

**RESOURCES LEGACY FUND**

**CONSOLIDATED FINANCIAL  
STATEMENTS WITH INDEPENDENT  
AUDITOR'S REPORT**

**YEARS ENDED  
DECEMBER 31, 2018 AND 2017**

## **INDEPENDENT AUDITOR'S REPORT**

**Board of Directors  
Resources Legacy Fund  
Sacramento, California**

We have audited the accompanying consolidated financial statements of Resources Legacy Fund and Resources Legacy Fund Foundation (collectively, the Fund), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, the related consolidated statements of activities and cash flows for the years then ended, the related consolidated statement of functional expenses for the year ended December 31, 2018, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Fund as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.**  
**Sacramento, California**

**April 17, 2019**

# RESOURCES LEGACY FUND

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 20,543,772	\$ 7,348,680
Short-term investments	20,634,611	24,686,853
Current portion of contributions receivable	5,070,918	3,362,519
Prepaid expenses and other assets	372,184	371,898
Total current assets	46,621,485	35,769,950
<b>INVESTMENTS</b>	62,999,866	69,632,567
<b>CONTRIBUTIONS RECEIVABLE, Net</b>	1,645,000	255,000
<b>EQUIPMENT AND FURNITURE, Net</b>	244,088	30,979
<b>TOTAL ASSETS</b>	\$ 111,510,439	\$ 105,688,496
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 103,348	\$ 103,373
Current portion of grants and contracts payable	6,103,795	7,495,506
Accrued expenses	1,370,842	1,050,080
Current portion of deferred rent	24,062	13,915
Total current liabilities	7,602,047	8,662,874
<b>DEFERRED RENT, Net</b>	145,449	169,511
<b>GRANTS AND CONTRACTS PAYABLE, Net</b>	225,000	625,000
Total liabilities	7,972,496	9,457,385
<b>NET ASSETS:</b>		
Without donor restrictions	5,136,000	5,810,861
With donor restrictions	98,401,943	90,420,250
Total net assets	103,537,943	96,231,111
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 111,510,439	\$ 105,688,496

The accompanying notes are an integral part of these consolidated financial statements.

# RESOURCES LEGACY FUND

## CONSOLIDATED STATEMENTS OF ACTIVITIES DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS:</b>		
Contributions	\$ 48,256,351	\$ 38,964,664
Interest and investment income (loss)	(1,769,488)	4,666,905
Distribution of program funds to Water Foundation		(7,946,181)
Net assets released from restrictions	<u>(38,505,170)</u>	<u>(39,202,732)</u>
<b>INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<u>7,981,693</u>	<u>(3,517,344)</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>		
<b>REVENUES:</b>		
Contributions	2,034,997	7,226,055
Contracts	361,626	112,229
Interest and investment income	386,281	182,383
Net assets released from restrictions	<u>38,505,170</u>	<u>39,202,732</u>
Total revenues	<u>41,288,074</u>	<u>46,723,399</u>
<b>EXPENSES:</b>		
Program services:		
Conservation	39,177,684	42,223,082
Supporting services:		
General and administrative	2,437,586	2,329,170
Fundraising	<u>347,665</u>	<u>309,150</u>
Total supporting services	<u>2,785,251</u>	<u>2,638,320</u>
Total expenses	<u>41,962,935</u>	<u>44,861,402</u>
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>(674,861)</u>	<u>1,861,997</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	7,306,832	(1,655,347)
<b>NET ASSETS, Beginning of year</b>	<u>96,231,111</u>	<u>97,886,458</u>
<b>NET ASSETS, End of year</b>	<u>\$ 103,537,943</u>	<u>\$ 96,231,111</u>

The accompanying notes are an integral part of these consolidated financial statements.

# RESOURCES LEGACY FUND

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2018

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	<u>Conservation program</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Grants and contracts	\$ 27,965,422	\$ 174,000	\$ 85,000	\$ 28,224,422
Salaries and benefits	9,455,233	1,540,975	221,285	11,217,493
Travel	558,430	157,491	1,633	717,554
Facilities	490,429	107,278	23,433	621,140
Professional services	235,589	181,973		417,562
IT and website	190,271	89,208	8,644	288,123
Office supplies and expenses	145,771	59,328	6,527	211,626
Business insurance	23,319	102,603		125,922
Conferences and meetings	88,434	14,814	70	103,318
Depreciation expense	<u>24,786</u>	<u>9,916</u>	<u>1,073</u>	<u>35,775</u>
Total	<u>\$ 39,177,684</u>	<u>\$ 2,437,586</u>	<u>\$ 347,665</u>	<u>\$ 41,962,935</u>

