

The Rose Foundation for Communities and the Environment

Financial Statements

and

Independent Auditors' Report

For the Year Ended August 31, 2005

Levy & Powers, Inc.

Certified Public Accountants

A Professional Corporation

The Rose Foundation for Communities and the Environment

August 31, 2005

Contents

	Page
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Supplementary Information:	
Statement of Functional Expenses	5
Schedule of Unrestricted Funds	6
Schedule of Temporarily Restricted Funds	7
Schedule of Donor Advised Funds	8
Schedule of Fiscal Sponsorship Funds	9
Schedule of Restitution Funds	10
Schedule of Permanently Restricted Funds	11
Notes to Financial Statements	12 - 16



Levy &
Powers, Inc.

Accountancy Corporation
Certified Public Accountants

Audit • Review • Compilation • Agreed-Upon Procedures • Other Attestation Services
4040 Civic Center Dr., Suite 200, San Rafael, CA 94903 • t: 415.451.8191 • f: 415.451.8012
FROM THE EAST BAY: t: 510.428.9740 • f: 510.428.9747
e: info@levypowerscpas.com • www.levypowerscpas.com

Independent Auditors' Report

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

We have audited the accompanying statement of financial position of The Rose Foundation for Communities and the Environment (Foundation), a nonprofit organization, as of August 31, 2005, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements referred to in the first paragraph taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplemental information includes the: Statement of Functional Expenses; Schedule of Unrestricted Funds; Schedule of Temporarily Restricted Funds; Schedule of Donor Advised Funds; Schedule of Fiscal Sponsorship Funds; Schedule of Restitution Funds and Schedule of Permanently Restricted Funds.

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 August 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Levy & Powers, Inc.

San Rafael, California
January 16, 2006

The Rose Foundation for Communities and the Environment
Statement of Financial Position
August 31, 2005

ASSETS

Cash-Checking and Savings	\$ 667,236
Deposits	500
Marketable Securities	<u>671,303</u>
Total Assets	<u>1,339,039</u>

LIABILITIES AND NET ASSETS

Accounts Payable	<u>179,562</u>
Total Liabilities	<u>179,562</u>
Unrestricted Net Assets	323,752
Temporarily Restricted Net Assets	804,703
Permanently Restricted Net Assets	<u>31,022</u>
Total Net Assets	<u>1,159,477</u>
Total Liabilities and Net Assets	\$ <u>1,339,039</u>

See accompanying notes to the financial statements

The Rose Foundation for Communities and the Environment
Statement of Activities and Changes in Net Assets
For The Year Ended August 31, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and Other Support				
Donations	\$ -	\$ 120,907	\$ 1,415	\$ 122,322
Grants				
Public Foundations	-	51,796	-	51,796
Private Foundations	-	407,000	-	407,000
Governmental	-	164,426	-	164,426
Restitution Payments	708	972,057	-	972,765
Other Revenue				
Investment Return	46,819	-	2,026	48,844
Dividends and Interest	31,696	759	482	32,937
Miscellaneous	-	15,119	-	15,119
Net Assets Released From Restrictions:	<u>1,766,050</u>	<u>(1,762,410)</u>	<u>(3,639)</u>	<u>1,815,209</u>
Total Revenue, Support and Reclassifications	<u>1,845,273</u>	<u>(30,346)</u>	<u>284</u>	<u>1,815,209</u>
Expenses				
Program Services	1,616,677	-	-	1,616,677
Management and General	80,793	-	-	80,793
Fundraising	<u>55,703</u>	<u>-</u>	<u>-</u>	<u>55,703</u>
Total Expenses	<u>1,753,173</u>	<u>-</u>	<u>-</u>	<u>1,753,173</u>
Change in Net Assets	92,100	(30,346)	284	62,038
Net Assets - September 1, 2004	<u>231,652</u>	<u>835,049</u>	<u>30,738</u>	<u>1,097,439</u>
Net Assets - August 31, 2005	<u>\$ 323,752</u>	<u>\$ 804,703</u>	<u>\$ 31,022</u>	<u>\$ 1,159,477</u>

