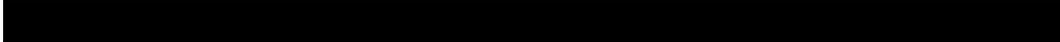


ROSE COMMUNITY
DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014



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Independent Auditor's Report

To the Board of Directors
ROSE Community Development Corporation
Portland, Oregon

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of ROSE Community Development Corporation, which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Richard Winkel, CPA

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ROSE Community Development Corporation as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited ROSE Community Development Corporation's 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 7, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Richard Winkel, CPA

December 19, 2014

ROSE Community Development Corporation
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2014

(WITH COMPARATIVE TOTALS FOR 2013)

ASSETS	2014	2013
Current Assets		
Cash in Banks	\$ 977,612	\$ 657,398
Cash Held by Property Managers	249,732	263,085
Grants & Contracts Receivable	24,405	85,700
Other Receivables	18,906	8,083
Rental Deposits Held	117,197	107,498
Replacement Reserves & Escrow Accounts	1,168,837	973,078
Prepaid Expenses & Deposits	6,340	2,231
Total Current Assets	2,563,029	2,097,073
Other Assets		
Notes & Loans Receivable	926,637	884,231
Investments in Partnerships	1,268,879	1,268,912
Office Building, Furniture & Equipment-Net	208,030	218,558
Total Other Assets	2,403,546	2,371,701
Assets Used in Operations		
Predevelopment Assets	34,050	10,162
Rental Properties-Net	19,373,852	19,770,370
Total Assets Used in Operations	19,407,902	19,780,532
Total Assets	\$ 24,374,477	\$ 24,249,306
LIABILITIES & NET ASSETS		
Current Liabilities		
Current Portion - Long Term Liabilities	\$ 288,339	\$ 222,995
Accounts Payable	85,355	674,084
Accrued Interest Payable	20,478	48,549
Payroll Liabilities and Vacation Accruals	9,333	18,471
Rental Deposits Held	114,968	104,122
Total Current Liabilities	518,473	1,068,221
Long Term Liabilities- Less Current Portion	20,214,914	19,517,729
Total Liabilities	20,733,387	20,585,950
Net Assets		
Unrestricted:		
Designated by the Board of Directors	400,000	-
Undesignated	3,168,661	3,613,356
Total Unrestricted Net Assets	3,568,661	3,613,356
Temporarily Restricted - Net Assets	72,429	50,000
Total Net Assets	3,641,090	3,663,356
Total Liabilities & Net Assets	\$ 24,374,477	\$ 24,249,306

See accompanying notes to consolidated financial statements and independent auditor's report

ROSE Community Development Corporation
CONSOLIDATED STATEMENT OF ACTIVITIES
For The Fiscal Year Ended June 30, 2014

(WITH COMPARATIVE TOTALS FOR 2013)

Support & Revenues	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
Support				
Grants	\$ 294,423	\$ 72,429	\$ 366,852	\$ 803,112
Contributions	16,407	-	16,407	514,412
Total Support	<u>310,830</u>	<u>72,429</u>	<u>383,259</u>	<u>1,317,524</u>
Revenues				
Rental Income	1,944,843	-	1,944,843	1,595,023
Interest Income	20,674	-	20,674	21,056
Contract Revenues	49,311	-	49,311	47,426
Sales of homes	103,234	-	103,234	-
Equity in Earnings (Losses) from Partnerships	(33)	-	(33)	(1,947)
Other Income	62,944	-	62,944	68,861
Total Revenues	<u>2,180,973</u>	<u>-</u>	<u>2,180,973</u>	<u>1,730,419</u>
Assets Released from Restrictions				
Satisfaction of Program Restrictions	50,000	(50,000)	-	-
Total Support & Revenues	<u>2,541,803</u>	<u>22,429</u>	<u>2,564,232</u>	<u>3,047,943</u>
Expenses				
Program Services				
Community Development	66,923	-	66,923	124,207
Rental Development	78,788	-	78,788	96,784
For Sale Development	42,118	-	42,118	6,153
Rental Operations	2,161,845	-	2,161,845	1,808,646
Resident Services	121,036	-	121,036	115,070
Total Program Services	<u>2,470,710</u>	<u>-</u>	<u>2,470,710</u>	<u>2,150,860</u>
Support Services				
Management and General	82,583	-	82,583	63,237
Fundraising	33,205	-	33,205	52,860
Total Support Services	<u>115,788</u>	<u>-</u>	<u>115,788</u>	<u>116,097</u>
Total Expenses	<u>2,586,498</u>	<u>-</u>	<u>2,586,498</u>	<u>2,266,957</u>
Change in Net Assets	<u>(44,695)</u>	<u>22,429</u>	<u>(22,266)</u>	<u>780,986</u>
Beginning Net Assets	3,613,356	50,000	3,663,356	2,882,370
Net Assets at End of Year	<u>\$ 3,568,661</u>	<u>\$ 72,429</u>	<u>\$ 3,641,090</u>	<u>\$ 3,663,356</u>

