consolidated statements of financial position. The terms of the agreements are as follows:

Participants	Participation amount at June 30, 2010	Participation Amount at June 30, 2009	Interest rate	Maturing date
HSBC	\$ -	\$ 4,931,208	90 day LIBOR + 1.5%	Based upon the maturity date of each note receivable financed
RSF	1,948,214	1,992,857	8.75%	Based upon the maturity date of each note receivable financed
LACF, LLC	3,027,500	-	6.5%	Based upon the maturity date of each note receivable financed
	<u>\$ 4,975,714</u>	<u>\$ 6,924,065</u>		

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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5. Notes receivable, net (continued)

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

Year ending June 30:	
2011	\$ 65,580,239
2012	8,579,393
2013	17,936,374
2014	-
2015	574,641
Thereafter	<u>668,885</u>
Total notes receivable	93,339,532
Less allowance for doubtful accounts	(2,367,218)
Less participant purchases	<u>(4,975,714)</u>
Total notes receivable, net	<u>\$ 85,996,600</u>

6. Real estate held for investment

The Corporation's real estate held for investment consists of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Land	\$ 6,809,185	\$ 7,097,008
Buildings and improvements	63,774,882	61,050,649
Leasehold improvements	12,987,721	11,975,286
Construction in progress	<u>886,150</u>	<u>1,760,534</u>
Total real estate held for investment	84,457,938	81,883,477
Less accumulated depreciation	<u>(9,339,814)</u>	<u>(7,282,741)</u>
Total real estate held for investment, net	<u>\$ 75,118,124</u>	<u>\$ 74,600,736</u>

Real estate held for investment, net owned by the affiliated entities at June 30, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Century Housing Corporation	\$ 1,487,030	\$ 1,497,576
Century Villages at Cabrillo, Inc.	9,866,399	9,106,680
CVC – Consolidated EITF 04-5 partnerships	46,731,422	48,140,897
Century Pointe, Inc.	7,539,767	7,685,069
Century Community Children's Centers, Inc.	1,282,912	1,651,201
Century Community Training, Inc.	-	33,315
Vermont – Consolidated EITF 04-5 partnership	<u>8,210,594</u>	<u>6,485,998</u>
Total real estate held for investment, net	<u>\$ 75,118,124</u>	<u>\$ 74,600,736</u>

Depreciation expense on real estate held for investment for the years ended June 30, 2010 and 2009 was \$2,070,276 and \$1,338,043, respectively, which is included in "Rental property expenses" on the consolidated statements of activities. During the year ended June 30, 2010, Century Community Training, Inc. disposed of fixed assets of \$41,326 and related accumulated depreciation of \$9,487. The disposal of fixed assets resulted in a loss of \$31,839.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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7. Real estate held for sale

Properties acquired under Right to Purchase Agreement

Single-family residences and condominiums are sold to low- and moderate-income households. The sales contracts under which these properties are sold include a long-term Right to Purchase Agreement ("RTPA") which gives Century the right to repurchase the homes at a stipulated price if the purchaser fails to comply with the terms of the RTPA or wishes to sell the residence. Subsequent to repurchase, these residences are resold to qualifying low and moderate-income households. As of June 30, 2010 and 2009, homes which had been repurchased under a RTPA or otherwise acquired, and are currently held for sale, amounted to \$218,173 and \$360,926, respectively.

Property acquired through foreclosures on notes receivable

The Corporation acquired land and building as a result of foreclosure proceedings against borrowers that defaulted under the terms of their loan agreements. The assets acquired were recorded at fair market value and applied as a reduction to notes receivable. The assets are classified as real estate held for sale and amount to \$5,198,000 and \$2,606,089 of June 30, 2010 and 2009, respectively.

Real estate held for sale also includes land purchased by the Corporation with the intent to sell in the amount of \$1,686,968 and \$1,683,926 as of June 30, 2010 and 2009, respectively.

8. Furniture, fixtures and equipment, net

The Corporation's furniture, fixtures, and equipment consist of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Furniture and fixtures	\$ 1,738,824	\$ 1,647,387
Equipment	<u>1,454,213</u>	<u>1,320,269</u>
Total furniture, fixtures and equipment	3,193,037	2,967,656
Less accumulated depreciation	<u>(2,295,933)</u>	<u>(2,022,330)</u>
Total furniture, fixtures and equipment, net	<u>\$ 897,104</u>	<u>\$ 945,326</u>

Depreciation expense on furniture, fixtures and equipment for the years ended June 30, 2010 and 2009 was \$275,083 and \$292,326, respectively.

9. Intangible assets, net

The Corporation's intangible assets consist of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Financing fees	\$ 409,306	\$ 306,972
Tax credit fees	369,022	345,876
Ground lease fees	<u>22,500</u>	<u>22,500</u>
Total intangible assets	800,828	675,348
Accumulated amortization	<u>(296,069)</u>	<u>(211,235)</u>
Total intangible assets, net	<u>\$ 504,759</u>	<u>\$ 464,113</u>

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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9. Intangible assets, net (continued)

Amortization expense for the years ended June 30, 2010 and 2009 was \$84,834 and \$75,719, respectively.