See accompanying notes to the financial statements

The Rose Foundation for Communities and the Environment
Statement of Cash Flows
For The Year Ended August 31, 2005

Cash Flows From Operating Activities	
Increase (Decrease) in Net Assets	\$ 62,038
Adjustments to Reconcile increase (decrease) in Net Assets to Net Cash Provided by Operating Activities:	
Increase (Decrease) in Liabilities	
Accrued compensation	1,131
Deferred Revenue	<u>175,000</u>
Net Cash Provided by Operating Activities	<u>238,169</u>
 Cash Flows From Investing Activities	
(Purchases)/Sales of Investments - Net	<u>26,553</u>
Net Cash Flow Used by Investing Activities	<u>26,553</u>
 Net Increase (Decrease) In Cash	 264,722
 Cash - September 1, 2004	 <u>402,514</u>
 Cash - August 31, 2005	 <u>\$ 667,236</u>

See accompanying notes to the financial statements

The Rose Foundation for Communities and the Environment
Supplementary Information
Statement of Functional Expenses
For The Year Ended August 31, 2005

Expenses	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation and Related Expenses	\$ 105,541	\$ 43,347	\$ 44,136	\$ 193,024
Grants Awarded	1,464,403	-	-	1,464,403
Professional Fees	19,491	18,185	-	37,676
Document Preparation	806	-	-	806
Dues and Subscriptions	1,417	567	593	2,577
Equipment Maintenance	1,053	421	441	1,915
Insurance	-	2,736	-	2,736
Office Supplies	1,079	450	451	1,980
Postage	2,864	1,146	1,623	5,633
Printing	4,051	1,621	1,779	7,451
Rent	4,201	1,680	1,757	7,638
Telephone	3,838	1,656	1,605	7,099
Travel and Transportation	7,933	3,245	3,318	14,496
Investment Fees	-	5,739	-	5,739
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	\$ <u>1,616,677</u>	\$ <u>80,793</u>	\$ <u>55,703</u>	\$ <u>1,753,173</u>

See accompanying notes to the financial statements

The Rose Foundation for Communities and the Environment
Schedule of Unrestricted Funds
August 31, 2005

	General Fund	Grant Admin	Reserve Fund	Total
Revenue and Other Support				
Donations				
Grants				
Public Foundation				
Private Foundation				
Governmental				
Restitution Payments	\$ 708			\$ 708
Other Revenue				
Investment Return	46,818			46,818
Dividends and Interest	29,900		\$ 1,796	31,696
Transfer				
Net Assets Release From Restriction:				
Satisfaction of use restriction		\$ 147,401		147,401
Total Revenue, Support and Reclassifications	77,427	147,401	1,796	226,624
Total Expenses	(35,112)	(99,413)	0	(134,525)
Change in Net Assets	42,314	47,989	1,796	92,099
Net Assets - September 1, 2004	115,171	12,286	104,196	231,653
Net Assets - August 31, 2005	\$ 157,485	\$ 60,275	\$ 105,992	\$ 323,752

See accompanying notes to the financial statements

The Rose Foundation for Communities and the Environment
Schedule of Temporarily Restricted Funds
August 31, 2005

	Environmental Fiduciary	New Voices Are Rising	H.A.R.T. Fund	Grassroots Fund	Donor Advised	Fiscal Sponsorship	Restitution Funds	Totals
Donations	\$ 5,860	\$ 13,786		\$ 58,158	\$ 43,103		\$	120,907
Grants								
Public Foundation	3,323	16,665	\$	20,000	10,816	\$	992	51,796
Private Foundation	28,000	51,000		151,000	177,000			407,000
Government					110,987	53,439		164,426
Restitution Payments							972,057	972,057
Dividends and Interest			41				718	759
Miscellaneous						15,119		15,119
Transfer between funds	2,000	30,000		50,000	(2,000)		(80,000)	0
Net assets released from Restriction	(34,083)	(102,947)		(221,804)	(158,894)	(276,593)	(968,090)	(1,762,410)
Change in Net Assets	5,100	8,504	41	(804)	10,251	20,885	(74,323)	(30,346)
Net Assets, beginning of year	16,167	3,756	6,232	124,961	1,829	110,220	571,883	835,048
Net Assets, end of year	\$ 21,267	\$ 12,260	\$ 6,273	\$ 124,157	\$ 12,080	\$ 131,105	\$ 497,560	\$ 804,702