See accompanying notes to consolidated financial statements and independent auditor's report

ROSE Community Development Corporation
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Fiscal Year Ended June 30, 2014

(WITH COMPARATIVE TOTALS FOR 2013)

Expenses						SUPPORT SERVICES		Total	Total
	Community Development	Rental Development	For Sale Development	Rental Operations	Resident Services	Management and General	Fundraising	2014	2013
Salaries & Related	\$ 54,367	\$ 56,834	\$ 22,353	\$ 150,405	\$ 95,365	\$ 44,519	\$ 26,311	\$ 450,154	\$ 527,227
Professional Services	5,157	539	-	28,278	3,367	28,136	439	65,916	24,583
Program Supplies	-	-	-	4	5,937	17	403	6,361	24,808
Occupancy & Telephone	3,418	4,430	1,198	8,023	6,382	3,212	1,664	28,327	21,526
Postage & Printing	364	591	206	940	980	421	688	4,190	4,629
Insurance	317	980	112	771	887	310	456	3,833	3,090
Supplies	1,199	1,648	563	4,745	2,542	1,375	818	12,890	12,858
Professional Dues & Newsletter	560	625	346	11,471	958	472	272	14,704	3,657
Training	314	341	188	10,875	521	525	124	12,888	8,453
Depreciation Expense	797	1,023	326	609,500	1,491	760	414	614,311	452,880
Property Management	-	-	-	360,400	-	-	-	360,400	298,230
Maintenance and Repair	-	-	-	318,737	-	-	-	318,737	301,366
Property Insurance	-	-	-	30,650	-	-	-	30,650	23,723
Utilities	-	-	-	270,526	-	-	-	270,526	223,651
Interest	-	-	-	322,617	-	-	-	322,617	294,911
Bad Debt	-	-	-	24,571	-	-	-	24,571	19,495
Cost of Homes Sold	-	-	16,644	-	-	-	-	16,644	340
Other Expenses	430	11,777	182	9,332	2,606	2,836	1,616	28,779	21,530
Total Expenses	\$ 66,923	\$ 78,788	\$ 42,118	\$ 2,161,845	\$ 121,036	\$ 82,583	\$ 33,205	\$ 2,586,498	\$ 2,266,957

See accompanying notes to consolidated financial statements and independent auditor's report

ROSE Community Development Corporation
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2014

(WITH COMPARATIVE TOTALS FOR 2013)

