

**ROSE COMMUNITY
DEVELOPMENT CORPORATION**
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011



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Independent Auditor's Report

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

I have audited the accompanying consolidated statement of financial position of ROSE Community Development Corporation (a nonprofit organization) and subsidiary as of June 30, 2011, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these consolidated financial statements based on my audit. The prior year summarized comparative information has been derived from the Organization's June 30, 2010 consolidated financial statements and, in my report dated October 6, 2010, I expressed an unqualified opinion on those consolidated financial statements.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, I express no such opinion. 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ROSE Community Development Corporation and subsidiary as of June 30, 2011, and the changes in their net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Richard Winkel, CPA

October 10, 2011

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ROSE Community Development Corporation
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2011

(WITH COMPARATIVE TOTALS FOR 2010)

ASSETS

	2011	2010
Current Assets		
Cash in Banks	\$ 401,107	\$ 359,451
Cash Held by Property Managers	95,323	186,766
Grants & Contracts Receivable (note 4)	321,847	11,362
Other Receivables	6,903	9,411
Homes for Sale (note 20)	658,976	-
Rental Deposits Held	58,364	60,875
Replacement Reserves & Escrow Accounts (note 5)	785,671	779,132
Prepaid Expenses & Deposits	2,767	1,781
Total Current Assets	2,330,958	1,408,778
Other Assets		
Notes & Loans Receivable (note 18)	832,364	818,369
Investments in Partnerships (note 6)	1,594,486	1,595,239
Office Building, Furniture & Equipment-Net (note 7)	206,473	205,467
Total Other Assets	2,633,323	2,619,075
Assets Used in Operations (note 8)		
Predevelopment Assets	32,024	-
Rental Properties-Net	9,908,535	8,730,678
Total Assets Used in Operations	9,940,559	8,730,678
Total Assets	\$ 14,904,840	\$ 12,758,531
 LIABILITIES & NET ASSETS		
Current Liabilities		
Current Portion - Long Term Liabilities (note 9)	\$ 805,951	\$ 122,670
Accounts Payable	221,941	196,312
Prepaid Rent	8	90
Accrued Interest Payable	18,462	18,739
Payroll Liabilities and Vacation Accruals	18,133	13,431
Rental Deposits Held	57,869	59,316
Total Current Liabilities	1,122,364	410,558
Long Term Liabilities- Less Current Portion (note 9)	11,361,167	10,516,027
Total Liabilities	12,483,531	10,926,585
Net Assets		
Unrestricted	2,031,330	1,831,946
Temporarily Restricted- Net Assets (note 14)	389,979	-
Total Net Assets	2,421,309	1,831,946
Commitments & Contingencies (notes 10, 11 & 12)		
Total Liabilities & Net Assets	\$ 14,904,840	\$ 12,758,531

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, 2011

(WITH COMPARATIVE TOTALS FOR 2010)

Support & Revenues	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
Support				
Grants	\$ 113,523	\$ 575,485	\$ 689,008	\$ 122,742
Contributions	207,564	-	207,564	76,001
Total Support	321,087	575,485	896,572	198,743
Revenues				
Rental Income	1,089,855	-	1,089,855	941,718
Interest Income	22,182	-	22,182	22,050
Contract Revenues	107,549	-	107,549	100,536
Sales of homes	-	-	-	1,558,638
Other Income	38,579	-	38,579	21,687
Total Revenues	1,258,165	-	1,258,165	2,644,629
Assets Released from Restrictions				
Satisfaction of Program Restrictions <i>(note 15)</i>	185,506	(185,506)	-	-
Total Support & Revenues	1,764,758	389,979	2,154,737	2,843,372
Expenses <i>(note 17)</i>				
Program Services				
Child Care Networks	65,196	-	65,196	62,562
Community Development	30,449	-	30,449	84,218
Rental Development	103,486	-	103,486	64,536
For Sale Development	25,778	-	25,778	1,782,422
Rental Operations	1,129,024	-	1,129,024	974,859
Resident Services	106,292	-	106,292	109,324
Total Program Services	1,460,225	-	1,460,225	3,077,921
Support Services				
Management and General	69,997	-	69,997	59,044
Fundraising	35,152	-	35,152	32,973
Total Support Services	105,149	-	105,149	92,017
Total Expenses	1,565,374	-	1,565,374	3,169,938
Change in Net Assets	199,384	389,979	589,363	(326,566)
Beginning Net Assets	1,831,946	-	1,831,946	2,288,125
Prior period adjustments	-	-	-	(129,613)
Net Assets at End of Year	\$ 2,031,330	\$ 389,979	\$ 2,421,309	\$ 1,831,946

