

CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

**CENTURY HOUSING CORPORATION  
AND AFFILIATES**

JUNE 30, 2007 AND 2006

Century Housing Corporation and Affiliates

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Century Housing Corporation and Affiliates

We have audited the accompanying consolidated statements of financial position of Century Housing Corporation (the Corporation) and Affiliates as of June 30, 2007 and 2006, and the related consolidated statements of activities, changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Century Housing Corporation and Affiliates as of June 30, 2007 and 2006, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements of Century Housing Corporation and Affiliates taken as a whole. The accompanying supplemental information on pages 33 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 the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.



Sacramento, California  
October 25, 2007

Century Housing Corporation and Affiliates

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2007 and 2006

ASSETS

	<u>2007</u>	<u>2006</u>
Cash and cash equivalents includes restricted cash of \$1,919,699 and \$919,612, respectively	\$ 10,053,563	\$ 11,357,591
Accounts receivable	550,964	598,344
Investments	27,013,435	31,174,118
Interest receivable	1,495,148	1,599,142
Notes receivable, net	92,117,507	72,272,745
Real estate held for investment, net	3,757,446	3,583,716
Real estate held for sale	470,217	256,464
Buildings, land, leasehold improvements and office equipment, net	46,071,440	20,085,450
Prepaid expenses and other assets	<u>2,015,582</u>	<u>928,578</u>
Total assets	<u>\$ 183,545,302</u>	<u>\$ 141,856,148</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 3,057,628	\$ 580,860
Accrued expenses	1,450,623	400,455
Accrued interest	236,755	116,151
Tenant security deposits	304,701	50,832
Note payable and lines of credit	36,952,020	12,121,335
Non-controlling interest	<u>13,015,703</u>	<u>-</u>
Total liabilities	<u>55,017,430</u>	<u>13,269,633</u>
Net assets		
Unrestricted	128,366,140	128,411,515
Temporarily restricted	<u>161,732</u>	<u>175,000</u>
Total net assets	<u>128,527,872</u>	<u>128,586,515</u>
Total liabilities and net assets	<u>\$ 183,545,302</u>	<u>\$ 141,856,148</u>

See notes to consolidated financial statements

Century Housing Corporation and Affiliates

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>REVENUE AND SUPPORT - UNRESTRICTED</b>		
Real estate operations		
Rental income, net of vacancies	\$ 4,065,253	\$ 2,455,008
Real estate sold	458,600	5,918,725
Affordable housing loan repayments	1,063,128	1,730,895
Interest income on notes receivable	6,581,241	3,233,876
Other income	1,516,315	1,230,120
Government grants	400,330	1,144,874
Contributions	918,249	-
Investment income		
Realized and unrealized appreciation of investments	2,330,565	1,974,426
Interest and dividend income from investments	2,089,018	2,680,621
Income (loss) from equity investment	388,635	(3,389)
	<u>19,811,334</u>	<u>20,365,156</u>
<b>EXPENSES - UNRESTRICTED</b>		
Real estate operations		
Rental property expenses	3,868,480	2,204,963
Cost of real estate sold	256,464	4,582,649
Other real estate expenses	885,241	1,221,149
Other program support	3,860,399	2,309,888
Affordable housing program	2,087,759	2,230,488
Century/LIFT	378,959	559,267
Supporting services		
Management and general expenses	5,998,646	6,767,425
Loan loss reserve	507,050	220,551
Interest Expense	1,403,789	555,483
Reduction in force expenses	609,922	-
	<u>19,856,709</u>	<u>20,651,863</u>
Change in unrestricted net assets	<u>(45,375)</u>	<u>(286,707)</u>
Temporarily restricted net assets		
Net assets released from restrictions	<u>(13,268)</u>	<u>-</u>
Net decrease in temporarily restricted net assets	<u>(13,268)</u>	<u>-</u>
Change in net assets	<u>\$ (58,643)</u>	<u>\$ (286,707)</u>

See notes to consolidated financial statements

Century Housing Corporation and Affiliates

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended June 30, 2007 and 2006

	Unrestricted net assets	Temporarily restricted net assets	Total
Net assets, June 30, 2005	\$ 128,698,222	\$ 175,000	\$ 128,873,222
Change in net assets	<u>(286,707)</u>	<u>-</u>	<u>(286,707)</u>
Net assets, June 30, 2006	128,411,515	175,000	128,586,515
Change in net assets	<u>(45,375)</u>	<u>(13,268)</u>	<u>(58,643)</u>
Net assets, June 30, 2007	<u>\$ 128,366,140</u>	<u>\$ 161,732</u>	<u>\$ 128,527,872</u>

