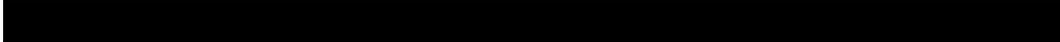


ROSE COMMUNITY  
DEVELOPMENT CORPORATION  
CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018



C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT 1

---

CONSOLIDATED FINANCIAL STATEMENTS 3

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 7

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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, 2018, 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.

**Richard Winkel, CPA**

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ROSE Community Development Corporation as of June 30, 2018, 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 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 3, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Richard Winkel, CPA*

December 19, 2018

**ROSE Community Development Corporation**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

June 30, 2018

(WITH COMPARATIVE TOTALS FOR 2017)

**ASSETS**

	2018	2017
<b>Current Assets</b>		
Cash in Banks	\$ 274,453	\$ 633,554
Cash Held by Property Managers	595,158	371,194
Grants & Contracts Receivable	58,580	252,468
Other Receivables	168,327	25,134
Rental Deposits Held	116,349	116,775
Replacement Reserves & Escrow Accounts	1,681,174	1,469,311
Prepaid Expenses & Deposits	13,059	6,321
<b>Total Current Assets</b>	<b>2,907,100</b>	<b>2,874,757</b>
<b>Other Assets</b>		
Notes & Loans Receivable	1,613,059	1,057,536
Investments in Partnerships	2,160,864	2,148,843
Office Building, Furniture & Equipment-Net	184,099	192,247
<b>Total Other Assets</b>	<b>3,958,022</b>	<b>3,398,626</b>
<b>Assets Used in Operations</b>		
Predevelopment Assets	4,681,016	1,742,965
Rental Properties-Net	17,086,826	17,531,053
<b>Total Assets Used in Operations</b>	<b>21,767,842</b>	<b>19,274,018</b>
<b>Total Assets</b>	<b>\$28,632,964</b>	<b>\$25,547,401</b>
<b>LIABILITIES &amp; NET ASSETS</b>		
<b>Current Liabilities</b>		
Current Portion - Long Term Liabilities	\$ 287,061	\$ 1,443,683
Accounts Payable	145,353	310,013
Accrued Interest Payable	17,727	44,456
Payroll Liabilities and Vacation Accruals	40,097	35,015
Rental Deposits Held	115,736	115,866
<b>Total Current Liabilities</b>	<b>605,974</b>	<b>1,949,033</b>
Long Term Liabilities- Less Current Portion	24,040,987	19,659,845
<b>Total Liabilities</b>	<b>24,646,961</b>	<b>21,608,878</b>
<b>Net Assets</b>		
Unrestricted:		
Designated by the Board of Directors	250,000	550,000
Undesignated	3,481,375	2,974,977
<b>Total Unrestricted Net Assets</b>	<b>3,731,375</b>	<b>3,524,977</b>
Temporarily Restricted - Net Assets	254,628	413,546
<b>Total Net Assets</b>	<b>3,986,003</b>	<b>3,938,523</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$28,632,964</b>	<b>\$25,547,401</b>

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, 2018

(WITH COMPARATIVE TOTALS FOR 2017)

<b>Support &amp; Revenues</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
<b>Support</b>				
Grants	\$ 21,000	\$ 715,887	\$ 736,887	\$ 260,163
Contributions and fundraising events	35,067	28,548	63,615	89,829
<b>Total Support</b>	<u>56,067</u>	<u>744,435</u>	<u>800,502</u>	<u>349,992</u>
<b>Revenues</b>				
Rental Income	2,101,153	-	2,101,153	2,059,432
Interest Income	21,304	-	21,304	20,459
Contract Revenues	46,568	-	46,568	45,334
Developer Fee Income	250,000	-	250,000	-
Equity in Earnings (Losses) from Partnerships	(37)	-	(37)	(31)
Other Income	55,789	-	55,789	63,626
<b>Total Revenues</b>	<u>2,474,777</u>	<u>-</u>	<u>2,474,777</u>	<u>2,188,820</u>
<b>Assets Released from Restrictions</b>				
Satisfaction of Program Restrictions	903,353	(903,353)	-	-
<b>Total Support &amp; Revenues</b>	<u>3,434,197</u>	<u>(158,918)</u>	<u>3,275,279</u>	<u>2,538,812</u>
<b>Expenses</b>				
<b>Program Services</b>				
Community Development	205,785	-	205,785	192,197
Rental Development	424,453	-	424,453	122,308
Rental Operations	2,253,466	-	2,253,466	2,172,422
Resident Services	237,906	-	237,906	210,763
<b>Total Program Services</b>	<u>3,121,610</u>	<u>-</u>	<u>3,121,610</u>	<u>2,697,690</u>
<b>Support Services</b>				
Management and General	78,286	-	78,286	91,248
Fundraising	43,203	-	43,203	30,121
<b>Total Support Services</b>	<u>121,489</u>	<u>-</u>	<u>121,489</u>	<u>121,369</u>
<b>Total Expenses</b>	<u>3,243,099</u>	<u>-</u>	<u>3,243,099</u>	<u>2,819,059</u>
<b>Change in Net Assets</b>	<u>191,098</u>	<u>(158,918)</u>	<u>32,180</u>	<u>(280,247)</u>
<b>Beginning Net Assets</b>	<u>3,524,977</u>	<u>413,546</u>	<u>3,938,523</u>	<u>4,218,770</u>
Consolidation	15,300	-	15,300	-
<b>Net Assets at End of Year</b>	<u>\$ 3,731,375</u>	<u>\$ 254,628</u>	<u>\$ 3,986,003</u>	<u>\$ 3,938,523</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, 2018