See accompanying notes to the financial statements

The Rose Foundation for Communities and the Environment
Schedule of Donor Advised Funds
August 31, 2005

	Community Technical Assistance Contracts	Miscellaneous	Watershed Watch Campaign	Wheeler Fund	Total
Donations		\$ 47,500	\$ 5,900	\$ 4,758	\$ 58,158
Grants					
Public Foundation					
Private Foundation					
Government	\$ 110,987				110,987
Restitution Payments					
Transfer between funds					
Net assets released from Restriction	(110,987)	(42,750)	(472)	(4,685)	(158,894)
Change in Net Assets	0	4,750	5,428	73	10,251
Net Assets, beginning of year	0	0	0	1,829	1,829
Net Assets, end of year	\$0	\$ 4,750	\$ 5,428	\$ 1,902	\$ 12,080

See accompanying notes to the financial statements

The Rose Foundation for Communities and the Environment
Schedule of Fiscal Sponsorship Funds
August 31, 2005

	California Solar Project	Coalition of Concerned Citizens of Pt. Richmond	Eco-Prep	EnviroSpec	Foundation Partnerships on Corporate Responsibility	Investor Environmental Health Network	Natural Equity Project	North Coast Nature Center	Redwood Economic Development Institute	Richmond Environmental Defense Fund	Russian River Watershed Council	Sacred Spaces	Strategies for a Green Economy	Wilderness Reflections	TOTALS
Donations	\$ 12,000	\$ 24,933				\$ 600		\$ 5,000		\$ 320				\$ 250	\$ 43,103
Grants			\$ 5,100		\$ 2,000	170,000		1,699	\$ 3,800		\$ 217	\$ 5,000			10,816
Public Foundation															177,000
Private Foundation									46,151						53,439
Government			2,288	\$ 5,000									\$ 15,119		15,119
Miscellaneous					(2,000)		\$ (76,847)						76,847		(2,000)
Transfer between Funds															
Net assets released from Restriction	(12,000)	(24,933)	(7,388)	(5,000)	0	(130,053)	(4,781)	(6,699)	(49,951)	(320)	(217)	(5,000)	(30,000)	(250)	(276,593)
Change in Net Assets	0	0	0	0	0	40,547	(81,628)	0	0	0	0	0	61,967	0	20,885
Net Assets, beginning of year	0	0	0	0	12,800	15,792	81,628	0	0	0	0	0	0	0	110,220
Net Assets, end of year	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,800	\$ 56,339	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 61,967	\$ 0	\$ 131,106

The Rose Foundation for Communities and the Environment
Schedule of Restitution Funds
August 31, 2005

	<u>Environmental Fund</u>	<u>Cy Pres Fund</u>	<u>Consumer Privacy Fund</u>	<u>Kern Co Air Pollution Mitigation Fund</u>	<u>Totals</u>
Donations					
Grants					
Public Foundation		\$ 992			\$ 992
Private Foundation					
Government					
Restitution Payments	\$ 326,700		\$ 475,757	\$ 169,600	972,057
Dividends and Interest				718	718
Transfer between funds	(65,000)	(15,000)			(80,000)
Net assets released from Restriction	<u>(425,156)</u>	<u>(50,060)</u>	<u>(475,887)</u>	<u>(16,988)</u>	<u>(968,090)</u>
Change in Net Assets	(163,456)	(64,068)	(130)	153,330	(74,323)
Net Assets, beginning of year	<u>446,480</u>	<u>125,273</u>	<u>130</u>	<u>0</u>	<u>571,883</u>
Net Assets, end of year	<u>\$ 283,024</u>	<u>\$ 61,205</u>	<u>\$ 0</u>	<u>\$ 153,330</u>	<u>\$ 497,560</u>

