

**ROSE FOUNDATION FOR COMMUNITIES
AND THE ENVIRONMENT**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2016**

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INTRODUCTORY SECTION

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ROSE FOUNDATION FOR COMMUNITIES AND THE ENVIRONMENT
Financial Statements
For the Year Ended December 31, 2016

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Rose Foundation for Communities and the Environment
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Rose Foundation for the Communities and the Environment (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016, and the related 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 Foundation'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 Foundation'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rose Foundation for Communities and the Environment as of December 31, 2016, 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 10-14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



Pleasant Hill, California
October 31, 2017

ROSE FOUNDATION FOR COMMUNITIES AND THE ENVIRONMENT

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016

ASSETS

Cash and cash equivalents (Note 3)	\$1,376,593
Investments (Note 3)	5,367,899
Receivables (Note 2D):	
Grants	241,854
Prepays and deposits	15,590
Property and equipment, net of accumulated depreciation of \$30,316 (Note 4)	<u>6,499</u>
Total Assets	<u><u>\$7,008,435</u></u>

LIABILITIES

Accrued compensation	\$58,609
Grants payable (Note 5)	<u>2,120,697</u>
Total Liabilities	<u>2,179,306</u>
	<u>2,179,306</u>

NET ASSETS (Note 2A)

Unrestricted	847,927
Temporarily restricted (Note 6)	3,965,040
Permanently restricted (Note 7)	<u>16,162</u>
Total Net Assets	<u>4,829,129</u>
Total Liabilities and Net Assets	<u><u>\$7,008,435</u></u>

See accompanying notes to financial statements

ROSE FOUNDATION FOR COMMUNITIES AND THE ENVIRONMENT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Support				
Donations and bequests	\$27,903	\$683,620		\$711,523
Grants:				
Public foundations	4,273	304,999		309,272
Private foundations	500	451,000		451,500
Governmental	500	130,520		131,020
Fundraising Events:				
Event revenue	34,496	1,248		35,744
Charitable contributions	1,414	75		1,489
Auction income	4,089			4,089
Restitution payments:				
Restitution receipts	12,462	3,900,859		3,913,321
Government restitution		102,000		102,000
In-kind donations (Note 2L)	8,081	1,575		9,656
Total Support	<u>93,718</u>	<u>5,575,896</u>		<u>5,669,614</u>
Revenue				
Investment income	137,855		\$1,027	138,882
Interest and dividends	129,429	5,210	523	135,162
Miscellaneous	50	397		447
Return of net funds		2,188		2,188
Transfers		124,922		124,922
Total Revenue	<u>267,334</u>	<u>132,717</u>	<u>1,550</u>	<u>401,601</u>
Net assets released from restrictions (Note 6)	<u>6,901,589</u>	<u>(6,900,304)</u>	<u>(1,285)</u>	
Total Support and Revenue	<u>7,262,641</u>	<u>(1,191,691)</u>	<u>265</u>	<u>6,071,215</u>
OPERATING EXPENSES				
Program service	6,770,793			6,770,793
Support services:				
Management and general	208,789			208,789
Fundraising	161,855			161,855
Total Expenses	<u>7,141,437</u>			<u>7,141,437</u>
Change in net assets	121,204	(1,191,691)	265	(1,070,222)
Net Assets at Beginning of Year	<u>726,723</u>	<u>5,156,731</u>	<u>15,897</u>	<u>5,899,351</u>
Net Assets at End of Year	<u>\$847,927</u>	<u>\$3,965,040</u>	<u>\$16,162</u>	<u>\$4,829,129</u>