(WITH COMPARATIVE TOTALS FOR 2017)

Expenses	PROGRAM SERVICES					SUPPORT SERVICES		Total	Total
	Community Development	Rental Development	Rental Operations	Resident Services	Total Program Services	Management and General	Fundraising	2018	2017
Salaries & Related	\$ 108,777	\$ 100,096	\$ 162,178	\$ 146,620	\$ 517,671	\$ 26,040	\$ 24,211	\$ 567,922	\$ 529,137
Professional Services	63,509	485	10,448	26,875	101,317	43,139	7,320	151,776	105,505
Program Supplies	10,457	-	-	27,105	37,562	-	1,795	39,357	40,598
Occupancy & Telephone	4,982	3,180	3,304	5,634	17,100	1,472	834	19,406	20,164
Postage & Printing	2,033	1,282	1,207	2,258	6,780	365	2,093	9,238	8,480
Insurance	1,119	773	771	1,183	3,846	249	194	4,289	4,136
Supplies	5,445	3,440	3,652	5,706	18,243	1,042	934	20,219	14,041
Professional Dues & Newsletter	2,011	1,526	1,766	2,172	7,475	3,012	2,199	12,686	6,787
Training	618	538	852	5,088	7,096	149	71	7,316	4,749
Developer expense	-	310,698	-	-	310,698	-	-	310,698	-
Depreciation Expense	2,078	1,456	607,299	2,278	613,111	479	384	613,974	614,016
Property Management	-	-	438,382	-	438,382	-	-	438,382	447,787
Maintenance and Repair	-	-	351,561	-	351,561	-	-	351,561	330,892
Property Insurance	-	-	38,592	-	38,592	-	-	38,592	38,152
Utilities	-	-	338,096	-	338,096	-	-	338,096	307,618
Interest	-	-	282,979	-	282,979	-	-	282,979	310,263
Bad Debt	-	-	8,689	-	8,689	-	-	8,689	11,558
Other Expenses	4,756	979	3,690	12,987	22,412	2,339	3,168	27,919	25,176
<b>Total Expenses</b>	<b>\$ 205,785</b>	<b>\$ 424,453</b>	<b>\$ 2,253,466</b>	<b>\$ 237,906</b>	<b>\$ 3,121,610</b>	<b>\$ 78,286</b>	<b>\$ 43,203</b>	<b>\$ 3,243,099</b>	<b>\$ 2,819,059</b>

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, 2018**

(WITH COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities</b>		
Cash Received from Tenants	\$ 2,101,449	\$ 2,069,690
Cash Received from Contractor Revenues and Contributors	1,127,001	1,073,865
Cash Received for Interest	3,304	2,459
Cash Received from Other Sources	49,530	56,934
Cash Paid to Employees and Suppliers	(2,052,229)	(1,752,612)
Cash Paid for Interest	(309,708)	(285,193)
Net Cash Flows provided by (used in) Operating Activities	919,347	1,165,143
<b>Cash Flows from Investing Activities</b>		
Purchase of Office Building, Furniture and Equipment	-	(13,863)
Capital Expenditures	(4,157,985)	(1,403,226)
Net payments to Replacement Reserves	(211,863)	(149,174)
Investment in partnership	(12,058)	(769,666)
Loan to partnership	(510,000)	-
Net Cash Flows (used in) provided by Investing Activities	(4,891,906)	(2,335,929)
<b>Cash Flows from Financing Activities</b>		
Payments of Debt Principal	(270,274)	(255,453)
Proceeds from Loans	3,883,732	1,014,126
Net Cash Flows provided by (used in) Financing Activities	3,613,458	758,673
<b>Net Change in Cash in Banks</b>	<b>(359,101)</b>	<b>(412,113)</b>
Cash at Beginning of Year	633,554	1,045,667
Cash at End of Year	\$ 274,453	\$ 633,554

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, 2018

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## 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. and WGP Apartments, LLC. Both organizations operate low-income housing buildings and are owned by ROSE CDC. 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.