Cash Flows from Operating Activities	<u>2014</u>	<u>2013</u>
Cash Received from Tenants	\$ 1,945,990	\$ 1,595,452
Cash Received from Contractors and Contributors	465,131	1,036,103
Cash Received for Interest	2,674	3,056
Cash Received from Others	159,683	62,430
Cash Paid to Employees and Suppliers	(2,336,925)	(1,188,406)
Cash Paid for Interest	(350,688)	(294,713)
Net Cash Flows (used in) provided by Operating Activities	(114,135)	1,213,922
Cash Flows from Investing Activities		
Purchase of Furniture and Equipment	(607)	(11,623)
Capital Expenditures	(263,451)	(2,610,371)
Proceeds from (payments to) Replacement Reserves	(195,759)	18,441
Repayment (Issuance) of Note Receivable	-	6,275
Proceeds from Partnership conversion to ownership	-	87,003
Proceeds from sale of homes	119,687	-
Net Cash Flows used in Investing Activities	(340,130)	(2,510,275)
Cash Flows from Financing Activities		
Payments of Debt Principal	(247,248)	(232,198)
Cash from Loans	1,021,727	1,672,571
Net Cash Flows provided by Financing Activities	774,479	1,440,373
Net Increase in Cash in Banks	320,214	144,020
Cash at Beginning of Year	657,398	513,378
Cash at End of Year	\$ 977,612	\$ 657,398

Supplemental schedule of non-cash operating, investing and financing activities:

In-kind contribution of capitalized professional services	\$ -	\$ 23,584
Inherent contribution from acquisition of limited partnership	-	441,462
Proceeds from sales of homes used for principal payments on loans	11,950	-
Purchase of property financed with loan	-	1,501,971
Deposits to replacement reserves financed with loans	-	45,313

See accompanying notes to consolidated financial statements and independent auditor's report

ROSE Community Development Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

1. Organization

ROSE Community Development Corporation (ROSE) is a private, nonprofit organization founded in 1991 to improve the housing, physical environment, and social and economic conditions of neighborhoods located within outer southeast Portland, Oregon, and to develop other programs that benefit low- and moderate-income residents of the region. ROSE is funded mainly by rental income and grants.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by ROSE are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation – The accompanying financial statements include the accounts of ROSE Housing, Inc.

ROSE Housing Inc. is a nonprofit organization which acquired the Marla Manor Apartments and related net assets on June 12, 1996. ROSE CDC controls ROSE Housing, Inc. All significant inter-company investments, accounts and transactions have been eliminated in the consolidated financial statements.

Basis of Presentation – ROSE prepares its financial statements on the accrual basis of accounting and in accordance with Accounting Standards Codification (ASC) of the Financial Accounting Standards Board 958. ASC 958 is the standard for external financial reporting for not-for-profit organizations. Under these provisions, net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of ROSE and changes therein are classified and reported as follows:

- *Unrestricted net assets* - Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – Assets subject to donor-imposed stipulations that will be met either by actions of ROSE and/or the passage of time. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

ROSE Community Development Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Support and revenue are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Temporary restrictions expire when the donor-stipulated purpose has been fulfilled and/or the donor-stipulated time period has elapsed. Expirations of temporary restrictions result in the reclassification of temporarily restricted net assets to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

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

Contributions – Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions of Long-Lived Assets – Contributions of land, buildings and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings and equipment, or to rehabilitate existing properties, with specific donor-imposed stipulations concerning the use of such long-lived assets are reported as revenues of the temporarily restricted net asset class and are considered to be released when the funds are expended for the purposes given.

Cash Equivalents – For purposes of the financial statements, ROSE considers all liquid investments having initial maturities of three months or less to be cash equivalents.

Accounts Receivable – Receivables are recognized as services are provided or based on rental contracts. ROSE uses the allowance method to account for uncollectible accounts. ROSE determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, previous loss history and the

ROSE Community Development Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

customer's current ability to pay its obligation to the Organization. Management believes the amount of any uncollectible accounts included in accounts receivable to be immaterial. Therefore, no provision for uncollectible accounts has been made.

Fixed Assets and Depreciation – Property and equipment over \$3,000 is capitalized and carried at cost, or at estimated market value when acquired by gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which are generally 25 to 40 years for buildings and 3 to 5 years for equipment and furnishings. All expenditures for repair and maintenance that do not appreciably extend the useful life or increase the value of the assets are expensed when incurred.

Capitalized Interest – During the year ended June 30, 2014, total interest incurred was \$322,617, all of which was expensed under rental operations. No interest was capitalized during the year ended June 30, 2014.

Investment in Partnerships – ROSE accounts for its investments in partnerships using the equity method. Accordingly, the accompanying financial statements include ROSE's share of the partnership's net income or loss.