10. Construction contract

CVC has a general partnership interest in Family Commons, which entered into a construction contract with ACCI Corporation. The contract amount, including change orders, was \$23,765,550. As of June 30, 2010 and 2009, \$23,765,550 of the contract has been incurred and capitalized as cost of real estate. At June 30, 2010 and 2009, the general contractor was owed \$0 and \$1,759,208, respectively, all of which is included in accounts payable and accrued expenses on the consolidated statements of financial position.

11. Employee benefit plans

The Corporation has a Section 403(b) defined contribution plan for its employees. Eligible employees may contribute a percentage of their annual compensation, subject to certain limitations, to the 403(b) defined contribution plan. For all participants, the Corporation will contribute 3% of an employee's gross salary and will match employee contributions up to 3% of gross salary to the 403(b) defined contribution plan. For the years ended June 30, 2010 and 2009, the total amount contributed by the Corporation to the plan was \$283,275 and \$287,726, respectively, which is included in salaries and employee benefits on the accompanying consolidated statements of activities.

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

Certain key executive officers have life insurance policies owned by the Corporation. In the event of death while employed by the Corporation, the officers' estates or designated beneficiaries are entitled to receive a cash payment reflecting the policies death benefits pursuant to the insurance contracts, less the repayment of premiums paid by the Corporation, plus accrued interest. The cash surrender values of the policies are \$419,949 and \$417,655 as of June 30, 2010 and 2009, respectively, and are recorded in prepaid expenses and other assets on the accompanying consolidated statements of financial position.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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12. 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 repayments of these loans is uncertain and has not recorded the notes receivable or accrued interest on the books of the Corporation. Therefore, should repayment occur, it will be accounted for as contingent assets income in the year in which the payments are received.

Contingent assets represented by affordable housing loans outstanding as of June 30, 2010 and 2009, total \$81,927,335 and \$82,088,911, respectively, and have an effective interest rate of 3% per annum. Unrecognized accrued interest receivable as of June 30, 2010 and 2009 was \$36,983,713 and \$34,669,335, respectively. During the years ended June 30, 2010 and 2009 the Corporation received \$504,048 and \$3,375,124 of principal and interest payments from these loans, respectively, which is included in "Residual receipts, contingent assets and fee income" on the consolidated statements of activities.

13. Notes payable and lines of credit

Note payable – GEMSA Loan Services, L.P.

On June 28, 2001, Century Pointe, Inc. assumed a loan from GEMSA Loan Services, L.P. in the amount of \$2,788,535, bearing interest at a rate of 8.635% per annum. The loan is secured by a first deed of trust on the corporate office building and requires monthly payments of principal and interest totaling \$21,798, based on a 30-year amortization schedule, and matures on October 31, 2010. As of June 30, 2010 and 2009, the outstanding principal balance was \$2,553,082 and \$2,589,377, respectively. Interest expense for the years ended June 30, 2010 and 2009 was \$225,282 and \$228,314, respectively.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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13. Notes payable and lines of credit (continued)

Note payable – John Hancock Life Insurance Company

On January 25, 2008, the Corporation entered into a loan agreement with John Hancock Life Insurance Company (“John Hancock”) in the original principal amount of \$17,702,100. Under the terms of the agreement, the Corporation may request advances in conformity with its lending policy to be used to refinance advances made under Century’s construction loan to Family Commons. The note is non-interest bearing and matured on November 15, 2008. Notwithstanding the foregoing, so long as John Hancock is a limited partner of Family Commons, such payment may be made as a bookkeeping entry on the books of the applicable parties as a capital contribution from John Hancock to Family Commons, without the necessity of any actual funds being transmitted, which occurred on July 2, 2009. The loan is secured by a collateral assignment of all of the Corporation’s interest in its deed of trust, assignment of rents, security agreement, and fixture filing made by Family Commons and CVC for the benefit of the Corporation. As of June 30, 2010 and 2009, the outstanding principal was \$0 and \$17,702,100, respectively.

Note payable – First Federal Bank of California

On November 15, 2007, CVC obtained a development loan from the Federal Home Loan Bank of San Francisco’s Affordable Housing Program (“AHP”) in the amount of \$972,000 (the “AHP Loan”) and funded by First Federal Bank of California. Loan proceeds were loaned to CVC under conditions stipulated in certain loan and regulatory agreements. Repayment of the AHP Loan is secured by a third deed of trust on the real property of Family Commons. The AHP Loan bears no interest and matures in November 2023, which is fifteen years from the date of Family Commons’ project completion date. If CVC complies with the terms of the loan and regulatory agreements, the principal balance will be forgiven upon maturity. CVC, in turn, made a loan in the amount of \$972,000 to Family Commons for the development of its low-income housing tax credit project, subject to the same terms as the AHP Loan. As of June 30, 2010 and 2009, the outstanding principal is \$972,000 for both years.