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

**ROSE Community Development Corporation**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2018

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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 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.

**ROSE Community Development Corporation**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2018

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*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.

*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, 2018 no joint costs were allocated to programs or other activities. Total fundraising expenses for the year totaled \$43,203.

*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. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. The Organization’s federal and state income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, the federal and state income tax returns have a three year statute of limitations.

*Summarized Financial Information for 2017* – The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America.

**ROSE Community Development Corporation**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2018

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Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2017, 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, 2018, 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.
- *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, 2018

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**4. 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, 2018 these accounts totaled \$1,681,174. Most of these funds require approval from a third party before the funds can be utilized.

**5. 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, 2018:

Lents 2000, LP through ROSE-Lents, LLC	(0.01% interest)	\$	2,026,667
Leander Court, LP through ROSE 122 <sup>nd</sup> , LLC	(0.01% interest)		134,097
Jade, through ROSE-Jade Housing LP	(0.01% interest)		100
Total		\$	2,160,864

**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, 2017, ROSE passed through a grant of \$11,958 to Lents 2000 and recorded a \$12 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 operations began in the fall of 2007. During the Limited Partnership's year ended December 31, 2017, ROSE recorded a \$25 loss from the partnership.

During the year ended June 30, 2018 ROSE entered into a new limited partnership created to develop and operate a new affordable housing apartment building, The Jade, a 48-unit building. Construction on this building is expected to be completed in the next

**ROSE Community Development Corporation**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2018

fiscal year. At June 30, 2018, Jade has capitalized construction in process of \$4,236,153 and draws under long-term debt agreements of \$3,793,862.

The following is summarized financial information for Lents 2000 Limited Partnership and Leander Court Limited Partnership at December 31, 2017. The information was obtained from their latest audited financial statements.

Balance Sheet	12/31/2017 Lents 2000, LP	12/31/2017 Leander Court, LP
<b>Assets</b>		
Cash	\$ 4,545	\$ 879
Restricted Deposits & Funded Reserves	109,817	172,000
Fixed Assets - Net of Accumulated Depreciation	4,429,867	5,532,004
Other Assets	34,762	43,959
<b>Total Assets</b>	<b>4,578,991</b>	<b>5,748,842</b>
<b>Liabilities &amp; Partners' Equity</b>		
Accounts Payable	22,554	67,009
Other liabilities	35,172	240,941
Mortgages & Notes Payable	973,497	2,882,003
Total Liabilities	1,031,223	3,189,953
Capital:		
General Partner	2,014,709	134,097
Limited Partner	1,533,059	2,424,792
Total Capital	3,547,768	2,558,889
<b>Total Liabilities &amp; Partners' Equity</b>	<b>\$ 4,578,991</b>	<b>\$ 5,748,842</b>
<b>Statement of Operations</b>		
	12/31/2017 Lents 2000, LP	12/31/2017 Leander Court, LP
Revenues	279,139	344,467
Expenses	258,644	400,082
Net Profit (Loss) before Depreciation & Amortization	20,495	(55,615)
Loss on investment in real estate	-	-
Depreciation & Amortization	143,188	197,373
<b>Net Loss</b>	<b>\$ (122,693)</b>	<b>\$ (252,988)</b>

**ROSE Community Development Corporation**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2018

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**6. Office Building, Furniture and Equipment**

A summary of land, office building, furniture and equipment at June 30, 2018 is as follows:

Land	\$	72,000
Office building		180,009
Office equipment and furnishings		53,492
		\$ 305,501
Less accumulated depreciation		(121,402)
		\$ 184,099

Total depreciation expense during the year was \$8,148 during the year ended June 30, 2018.

**7. Related Party Transactions**

There were accounts receivable from Leander Court for \$32,842 and from Lents 2000 for \$18,785 at June 30, 2018. Fee revenue from Leander Court was \$35,745 and from Lents 2000 was \$7,953 for the year ended June 30, 2018.

**8. Assets Used in Operations**

A summary of rental properties used in operations and properties being developed at June 30, 2018, is as follows:

Land	\$	2,919,048
Buildings, furnishings and improvements		20,321,812
Predevelopment Assets		4,678,821
		\$ 27,919,681
Less accumulated depreciation		(6,154,034)
		\$ 21,765,647

Total depreciation expense for assets used in operations during the year was \$605,826.

During the year ended June 30, 2018, \$1,057,835 of assets were transferred out of Predevelopment Assets to Jade partnership.

**ROSE Community Development Corporation**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2018

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**9. 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, 2018:

*Portland Housing Bureau:* \$ 367,136

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:* \$ 13,585,765

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.

*KeyBank Corporation:* \$ 218,016

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:* \$ 778,951

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 2.32% at June 30, 2015) is secured by the Greenview Terrace Apartment building. Monthly payments of \$5,623.42 in principal and interest are due through December 2034.