See notes to consolidated financial statements

Century Housing Corporation and Affiliates

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Change in net assets	\$ (58,643)	\$ (286,707)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	1,323,229	653,938
Cumulative effect of an accounting change - beginning cash		
EITF 04-5 entities	31,652	-
Loan loss reserve expense	507,050	220,551
Equity in (gains) losses from investments	(388,635)	3,389
Non cash contribution	(775,999)	-
Gain from sale of real estate held for investment	-	(1,124,047)
(Increase) decrease in real estate held for sale	(213,753)	107,064
Realized and unrealized appreciation of investments	(2,330,565)	(1,974,426)
Non-controlling interest	(574,762)	-
Decrease in accounts receivable	140,363	2,223,252
Increase in interest receivable	(383,215)	(825,217)
(Increase) decrease in prepaid expenses and other assets	(833,444)	123,447
Increase (decrease) in accounts payable	1,124,739	(1,402,506)
Increase in accrued expenses	1,050,168	175,030
Increase in accrued interest	120,604	116,151
(Decrease) increase in tenant security deposits	(60,096)	28,845
	<u>(1,321,307)</u>	<u>(1,961,236)</u>
Net cash used in operating activities		
Cash flows from investing activities		
(Increase) decrease in restricted cash	(113,618)	1,854,705
Investment securities purchased	(22,752,169)	(42,191,650)
Investment securities sold	28,686,387	80,068,329
Proceeds from sale of real estate	-	4,875,000
Receipts from notes receivable	25,180,712	45,727,646
Advances in notes receivable	(51,375,524)	(86,412,994)
Additions to real estate held for investment	(187,761)	(299,664)
Purchases of buildings, land, leasehold improvements and office equipment	<u>(5,232,215)</u>	<u>(3,969,724)</u>
	<u>(25,794,188)</u>	<u>(348,352)</u>
Net cash used in investing activities		

(continued)

Century Housing Corporation and Affiliates

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

Years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from financing activities		
Payment on note payable and lines of credit	(1,392,154)	(3,255,775)
Proceeds from note payable and lines of credit	26,222,839	12,670,944
Payments to non-controlling interest	(19,305)	-
Net cash provided by financing activities	<u>24,811,380</u>	<u>9,415,169</u>
 NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	 (2,304,115)	 7,105,581
Cash and cash equivalents, beginning	<u>10,437,979</u>	<u>3,332,398</u>
Cash and cash equivalents, ending	<u>\$ 8,133,864</u>	<u>\$ 10,437,979</u>
 Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 1,283,185</u>	<u>\$ 439,332</u>

Supplemental disclosure of noncash activities

As of June 30, 2007, investment in real estate includes an increase in accounts payable in the amount of \$1,291,004.

During the year ended June 30, 2007, the Company received fixed assets and land as in-kind contributions in the amount of \$5,000 and \$770,999, respectively.

During the year ended June 30, 2007, the Company had the following noncash transactions as a result of the consolidation of the EITF 04-5 entities:

Increase in restricted cash	\$ (886,469)	\$ -
Increase in accounts receivable	(92,983)	-
Decrease in investments	945,665	-
Decrease in interest receivable	487,209	-
Decrease in notes receivable	5,843,000	-
Increase in buildings, land, leasehold improvements and office equipment	(19,977,464)	-
Increase in prepaid expenses and other assets	(272,066)	-
Increase in accounts payable	61,025	-
Increase in non-controlling interest	13,609,770	-

See notes to consolidated financial statements



Century Housing Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007 and 2006

NOTE 1 - ORGANIZATION

Century Housing Corporation (Century) is a California nonprofit public benefit corporation exempt from state and federal income taxation. Century Housing Corporation 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 Housing Corporation and its predecessor have developed and/or financed more than 13,000 affordable housing units in the metropolitan Los Angeles area.

Century provides certain business activities and service programs to communities within the Los Angeles metropolitan area. The following are the significant activities:

- Affordable Housing Financing - Century operates primarily as a financial intermediary to developers, builders and other nonprofit entities using favorable loan terms to provide and maintain affordable housing units.
- Affordable Housing Sales and Rental Housing - Century sells single-family residences and condominiums to low to moderate-income households. Century also owns and manages housing units for the benefit of low- to moderate-income households, as established by Century. Residential rental rates are affordable to these households.
- Affordability Monitoring - Century provides assistance to residents of Century-owned housing units, 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 onsite child care centers at Century financed housing complexes; and five stand alone centers. Two of the stand alone centers were developed by Century and one is owed and leased to a nonprofit operator.
- More Than Shelter Services, Inc. is a 501(c)(3) supporting organization that provides fund raising for the More Than Shelter family of services, which include Century/Learning Initiatives for Today (after school tutoring), Century Community Training Program (job training and placement), Century Community

Century Housing Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2007 and 2006

Charter Schools (middle school charter schools), and Century Villages at Cabrillo (services for formerly homeless veterans).

- Century/LIFT® - Century provides assistance to Century/LIFT®, a program for youths residing primarily in Century financed housing. The program provides educational and tutorial assistance to improve learning skills and maximize academic achievement. Century/LIFT is a member of the More Than Shelter family of services (note 13).
- Century Community Charter School (CCCS, Inc.) - Century supports CCCS, Inc. financially in the form of loans. CCCS, Inc. provides middle school education, serving South Los Angeles sixth, seventh and eighth graders. The school serves nearly 550 children. Following the same incremental growth plan as the first school, a second school was opened in the fall of 2006 with approximately 200 sixth and seventh grade students. CCCS, Inc. is a member of the More Than Shelter family of services.
- Century Community Training Program (CCTP) - Century supports this construction pre-apprenticeship training and employment placement services program to prepare community residents for high wage employment in the construction industry. CCTP is a member of the More Than Shelter family of services.
- “More Than Shelter For Seniors” (MTSFS) - Century supports this program financially. It assists seniors living in affordable housing communities, extending active lifestyles for senior renters using programs and activities based on Century’s “More Than Shelter For Seniors”® concept. MTSFS is a member of the More Than Shelter family of services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The consolidated financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, “Financial Statements of Not-for-Profit Organizations.” Under SFAS No. 117, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net

Century Housing Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2007 and 2006

assets and permanently restricted net assets. 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.