Note payable – Long Beach Housing Development Company

On December 15, 2008, Family Commons obtained financing for the construction of its project from loan proceeds funded by the Long Beach Housing Development Company in an amount not to exceed \$11,775,000 (“LBHDC Loan”). Repayment of the LBHDC Loan is secured by a deed of trust and matures in November 2063. The LBHDC Loan is non-interest bearing and requires annual principal payments from residual receipts, as defined in the partnership agreement. As of June 30, 2010 and 2009, the outstanding principal was \$11,775,000 and \$10,597,500, respectively.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

13. Notes payable and lines of credit (continued)

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

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

Concurrent with the issuance of the Tax-Exempt Bonds, the Issuer entered into a Trust Indenture with The Bank of New York Mellon (the “Trustee”). Proceeds for the Tax-Exempt Bonds were loaned by the Issuer to the Partnership under conditions stipulated in the loan agreement and the Trust Indenture. A loan in the amount of \$5,000,000 was funded to the Partnership on April 1, 2009 (the “Tax-Exempt Loan”). Repayment of the loan is secured by the real property of Academy and bears a variable interest rate equal to the sum of the British Bankers Association LIBOR Daily floating rate plus 2.5%, which shall never be less than 3% or exceed 12%. Commencing May 1, 2010, the Tax-Exempt Loan shall bear interest at a fixed rate of 6.25%. The Tax-Exempt Loan requires monthly payments and all unpaid principal and accrued interest is due in full at maturity on November 1, 2040. During the year ended June 30, 2010 and 2009, interest expense incurred was \$145,705 and capitalized interest was \$20,543, respectively. As of June 30, 2010 and 2009, the outstanding principal was \$2,405,000 and \$3,264,013, respectively, and accrued interest was \$0 and \$20,543, respectively.

Note payable – Calvert Social Investment Foundation

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

Line of credit – The Century Community Lending Company, LLC

On December 8, 2005, The Century Community Lending Company, LLC (“CCLC”) entered into a Revolving Construction Loan Facility Agreement with contributing lenders to provide financing for CCLC. The administrative agent representing the contributing lenders is Bank of America, N.A. Under the terms of the agreement CCLC may request advances to fund loans made by CCLC in conformity with its lending policy. Each advance is evidenced by a promissory note that specifies the principal amount of the advance, the interest rate and maturity date, which shall not exceed two years from the date of the note. On December 1, 2008, the Company signed an amendment to the agreement, extending the maturity date to December 8, 2011 and lowering the original commitment amount of \$50,000,000 to \$30,000,000. The total amount drawn as of June 30, 2010 and 2009 is \$8,730,495 and \$15,684,966, respectively. The advances are secured by an assignment of deed of trust and security agreement. The advances drawn bear interest at LIBOR plus 2.25% per annum payable on the first day of each month. The interest rate at June 30, 2010 and 2009 was 2.60% and 2.57%, respectively. During the years ended June 30, 2010 and 2009, interest expense incurred was \$358,417 and \$752,805, respectively.

CCLC also incurred an administrative agent fee of \$25,000 per year and quarterly fees on the unused portion of the line of credit at a rate of 0.25%. During the years ended June 30, 2010 and 2009, line of credit fees of \$63,622 and \$147,477, respectively, have been incurred.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

13. Notes payable and lines of credit (continued)

Line of credit – Wells Fargo Bank

On December 20, 2006, Century entered into a loan and security agreement with Wells Fargo Bank (successor-by-merger to Wachovia Bank, National Association). Under the terms of the agreement, Century may request advances to fund loans made by Century in conformity with its lending policy. Each advance is evidenced by a promissory note that specifies the principal amount of the advance, the interest rate and maturity date, which shall not exceed two years from the date of the note. In April 2010, Century signed a second modification to the loan and security agreement, extending the maturity date to November 30, 2010 and increasing the original commitment amount of \$15,000,000 to \$20,000,000. The advances are secured by an assignment deed of trust and a security agreement. The advances drawn bear interest at LIBOR plus 1.10% per annum payable on the fifteenth day of the month commencing on January 1, 2007. During the years ended June 30, 2010 and 2009, interest expense incurred was \$219,593 and \$320,745, respectively. As of June 30, 2010 and 2009, the outstanding principal was \$13,539,433 and \$20,000,000, respectively, and accrued interest was \$7,708 and \$14,040, respectively.