See accompanying notes to financial statements

ROSE FOUNDATION FOR COMMUNITIES AND THE ENVIRONMENT

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program Services</u>	<u>Support Services</u>		<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>	
FUNCTIONAL EXPENSES				
Personnel	\$407,311	\$116,927	\$105,490	\$629,728
Grants awarded	5,981,124			5,981,124
Payments to affiliates	270,293	56	3,553	273,902
Professional fees	12,697	31,209	1,328	45,234
Fees for service	2,403	593	593	3,589
Bank and credit card fees	664	573	172	1,409
Depreciation (Note 4)	3,280	1,094	1,094	5,468
Dues, subscriptions and professional development	3,036	3,254	1,712	8,002
Equipment maintenance	1,823	607	607	3,037
Insurance	1,024	1,484	341	2,849
Office supplies	3,815	1,125	14,272	19,212
Miscellaneous	18,572			18,572
Rent (Note 8)	36,462	12,154	12,154	60,770
Telephone and website	8,783	1,609	1,610	12,002
Travel and transportation	19,456	3,539	1,356	24,351
Investment expense	50	17,206		17,256
Advertising and conferences		7,703	17,573	25,276
In-kind expense (Note 2L)		9,656		9,656
Total Functional Expenses	<u>\$6,770,793</u>	<u>\$208,789</u>	<u>\$161,855</u>	<u>\$7,141,437</u>

See accompanying notes to financial statements

ROSE FOUNDATION FOR COMMUNITIES AND THE ENVIRONMENT

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	<u>(\$1,070,222)</u>
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:	
Depreciation	5,468
Realized gain on investments	54,022
Unrealized gain on investments	77,801
(Increase) in grants receivable	(12,618)
(Increase) in prepaids and deposits	(5,845)
Decrease in inventory	272
(Decrease) in accounts payable	(29,029)
Increase in grants payable	943,827
Increase in accrued compensation	21,551
(Decrease) in deferred revenue	<u>(205,251)</u>
Total Adjustments	<u>850,198</u>
Net Cash Provided (Used) by Operating Activities	<u>(220,024)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(1,076,753)
Sales of investments	1,186,735
Purchase of property and equipment	<u>(1,426)</u>
Net Cash Provided (Used by) Investing Activities	<u>108,556</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (111,468)

Cash and Cash Equivalents, Beginning of Year 1,488,061

Cash and Cash Equivalents, End of Year \$1,376,593

SUPPLEMENTARY INFORMATION:

No taxes or interest were paid by the Foundation during 2016.

See accompanying notes to financial statements

**ROSE FOUNDATION FOR THE COMMUNITIES AND THE ENVIRONMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 1 – ORGANIZATION AND PROGRAMS

A. Reporting Entity

The Rose Foundation for Communities and the Environment (Foundation) is a California non-profit corporation which was organized in 1992. The purpose of the Foundation is to encourage environmental and community stewardship by supporting charitable and educational projects. The Foundation's principal sources of revenue are from donations, grants, and restitution payments as a neutral third party. It is not involved as either a plaintiff or defendant in the underlying actions.

B. Programs

New Voices Are Rising – seeks to increase civic participation within under-represented communities, increase young people's commitment to environmental justice, and reduce air and water pollution that severely impact both human health and the health of the San Francisco Bay. The program helps young people gain the skills and experience in civic engagement that they need to begin to tackle the problems – including environmental health problems – that disproportionately impact their communities.

Grant Making Programs – are organized into a series of discrete funds. Each fund has a specific mission, and each fund may also have a specific geographic scope. Most funds are guided by a volunteer funding board whose members donate their time and expertise in guiding overall grant making strategy and individual grant decisions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

Resources are classified for accounting and reporting purposes into three classes of net assets: unrestricted, temporarily restricted and permanently restricted, according to externally imposed restrictions as follows:

Unrestricted net assets- Net assets that are not subject to any donor-imposed restrictions.

Temporarily restricted net assets- Net assets resulting (a) from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations, (b) from other asset enhancements and diminishment that are subject to the same kinds of stipulations, and (c) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Foundation pursuant to those stipulations.

Permanently restricted net assets- Net assets resulting (a) from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation, (b) from other asset enhancements and diminishment that are subject to the same kinds of stipulations, and (c) from reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

ROSE FOUNDATION FOR THE COMMUNITIES AND THE ENVIRONMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. *Method of Accounting*

The financial statements of the Foundation are prepared using the accrual basis of accounting, which reflects revenue when earned and expenses as incurred.