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, 2011

(WITH COMPARATIVE TOTALS FOR 2010)

Expenses	PROGRAM SERVICES						SUPPORT SERVICES		Total	Total
	Child Care Networks	Community Development	Rental Development	For Sale Development	Rental Operations	Resident Services	Management and General	Fundraising	2011	2010
Salaries & Related	\$ 48,497	\$ 25,542	\$ 88,116	\$ 20,533	\$ 95,873	\$ 86,307	\$ 59,114	\$ 21,739	\$ 445,721	\$ 460,690
Professional Services	1,295	835	1,820	1,541	7,996	2,706	1,331	1,287	18,811	26,244
Occupancy & Telephone	2,610	1,488	5,168	1,214	3,521	4,767	3,385	1,366	23,519	23,852
Postage & Printing	452	339	760	241	775	795	597	4,708	8,667	7,413
Insurance	460	217	894	171	804	1,018	573	173	4,310	4,122
Supplies	1,061	527	1,713	513	5,061	4,369	1,528	1,190	15,962	28,300
Professional Dues & Newsletter	311	181	690	234	522	501	437	161	3,037	4,032
Training	8,090	290	1,524	794	864	1,330	552	356	13,800	13,330
Depreciation Expense	942	540	1,865	431	236,788	2,056	1,197	453	244,272	241,135
Property Management	-	-	-	-	174,222	-	-	-	174,222	126,930
Maintenance and Repair	-	-	-	-	163,825	-	-	-	163,825	139,870
Property Insurance	-	-	-	-	23,660	-	-	-	23,660	21,745
Utilities	-	-	-	-	165,012	-	-	-	165,012	137,428
Interest	-	-	-	-	230,085	-	-	-	230,085	189,584
Bad Debt	-	-	-	-	6,003	-	-	-	6,003	6,995
Asset Impairment	-	-	-	-	-	-	-	-	-	30,722
Cost of Homes Sold	-	-	-	-	-	-	-	-	-	1,690,473
Other Expenses	1,478	490	936	106	14,013	2,443	1,283	3,719	24,468	17,073
Total Expenses	\$ 65,196	\$ 30,449	\$ 103,486	\$ 25,778	\$ 1,129,024	\$ 106,292	\$ 69,997	\$ 35,152	\$ 1,565,374	\$ 3,169,938

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, 2011

(WITH COMPARATIVE TOTALS FOR 2010)

Cash Flows from Operating Activities	<u>2011</u>	<u>2010</u>
Cash Received from Tenants	\$ 1,090,919	\$ 942,472
Cash Received from Contractors and Contributors	492,822	300,461
Cash Received for Interest	4,182	4,050
Cash Received from Others	33,028	19,929
Cash Paid to Employees and Suppliers	(885,055)	(1,040,729)
Cash Paid for Interest	(239,119)	(183,031)
Net Cash Flows from Operating Activities (note 24)	496,777	43,152
Cash Flows from Investing Activities		
Purchase of Furniture and Equipment	(783)	(5,615)
Capital Expenditures	(456,375)	(531,622)
Proceeds from (payments to) Replacement Reserves	(6,539)	(26,382)
Repayment (Issuance) of Note Receivable	26,700	(17,614)
Proceeds from sale of homes and condos	-	318,918
Net Cash Flows from Investing Activities	(436,997)	(262,315)
Cash Flows from Financing Activities		
Payments of Debt Principal	(153,840)	(135,354)
Cash from Loans	135,716	556,899
Net Cash Flows from Financing Activities	(18,124)	421,545
Net Increase in Cash in Banks	41,656	202,382
Cash at Beginning of Year	359,451	157,069
Cash at End of Year	\$ 401,107	\$ 359,451

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

Proceeds from sales of homes used for principal payments on loans	\$ -	\$ 947,417
Purchase of property financed with loan	650,000	2,670,456
Rehabilitation of rental property financed with loan	896,545	-
Interest capitalized on construction loans	-	2,225
Deposits to replacement reserves financed with loans	-	213,646
Reduction to debt from prior period adjustment	-	90,000
Reduction to long-term notes receivable from prior period adjustment	-	(219,613)

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, 2011

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.

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 – The financial statements of the Organization have been prepared 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, 2011

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 – ROSE uses the allowance method to account for bad debts. 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.

Interest Expense – During the year ended June 30, 2011, total interest incurred was \$238,842, of which \$230,085 was expensed under rental operations, and \$8,757 was expensed under occupancy. No interest was capitalized during the year ended June 30, 2011.

ROSE Community Development Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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 has adopted Statement of Position 98-2, *Accounting for Costs of Activities of Not-for-Profit Organizations and Local Governmental Entities That Include Fund Raising*, issued by the American Institute of Certified Public Accountants. 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 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, 2011 no joint costs were allocated to programs or other activities. Total fundraising expenses for the year totaled \$ 35,152.