Line of credit – Fannie Mae

On December 21, 2007, Century entered into a Revolving Credit Facility Agreement with Fannie Mae under which Fannie Mae shall provide a line of credit to Century in an amount up to a maximum of \$25,000,000. The agreement has a term of five years and expires on December 21, 2012. The line of credit bears interest at an adjustable rate at 3-month LIBOR plus 75 basis points, which is adjusted on the first day of each calendar quarter. The line of credit is secured by the real property of Century. Accrued interest is paid in arrears in monthly installments of the first day of each calendar month. The entire principal balance of the note, together with all accrued and unpaid interest and all other amounts payable are due on December 21, 2012. During the years ended June 30, 2010 and 2009, interest expense was \$171,463 and \$564,954, respectively. As of June 30, 2010 and 2009, the outstanding principal was \$15,021,500 and \$25,000,000, respectively, and accrued interest was \$12,333 and \$40,781, 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 June 30, 2010 and 2009, Century has investments under the custody of City National Bank in the amount of \$18,408,137 and \$11,668,776, respectively. On December 11, 2008, Century signed a First Amendment to Credit Agreement, extending the maturity date to December 1, 2010. The line of credit has two interest rate options: LIBOR plus 1.5% per annum, or the greater of Prime Rate minus .75% or a minimum of 3.5% per annum. During the years ended June 30, 2010 and 2009, Century drew \$1,100,000 and \$0, respectively, from the line of credit and repaid the balance back to the lender. During the years ended June 30, 2010 and 2009, interest expense was \$214 and \$0, respectively. As of June 30, 2010 and 2009, the outstanding principal and accrued interest balance was \$0.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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13. Notes payable and lines of credit (continued)

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

Year ending June 30:	
2011	\$ 16,092,515
2012	8,730,495
2013	15,021,500
2014	2,000,000
2015	-
Thereafter	15,152,000
Total	<u>\$ 56,996,510</u>

14. Century Villages at Cabrillo, Inc.

CVC is the supportive housing affiliate of Century. CVC was formed on July 31, 1996 for the purpose of rehabilitating and developing a planned, residential community that provides affordable housing and a comprehensive array of supportive services for homeless individuals, families, and veterans at the former Cabrillo Housing of the U.S. Naval Station, located in the City of Long Beach, California. The 26 acre property was ultimately conveyed to CVC in 1997 under the McKinney Act for the purpose of benefiting the homeless. As of June 30, 2010 and 2009, Century has outstanding notes receivable of \$8,359,044 and \$8,754,628, respectively, and accrued interest of \$985,596 and \$1,106,697, respectively, related to this facility. The notes receivable and accrued interest eliminate in consolidation against the payables recorded on CVC's books.

To effectuate the development of housing on its campus, CVC has entered into long-term ground leases with Savannah, Casa, and Family Commons. These three partnerships have been allocated low-income housing tax credits under the program described in Section 42 of the Internal Revenue Code. Affiliates of John Hancock Realty Advisors, Inc. have invested \$7,136,000 of equity into Savannah, \$11,900,000 of equity into Casa, and \$19,554,459 of equity into Family Commons, as investor limited partners in exchange for the benefits of the low-income housing tax credits that have been allocated to the projects.

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. Century/Learning Initiatives for Today, Inc.

Century/LIFT began operations as a program within Century. The Century/LIFT program is for youths residing primarily in Century financed housing, and provides educational/tutorial assistance to improve learning skills and to maximize academic achievement. During 1997, this program was organized as a separate nonprofit affiliate with a majority of the members of its board of directors not affiliated with Century. Effective June 1, 2010, the board of directors of Century/LIFT resigned and appointed two officers of the Corporation as directors. The new directors ceased operations of Century/LIFT on June 30, 2010 and will dissolve Century/LIFT in 2010. During the years ended June 30, 2010 and 2009, Century donated services of approximately \$599,738 and \$866,954, respectively, to Century/LIFT.

CENTURY HOUSING CORPORATION AND AFFILIATES
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16. Child care centers

Century owns the Century Community Children's Center, which is leased and operated by a nonprofit service provider. Pursuant to a court order, this facility was developed on a parcel of land that is restricted for use as a child care and community center. During the years ended June 30, 2010 and 2009, Century funded \$0 and \$145,050, respectively, of child care commitments from temporarily restricted net assets. As of June 30, 2010 and 2009, Century's remaining temporarily restricted net assets committed for the development and operation of the child care center was \$12,394 for both years.

17. Commitments and contingencies

Development agreement

On January 1, 2007, CVC entered into a development agreement with Family Commons to provide service related to the development of the project and for overseeing construction completion. Under the agreement, CVC shall receive the sum of \$1,400,000. CVC has assigned its developer fee to Century, where Century will receive \$900,000 and Cantwell-Anderson, Inc. will receive \$500,000 to perform a portion of its duties and responsibilities under the development agreement. As of June 30, 2010 and 2009, \$1,400,000 of the fee was incurred by Family Commons and was capitalized. During the years ended June 30, 2010 and 2009, Century recognized developer fee income from Family Commons in the amount of \$0 and \$340,121, respectively, which is shown in other real estate income on the accompanying consolidated statements of activities.