C. *Cash and Cash Equivalents*

For purposes of the statement of cash flows, cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of the acquisition date.

D. *Receivables*

Receivables are recorded net of an allowance for expected losses. The allowance is recorded based on an estimate of the expected collectability of the amounts.

E. *Contributions*

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

F. *Property and Equipment*

The Foundation records property and equipment in excess of \$1,000 at historical cost, or if donated at fair market value at the date of donation. Depreciation is determined on the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged against income as incurred.

G. *Functional Allocation of Expenses*

The Foundation allocated its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly. Indirect costs are allocated among program and support services on a basis proportionate to the direct staff time or other method which best measures the relative degree of benefit.

ROSE FOUNDATION FOR THE COMMUNITIES AND THE ENVIRONMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Income Taxes

The Foundation is exempt from income tax under Section 501(c)(3) of U.S. the Internal Revenue Code. Accordingly, no provision for income taxes has been provided in these financial statements. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Unrelated business income, if any, may be subject to income tax. The Foundation paid no taxes on unrelated business income in the year ended December 31, 2016.

Generally accepted accounting principles require the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the organization's tax returns. Management has determined that the Foundation does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Foundation's tax returns will not be challenged by the taxing authorities and that the Foundation will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the Foundation's tax returns remain open for federal income tax examination for three years from the date of filing.

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principle requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Advertising Costs

Advertising costs, if any, are expensed as incurred.

K. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards set a framework for measuring fair value using a three tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or inputs (interest rates, currency exchange rates, commodity rates and yield curves) that are observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Inputs that are not observable in the market and reflect the management's judgment about the assumptions that market participants would use in pricing the asset or liability.

**ROSE FOUNDATION FOR THE COMMUNITIES AND THE ENVIRONMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Contributed Services and Equipment

Donated services and equipment are reflected in the financial statements at the fair value of the services received only if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donated services and materials and equipment of \$9,656 have been reflected in the accompanying financial statements as in-kind contributions for the year ended December 31, 2016, with corresponding amounts included in materials and equipment and program costs or supporting services as in-kind expenses.

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents and investments consist of the following as of December 31, 2016:

Cash in bank	\$1,376,593
Investments	5,367,899
	\$6,744,492

The following are the major categories of marketable equity securities measured at fair value on a recurring basis during the year ended December 31, 2016 using quoted prices in active markets for identified assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

<u>Description</u>	Fair Value Measurements		Total
	Using		
	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
Mutual funds - Equity funds		\$292,634	\$292,634
Mutual funds - Bond funds		1,520,684	1,520,684
Mutual Funds - Real Estate Investment Trust		64,812	64,812
Corporate Bonds	\$1,460,680		1,460,680
Equities	1,470,505		1,470,505
U.S. Treasuries	200,141		200,141
Exchange Traded Funds	11,107		11,107
Certificates of Deposit	347,336		347,336
	\$3,489,769	\$1,878,130	\$5,367,899

Mutual Funds are reported using level 2 inputs based on values provided by the investment advisors.

**ROSE FOUNDATION FOR THE COMMUNITIES AND THE ENVIRONMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

The following summarizes the investment income during the year ended December 31, 2016:

Interest and dividend income	\$135,162
Realized gain on investments	55,623
Unrealized gain/(loss) on investments	83,259
Subtotal	138,882
Total investment income, net	\$274,044

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Life</u>
Computers and Equipment	5 years
Furniture and Fixtures	7 years

Property and equipment consisted of the following at December 31, 2016:

	Balance January 1, 2016	Additions	Balance December 31, 2016
Computers and Equipment	\$35,389	\$1,426	\$36,815
Less accumulated depreciation	(24,848)	(5,468)	(30,316)
Fixed assets, net	\$10,541	(\$4,042)	\$6,499

Depreciation expense for the year ended December 31, 2016 was \$5,468.