See accompanying notes to the financial statements

The Rose Foundation for Communities and the Environment
Schedule of Permanently Restricted Funds
August 31, 2005

	<u>Anthony Prize</u>	<u>Meade Prize</u>	<u>Total</u>
Donations	\$ 1,215	\$ 200	\$ 1,415
Investment Return	1,056	970	2,026
Dividends and Interest	4	478	482
Net Assets released from restriction	<u>(2,278)</u>	<u>(1,362)</u>	<u>(3,639)</u>
Change in Net Assets	(3)	286	284
Net Assets, beginning of year	<u>13,242</u>	<u>17,496</u>	<u>30,738</u>
Net Assets, end of year	<u>\$ 13,239</u>	<u>\$ 17,782</u>	<u>\$ 31,022</u>

See accompanying notes to the financial statements

The Rose Foundation for Communities and the Environment

Notes to the Financial Statements

(1) The Organization

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 source of revenue is from donations, grants, and restitution payments received as a result of court settlements. The Foundation receives these restitution payments as a neutral third party. It is not involved as either a plaintiff or defendant in the underlying actions.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Consequently, revenues are recognized when earned and expenses are recognized when the related obligation is incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, The Rose Foundation for Communities and the Environment is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Foundation is required to present a statement of cash flows.

Unrestricted net assets are net assets whose use by **The Rose Foundation for Communities and the Environment** is neither temporarily restricted nor permanently restricted by donor-imposed stipulations. Assets that are designated for specific purposes by either the Foundation's by-laws or by the Board of Directors are considered unrestricted net assets.

Temporarily restricted net assets are net assets whose use by **The Rose Foundation for Communities and the Environment** is limited by donor-imposed or other stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation. When a restriction expires or is fulfilled, temporarily restricted net assets are reclassified as unrestricted net assets.

Permanently restricted net assets are net assets whose use by **The Rose Foundation for Communities and the Environment** is limited by donor imposed or other stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services rendered.

The Rose Foundation for Communities and the Environment

Notes to the Financial Statements

Contributions

Contributions and grants are accounted for under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In Accordance with SFAS no. 116 contributions and grants are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Rose Foundation for Communities and the Environment has received contributions with donor-imposed restrictions that would result in temporarily and permanently restricted net assets.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair values in the statement of assets, liabilities, and net assets under SFAS No. 124, *Accounting for Certain Investments, Held by Not-for-Profit Organizations*. Net realized and unrealized gains and losses are included in the change in net assets in the statement of activities and changes in net assets.

Investment Income and Gains

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Use of Estimates

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

Cash and cash equivalents

The Rose Foundation for Communities and the Environment considers cash on hand, cash in banks, certificates of deposit, time deposits and U.S. government and other short-term securities with maturities of three months or less when purchased, as cash and cash equivalents.

Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Fixed Assets

Property and equipment are recorded at cost on the date of acquisition, less accumulated depreciation.

The Rose Foundation for Communities and the Environment

Notes to the Financial Statements

Leasehold improvements are amortized over the shorter of the lease term or estimated useful life of the asset using the straight-line method. Management's capitalization policy is to expense all asset acquisitions under \$1,000.00. Major additions are capitalized and depreciated using the straight-line method over their estimated useful lives as follows:

Computers and Equipment	5 years
Furniture and Fixtures	7 years
Leasehold Improvements	life of lease

Leases

Leases that transfer all of the risks and benefits of ownership are capital leases. Other leases are operating leases. Capital leases (none currently) are included in property and equipment and are amortized over their respective term using the straight-line method. Operating leases are expensed in the period incurred.