## RESOURCES LEGACY FUND

### CONSOLIDATED STATEMENTS OF CASH FLOWS DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ 7,306,832	\$ (1,655,347)
Reconciliation to net cash provided by operating activities:		
Depreciation	35,775	27,160
Net realized and unrealized (gain) loss on investments	3,590,392	(3,369,851)
Loss on disposal of fixed assets		38,421
Receipt of donated investments	(4,297,347)	(5,259,237)
Changes in:		
Contributions receivable	(3,098,399)	18,457,781
Prepaid expenses and other assets	(286)	(152,928)
Accounts payable	(25)	(3,263)
Grants and contracts payable	(1,791,711)	1,515,676
Accrued expenses	320,762	307,281
Deferred rent	(13,915)	(4,509)
Net cash provided by operating activities	<u>2,052,078</u>	<u>9,901,184</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(248,884)	(17,212)
Purchases of investments	(46,832,678)	(89,276,454)
Proceeds from sales and maturity of investments	58,224,576	66,165,738
Net cash provided (used) by investing activities	<u>11,143,014</u>	<u>(23,127,928)</u>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>13,195,092</u>	<u>(13,226,744)</u>
 <b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	<u>7,348,680</u>	<u>20,575,424</u>
 <b>CASH AND CASH EQUIVALENTS, End of year</b>	<u>\$ 20,543,772</u>	<u>\$ 7,348,680</u>

The accompanying notes are an integral part of these consolidated financial statements.

# RESOURCES LEGACY FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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### 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Resources Legacy Fund is an independent, nonprofit organization that provides services to philanthropic institutions and individuals to achieve significant conservation goals. Pooling private contributions and leveraging public funding, Resources Legacy Fund designs and administers strategic programs related to land, ocean, and water resources and engaging economically and ethnically diverse communities as it fosters new funding and better policies for environmental protection and climate change adaptation. Resources Legacy Fund makes grants and enters into contracts for land acquisition, research, policy, outreach and education, capacity building, planning, communications, and stewardship and restoration activities.

The accompanying financial statements reflect the consolidation of Resources Legacy Fund and Resources Legacy Fund Foundation (the Foundation). The Foundation is a nonprofit corporation established to support, perform essential services for, and operate for the benefit of Resources Legacy Fund.

Resources Legacy Fund and the Foundation (collectively, the Fund) share common management and Board of Directors. Material transactions between entities have been eliminated in consolidation.

**Basis of presentation** – The consolidated financial statements are presented in conformity with professional standards applicable to not-for-profit entities. The Fund reports information regarding its consolidated position and activities according to the following net asset classifications:

*Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of management.

*Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a restriction expires (generally, as payments are made to fulfill the purposes of the contribution), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Fund has no donor-imposed restrictions that are perpetual in nature.

**Revenue recognition** – Contributions, including grants obtained from private foundations, individuals and other nonprofit organizations, are recognized in full when received or unconditionally promised, in conformity with professional standards applicable to not-for-profit entities. If there are donor or grantor-imposed restrictions, the amount is initially reported as an increase in net assets with donor restrictions.

**Cash and cash equivalents** – For financial statement purposes, the Fund considers all investments with a maturity at purchase of three months or less to be cash equivalents.

**Long-term contributions receivable** are expected to be received within five years.

# RESOURCES LEGACY FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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**Investments** are stated at fair value. Changes in fair value and realized gains and losses are included in investment income.

**Equipment and furniture** are stated at cost and depreciated using the straight-line method over estimated useful lives of three to ten years. The Fund's policy is to capitalize such items with a cost of \$2,000 or more. Accumulated depreciation totaled \$212,176 and \$176,401 at December 31, 2018 and 2017, respectively.

**Functional allocation of expenses** – The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, facilities, IT and website, office supplies and expenses and depreciation. Salaries and benefits are allocated based on time and effort studies. All other expenses are allocated based on the proportion of the number of program or supporting function employees benefiting from the expenses per month. The Fund accounts for its expenditures in the following categories:

**Conservation** – Expenditures are related to a broad range of activities necessary to accomplish the Fund's programs related to land, marine, and water resources conservation; climate changes, healthy communities, and social equity. These include retaining a range of specialists to develop strategies; carry out policy, education, and communications activities; perform scientific research; and restore and monitor land and ocean resources. These also include granting to nonprofit entities to carry out strategic planning, land acquisition, restoration and stewardship, capacity building, outreach, education, communications, policy, and other program activities.