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.

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.

Summarized Financial Information for 2010 – 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. Accordingly, such information should be read in conjunction with the organization’s financial statements for the year ended June 30, 2010, from which the summarized information was derived.

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

ROSE Community Development Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

3. Program Services

During the year ended June 30, 2011, ROSE incurred program service expenses in the following major categories:

- *Rental Housing 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.
- *Early Childhood Education* – This program helps children to succeed in school by training parents in child development and supporting in-home child care providers.
- *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

4. Grants and Contracts Receivable

Grants and contracts receivable at June 30, 2011 are summarized as follows:

Child Care Improvement Project Grant funds	7,353
Oregon Housing and Community Services	314,494
	<hr/>
	\$321,847

ROSE Community Development Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

5. Replacement 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 expense needs for rental properties that are in operation. At June 30, 2011 these accounts totaled \$785,671. 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 three IRS Code Section 42 Tax Credit Projects through three 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, 2011:

Lents Village, LP through Holgate-ROSE, LLC (1% interest)	\$ 325,512
Lents 2000, LP through ROSE-Lents, LLC (0.01% interest)	1,134,728
Leander Court, LP through ROSE 122 nd , LLC (0.01% interest)	134,246
Total	\$ 1,594,486

Lents Village Limited Partnership operates Lents Village Apartments, a 63-unit apartment project for seniors. Construction of the housing project was completed in 1997. During the Limited Partnership's year ended December 31, 2010, ROSE recorded a \$ 727 loss from the partnership.

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, 2010, ROSE recorded a \$7 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 fall of 2007. During the Limited Partnership's year ended December 31, 2010, ROSE recorded a \$ 19 loss from the partnership.

ROSE Community Development Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

The following is summarized financial information for Lents Village Limited Partnership, Lents 2000 Limited Partnership and Leander Court Limited Partnership at December 31, 2010. The information was obtained from their latest audited financial statements.

Balance Sheet	12/31/2010 Lents Village, LP	12/31/2010 Lents 2000, LP	12/31/2010 Leander Court, LP
Assets			
Cash	\$ 66,145	\$ 66,738	\$ 30,391
Restricted Deposits & Funded Reserves	237,656	156,096	129,156
Fixed Assets - Net of Accumulated Depreciation	2,454,159	4,432,699	6,970,485
Other Assets	66,953	38,163	43,800
Total Assets	2,824,913	4,693,696	7,173,832
Liabilities & Partners' Equity			
Accounts Payable	15,585	3,497	2,295
Other liabilities	56,310	27,742	98,674
Mortgages & Notes Payable	1,790,805	1,234,321	3,018,363
Total Liabilities	1,862,700	1,265,560	3,119,332
Capital:			
General Partner	325,512	1,134,728	134,246
Limited Partner	636,701	2,293,408	3,920,254
Total Capital	962,213	3,428,136	4,054,500
Total Liabilities & Partners' Equity	2,824,913	4,693,696	7,173,832
Statement of Operations			
Revenues	414,815	275,879	343,971
Expenses	331,422	215,747	299,654
Net Profit (Loss) before Depreciation & Amortization	83,393	60.132	44,317
Depreciation & Amortization	156,056	131,632	238,990
Net Loss	\$ (72,663)	\$ (71,500)	\$ (194,673)

ROSE Community Development Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

7. Office Building, Furniture and Equipment

A summary of land, office building, furniture and equipment at June 30, 2011 is as follows:

Land	\$	72,000
Office building		167,778
Office equipment and furnishings		50,165
	\$	289,943
Less accumulated depreciation		(83,470)
	\$	206,473

Total depreciation expense for office building, furniture and equipment was \$8,957 for the year ended June 30, 2011.

8. Assets Used in Operations

A summary of rental properties used in operations and properties being developed at June 30, 2011, is as follows:

Land	\$	1,870,054
Buildings and improvements		10,631,525
	\$	12,501,579
Less accumulated depreciation		(2,593,045)
	\$	9,908,535

Total depreciation expense for assets used in operations was \$235,315 for the year ended June 30, 2011.

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, 2011:

Portland Housing Bureau: \$ 1,454,246

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, \$ 804,246.

Additionally, PHB loaned \$650,000 for the acquisition of five homes which ROSE CDC will rehabilitate during fall of 2011 and sell by June 30, 2012.

ROSE Community Development Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

Portland Housing Bureau-Equity Gap Financing: \$ 7,459,060

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: \$ 117,167

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 \$109,289 on March 1, 2015.