The Corporation also conforms to SFAS No. 116, "Accounting for Contributions Received and Contributions Made." In conformity with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Principles of Consolidation

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

- Century Community Training, Inc.;
- Century Community Development, Inc.;
- Century El Sereno, Inc.;
- Century Villages at Cabrillo, Inc. and affiliates;
- Century Affordable Development, Inc. and affiliates;
- Century Community Children's Centers, Inc.;
- Century Pointe, Inc.;
- More Than Shelter Services, Inc.; and
- The Century Community Lending Company, LLC.

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

## Century Housing Corporation and Affiliates

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2007 and 2006

The following entities that are affiliated to Century are not included in the consolidated financial statements:

- Century Learning Initiatives for Today, Inc (C-LIFT)
- Century Community Charter Schools, Inc.

#### Principles of Affiliate Consolidation

Century Villages at Cabrillo (CVC) is the sole general partner in three limited partnerships: Long Beach Savannah Housing, L.P. (Savannah), Casa de Cabrillo, L.P. (Casa), and Family Commons, L.P. (Family Commons). CVC owns .1% of Savannah, .01% of Casa, and .1% of Family Commons. In June 2005, the Financial Accounting Standard Board (FASB) issued Emerging Issues Task Force No. 04-5, *“Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights”* (EITF 04-5). EITF 04-5 establishes 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 partner’s business. If the presumption of control cannot be overcome, then the general partner is required to consolidate the limited partnership. The effective date for EITF 04-5 is June 29, 2005 for all new or modified partnerships and January 1, 2006 for all other existing partnerships. For the year ended June 30, 2007, CVC adopted EITF 04-5 and 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 these limited partnerships. As a result of EITF 04-5, CVC consolidated Savannah, Casa and Family Commons in its financial statements effective July 1, 2006 under EITF 04-5. The accompanying consolidated financial statements of Century for the year ended June 30, 2007 include the consolidated accounts of CVC. Prior to CVC adopting EITF 04-5, their investment in these limited partnerships was accounted for using the equity method of accounting.

Century Affordable Development, Inc. (CADI) owns 50% of Century Family Housing, LLC and 70% of 2541 West Manchester Boulevard, LLC and accounts for these investments using the equity method of accounting.

Century Housing Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2007 and 2006

Method of Accounting

The accompanying consolidated financial statements are prepared on the accrual basis of accounting. Revenue is recognized when it is earned and expenses are recognized as incurred.

Use of Estimates

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

Cash Equivalents

The Corporation considers all highly-liquid investments purchased with an original maturity of 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 reserve and replacement reserve that certain entities have been required to establish.

Investments

In accordance with SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations", 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.

## Century Housing Corporation and Affiliates

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2007 and 2006

#### Investment in Limited Partnerships and Limited Liability Companies

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

#### Real Estate Held for Investment

Real estate held for investment is stated at cost. 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 units. Depreciation is provided for in amounts sufficient to relate the cost of the depreciable asset to operations over the estimated service life using the straight-line method. The costs of maintenance and repairs are charged to expense as incurred, and significant renewals and betterments are capitalized.

#### Real Estate Held for Sale

Real estate held for sale generally consists of single-family residences and condominiums that have been repurchased under the Right to Purchase Agreements (note 6). Real estate held for sale is recorded at the lesser of cost or fair market value less selling costs. These assets are generally held less than 12 months. There is no depreciation recorded on the real estate held for sale.

#### Buildings, Leasehold Improvements and Office Equipment

Buildings, leasehold improvements and office equipment are recorded at cost. Expenditures for maintenance and repairs are expensed as incurred, while major renewals and betterments are capitalized. Costs of properties constructed or rehabilitated include all direct costs of construction as well as carrying costs (such as interest) during the construction period and indirect costs of construction, supervision and management. It is Century's policy to consider any items purchased with an estimated useful life of more than one year and a cost in excess of \$1,000 for capitalization. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The

Century Housing Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2007 and 2006

resulting gains and losses are reflected in the consolidated statements of activities. Depreciation is computed on a straight-line basis over estimated useful lives as follows:

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

Impairment

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," Century reviews its long lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There have been no asset impairment losses recognized as of June 30, 2007.

Rental Income

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

Contributions

Contributions are recognized as revenue when an unconditional promise, in substance, to give is received by the Corporation. All contributions and other types of revenue with restrictions, if any, imposed by the donors are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Grant Revenue

Affiliates of Century Housing 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 but not yet spent are recorded as deferred revenue. Funds for qualifying costs incurred and recognized as revenue but not yet received are recorded as accounts receivable.