Fundraising Expenses – ROSE follows the guidance in ASC 958-720 in accounting for costs of activities that include fundraising. As a result, if a fundraising activity contains joint costs that might be allocated to programs or other activities, specific criteria regarding the audience and purpose of the activity will be considered before costs will be allocated. If the criteria are not met, all costs are reported as fundraising expenses. During the year ended June 30, 2014 no joint costs were allocated to programs or other activities. Total fundraising expenses for the year totaled \$ 33,205.

Revenue Recognition – All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions. Service revenues are recognized at the time services are provided and the revenues are earned.

Income Taxes – ROSE is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. ROSE is also exempt from county property taxes under ORS 307.130.

Summarized Financial Information for 2013 – The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such

ROSE Community Development Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Functional Allocation of Expenses – The costs of providing the various programs have been summarized in the Consolidated Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs benefited based on time studies and management's judgment.

Fair Value of Financial Instruments – Due to the short-term nature of cash equivalents, prepaid expenses and other assets, accounts payable, and accrued liabilities, their fair value approximates carrying value.

Other Significant Accounting Policies – Other significant accounting policies are set forth in the financial statements and in the following notes.

3. Program Services

During the year ended June 30, 2014, ROSE incurred program service expenses in the following major categories:

- *Rental Development* – ROSE designs, finances and manages construction of affordable apartment communities for low-income families, seniors and people with disabilities.
- *Rental Operations* – The organization works with property managers and residents to ensure that ROSE rental properties are maintained properly and perform financially.
- *For-Sale Development* – ROSE develops homes for sale to moderate-income first-time homebuyers. Support is provided to help prospects successfully complete the home buying process.
- *Community Development* – ROSE promotes economic opportunities and community building activities designed to improve outer southeast Portland neighborhoods.
- *Resident Services* – This program aims to help residents of ROSE rental housing to improve their financial and social assets. Projects included leadership development, resource and referral, asset building and children's activities

ROSE Community Development Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

4. Grants and Contracts Receivable

Grants and contracts receivable at June 30, 2014 are summarized as follows:

Oregon Housing & Community Services	\$ 24,405
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5. Replacement Reserves, Operating Reserves, and Escrow Accounts

ROSE maintains several separate accounts that are either required by various lenders or have been established by ROSE to meet future capital and insurance expense needs for rental properties that are in operation. At June 30, 2014 these accounts totaled \$1,168,837. Most of these funds require approval from a third party before the funds can be utilized.

6. Investments in Partnerships

ROSE serves as the general partner for two IRS Code Section 42 Tax Credit Projects through two single-member LLC's created for that purpose. ROSE uses the equity method of accounting for the investments in the partnerships because, after reviewing the partnership agreements ROSE concluded that they do not exert sufficient control of the partnerships to consolidate the financial statements as per guidance from the Emerging Issues Task Force Issue No. 04-5.

The investments in these partnerships are recorded in ROSE's books at the following amounts at June 30, 2014:

Lents 2000, LP through ROSE-Lents, LLC	(0.01% interest)	1,134,695
Leander Court, LP through ROSE 122 nd , LLC	(0.01% interest)	134,184
Total		\$ 1,268,879

Lents 2000 Limited Partnership is a tax credit partnership that was created to develop and rent 36 units of affordable housing located on four different sites that the partnership owns. Construction of the housing project was completed in December 2003. During the Limited Partnership's year ended December 31, 2013, ROSE recorded a \$13 loss from the partnership.

Leander Court Limited Partnership is a tax credit partnership created to develop and rent a 37-unit affordable housing apartment building. Construction was completed and

ROSE Community Development Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

operations began fall of 2007. During the Limited Partnership's year ended December 31, 2014, ROSE recorded a \$ 20 loss from the partnership.

The following is summarized financial information for Lents Village Limited Partnership, Lents 2000 Limited Partnership and Leander Court Limited Partnership at December 31, 2013. The information was obtained from their latest audited financial statements.