Development agreement (continued)

On April 1, 2009, CADI entered into a development agreement with Academy to provide service related to the development of the project and for overseeing construction completion. Under the agreement, CADI shall receive the sum of \$515,011, which is earned in accordance with certain benchmarks provided in the development agreement. During the year ended June 30, 2010 and 2009, CADI recognized \$515,011 and \$0, respectively, of developer fee income from Academy.

Guaranty of tax credit

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

Partnership:	Casa de Cabrillo, L.P.
Investor limited partner:	John Hancock Corporate Tax Credit Fund VIII, LP
Guarantee balance:	\$3,600,000

Partnership:	The Family Commons at Cabrillo, L.P.
Investor limited partner:	John Hancock Family Commons, LP
Guarantee balance:	\$18,000,000

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

17. Commitments and contingencies (continued)

Guaranty of tax credit (continued)

Partnership:	Academy Hall, L.P.
Investor limited partner:	U.S.A. Institutional Tax Credit Fund LXVII, LP
Guarantee balance:	\$2,110,381

Guaranty of third-party indebtedness

Century has entered into a guaranty with Wells Fargo Bank, N.A. to guarantee the debt of principal and interest on bonds of certain third party limited partnerships. The assets owned by the limited partnerships are the collateral for the underlying loans being guaranteed. If at any time the limited partnerships or their partners are unable to fund their agreed upon principal and interest payment, Century is obligated to make funds available to the respective trustee immediately. Century's maximum exposure under the guarantee would be equal to the difference between the fair market value of collateral held and the outstanding loan amount. The loans guaranteed by Century have maturity dates ranging from 2015 to 2036. While it is reasonably possible that a loss could occur, such losses are not anticipated. As of June 30, 2010 and 2009, Century has recognized a liability under these guarantees in the amount of \$47,000 and \$545,000, respectively, which is included in accounts payable and accrued liabilities on the accompanying consolidated statements of financial position. The following is a summary of outstanding guarantees that Century has entered into as of June 30, 2010 and 2009:

<u>Bond Series Number</u>	<u>Amount</u>	<u>Borrower</u>
California Statewide Communities Development Authority Multifamily Housing Revenue Bonds (Pioneer Gardens Apartment Project) Subordinate 2000 Series BB-S	\$ 635,000	KDF Pioneer, L.P.
California Statewide Communities Development Authority Multifamily Housing Revenue Bonds (Claremont Village Apartment Project) Subordinate 2000 Series AA-S	\$ 635,000	KDF Claremont, L.P.
California Statewide Communities Development Authority Multifamily Housing Revenue Bonds (River Run Senior Apartment Project) Series 2003	\$ 1,000,000	Steadfast River Run, L.P.
California Communities Development Authority Multifamily Housing Revenue Bonds (Warrick Terrace Apartments) 2007 Series H-S	\$ 1,335,000	Concerned Citizens- Warwick LLC

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

17. Commitments and contingencies (continued)

Guaranty of third-party indebtedness (continued)

California Communities Development

Authority Multifamily Housing

Revenue Bonds (Warrick Terrace

Apartments) 2007 Series H-T

\$ 1,465,000

Concerned Citizens-

Warwick LLC

During 2010, Concerned Citizens – Warwick LLC (“Warwick”) defaulted on its outstanding Subordinate Multifamily Housing Revenue bonds used to finance the Warwick Terrace Apartment project. Century, as the guarantor of the bonds, was obligated to perform due to Warwick defaulting. In November 2009, the bonds were purchased by Century in lieu of redemption, for \$2,800,000, representing 100% of the principal amount of the bonds owed by Warwick to the bond holders through Wells Fargo Bank N.A. as trustee. After this transaction, Century became the bond holder with Warwick now obligated to pay Century through Wells Fargo as trustee. Since Century became the bond holder, no payments of principal or interest have been made by Warwick. The outstanding balance of the bonds held by Century as of June 30, 2010, was \$2,800,000, which is included in “Investments” on the consolidated statements of financial position.

On June 6, 2008, Century issued a letter of credit to Advanced Development and Investment, Inc. (“ADI”) in the amount of \$2,991,930. The letter of credit was issued to guarantee the timely completion by ADI and Springbrook Grove, a California Limited Partnership (“Springbrook”), of the project known as Springbrook Grove Family Apartments. The beneficiary of the guaranty is the Department of Housing and Community Development of the County of San Diego, California (the “Beneficiary”). The assets owned by Springbrook are collateral for the underlying guarantee. If at any time ADI or Springbrook is unable to complete the project in a timely manner, Century’s letter of credit will be drawn to pay back the Beneficiary. As of June 30, 2010 and 2009, Century has received \$500,000 from ADI as security for the letter of credit and is included in “Security deposits” on the accompanying consolidated statements of financial position. In July 2010, the project was completed and the security for the letter of credit was released to ADI.

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.