Century Housing Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2007 and 2006

Gain on Sale of Assets

Century records its gain on the sale of assets by recording the cost of the 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 reduced for any closing costs or commission incurred on the sale.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Directly identifiable expenses are charged to program and support services. Expenses related to more than one function are charged to program and supporting services based on systematic methods.

Income Taxes

Century Housing Corporation and its affiliates are public benefit corporations and exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701 (d) of the California Revenue and Taxation Code, except for income taxes on "unrelated business income," as defined in the Codes. Management believes all material activities of Century Housing Corporation and its affiliates are within the tax exempt guidelines of the Internal Revenue Code and the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been included in the accompanying consolidated financial statements.

Notes Receivable and Allowance for Loan Losses

Notes receivables 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. Managements policy is to establish an allowance for loan losses ranging from approximately 2% - 2.5% of the outstanding balance of third party loans. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2007, management had established an allowance for loan losses in the amount of \$1,862,803.



Century Housing Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2007 and 2006

NOTE 3 - INVESTMENTS

Publicly traded securities are valued at quoted market prices. Investments are comprised of the following as of June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Mutual Funds/Separate Accounts		
S&P 500 Index Fund	\$ 7,250,983	\$ 7,797,047
Total Return Bond Fund	3,334,530	2,994,206
Earnest Partners Small Cap Fund	1,262,406	2,649,577
Private Market Fund	2,332,516	2,286,041
BBH Inflation-Indexed Securities Fund	4,449,077	5,888,557
Goldman High Yield Fund	4,784,280	4,965,913
International Core Equity Fund	2,551,783	2,654,987
	<u>\$ 25,965,575</u>	<u>\$ 29,236,328</u>

The following schedule summarizes the investment return on the publicly traded securities and its classification in the statements of activities for the years ended June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Interest on cash and cash equivalents	\$ 77,169	\$ 112,670
Interest income and dividends	2,011,849	2,567,951
Unrealized/realized gains/(losses)	2,330,565	1,974,426
	<u>\$ 4,419,583</u>	<u>\$ 4,655,047</u>
Total investment return	<u>\$ 4,419,583</u>	<u>\$ 4,655,047</u>

Century Housing Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2007 and 2006

Investments also include equity investments in the following limited liability companies and limited partnerships:

	<u>2007</u>	<u>2006</u>
2541 West Manchester Boulevard, LLC (through CADI)	\$ 863,607	\$ 863,607
Century Family Housing, LLC (through CADI)	184,253	128,518
Casa (through CVC)	-	(33,790)
Savannah (through CVC)	<u>-</u>	<u>979,455</u>
Total	<u>\$ 1,047,860</u>	<u>\$ 1,937,790</u>

Century Housing Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2007 and 2006

The following summarizes the combined balance sheet and statement of revenue and expenses information for the equity investments in limited liability companies and limited partnerships:

Combined Balance Sheets  
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Investment in residential rental property, net of accumulated depreciation of \$0 and \$1,526,038 as of June 30, 2007 and 2006, respectively	\$ 863,607	\$ 20,611,105
Other	<u>368,510</u>	<u>1,861,498</u>
Total assets	<u>\$ 1,232,117</u>	<u>\$ 22,472,603</u>
Liabilities, primarily notes payable	\$ -	\$ 6,876,381
Members and partners' equity:		
Century	1,047,860	1,937,790
Other members and partners	<u>184,257</u>	<u>13,658,432</u>
Total liabilities and members' and partners' equity	<u>\$ 1,232,117</u>	<u>\$ 22,472,603</u>

Combined Statements of Revenues and Expenses  
Years ended June 30, 2007 and 2006

Total revenue	\$ 1,047,000	\$ 1,179,500
Total expenses	<u>519,638</u>	<u>1,367,162</u>
Total net income (loss)	<u>\$ 527,362</u>	<u>\$ (187,662)</u>
Net income (loss) from equity investment is allocated to the members and partners as follows:		
Century	\$ 388,635	\$ (3,389)
Other members and partners	<u>138,727</u>	<u>(184,273)</u>
	<u>\$ 527,362</u>	<u>\$ (187,662)</u>

Century Housing Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2007 and 2006

NOTE 4 - NOTES RECEIVABLE

Notes receivable consist of notes secured by affordable housing development projects located throughout the metropolitan Los Angeles area, as well as notes made to non-officer employees of Century. Advances under the notes receivable bear interest at rates ranging from 3% to 12%. Primarily notes receivable secured by affordable housing development projects totaled \$92,117,507 and \$72,272,745 as of June 30, 2007 and 2006, respectively. Notes receivable include notes from non-officer employees of Century totaling \$982,702 and \$1,395,816 as of June 30, 2007 and 2006, respectively. Outstanding principal is scheduled to be received as follows:

Year ending June 30, 2008	\$ 34,564,704
2009	24,676,445
2010	23,793,766
2011	2,265,924
2012	676,045
Thereafter	<u>8,003,426</u>
	93,980,310
Less allowance for loan losses	<u>(1,862,803)</u>
Total	<u>\$ 92,117,507</u>