KeyBank Corporation: \$ 297,531

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: \$ 319,764

A 30-year note at 7.24% is secured by eleven single-family homes. This note provided the majority of the permanent financing for the acquisition and construction work necessary to place these units into service. Monthly payments of \$2,849 in principal and interest are due through February 2027.

Chase Bank: \$ 965,828

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.

One PacificCoast Bank: \$ 1,515,315

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 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.

Albina Community Bank: \$ 38,207

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

ROSE Community Development Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

monthly payments of \$336.75 (9.00% interest) through June 25, 2018 and one balloon payment of approximately \$33,278 on July 25, 2018.

Total Long Term Debt	\$ 12,167,118
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Aggregate maturities of note principal for the five years subsequent to June 30, 2011 and thereafter are as follows:

Years ending June 30,

2012	\$	805,951
2013		132,248
2014		138,892
2015		253,846
2016		150,671
Thereafter		10,685,510

\$ 12,167,118

10. Government Liens and Promissory Notes

At June 30, 2011, 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 period of five to thirty years 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 agreed-upon period, 5 to 30 years depending on the property, the County will cancel the obligation. Liens on these properties total \$76,648 at June 30, 2011.

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.

ROSE has complied with all asset restrictions for the liens and the promissory note, and has the intention and ability to continue to comply with those restrictions. Accordingly, no liability for these liens or promissory notes has been recorded at June 30, 2011.

ROSE Community Development Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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 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, 2011.

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. The balances at all financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. All bank accounts were covered by FDIC insurance as of June 30, 2011.

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.

13. In-Kind Contributions

In accordance with ASC 958, significant services received which create or enhance a non-financial asset or require specialized skills that the organization would have purchased if not donated are recognized in the statement of activities. During the year ended June 30, 2011, \$15,000 had been recorded for contributed services. Also, \$86,252 of specialized work at the property Bellrose Station was paid directly by Multnomah County and the City of Portland. These amounts were capitalized as rental property additions.

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. During the year ended June 30, 2011, \$9,180 of computer software donations were recorded.

ROSE Community Development Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

14. Restrictions and Limitations on Net Asset Balances

At June 30, 2011, there were \$389,979 of temporarily restricted net assets.

15. Net Assets Released From Restrictions

During the year ended June 30, 2011, \$185,506 was received and released as there are no additional restrictions from the donor.

16. Line of Credit

ROSE maintains an unsecured bank line of credit for \$50,000 at a variable rate of interest. At June 30, 2011, the full balance remained available.

17. Expenses

The costs of providing the various programs and other activities of ROSE have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses by natural classification are presented in the consolidated statement of functional expenses.

18. 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 PDC grant. The note accrues interest at 3 percent per annum from the date of each advance. At June 30, 2011, the total accrued interest for the note is \$98,873. 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.

ROSE Community Development Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

19. 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, 2011 was \$2,971. 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.

20. Homes for Sale

During June 2011 ownership of five homes was transferred from the City of Portland to ROSE CDC for the purpose of rehabilitating the homes to sell to first-time home buyers. The homes were purchased with for \$650,000 and were financed through a loan agreement with the City of Portland. The loan has a maximum available to be drawn of \$935,000 to finance the purchase and rehabilitation of these homes. At June 30, 2011 ROSE has drawn \$650,000 under the terms of this loan. The homes will be available for sale in the fall of 2011.

21. Subsequent Events

ROSE Community Development Corporation had the following subsequent events through October 10, 2011, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financials statements for the year ended June 30,2011:

Subsequent to year end ROSE began the rehabilitation work on the five homes held for sale and drew an additional \$133,270 under the terms of the loan with Portland Housing Bureau.

22. 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 \$1,330 for his services in the fiscal year ending June 30, 2011. Also, a board member works for a nonprofit organization that was paid \$ 1,860 for services through June 30, 2011.

ROSE Community Development Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

23. Reclassification of 2010 Comparative Totals

Certain 2010 amounts presented herein have been reclassified to conform to the 2011 presentation.

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

Change in net assets	\$ 589,363
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Adjustments to reconcile the change in net assets
to net cash from operating activities:

Depreciation	244,272
Equity in earnings of partnerships	753
Debt forgiveness	(76,468)
Accrued Income	(40,695)
In-kind contributions	(110,432)

Net changes in:

Cash held by property managers	91,443
Grants and contracts receivable	(310,485)
Other receivables	2,508
Rental deposits held	2,511
Prepaid expenses	(986)
Accounts payable	102,015
Accrued interest payable	(277)
Payroll liabilities	4,702
Rental deposits held payable	(1,447)

Total adjustments	(92,586)
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Net Cash Flows from Operating Activities	\$ 496,777
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