*Chase Bank:* \$ 710,351

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:* \$ 1,893,711

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.

**ROSE Community Development Corporation**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2018

A 30-year note at 2.75% secured by three apartment complexes. Monthly payments of \$7,580 in principal and interest are due through November 29, 2047

*Columbia Bank:* \$ 2,309,053

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.

A 15-year note at 5.27% is secured by the Lents Village Apartment building. Monthly payments of \$3,642 in principal and interest are due through August 31, 2029 with a final balloon payment.

A 5-year note at 4.95% is secured by the ROSE office building. Monthly payments of \$1,376 in principal and interest are due through March, 2020.

*Walker & Dunlop, LLC:* \$ 2,991,332

A loan to finance construction on the Woody Guthrie apartment building. Amount available to draw of \$7,723,600. Interest only payments at 4.30% from May 1, 2018 until August 1, 2019 then requires monthly payments of principal and interest until August 1, 2059.

*Portland Development Commission (Prosper Portland):* \$ 977,830

A loan to finance construction on the Woody Guthrie apartment building. Amount available to draw of \$9,090,955, accrues interest at 3.25% and matures on 8/1/2059.

*Portland Housing Bureau:* \$ 495,903

A loan to finance construction on the Woody Guthrie apartment building. Amount available to draw of \$2,816,320. Payments are to be made from available cash flow with 0.0% interest and matures in February 2080.

<b>Total Long Term Debt</b>	<b>\$</b>	<b>24,328,048</b>
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**ROSE Community Development Corporation**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2018

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Aggregate maturities of note principal for the five years subsequent to June 30, 2018 and thereafter are as follows:

*Years ending June 30,*

2019	\$ 287,061
2020	251,516
2021	386,245
2022	200,800
2023	208,827
Thereafter	22,993,599

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\$ 24,328,048

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During the year ended June 30, 2018, \$388,938 of notes payable were transferred to Jade partnership.

#### **10. Government Liens and Promissory Notes**

At June 30, 2018, 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.

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.

#### **11. 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**  
For the Fiscal Year Ended June 30, 2018

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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, 2018.

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.

## **12. 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, 2018 the Organization's uninsured cash balances were approximately \$1,421,563.

The property manager for Rose Housing, Inc. has funds in nine accounts at the same institution. The total of these 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.

## **13. 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, 2018, ROSE received no in-kind donations.

**ROSE Community Development Corporation**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2018

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**14. Restrictions and Limitations on Net Asset Balances**

At June 30, 2018, there was \$245,309 of temporarily restricted net assets whose donor restrictions have not yet been met.

As of June 30, 2018 the Organization's Board of Directors has designated \$250,000 of net assets for future housing development and operating reserves.

**15. 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, 2018, the total accrued interest for the note is \$224,947. 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.

During the year ended June 30, 2018, ROSE issued a promissory note to the ROSE-Jade Housing Limited Partnership in the amount of \$510,000, which was the amount of two grants. The note accrues interest at 2.64 percent per annum from the date of each advance. Annual payments of principal and interest are due and payable on or before April 15 of each year commencing 2020. All annual payments shall be subject to available cash flow, but the entire unpaid balance of interest and principal is expected to be due and payable no later than December 31, 2058.

All 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.

**ROSE Community Development Corporation**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2018

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The summary consists of the following at June 30, 2018:

Leander Court partnership fees	\$	194,887
Leander Court promissory note		250,000
Leander Court promissory note & accrued interest		824,947
<u>ROSE-Jade promissory note</u>		<u>510,000</u>
		1,779,834
<u>Less discount</u>		<u>(167,380)</u>
Net Notes & loans receivable	\$	1,612,454

#### **16. 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, 2018, the full balance remained available.

#### **17. 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, 2018 was \$15,197. 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.

#### **18. Subsequent Events**

ROSE Community Development Corporation did not have any subsequent events through December 12, 2018, 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, 2018.

**ROSE Community Development Corporation**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2018

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**19. Reconciliation of Statement of Cash Flows and Non-Cash Transactions**

<b>Change in net assets</b>	\$	32,180
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Adjustments to reconcile the change in net assets  
to net cash from operating activities:

Depreciation		613,974
Transfer of assets and liabilities to partnership		668,897
Loss on investment of limited partnerships		37
Loss on disposal		500
Accrued Income		(45,523)

Net changes in:

Cash held by property managers		(208,664)
Grants and contracts receivable		193,888
Other receivables		(143,193)
Rental deposits held		426
Prepaid expenses		(6,738)
Accounts payable		(164,660)
Accrued interest payable		(26,729)
Payroll liabilities		5,082
Rental deposits held payable		(130)

Total adjustments		887,167
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<b>Net Cash Flows from Operating Activities</b>	\$	<u>919,347</u>
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Total cash paid for interest	\$	<u>309,708</u>
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