NOTE 5 – GRANTS PAYABLE

As of December 31, 2016, the Foundation records grants payable related to grants approved prior to year end. The following summarizes grants payable at December 31, 2016:

Kern County grants	\$130,500
Consumer products	25,000
Financial education grants	498,500
Central Valley grants	428,245
Watershed grants	1,038,452
Grants Payable	\$2,120,697

**ROSE FOUNDATION FOR THE COMMUNITIES AND THE ENVIRONMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted by time and/or purpose and consisted of the following at December 31, 2016:

New Voices Are Rising	\$802
Grassroots Fund	288,536
Grassroots Training Institute	95,000
Coast to Crest Trail Projects	(6,503)
Community Water Center Fund	2,175
Donor Advised	768,296
Fiscal Sponsor	120,139
Restitution	<u>2,696,595</u>
	<u><u>\$3,965,040</u></u>

For the year ended December 31, 2016, net assets were released from restriction from donor sources as follows:

New Voices Are Rising	\$118,435
Grassroots Fund	276,555
Coast to Crest Trail Projects	6,503
Community Leadership Project	94,647
CEQA Project	55,766
Community Water Center Fund	12,025
Global Community Monitor Fund	287
Donor Advised	769,930
Fiscal Sponsor	717,706
Restitution	<u>4,848,450</u>
	<u><u>\$6,900,304</u></u>

NOTE 7 – PERMANENTLY RESTRICTED NET ASSETS/ENDOWMENTS

The Foundation's endowment consists of donor restricted balances established for the purpose of creating an endowment for the Anthony Grassroots Prize and is held in one investment account. Its endowment includes donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**ROSE FOUNDATION FOR THE COMMUNITIES AND THE ENVIRONMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 7 – PERMANENTLY RESTRICTED NET ASSETS/ENDOWMENT (Continued)

Interpretation of Law - The Board of Directors of the Foundation has interpreted the California State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair market value of the original gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if applicable. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated expenditure by the organization in a manner consistent with the standard of prudence prescribed in SPMIFA. In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciate of investments
6. Other resources of the organization
7. The investment policies of the organization

The changes in endowment net assets for the year ended December 31, 2016 were as follows:

	Permanently Restricted
Endowment net assets, December 31, 2015	\$15,897
Investment return:	
Interest and dividends	1,550
Total investment return	1,550
Contributions	
Appropriation for endowment assets for expenditure	(1,285)
Endowment net assets, December 31, 2016	\$16,162

**ROSE FOUNDATION FOR THE COMMUNITIES AND THE ENVIRONMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 7 – PERMANENTLY RESTRICTED NET ASSETS/ENDOWMENT (Continued)

The endowment net asset composition by type of fund as of December 31, 2016, consists of the following:

	Permanently Restricted
Donor-restricted endowment funds	\$16,162
Total Funds	\$16,162

The balance of Permanently Restricted Net Assets at December 31, 2016 was \$16,612. The funds are held in a perpetual endowment fund and are required to be retained permanently to benefit the \$15,897 program. The Foundation did not hold any temporarily restricted endowment funds as of December 31, 2016.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the organization to retain as a fund of perpetual duration. As of December 31, 2016 there were no deficiencies in value.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a constant stream of funding for annual operating needs supported by its endowment while seeking to preserve the real (i.e., inflation adjusted) purchasing power of the endowment assets. Endowment assets include those assets of the donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Finance Committee, the endowment assets are invested in a manner that is intended to produce results that (1) meet the expected rate of return as dictated by the asset allocation in place and (2) exceed a weighted index of the total asset allocation and component benchmarks over rolling five-year periods by an appropriate amount (annualized, net of fees, over a full market cycle). In addition to rolling five-year periods, rolling three-year periods will be monitored for trends. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return, the Foundation targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives with prudent risk constraints.

Spending Policy and how the Investment Objectives Relate to Spending Policy

The Foundation currently distributes all income from endowment assets.