Loan commitments

As of June 30, 2010 and 2009, Century has outstanding commitments to provide \$0 and \$3,552,000, respectively, in loans under the affordable housing program.

CENTURY HOUSING CORPORATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

17. Commitments and contingencies (continued)

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 guaranty all payments due under the terms of the original ground lease in the event of a default of the buyer of the terms of the ground lease. The base rent is \$5,857 per month and is scheduled to increase every five years by the increase in the Consumer Price Index through the lease expiration date December 31, 2019. There were no costs incurred under this guaranty during the years ended June 30, 2010 and 2009.

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

Year ending June 30:	
2011	\$ 70,284
2012	70,284
2013	70,284
2014	70,284
2015	70,284
Thereafter	<u>210,852</u>
Total	<u>\$ 562,272</u>

18. Government grants

During the year ended June 30, 2010, CVC obtained financing in the form of four grants from the City of Long Beach totaling \$196,451 for the construction of leasehold improvements. The terms of the grants are over periods between 24 and 84 months, during which CVC is required to lease its real property to qualifying non-profit corporations. For the year ended June 30, 2010, \$23,117 has been recognized as income. As of June 30, 2010, the total deferred income was \$173,335.

19. Reorganization and reduction in force

During the year ended June 30, 2010, the Corporation restructured its work force and as a result, many positions were eliminated and/or combined with existing positions. The Corporation entered into agreements with the individuals whose positions were eliminated and/or combined wherein the Corporation would provide these employees with a severance package which includes pay and benefits for a specified number of months. During the year ended June 30, 2010, Century incurred severance cost in the amount \$296,067 which is included in "Accounts payable and accrued liabilities" on the accompanying consolidated statements of financial position.

20. Subsequent event

On July 12, 2010, an agreement was reached with an unrelated third party to provide similar training and job placement services previously provided by the Corporation. As a result of this agreement, the Corporation ceased the operations of its CCTP program. Subsequent events have been evaluated through September 24, 2010, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTAL INFORMATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010

	Century and wholly controlled affiliates before EITF 04-5 Entities	EITF 04-5 Entities	Eliminations	Consolidated Total
ASSETS				
Cash and cash equivalents	\$ 9,534,065	\$ 197,530	\$ -	\$ 9,731,595
Restricted cash	701,621	1,793,905	-	2,495,526
Accounts receivable, net	2,531,792	11,951	(646,825)	1,896,918
Investments	35,219,559	-	(3,960,358)	31,259,201
Interest receivable	1,767,730	-	(1,150,491)	617,239
Notes receivable, net	94,189,160	-	(8,192,560)	85,996,600
Intangible assets, net	122,916	381,843	-	504,759
Prepaid expenses and other assets	946,089	210,454	-	1,156,543
Real estate held for sale	7,103,141	-	-	7,103,141
Real estate held for investment, net	20,154,492	55,822,273	(858,641)	75,118,124
Furniture, fixtures and equipment, net	475,378	421,726	-	897,104
Total assets	<u>\$ 172,745,943</u>	<u>\$ 58,839,682</u>	<u>\$ (14,808,875)</u>	<u>\$ 216,776,750</u>
LIABILITIES AND NET ASSETS				
Accounts payable and accrued liabilities	\$ 1,124,299	\$ 817,417	\$ (646,825)	\$ 1,294,891
Accrued interest	42,541	1,150,491	(1,150,491)	42,541
Security deposits	876,423	349,408	-	1,225,831
Deferred income	173,335	-	-	173,335
Notes payable and lines of credit	42,816,510	22,372,560	(8,192,560)	56,996,510
Total liabilities	<u>45,033,108</u>	<u>24,689,876</u>	<u>(9,989,876)</u>	<u>59,733,108</u>
Non-controlling interest	-	-	29,330,829	29,330,829
Net assets:				
Unrestricted	127,700,441	34,149,806	(34,149,828)	127,700,419
Temporarily restricted	12,394	-	-	12,394
Total net assets	<u>127,712,835</u>	<u>34,149,806</u>	<u>(34,149,828)</u>	<u>127,712,813</u>
Total liabilities and net assets	<u>\$ 172,745,943</u>	<u>\$ 58,839,682</u>	<u>\$ (14,808,875)</u>	<u>\$ 216,776,750</u>

CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTAL INFORMATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009