Balance Sheet	12/31/2013 Lents 2000, LP	12/31/2013 Leander Court, LP
Assets		
Cash	\$ 57,421	\$ 13,381
Restricted Deposits & Funded Reserves	127,911	140,515
Fixed Assets - Net of Accumulated Depreciation	4,048,970	6,315,541
Other Assets	46,766	60,349
Total Assets	4,281,068	6,529,786
Liabilities & Partners' Equity		
Accounts Payable	12,860	12,312
Other liabilities	29,200	143,347
Mortgages & Notes Payable	1,138,879	2,945,193
Total Liabilities	1,180,939	3,100,852
Capital:		
General Partner	1,134,695	134,184
Limited Partner	1,965,434	3,294,750
Total Capital	3,100,129	3,428,934
Total Liabilities & Partners' Equity	4,281,068	6,529,786
Statement of Operations		
	12/31/2013 Lents 2000, LP	12/31/2013 Leander Court, LP
Revenues	275,151	349,113
Expenses	273,221	350,339
Net Profit (Loss) before Depreciation & Amortization	1,930	(1,226)
Depreciation & Amortization	133,285	199,291
Net Loss	\$ (131,355)	\$ (200,517)

ROSE Community Development Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

7. Office Building, Furniture and Equipment

A summary of land, office building, furniture and equipment at June 30, 2014 is as follows:

Land	\$	72,000
Office building		180,007
Office equipment and furnishings		41,796
	\$	293,803
Less accumulated depreciation		(85,773)
	\$	208,030

Total depreciation expense during the year was \$11,135 during the year ended June 30, 2014.

8. Related Party Transactions

A ROSE Board Member is a free lance writer. ROSE engaged his services to assist in the writing and editing of several grant proposals that ROSE applied for. The Board Member was compensated \$ 240 for his services in the fiscal year ending June 30, 2014.

9. Assets Used in Operations

A summary of rental properties used in operations and properties being developed at June 30, 2014, is as follows:

Land	\$	2,967,247
Buildings, furnishings and improvements		20,284,482
Predevelopment Assets		34,051
	\$	23,285,780
Less accumulated depreciation		(3,877,878)
	\$	19,407,902

Total depreciation expense for assets used in operations during the year was \$618,813.

ROSE Community Development Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

10. Long-Term Liabilities

The acquisition and rehabilitation of ROSE's rental and development properties include costs financed through loans received from the Portland Housing Bureau and through other borrowings from private individuals and organizations. The following obligations were outstanding at June 30, 2014:

Portland Housing Bureau: \$ 655,248

A series of notes at interest rates ranging from 3.00% to 7.00%, with payments of principal and interest due at various dates through 2036, secured by rental properties.

Portland Housing Bureau-Equity Gap Financing: \$ 13,687,790

ROSE has also entered into a series of equity gap financing agreements with the Portland Housing Bureau (PHB). These agreements provided interest-free funds to acquire and rehabilitate various properties. Repayment would only be required if the property were sold or used for another purpose, or if the individual property demonstrated program revenue in excess of 1.15 debt service coverage ratio in any single year of its operation. Then, one half of the excess would be applied to reduce the outstanding equity gap balance.

US Bank: \$ 72,378

March 3, 2011 a 5-year extension on loan for office was issued at 6.5% and secured by the ROSE office building. The note requires monthly payments of \$814.52 for principal and interest, and there will be a balloon payment estimated at \$ 60,000 on March 1, 2015.

KeyBank Corporation: \$ 266,678

The Beyer Court Apartments were refinanced in August 2000. The 20-year mortgage has a fixed interest rate of 4.72%, monthly principal and interest payments of \$1,987, and a balloon payment upon maturity. The loan is secured by the apartments.

Network for Oregon Affordable Housing: \$ 1,172,068

A 30-year note at 7.24% is secured by eleven single-family homes. Monthly payments of \$2,849 in principal and interest are due through February 2027.