ROSE FOUNDATION FOR THE COMMUNITIES AND THE ENVIRONMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 8 – OPERATING LEASES AND SERVICE AGREEMENTS

The Foundation leases office space in Oakland, California, under a 60-month non-cancelable operating lease which commenced on May 1, 2013. The minimum monthly lease paid for the office space is \$4,597.

For the year ended December 31, 2016, rent expense was \$60,770. Future minimum payments under these noncancellable lease are as follows:

<u>Fiscal Year Ending:</u>	
2017	\$55,234
2018	<u>47,170</u>
	<u><u>\$102,404</u></u>

NOTE 9 – RETIREMENT PLANS

The Foundation has adopted a 401(k) retirement plan, which covers all employees who have completed six months of service. The Foundation makes matching contributions equal to 100% of the participant contribution during the plan year, not to exceed 5% of each participant's compensation, for all eligible participants. To encourage employee contributions, the Foundation matches \$1 for every \$4 invested in the Plan by employees up to \$1,000 per year. During the year ended December 31, 2016 the Board approved a contribution to the plan which totaled \$17,725.

NOTE 10 – CONCENTRATIONS

A significant portion of the Foundation's total revenue is derived from restitution payments from various causes. For the year ended December 31, 2016, support from restitution was 64% of total revenue.

NOTE 11 – RISKS, UNCERTAINTIES AND CONCENTRATIONS

The Foundation investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with these investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statement of net position.

The Foundation receives a significant amount of revenue from donations and grants from individuals and foundations. The donations and grants awarded to the Foundation are at the sole discretion of the donors.

ROSE FOUNDATION FOR THE COMMUNITIES AND THE ENVIRONMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 12 – RELATED PARTY TRANSACTIONS

The Foundation President and Executive Director, both Board Members, are married. They are the co-founders of the Foundation as well as employees.

A Board member serves as grants manager of the Foundation's Pacific Northwest grant making funds, and is the project manager of the Coast to Crest Trail Project in Del Norte County, California.

NOTE 13 – EXCESS OF FDIC

As of December 31, 2016, the Foundation had exceeded the Federal Depository Insurance Corporation limit cash limit of \$250,000 on its depository accounts. At December 31, 2016, the Foundation had approximately \$631,977 on deposit in excess of federally insured limits.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 31, 2017, the date on which the financial statements were available to be issued. Management concluded that no subsequent events have occurred since December 31, 2016 that require disclosure in the financial statements.

ROSE FOUNDATION FOR COMMUNITIES AND THE ENVIRONMENT

SCHEDULE OF UNRESTRICTED FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>General Fund</u>	<u>Grants Program Administration</u>	<u>Reserve Fund</u>	<u>Total</u>
SUPPORT AND REVENUE				
Support				
Donations and bequests	\$27,903			\$27,903
Grants:				
Public foundations	4,273			4,273
Private foundations	500			500
Governmental	500			500
Fundraising Events:				
Event revenue	34,496			34,496
Charitable contributions	1,414			1,414
Auction income	4,089			4,089
Restitution payments:				
Restitution receipts		\$12,462		12,462
In-kind donations	8,081			8,081
Total Support	<u>81,256</u>	<u>12,462</u>		<u>93,718</u>
Revenue				
Investment income	131,819		\$6,037	137,856
Interest and dividends	123,798		5,630	129,428
Miscellaneous	50			50
Total Revenue	<u>255,667</u>		<u>11,667</u>	<u>267,334</u>
Net assets released from restrictions	<u>6,790,716</u>	<u>110,873</u>		<u>6,901,589</u>
Total Support and Revenue	<u>7,127,639</u>	<u>123,335</u>	<u>11,667</u>	<u>7,262,641</u>
OPERATING EXPENSES				
Program service	6,770,793			6,770,793
Support services:				
Management and general	208,789			208,789
Fundraising	161,855			161,855
Total Expenses	<u>7,141,437</u>	<u>0</u>	<u>0</u>	<u>7,141,437</u>
Change in net assets	(13,798)	123,335	11,667	121,204
Net Assets at Beginning of Year	<u>24,434</u>	<u>196,418</u>	<u>505,871</u>	<u>726,723</u>
Net Assets at End of Year	<u>\$10,636</u>	<u>\$319,753</u>	<u>\$517,538</u>	<u>\$847,927</u>