NOTE 5 - REAL ESTATE HELD FOR INVESTMENT

Real estate held for investments is owned by Century Housing Corporation and consists of the following at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Land	\$ 2,825,687	\$ 2,825,687
Building and improvements	390,000	390,000
Construction in progress	<u>650,883</u>	<u>463,122</u>
	3,866,570	3,678,809
Less accumulated depreciation	<u>(109,124)</u>	<u>(95,093)</u>
Total	<u>\$ 3,757,446</u>	<u>\$ 3,583,716</u>

Century Housing Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2007 and 2006

NOTE 6 - REAL ESTATE HELD FOR SALE

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 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, 2007 and 2006, homes which had been repurchased under a RTPA or otherwise acquired, and are currently held for sale, amounted to \$470,217 and \$256,464, respectively.

NOTE 7 - BUILDINGS, LAND, LEASEHOLD IMPROVEMENTS AND OFFICE EQUIPMENT

Buildings, land, leasehold improvements and office equipment consist of the following at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Land	\$ 5,175,029	\$ 4,291,890
Buildings	33,678,642	13,237,355
Construction in progress	6,422,933	-
Leasehold improvements, furniture and fixtures	6,190,834	4,805,135
Computers and office equipment	<u>964,379</u>	<u>1,136,952</u>
	52,431,817	23,471,332
Less accumulated depreciation	<u>(6,360,377)</u>	<u>(3,385,882)</u>
Total	<u>\$ 46,071,440</u>	<u>\$ 20,085,450</u>

Century Housing Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2007 and 2006

Buildings, land, leasehold improvements and office equipment, net are owned by the following entities at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Century Villages At Cabrillo, Inc. (CVC)	\$ 9,767,346	\$ 10,139,982
CVC - Consolidated EITF 04-5 partnerships	25,493,578	-
Century Pointe, Inc.	7,976,825	7,960,110
Century Community Children's Centers, Inc.	1,651,206	896,178
Century Housing Corporation	718,418	616,701
Century El Sereno, Inc.	213,473	219,121
Century Affordable Development, Inc.	192,078	192,078
More Than Shelter Services, Inc.	14,424	18,187
Century Community Training, Inc.	<u>44,092</u>	<u>43,093</u>
Total	<u>\$ 46,071,440</u>	<u>\$ 20,085,450</u>

NOTE 8 - CONSTRUCTION CONTRACT

Century has a general partnership interest in Family Commons, L.P. which entered into a construction contract with ACCI Corporation. The contract amount is \$23,613,451. As of June 30, 2007, \$3,696,856 of the contract has been earned and capitalized as cost of real estate. At June 30, 2007, the general contractor is owed \$1,257,806 all of which is included in accounts payable in the accompanying statements of financial position.

NOTE 9 - EMPLOYEE BENEFIT PLANS

Century currently 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. Century will contribute 3% of an employees' gross salary and will match employee contributions up to 3% of gross salary to the 403(b) defined contribution plan. In prior years the employer match was contributed to a section 401(a) plan, which was closed in January 2006. For the years ended June 30, 2007 and 2006, the total amount contributed by Century to the plan was \$363,265 and \$291,898, respectively, which is included in "Supporting services - management and general expenses" in the accompanying statements of activities.

Century Housing Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2007 and 2006

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 to the 457(b) plan, subject to certain limitations.

Certain key executive officers have life insurance policies owned by Century. In the event of death, 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 Century, plus accrued interest. Century is entitled to receive the cash surrender value of the policies. The cash surrender values of the policies are \$402,106 and \$401,196 as of June 30, 2007 and 2006, respectively, and are recorded in prepaid expense and other assets in the accompanying statements of financial position.

NOTE 10 - CONTINGENT AND RESTRICTED ASSETS - AFFORDABLE HOUSING FINANCING

During the formation of Century Housing Corporation, 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 with a net book value of \$0 to Century. The proceeds received from these notes receivable and temporarily restricted net assets are to be used to fund additional programs for affordable housing that Century sponsors. These loans were made by CFHP 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 Century. Century monitors compliance with these restrictive covenants, which continue for a period of 15 years or more. These 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 loan unless stipulated in the note.

The 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 agreement, all of which cannot be predicted. As a result management has determined that repayments of these loans is uncertain and have not recorded the notes receivable or accrued interest on the books.

Century Housing Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2007 and 2006

Therefore, should repayment occur, it will be accounted for as affordable housing loan repayment income or interest income in the year in which the payments are received.

Contingent assets represented by affordable housing loans outstanding as of June 30, 2007 and 2006, total \$85,049,652 and \$86,049,688, respectively, and have an effective interest rate of 3% per annum. Unrecorded accrued interest receivable on these assets as of June 30, 2007 and 2006 was \$30,852,318 and \$26,697,945, respectively. During the years ended June 30, 2007 and 2006, Century received \$1,063,128 and \$1,730,895 of principal and interest payments from these loans, respectively.

NOTE 11 - NOTE PAYABLE AND LINE OF CREDIT

Note Payable - GEMSA Loan Services, L.P.