	Century and wholly controlled affiliates before EITF 04-5 Entities	EITF 04-5 Entities	Eliminations	Consolidated Total
ASSETS				
Cash and cash equivalents	\$ 10,132,269	\$ 169,609	\$ -	\$ 10,301,878
Restricted cash	782,633	1,379,166	-	2,161,799
Accounts receivable, net	1,747,955	219,411	(1,025,289)	942,077
Investments	30,255,947	-	(3,960,760)	26,295,187
Interest receivable	2,407,621	-	(1,419,732)	987,889
Notes receivable, net	139,914,142	-	(24,035,750)	115,878,392
Intangible assets, net	177,916	286,197	-	464,113
Prepaid expenses and other assets	1,440,050	258,605	-	1,698,655
Real estate held for sale	4,650,941	-	-	4,650,941
Real estate held for investment, net	19,973,841	55,485,536	(858,641)	74,600,736
Furniture, fixtures and equipment, net	497,902	447,424	-	945,326
Total assets	<u>\$ 211,981,217</u>	<u>\$ 58,245,948</u>	<u>\$ (31,300,172)</u>	<u>\$ 238,926,993</u>
LIABILITIES AND NET ASSETS				
Accounts payable and accrued liabilities	\$ 1,998,149	\$ 2,967,480	\$ (1,025,289)	\$ 3,940,340
Accrued interest	86,140	1,440,275	(1,419,732)	106,683
Security deposits	665,601	441,303	-	1,106,904
Notes payable and lines of credit	81,948,443	37,897,263	(24,035,750)	95,809,956
Total liabilities	<u>84,698,333</u>	<u>42,746,321</u>	<u>(26,480,771)</u>	<u>100,963,883</u>
Non-controlling interest	-	-	10,680,414	10,680,414
Net assets:				
Unrestricted	127,270,490	15,499,627	(15,499,815)	127,270,302
Temporarily restricted	12,394	-	-	12,394
Total net assets	<u>127,282,884</u>	<u>15,499,627</u>	<u>(15,499,815)</u>	<u>127,282,696</u>
Total liabilities and net assets	<u>\$ 211,981,217</u>	<u>\$ 58,245,948</u>	<u>\$ (31,300,172)</u>	<u>\$ 238,926,993</u>

CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTAL INFORMATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	Century and wholly controlled affiliates before EITF 04-5 Entities	EITF 04-5 Entities	Eliminations	Consolidated Total
LENDING AND CORPORATE REVENUE:				
Investment interest and dividends	\$ 1,275,322	\$ 14,066	\$ -	\$ 1,289,388
Income from notes receivable	7,398,072	-	(523,772)	6,874,300
Residual receipts, contingent assets and fee income	637,662	-	-	637,662
Other income	41,572	-	-	41,572
Total lending and corporate revenue	<u>9,352,628</u>	<u>14,066</u>	<u>(523,772)</u>	<u>8,842,922</u>
PROGRAM REVENUE AND SUPPORT:				
CVC and other real estate operations				
Rental property income	2,355,870	3,759,339	(657,421)	5,457,788
Real estate sold	3,901,400	-	-	3,901,400
Other real estate income	515,011	-	-	515,011
Loss on equity investments	(402)	-	402	-
CCTI income	262,420	-	-	262,420
Century/LIFT income	261,108	-	-	261,108
Contributions and fundraising income	1,035,005	-	-	1,035,005
Total program revenue and support	<u>8,330,412</u>	<u>3,759,339</u>	<u>(657,019)</u>	<u>11,432,732</u>
Total revenue	17,683,040	3,773,405	(1,180,791)	20,275,654
LENDING EXPENSES:				
Allocation for loan losses	951,671	-	-	951,671
Borrowing fees	130,709	-	-	130,709
Interest expense	997,469	669,477	(523,772)	1,143,174
Total financing expenses	<u>2,079,849</u>	<u>669,477</u>	<u>(523,772)</u>	<u>2,225,554</u>
PROGRAM EXPENSES:				
CVC and other real estate operations:				
Rental property expenses	3,056,186	4,989,462	(2,542,719)	5,502,929
Cost of real estate sold	4,658,001	-	-	4,658,001
Other real estate expenses	400,381	-	-	400,381
CCTI support	1,762,481	-	-	1,762,481
Charter school support	567,348	-	-	567,348
Century/LIFT support	842,294	-	-	842,294
Total program expenses	<u>11,286,691</u>	<u>4,989,462</u>	<u>(2,542,719)</u>	<u>13,733,434</u>
MANAGEMENT AND GENERAL EXPENSES:				
Salaries and employee benefits	2,970,964	-	-	2,970,964
Professional fees	278,069	-	-	278,069
Business development expenses	194,695	-	-	194,695
General and administrative expenses	484,719	-	-	484,719
Depreciation and amortization expense	163,070	-	-	163,070
Total management and general expenses	<u>4,091,517</u>	<u>-</u>	<u>-</u>	<u>4,091,517</u>
Total expenses	17,458,057	5,658,939	(3,066,491)	20,050,505
Decrease in unrestricted net assets before other income and expenses	224,983	(1,885,534)	1,885,700	225,149
OTHER INCOME AND (EXPENSES):				
Realized and unrealized gains (losses) on financial investments	3,265,745	-	-	3,265,745
Reorganization expenses	(296,067)	-	-	(296,067)
Addition of net assets of Century/LIFT	169,495	-	-	169,495
Loss from disposal of real estate held for investment	(31,839)	-	-	(31,839)
Loss from impairment of real estate held for sale	(2,902,366)	-	-	(2,902,366)
Total other income and (expenses)	<u>204,968</u>	<u>-</u>	<u>-</u>	<u>204,968</u>
Increase in unrestricted net assets	429,951	(1,885,534)	1,885,700	430,117
Temporarily restricted net assets				
Net assets released from restrictions	-	-	-	-
Changes in net assets	429,951	(1,885,534)	1,885,700	430,117
Net assets at beginning of year	<u>127,282,696</u>	<u>-</u>	<u>-</u>	<u>127,282,696</u>
Net assets at end of year	<u>\$ 127,712,647</u>	<u>\$ (1,885,534)</u>	<u>\$ 1,885,700</u>	<u>\$ 127,712,813</u>