ROSE FOUNDATION FOR COMMUNITIES AND THE ENVIRONMENT

SCHEDULE OF TEMPORARILY RESTRICTED FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>New Voices Are Rising</u>	<u>Grassroots Fund</u>	<u>Grassroots Training Institute</u>	<u>Coast to Crest Trail Projects</u>	<u>Community Leadership Project</u>
SUPPORT AND REVENUE					
Support					
Donations and bequests	\$12,969	\$1,120			
Grants:					
Public foundations	10,500	56,249	\$20,000		
Private foundations	1,000	215,000	10,000		\$10,000
Governmental	90,465			\$6,306	
Fundraising Events:					
Event revenue	1,248				
Charitable contributions	75				
Restitution payments:					
Restitution receipts					
Government restitutions					
In-kind donations	1,575				
Total Support	<u>117,832</u>	<u>272,369</u>	<u>30,000</u>	<u>6,306</u>	<u>10,000</u>
Revenue					
Investment income					
Interest and dividends					
Miscellaneous		397			
Return of funds		2,188			
Transfers			65,000		
Total Revenue		<u>2,585</u>	<u>65,000</u>		
Net assets released from restrictions	<u>(118,435)</u>	<u>(276,555)</u>		<u>(6,503)</u>	<u>(94,647)</u>
Total Support and Revenue	<u>(603)</u>	<u>(1,601)</u>	<u>95,000</u>	<u>(197)</u>	<u>(84,647)</u>
Change in net assets	(603)	(1,601)	95,000	(197)	(84,647)
Net Assets at Beginning of Year	<u>1,405</u>	<u>290,137</u>		<u>(6,306)</u>	<u>84,647</u>
Net Assets at End of Year	<u>\$802</u>	<u>\$288,536</u>	<u>\$95,000</u>	<u>(\$6,503)</u>	

CEQA Project	Community Water Center Fund	Global Community Monitor Fund	Donor Advised	Fiscal Sponsor	Restitution	Total
\$45,766	\$5,000		\$502,500	\$116,265		\$683,620
10,000	7,500		15,000	185,750 215,000		304,999 451,000 130,521
					\$33,750	1,248 75
			58,200		3,842,658 102,000	3,900,858 102,000 1,575
<u>55,766</u>	<u>12,500</u>		<u>575,700</u>	<u>517,015</u>	<u>3,978,408</u>	<u>5,575,896</u>
					5,210	5,210 397 2,188
			54,908	5,014		124,922
			54,908	5,014	5,210	132,717
<u>(55,766)</u>	<u>(12,025)</u>	<u>(\$287)</u>	<u>(769,930)</u>	<u>(717,706)</u>	<u>(4,848,450)</u>	<u>(6,900,304)</u>
	475	(287)	(139,322)	(195,677)	(864,832)	(1,191,691)
	475	(287)	(139,322)	(195,677)	(864,832)	(1,191,691)
	1,700	287	907,618	315,816	3,561,427	5,156,731
	\$2,175		\$768,296	\$120,139	\$2,696,595	\$3,965,040

ROSE FOUNDATION FOR COMMUNITIES AND THE ENVIRONMENT

SCHEDULE OF FISCAL SPONSORSHIP
FOR THE YEAR ENDED DECEMBER 31, 2016

	Angelenos Against Gridlock	Bay Area Environmental Health Network	Blue Tomorrow	CA Business Alliance for Clean Economy
SUPPORT AND REVENUE				
Support				
Donations and bequests		\$5,000		\$26,875
Grants:				
Public foundations				114,500
Private foundations			\$25,000	84,000
Total Support		5,000	25,000	225,375
Revenue				
Investment income				
Interest and dividends				
Miscellaneous				
Transfers	\$14	5,000		
Total Revenue	14	5,000		
Net assets released from restrictions	(14)	(11,066)	(51,505)	(225,375)
Total Support and Revenue		(1,066)	(26,505)	
Change in net assets		(1,066)	(26,505)	
Net Assets at Beginning of Year		8,871	26,505	
Net Assets at End of Year		\$7,805		