On June 28, 2001, Century Pointe, Inc. obtained a loan from GEMSA Loan Services, L.P. in the amount of \$2,788,535. The loan which bears interest at a rate of 8.635% per annum and is secured by a first deed of trust on the corporate office building matures October 1, 2010. The loan requires monthly payments of principal and interest totaling \$21,798, based on a 30-year amortization schedule. As of June 30, 2007 and 2006, the outstanding principal balance is \$2,652,531 and \$2,680,517, respectively.

The aggregate maturities of the debt over each of the next four years following June 30, 2007, are as follows:

Year ending June 30, 2008	\$	37,084
2009		40,416
2010		44,048
2011		<u>2,530,983</u>
Total	\$	<u>2,652,531</u>

Interest expense on the note for the years ended June 30, 2007 and 2006 was \$233,590 and \$235,928, respectively.



Century Housing Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2007 and 2006

Lines of Credit

On July 1, 2005, Century Community Development, Inc. (CCDI) entered into a Revolving Credit and Security Agreement (the Agreement) with Contributing Lenders to provide financing for CCDI. The Agent Bank representing the Contributing Lenders is Mellon 1<sup>st</sup> Business Bank, N.A (the Agent). Under the terms of the Agreement, CCDI may request advances to fund loans made by CCDI 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 the initial maturity date, which shall not exceed two years from the date of the note. The maturity dates currently range from 2007 to 2008. The total amount committed as of June 30, 2007 is \$13,000,000. The advances are secured by an assignment of deed of trust and security agreement. As of June 30, 2007, the advances drawn bear interest at rates ranging from 4.5% to 8.25% per annum. Interest incurred is payable quarterly on the 15<sup>th</sup> day of the month following the end of each quarter. During the years ended June 30, 2007 and 2006, interest expense incurred was \$725,881 and \$319,555, respectively. As of June 30, 2007 and 2006, the outstanding principal and accrued interest are \$8,076,650 and \$134,581, and \$9,440,818 and \$116,151, respectively.

On December 8, 2005, The Century Community Lending, Co. (CCLC) entered into a Revolving Construction Loan Facility Agreement (the Agreement) with Contributing Lenders to provide financing for CCLC. The Administrative Agent representing the Contributing Lenders is Bank of America, N.A. (the Agent). 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 the initial maturity date, which shall not exceed two years from the date of the note. The entire principal balance of the Notes, together with all accrued and unpaid interest and all other amounts payable are due on December 1, 2008. The total amount committed as of June 30, 2007 and 2006 is \$50,000,000. The advances are secured by an assignment of deed of trust and security agreement. As of June 30, 2007, the advances drawn bear interest at LIBOR plus 2.25% per annum payable on the first day of each month. No amounts were drawn on the notes as of June 30, 2006. During the year ended June 30, 2007, interest expense incurred was \$275,968. As June 30, 2007, the outstanding principal and accrued interest are \$11,388,839 and \$63,781, respectively.

On December 20, 2006, the Century Housing Corporation (CHC) entered into a Loan and Security Agreement (the Agreement) with Wachovia Bank, National Association. Under the terms of the Agreement, CHC may request advances to fund loans made by CHC in

Century Housing Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2007 and 2006

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 the initial maturity date, which shall not exceed two years from the date of the note. The entire principal balance of the Notes, together with all accrued and unpaid interest and all other amounts payable are due on December 20, 2008. The total amount committed as of June 30, 2007 is \$15,000,000. The advances are secured by a security agreement. The advances drawn bear interest at LIBOR plus .70% per annum payable on the fifteenth day of each month commencing on January 1, 2007. During the year ended June 30, 2007, interest expense incurred was \$168,350. As of June 30, 2007, the outstanding principal and accrued interest are \$14,834,000 and \$38,393, respectively.

During the year ended June 30, 2007, Century entered into an agreement with City National Bank under which City National Bank will 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 million. As of June 30, 2007, Century has bond investments under the custody of City National Bank in the amount of \$12,506,655. The agreement is for two years and expires on December 1, 2008. The line of credit has two interest rate options: LIBOR plus one percentage point, or Prime Rate minus one and three-quarters percent. As of June 30, 2007, no amounts were drawn under the line of credit.

NOTE 12 - CENTURY VILLAGES AT CABRILLO, INC.

Century Villages at Cabrillo, Inc. (CVC) acquired a 26-acre former residential segment of the United States naval base located in the City of Long Beach, California, for rehabilitation and development of a planned transitional residential community that will provide a comprehensive array of social services for formerly homeless veterans, families and others. The entire 26 acres deeded by the United States Navy is restricted to use primarily for the benefit of moderate, low- and/or very- low-income homeless veterans and homeless households as provided under the McKinney Act and was recorded at its estimated fair value at the date of acquisition of \$600,000. Century has outstanding notes receivable as of June 30, 2007 and 2006 of \$7,991,433 and \$8,344,362, respectively, related to this facility. The note receivable eliminates in consolidation against the note payable recorded on CVC's books. Century entered into a master operating agreement with a third party to collect assessments and manage the common areas of the property. The third party has a conditional purchase option for a portion of this property once it is fully developed and operational, which expires in 2019.