A 20-year note at 2.75% above the 10-year Treasury Constant Maturity Yield, reduced by 4.0% per year if Oregon Affordable Housing Tax Credits are obtained (rate is 2.50% at

ROSE Community Development Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

June 30, 2014) is secured by the Greenview Terrace Apartment building. Monthly payments of \$4,037.55 in principal and interest are due through December 2034.

Chase Bank: \$ 866,914

A 30-year note at 4.91% is secured by the Country Squire Apartment building. Monthly payments of \$6,522 in principal and interest are due through June 30, 2030.

Beneficial Bank: \$ 1,887,836

A 20-year note at 6.50% secured by the Johnson Creek Commons Apartment building. Monthly payments of \$1,820 in principal and interest are due through October 1, 2018, with a final balloon payment of approximately \$ 63,000 on November 1, 2018.

A 15-year note at 7.30% secured by Jim and Salle's Apartment complex. Monthly payments of \$2,420 in principal and interest are due through November 1, 2023, with a final balloon payment of approximately \$264,988 on December 1, 2023.

A 15-year note at 7% secured by Bellrose Station Apartment complex. Monthly payments of \$7,329 in principal and interest are due through March 1, 2025, with a final balloon payment of approximately \$635,692 on April 1, 2025.

A 10-year note at 6% secured by Firland Apartments. Monthly payments of \$ 3,250 in principal and interest are due through November 1, 2021, with a final balloon payment of approximately \$ 380,566 on December 1, 2021.

Albina Community Bank: \$ 36,084

A 10-year note is secured by a second lien on property at 334 SE 80th Avenue. Monthly payments of \$324.70 in principal and interest (8.50%) are due the first five years, followed by monthly payments of \$336.75 (9.00% interest) through June 25, 2018 and one balloon payment of approximately \$33,278 on July 25, 2018.

Capital Pacific Bank: \$ 1,858,257

A 15-year note at 4.69% is secured by the Lents Village Apartment building. Monthly payments of \$9,919.52 in principal and interest are due through November 30, 2027, with a final balloon payment of approximately \$1,259,593 on December 31, 2027.

Total Long Term Debt	\$	20,503,253
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ROSE Community Development Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

Aggregate maturities of note principal for the five years subsequent to June 30, 2014 and thereafter are as follows:

Years ending June 30,

2015	\$ 288,339
2016	225,413
2017	235,410
2018	245,953
2019	341,723
Thereafter	19,166,415

\$ 20,503,253

11. Government Liens and Promissory Notes

At June 30, 2014, ROSE held certain properties donated by Multnomah County, each having been acquired by the County through tax foreclosure.

In the past, a lien has been filed with the property which represents the total canceled property taxes and other costs incurred by the County in obtaining the properties and making them available to ROSE. Following rehabilitation by ROSE, each property is to be occupied for a contractual period by low-income individuals or families as defined in Section 3(b) of the United States Housing Act of 1937. At the end of the contractual period the County will cancel the obligation. Liens on these properties total \$76,648 at June 30, 2014 and expire between 2015 and 2059.

In October 2006 ROSE entered into a \$250,000 promissory note with Bank of America at zero percent interest. The funds represent money that was loaned to Leander Court, LP and becomes due and payable on December 31, 2025. However, should ROSE comply with the terms and conditions of the award of funds contained in the Affordable Housing Program Regulatory Agreement, the full amount hereof shall be forgiven.

12. Other Contingencies and Commitments

ROSE has received various grants and loans for use in housing projects that contain regulatory agreements, or various conditions and obligations to develop and operate housing that is affordable to households earning less than the Median Family Income for the area. These commitments are for varying time periods and extend up to 60 years.

ROSE Community Development Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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ROSE has complied with all asset restrictions and commitments mentioned above, and has the intention and ability to continue to comply with those restrictions. Accordingly, no liabilities have been recorded at June 30, 2014.

Amounts received or receivable under ROSE's governmental contracts are subject to audit and adjustment by the contractor and by various agencies of the state and federal governments. Any expenditures or claims disallowed as a result of such audits would become a liability on ROSE's overall financial statements.

13. Financial Instruments with Concentrations of Credit Risk

ROSE has cash deposits at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2014 the Organization's uninsured cash balances were approximately \$750,000.