Foundation Partnership	Investor Environmental Health Network	Dellums Institute	Community Alliance Agroecology	Together Restoring Economic Empowerment	Total
\$5,000	\$43,250	\$34,115		\$2,025	\$116,265
		71,250			185,750
	51,000	2,500	\$52,500		215,000
5,000	94,250	107,865	52,500	2,025	517,015
					5,014
					5,014
(3,500)	(151,251)	(106,532)	(166,462)	(2,001)	(717,706)
1,500	(57,001)	1,333	(113,962)	24	(195,677)
1,500	(57,001)	1,333	(113,962)	24	(195,677)
5,000	112,571	698	162,171		315,816
\$6,500	\$55,570	\$2,031	\$48,209	\$24	\$120,139

ROSE FOUNDATION FOR COMMUNITIES AND THE ENVIRONMENT

SCHEDULE OF RESTITUTION FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Environmental Fund</u>	<u>Central Valley Disadvantage Community Fund</u>	<u>Kern County Air Pollution Mitigation Fund</u>	<u>Consumer Privacy Rights Fund</u>
SUPPORT AND REVENUE				
Support				
Grants:				
Governmental	\$33,750			
Restitution payments:				
Restitution receipts	2,535,495	\$689,719	\$617,445	
Government receipts	102,000			
Total Support	<u>2,671,245</u>	<u>689,719</u>	<u>617,445</u>	
Revenue				
Interest and dividends			5,210	
Total Revenue			<u>5,210</u>	
Net assets released from restrictions	<u>(2,096,999)</u>	<u>(711,109)</u>	<u>(734,450)</u>	<u>(\$25,284)</u>
Total Support and Revenue	<u>574,246</u>	<u>(21,390)</u>	<u>(111,795)</u>	<u>(25,284)</u>
Change in net assets	574,246	(21,390)	(111,795)	(25,284)
Net Assets at Beginning of Year	<u>1,699,796</u>	<u>21,390</u>	<u>511,120</u>	<u>48,512</u>
Net Assets at End of Year	<u><u>\$2,274,042</u></u>	<u><u>\$0</u></u>	<u><u>\$399,325</u></u>	<u><u>\$23,228</u></u>

<u>Consumer Financial Education Fund</u>	<u>Total</u>
	\$33,750
	3,842,659
	<u>102,000</u>
	<u>3,978,409</u>
	<u>5,210</u>
	<u>5,210</u>
<u>(\$1,280,610)</u>	<u>(4,848,452)</u>
<u>(1,280,610)</u>	<u>(864,833)</u>
(1,280,610)	(864,833)
<u>1,280,610</u>	<u>3,561,428</u>
<u><u> </u></u>	<u><u>\$2,696,595</u></u>

ROSE FOUNDATION FOR COMMUNITIES AND THE ENVIRONMENT

SCHEDULE PERMANENTLY RESTRICTED FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Anthony Prize</u>	<u>Total</u>
REVENUE		
Revenue		
Investment income	\$1,026	\$1,026
Interest and dividends	524	524
Total Revenue	<u>1,550</u>	<u>1,550</u>
Net assets released from restrictions	<u>(1,285)</u>	<u>(1,285)</u>
Total Support and Revenue	<u>265</u>	<u>265</u>
Change in net assets	265	265
Net Assets at Beginning of Year	<u>15,897</u>	<u>15,897</u>
Net Assets at End of Year	<u><u>\$16,162</u></u>	<u><u>\$16,162</u></u>