Century Housing Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2007 and 2006

CVC has entered into long-term ground leases for three portions of the property 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 and \$11,900,000 of equity into Casa as limited partners in exchange for the benefits of the tax credits allocated to the projects. The low-income housing tax credit program sets certain guidelines related to the eligibility of tenants and maximum rents allowable. Failure to comply with such guidelines for a period of 15 consecutive years may result in the recapture of previously utilized tax credits plus interest.

NOTE 13 - CENTURY/LEARNING INITIATIVES FOR TODAY, INC. (CENTURY/LIFT)

Century/LIFT initially began operations as a program within Century. During 1997, this program was organized as a separate nonprofit affiliate with a majority of the members of the Board of Directors not affiliated with Century. The Century/LIFT program is for youths residing primarily in Century-financed housing developments, and provides educational and tutorial assistance to improve learning skills and to maximize academic achievement. For the years ended June 30, 2007 and 2006, Century has contributed funds totaling \$214,371 and \$375,000, respectively. Century also donated services of approximately \$164,588 and \$184,267, respectively, to Century/LIFT.

NOTE 14 - 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 year ended June 30, 2007, Century funded \$13,268 of child care commitments from temporarily restricted assets. As of June 30, 2007 and 2006, Century's remaining temporarily restricted net assets committed for the development and operation of the child care center is \$161,732 and \$175,000, respectively.

Century Housing Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2007 and 2006

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Guaranty of Tax Credit

Century Villages at Cabrillo, Inc. is the general partner in two Low-Income Housing Tax Credit partnerships providing affordable housing in Long Beach, CA (Long Beach Savannah Housing, L.P., and Casa de Cabrillo, L.P.). In connection with each partnership, Century Housing has provided certain guarantees to the tax credit investors guarantying the completion of construction of the apartment complex, operating deficits of the partnership, and the annual allocation of tax credits to the investor.

Partnership:	Long Beach Savannah Housing, L.P.
Investor Limited Partner:	John Hancock Corporate Tax Credit Fund V, LLC
Guaranty Balance:	\$600,000

Partnership:	Casa de Cabrillo, L.P.
Investor Limited Partner:	John Hancock Corporate Tax Credit Fund VIII, LP
Guaranty Balance:	\$7,200,000

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 parties. The assets owned by the limited partnerships are the collateral for the underlying loans being guaranteed. If at any time the third parties 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, 2007 and 2006, Century has recognized a liability under these guarantees in the amount of \$548,000 and \$- respectively, which is included in accrued expenses on the accompanying statements of financial position.

Century Housing Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2007 and 2006

The following is a summary of the guarantees as of June 30, 2007:

<u>Bond Series Number</u>	<u>Outstanding balance</u>	<u>Borrower</u>
California Statewide Communities Development Authority Multifamily Housing Revenue Bonds (Pioneer Gardens Apartment Project) Subordinate 2000 Series BB-S	\$ 835,000	KDF Pioneer, L.P.
California Statewide Communities Development Authority Multifamily Housing Revenue Bonds (Claremont Village Apartment Project) Subordinate 2000 Series AA-S	835,000	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 L.L.C.
California Communities Development Authority Multifamily Housing Revenue Bonds (Warrick Terrace Apartments) 2007 Series H-T	1,465,000	Concerned Citizens-Warwick L.L.C.

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 original terms of the ground lease remain unchanged. 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 was no cost incurred under this guaranty during the year

Century Housing Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2007 and 2006

ended June 30, 2007. The outstanding potential obligation as a result of the guarantee of this lease is as follows:

Year ending June 30, 2008	\$	70,284
2009		70,284
2010		70,284
2011		70,284
2012		70,284
Thereafter		<u>386,562</u>
Total	\$	<u>737,982</u>

Settlement Agreement

During the year ended June 30, 1998, Century and the other parties to the Keith v. Volpe litigation reached a settlement agreement that provided for Century to pay \$6.5 million. These settlement funds were paid by Century in June 1998 to the plaintiffs' counsel. In connection with the settlement, an order of dismissal of the action was entered by the Court. The order of dismissal has not yet been filed.

Legal Proceedings

Century is involved in various legal proceedings associated with its normal operations. While the ultimate disposition of each proceeding is not determinable, management believes that such proceedings will not have a materially adverse effect on its financial condition or results of operations.

NOTE 16 - CONCENTRATION OF CREDIT RISK

Century maintains its cash and investment balances in six banks. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 at each bank. At times, these balances may exceed the federal insurance limit, however, the Company has not experienced any losses with respect to bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash and investment balances at June 30, 2007.

Century Housing Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2007 and 2006

NOTE 17 - COMMITMENTS

As of June 30, 2007, Century has outstanding commitments to provide \$21,713,782 for notes under the affordable housing program.

Century has committed to provide a loan guaranty in the amount of \$2,500,000 to the permanent lender of Northwest Gateway Apartments, an affordable housing project located in Los Angeles, CA. The guaranty will go into effect upon the closing of the permanent loan. As of June 30, 2007, the permanent loan has not closed.