Income Taxes

The Rose Foundation for Communities and the Environment is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and the applicable California Revenue and Taxation Code sections. Accordingly, no provision for income taxes has been provided for herein. The Rose Foundation for Communities and the Environment has no federal or state unrelated business taxable income (UBTI) and, as such, has no provision for UBTI tax.

(3) Fixed Assets

The fixed assets capitalization policy is described in the Summary of Significant Accounting Policies.

(4) Investments

The Rose Foundation for Communities and the Environment's investments at August 31, 2005 consist of government and corporate bonds, equities, and mutual funds recorded at fair value as summarized below:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Fixed Income - Government	\$ 100,437	\$ 103,859	\$ 103,859
Fixed Income - Corporate	240,789	240,552	240,552
Equities	247,649	302,127	302,127
Mutual Funds	24,810	24,765	24,765
Total	<u>\$ 613,685</u>	<u>\$ 671,303</u>	<u>\$ 671,303</u>

The Rose Foundation for Communities and the Environment

Notes to the Financial Statements

The following schedule summarizes investment return and its classification in the statement of activities:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 31,696	\$ 759	\$ 482	\$ 32,937
Realized gain (loss)	32,201	-	(59)	32,142
Unrealized gains (loss)	<u>14,617</u>	<u>-</u>	<u>2,085</u>	<u>16,702</u>
Total	<u>\$ 78,514</u>	<u>\$ 759</u>	<u>\$ 2,508</u>	<u>\$ 81,781</u>

(5) Concentrations of Credit Risk

In compliance with Statement of Financial Accounting Standards No. 105, "Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk," the Foundation has identified its financial instruments which are potentially subject to credit risk. These financial instruments consist principally of cash deposits and investments in marketable securities.

The Foundation maintains cash deposits at various financial institutions. The amount in excess of Federal Deposit Insurance Corporation(FDIC) insurance at August 31, 2005 is \$ 258,363 .

The Foundation maintains cash deposits and investments in four Charles Schwab accounts. There is no amount subject to a concentration of credit risk. Schwab accounts are individually protected by the Securities Investor Protection Corporation (SIPC) up to \$500,000 with a limit of \$100,000 for claims in cash balances. In addition, Schwab has arranged additional protection through Travelers Casualty and Surety Company of America up to the total net equity value of each account for securities and cash.

(6) Administration Fees

The Rose Foundation for Communities and the Environment receives yearly administrative fees from its permanently restricted funds, restitution funds, fiscal sponsorships, donor advised funds and contracts. These fees provide for the cost of administration of the funds. Administrative fees for the fiscal year ended August 31, 2005 were as follows:

Restitution Funds	\$ 118,265
Donor Advised Funds	11,555
Fiscal Sponsorships	16,942
Anthony Prize Endowment	278
Meade Prize Endowment	<u>362</u>
Total	<u>\$ 147,402</u>

The Rose Foundation for Communities and the Environment

Notes to the Financial Statements

(7) Fundraising Expenses

Fundraising expenses include employee compensation and expenses related to the annual donor mailing. Employee compensation is allocated based on the percentage of time spent by each employee on fundraising activities. For the year ended August 31, 2005, the following amounts were expended on fundraising:

Employee Compensation	\$ 44,136
Pro-rata Share of Office Expenses	11,056
Fundraising Mailing	<u>511</u>
Total	<u>\$ 55,703</u>

(8) Accrued Compensation

The Rose Foundation for Communities and the Environment calculates accrued compensation based on unused vacation by each employee at their current rate of pay. For the year ended August 31, 2005, accrued compensation was \$4,562 .

(9) Retirement Plan

The Rose Foundation for Communities and the Environment provides a retirement Plan for its employees through the National Organizers Alliance Retirement Pension Plan. It is a combined 401(k) and 401(a) Plan. Rose Foundation contributes no less than 5% of compensation to the Plan. The amount contributed for the year was \$9,840.