The property manager for Rose Housing, Inc. has funds in four accounts at the same institution. The total of these four accounts do not exceed the FDIC insured limit.

Financial instruments that potentially subject ROSE to concentrations of credit risk consist primarily of accounts receivable. ROSE's receivables are mostly with our partnerships, grantors, and governmental institutions, and are considered to be low in risk.

14. In-Kind Contributions

In-kind contributions of property and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of the organization's activities. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During the year ended June 30, 2014, ROSE received \$600 of in-kind professional services.

15. Restrictions and Limitations on Net Asset Balances

At June 30, 2014, there was \$72,429 of temporarily restricted net assets.

During the year ended June 30, 2014, \$50,000 was released as there are no additional restrictions from the donor.

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As of June 30, 2014 the Organization's Board of Directors has designated \$400,000 of net assets for future housing development and operating reserves.

16. Notes and Loans Receivable

As part of the Leander Court, LP financing structure, ROSE was given funds from Bank of America and the Portland Housing Bureau with the provision that the funds would be loaned to the partnership as long term financing.

ROSE issued a promissory note to the Leander Court Limited Partnership in the amount of \$ 250,000 with the Bank of America funds. The note is at zero percent interest and payments are deferred until November 1, 2046 when the entire unpaid principal balance is due and payable to ROSE.

ROSE also issued a promissory note to the partnership in the amount of \$ 600,000 which was the amount of the PHB grant. The note accrues interest at 3 percent per annum from the date of each advance. At June 30, 2014, the total accrued interest for the note is \$ 152,947. Accrued interest and principal are payable to ROSE annually based upon the cash flow priorities stated in the partnership agreement, but the entire unpaid balance of principal is expected to be due and payable no later than December 31, 2037.

Both Long-term note receivables have allowance accounts for doubtful collection which are reviewed annually. The long-term note receivables also are discounted to their net present value. The summary consists of the following at June 30, 2014:

Leander Court partnership fees	\$	117,707
Leander Court promissory note		250,000
<u>Leander Court promissory note & accrued interest</u>		<u>752,947</u>
		1,120,654
<u>Less discount</u>		<u>(194,017)</u>
Net Notes & loans receivable	\$	926,637

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17. Line of Credit

ROSE maintains an unsecured bank line of credit for \$ 50,000 at a variable rate of interest up to a maximum of 10.0%. At June 30, 2014, the full balance remained available.

18. Unemployment Coverage

As a 501(c)(3) organization, ROSE CDC has elected not to participate in the State Unemployment Tax system. However, ROSE does participate in the 501(c) Agencies Trust program. Under the trust program, ROSE CDC makes contributions based primarily upon prior years' experience. Unemployment claims are paid to the state by the trust from our reserve account. The reserve account balance at June 30, 2014 was \$ 2,473. The reserve balance is not recognized as an asset in the accompanying financial statements, since the account is to be used to pay future unemployment claims. ROSE CDC can be required to make additional contributions in case of unusually large claims; however, stop-loss insurance protects the trust and its participating agencies in the event of catastrophic losses.

19. Subsequent Events

ROSE Community Development Corporation did not have any subsequent events through December 8, 2014, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2014.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

20. Reconciliation of Statement of Cash Flows and Non Cash Transactions

Change in net assets	\$	(22,266)
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Adjustments to reconcile the change in net assets
to net cash from operating activities:

Depreciation		618,813
Loss on investment of limited partnerships		33
Accrued Income		(42,406)
Gain on sale of property		(103,234)

Net changes in:

Cash held by property managers		13,353
Grants and contracts receivable		61,295
Other receivables		(10,823)
Rental deposits held		(9,699)
Prepaid expenses		(4,109)
Accounts payable		(588,729)
Accrued interest payable		(28,071)
Payroll liabilities		(9,138)
Rental deposits held payable		10,846

Total adjustments		(91,869)
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Net Cash Flows from Operating Activities	\$	<u>(114,135)</u>
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Total cash paid for interest	\$	<u>350,688</u>
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