NOTE 18 - REORGANIZATION AND REDUCTION IN FORCE

During the year ended June 30, 2007, Century restructured its work force and as a result many positions were eliminated and or combined with existing positions. Century entered into agreements with the individuals whose positions were eliminated and/or combined where Century would provide these employees a severance package which includes pay and benefits for a specified number of months. During the year ended June 30, 2007, Century incurred severance cost in the amount of \$609,922 of which \$168,304 was paid and \$441,618 remains payable and is included in accrued expenses in the accompanying statements of financial position at June 30, 2007.

**SUPPLEMENTAL INFORMATION**



Century Housing Corporation and Affiliates

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2007

	Century and wholly controlled affiliates before			
ASSETS	<u>EITF 04-5 Entities</u>	<u>EITF 04-5 Entities</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
Cash and cash equivalents	\$ 8,055,800	\$ 78,064	\$ -	\$ 8,133,864
Restricted cash	890,795	1,028,904	-	1,919,699
Accounts receivable	513,531	72,305	(34,872)	550,964
Investments	27,958,899	-	(945,464)	27,013,435
Interest receivable	2,078,478	-	(583,330)	1,495,148
Notes receivable, net of allowance	102,726,226	-	(10,608,719)	92,117,507
Real estate held for investment	3,757,446	-	-	3,757,446
Real estate held for sale	470,217	-	-	470,217
Buildings, land, leasehold improvements and office equipment, net	20,577,862	26,352,219	(858,641)	46,071,440
Prepaid expenses and other assets	1,612,139	403,443	-	2,015,582
Total assets	<u>\$ 168,641,393</u>	<u>\$ 27,934,935</u>	<u>\$ (13,031,026)</u>	<u>\$ 183,545,302</u>
LIABILITIES AND NET ASSETS				
Accounts payable	1,417,350	1,662,650	(22,372)	3,057,628
Accrued expenses	1,450,623	12,500	(12,500)	1,450,623
Accrued interest	236,755	583,330	(583,330)	236,755
Tenant security deposits	49,891	254,810	-	304,701
Note payable	36,952,020	10,608,719	(10,608,719)	36,952,020
Non-controlling interest	-	-	13,015,703	13,015,703
Total liabilities	<u>40,106,639</u>	<u>13,122,009</u>	<u>1,788,782</u>	<u>55,017,430</u>
NET ASSETS				
Unrestricted	128,373,022	14,812,926	(14,819,808)	128,366,140
Temporarily restricted	161,732	-	-	161,732
Total net assets	128,534,754	14,812,926	(14,819,808)	128,527,872
Total liabilities and net assets	<u>\$ 168,641,393</u>	<u>\$ 27,934,935</u>	<u>\$ (13,031,026)</u>	<u>\$ 183,545,302</u>

Century Housing Corporation and Affiliates

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended June 30, 2007

	Century and wholly controlled affiliates before EITF 04-5 Entities	EITF 04-5 Entities	Eliminations	Consolidated Total
<b>REVENUE AND SUPPORT - UNRESTRICTED</b>				
Real estate operations				
Rental income, net of vacancies	\$ 2,108,815	\$ 2,459,082	\$ (502,644)	\$ 4,065,253
Real estate sold	458,600	-	-	458,600
Affordable housing loan repayments	1,063,128	-	-	1,063,128
Interest income on notes receivable	7,039,011	-	(457,770)	6,581,241
Other income	1,516,315	-	-	1,516,315
Government grants	400,330	-	-	400,330
Contributions	918,249	-	-	918,249
Investment income				
Realized and unrealized appreciation of investments	2,330,565	-	-	2,330,565
Interest and dividend income from investments	2,073,367	15,651	-	2,089,018
Income (loss) from equity investment	388,434	-	201	388,635
	<u>18,296,814</u>	<u>2,474,733</u>	<u>(960,213)</u>	<u>19,811,334</u>
<b>EXPENSES - UNRESTRICTED</b>				
Real estate operations				
Rental property expenses	2,347,078	2,598,808	(1,077,406)	3,868,480
Cost of real estate sold	256,464	-	-	256,464
Other real estate expenses	885,241	-	-	885,241
Other program support	3,860,399	-	-	3,860,399
Affordable housing program	2,087,759	-	-	2,087,759
Century/LIFT	378,959	-	-	378,959
Supporting services				
Management and general expenses	5,998,646	-	-	5,998,646
Loan loss reserve	507,050	-	-	507,050
Interest Expense	1,403,789	457,770	(457,770)	1,403,789
Reduction in force expenses	609,922	-	-	609,922
	<u>18,335,307</u>	<u>3,056,578</u>	<u>(1,535,176)</u>	<u>19,856,709</u>
Change in unrestricted net assets	<u>(38,493)</u>	<u>(581,845)</u>	<u>574,963</u>	<u>(45,375)</u>
Temporarily restricted net assets				
Net assets released from restrictions	<u>(13,268)</u>	<u>-</u>	<u>-</u>	<u>(13,268)</u>
Net decrease in temporarily restricted net assets	<u>(13,268)</u>	<u>-</u>	<u>-</u>	<u>(13,268)</u>
Change in net assets	<u>\$ (51,761)</u>	<u>\$ (581,845)</u>	<u>\$ 574,963</u>	<u>\$ (58,643)</u>