CENTURY HOUSING CORPORATION AND AFFILIATES
SUPPLEMENTAL INFORMATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	Century and wholly controlled affiliates before EITF 04-5 Entities	EITF 04-5 Entities	Eliminations	Consolidated Total
LENDING AND CORPORATE REVENUE:				
Investment interest and dividends	\$ 1,568,000	\$ 13,009	\$ -	\$ 1,581,009
Income from notes receivable	11,364,314	-	(1,357,396)	10,006,918
Residual receipts, contingent assets and fee income	3,786,324	-	-	3,786,324
Other income	24,600	-	-	24,600
Total lending and corporate revenue	<u>16,743,238</u>	<u>13,009</u>	<u>(1,357,396)</u>	<u>15,398,851</u>
PROGRAM REVENUE AND SUPPORT:				
CVC and other real estate operations				
Rental property income	2,298,060	2,942,703	(500,146)	4,740,617
Real estate sold	2,993,400	-	-	2,993,400
Other real estate income	340,121	-	-	340,121
CCTI income	300,713	-	-	300,713
Contributions and fundraising income	258,357	-	-	258,357
Total program revenue and support	<u>6,190,651</u>	<u>2,942,703</u>	<u>(500,146)</u>	<u>8,633,208</u>
Total revenue	<u>22,933,889</u>	<u>2,955,712</u>	<u>(1,857,542)</u>	<u>24,032,059</u>
LENDING EXPENSES:				
Allocation for loan losses	4,018,363	-	-	4,018,363
Borrowing fees	169,779	-	-	169,779
Interest expense	1,869,319	1,357,396	(1,357,396)	1,869,319
Total financing expenses	<u>6,057,461</u>	<u>1,357,396</u>	<u>(1,357,396)</u>	<u>6,057,461</u>
PROGRAM EXPENSES:				
CVC and other real estate operations:				
Rental property expenses	2,498,527	3,897,088	(2,805,612)	3,590,003
Cost of real estate sold	2,953,152	-	-	2,953,152
Other real estate expenses	456,908	-	-	456,908
CCTI support	2,014,285	-	-	2,014,285
Charter school support	596,170	-	-	596,170
Century/LIFT support	866,954	-	-	866,954
Other program support	106,075	-	-	106,075
Total program expenses	<u>9,492,071</u>	<u>3,897,088</u>	<u>(2,805,612)</u>	<u>10,583,547</u>
MANAGEMENT AND GENERAL EXPENSES:				
Salaries and employee benefits	3,043,009	-	-	3,043,009
Professional fees	173,490	-	-	173,490
Business development expenses	261,061	-	-	261,061
General and administrative expenses	471,970	-	-	471,970
Depreciation and amortization expense	401,476	-	-	401,476
Total management and general expenses	<u>4,351,006</u>	<u>-</u>	<u>-</u>	<u>4,351,006</u>
Total expenses	<u>19,900,538</u>	<u>5,254,484</u>	<u>(4,163,008)</u>	<u>20,992,014</u>
Increase in unrestricted net assets before realized and unrealized losses on financial investments	3,033,351	(2,298,772)	2,305,466	3,040,045
Realized and unrealized losses on financial investments	<u>(5,580,849)</u>	<u>-</u>	<u>-</u>	<u>(5,580,849)</u>
Decrease in unrestricted net assets	<u>(2,547,498)</u>	<u>(2,298,772)</u>	<u>2,305,466</u>	<u>(2,540,804)</u>
Temporarily restricted net assets				
Net assets released from restrictions	<u>(145,050)</u>	<u>-</u>	<u>-</u>	<u>(145,050)</u>
Changes in net assets	<u>(2,692,548)</u>	<u>(2,298,772)</u>	<u>2,305,466</u>	<u>(2,685,854)</u>
Net assets at beginning of year	<u>129,968,550</u>	<u>-</u>	<u>-</u>	<u>129,968,550</u>
Net assets at end of year	<u>\$ 127,276,002</u>	<u>\$ (2,298,772)</u>	<u>\$ 2,305,466</u>	<u>\$ 127,282,696</u>