**General and administrative** – Expenditures are related to building and maintaining an efficient business infrastructure, including oversight, business and financial management, governance, general recordkeeping, budgeting, and all management and administration, except for that which is related to fundraising or is directly attributable to the conduct of conservation program services.

**Fundraising** – Expenditures are related to time spent on developing new programs, preparing proposals and soliciting contributions.

**Grants awarded** – The Fund recognizes grant expense at the time grant negotiations are substantially complete with the grantee and the grant award has been approved by executive management or the Board of Directors.

**Income taxes** – Resources Legacy Fund, a publicly supported organization, and the Foundation are exempt from income taxes under Internal Revenue Code Section 501(c)(3). The Foundation is classified as a supporting organization of Resources Legacy Fund.

**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.

# RESOURCES LEGACY FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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**New Accounting Pronouncement** – On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Fund has adjusted the presentation of these statements accordingly.

**Subsequent events** have been evaluated through April 17, 2019, the date the consolidated financial statements were issued. Management concluded that no material subsequent events have occurred since December 31, 2018, that require recognition or disclosure in the financial statements.

**Reclassifications** – Certain 2017 amounts have been reclassified to conform to the 2018 financial statement presentation.

**Fair value measurements** – Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same—to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

- |                |   |
|----------------|---|
| Level 1 Inputs | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. |
| Level 2 Inputs | Inputs other than quoted prices in active markets that are observable either directly or indirectly.                        |
| Level 3 Inputs | Unobservable inputs for the assets or liabilities.  |

# RESOURCES LEGACY FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

### 2. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Fund's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$ 20,543,772
Investments	83,634,477
Contributions receivable	<u>6,715,918</u>
Total financial assets	110,894,167
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose or time restrictions	(98,401,943)
Board-designated funds	<u>(5,136,000)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 7,356,224</u>

The Fund is substantially supported by restricted contributions. Because donor's restriction requires resources to be used in a particular manner or in a future period, the Fund must maintain sufficient resources to meet those responsibilities to its donors. Thus, certain financial assets may not be available for general expenditure within one year. All of the Fund's investments are highly liquid or may be redeemed either at a future specified redemption dates or currently by incurring a penalty. In addition, the Fund invests cash in excess of daily requirements in short-term investments.

As part of the Fund's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. All board-designated funds can be made available to meet operating needs if necessary.

### 3. INVESTMENTS

The Fund's mutual funds and exchange traded funds are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices in active markets for identical assets. Corporate bonds and government securities are classified within Level 2 of the fair value hierarchy because they are valued using alternative pricing methods using observable inputs, such as current interest rates. Investments consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Government asset backed debt securities	\$ 13,564,781	\$ 16,119,536
Corporate bonds	9,080,299	12,744,885
Government debt securities	3,003,610	
Mutual funds – fixed income	38,574,777	38,812,979
Mutual funds – equity	18,278,908	25,329,477
Exchange traded funds	<u>1,132,103</u>	<u>1,312,543</u>
Total	<u>\$ 83,634,477</u>	<u>\$ 94,319,420</u>

# RESOURCES LEGACY FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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### 4. CONDITIONAL PROMISES TO GIVE

During 2018, the Fund received a \$2,749,534 conditional grant and met program initiatives and milestones required to recognize \$401,294 in revenue in 2018. The remaining \$2,348,240 has not been recognized as revenue in the financial statements as of December 31, 2018.

### 5. LEASE COMMITMENTS

The Fund leases certain office space and equipment under non-cancelable operating lease agreements which expire through 2023. The Fund has an operating lease for office space, which is held with Resources Law Group (RLG) whose partner is the president of the Fund. Rental expense was \$665,594 and \$628,325 for the years ended December 31, 2018 and 2017, respectively. Future minimum lease payments are as follows:

<u>Year ending December 31:</u>	
2019	\$ 455,108
2020	446,743
2021	414,380
2022	424,875
2023	<u>106,899</u>
Total	<u>\$ 1,848,005</u>

### 6. NET ASSETS

Net assets without donor restrictions are designated for the following at December 31:

	<u>2018</u>	<u>2017</u>
Operating reserve	\$ 3,137,385	\$ 3,196,451
Designated for various conservation programs	<u>1,998,615</u>	<u>2,614,410</u>
Total	<u>\$ 5,136,000</u>	<u>\$ 5,810,861</u>

## RESOURCES LEGACY FUND

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

Net assets with donor restrictions are restricted for the following at December 31:

	<u>2018</u>	<u>2017</u>
Open Rivers Fund	\$ 47,004,890	\$ 51,930,380
Northwest Mexico Land Conservation	16,240,193	17,014,053
California Conservation Innovations	6,533,541	2,430,482
Western Energy Project	2,344,414	2,412,684
Ocean Defense Initiative	1,903,988	
Collective Action Fund	1,885,936	
Program Expansion Fund	1,701,942	
Center for Western Priorities	1,655,958	1,883,581
Biological Diversity Project	1,613,610	
Wildlands Acquisition Program	1,332,631	475,426
Western Communications Hub	1,249,231	
Bay Area Conservation Initiative	1,116,723	589,251
Sustaining California's Ocean	1,060,420	1,730,672
San Francisco Baylands Restoration	1,038,878	605,673
Student Borrower Protection Center	1,008,498	
Boreal Strategic Advisors	980,398	563,111
Parks Forward Initiative Implementation	828,539	1,264,649
Land-Sea Connection	821,026	718,010
Sustainable Fisheries Fund	788,661	852,778
Litigation Clearinghouse	786,569	897,670
National Ocean Protection Coalition	768,086	
Decreasing Impacts from Roads and Travel	760,705	629,925
Canada and Mexico Protected Area Fund	698,862	463,042
Bears Ears National Monument Fund	646,143	52,000
California Coastal Program	524,749	555,796
Environment, Health, and Community Fund	484,055	731,027
Heritage Outdoors Project	364,697	1,022,125
Argentine Protected Areas	327,946	21,895
California Parks Program	279,390	314,053
Fisheries Improvement Strategy	273,622	1,043,584
Western Conservation Values	443,216	365,927
Campaign for Nature Communications	156,921	
Montana Parks Program	113,537	250,165
Western Conservation Project	109,601	113,768
Environmental Communications	109,597	
Oregon Conservation Program	102,134	10,137
Western Rural Communities	57,628	
Parks California	34,664	
Open Markets Institute		918,144
Climate, Land Use, and Transportation		222,338
Washington Conservation Program		144,611
Other land and resource conservation programs	<u>250,342</u>	<u>193,293</u>
Total	<u>\$ 98,401,942</u>	<u>\$ 90,420,250</u>

# RESOURCES LEGACY FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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### 7. CONCENTRATIONS

The Fund minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. The Fund has not experienced any losses in such accounts and management believes the Fund is not exposed to any significant credit risk related to cash.

The Fund had three major donors that accounted for 59% of total contributions in 2018 and four major donors that accounted for 61% of total contribution revenues in 2017.

### 8. RETIREMENT PLAN

The Fund sponsors a 403(b) retirement plan under which the Fund makes a safe harbor matching contribution and may also make discretionary contributions. Under this plan, employees may participate beginning on the first day of the month following employment. For 2018 and 2017, the Fund made safe harbor matching contributions of 100% of the first 5% of eligible compensation. The Fund also elected to make a 3% discretionary contribution of eligible compensation. Executive management of the Fund received the maximum employer contribution allowed by the IRS. Under this plan, employees are 100% vested in safe harbor contributions, and vest in 50% increments per year, over two years, in all other employer contributions. Contributions made to the plan totaled \$612,031 and \$493,024 for 2018 and 2017, respectively.

### 9. TRANSFER TO WATER FOUNDATION

In January 2017, the Water Foundation, a program of the Fund, became an independent organization and the Fund entered into an Assignment and Assumption Agreement (Agreement) with the Water Foundation. Under the Agreement, the Fund transferred to Water Foundation during 2017 all of the assets, contracts, and obligations associated with the program, including cash of \$8,012,619, which resulted in a net distribution of unspent restricted program funds of \$7,946,181. All programs, public information work, and other activities planned by the program became the responsibility of Water Foundation, and all employees of the Fund working in support of the program were terminated by the Fund and became employees of Water Foundation.

### 10. RELATED PARTY

Executive management members of the Fund are owners of or employed by RLG. The Fund has an agreement with RLG to share resources of staff, office services, and technology resources. Additionally, the Fund subleases office space from RLG and pays monthly rent to the landlord based on a proportionate share of space. During 2018 and 2017, RLG reimbursed the Fund \$230,974 and \$194,641, respectively, for shared services.

An executive management member of the Fund is also a governing board member of Fund for a Better Future, Inc. (FBF). Additionally, FBF, which has no employees, has entered into an agreement with the Fund for shared resources of staff, office services, and technology resources. FBF reimbursed the Fund \$324,813 and \$179,530 for shared services in fiscal years 2018 and 2017, respectively. The Fund contributed \$165,000 and \$50,000 in funds with donor restrictions to FBF in 2018 and 2017, respectively.