

**FINANCIAL STATEMENTS**

**RESOURCES LEGACY FUND**

**FOR THE YEARS ENDED  
DECEMBER 31, 2022 AND 2021**

# RESOURCES LEGACY FUND

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## CPAs & ADVISORS

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Resources Legacy Fund  
Sacramento, California

#### Opinion

We have audited the accompanying financial statements of the Resources Legacy Fund (the Fund), which comprise the statement of financial position as of December 31, 2022, and the related statement of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2022, 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.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Report on Prior Year Comparative Statements**

The financial statements of the Fund for the year ended December 31, 2021 were audited by other auditors, whose report dated April 26, 2022, expressed an unmodified opinion on those statements.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

May 3, 2023

**RESOURCES LEGACY FUND**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2022 AND 2021**

**ASSETS**

	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 43,131,359	\$ 23,039,437
Short-term investments	20,944,386	23,398,591
Accounts and other receivables	848,620	723,050
Grants and contributions receivable	2,805,959	11,741,500
Prepaid expenses	<u>298,203</u>	<u>574,625</u>
Total current assets	<u>68,028,527</u>	<u>59,477,203</u>
<b>FIXED ASSETS</b>		
Fixed assets, net of accumulated depreciation of \$568,649 and \$478,205 for 2022 and 2021, respectively	<u>29,110</u>	<u>110,415</u>
<b>NONCURRENT ASSETS</b>		
Right of use asset, net	423,473	-
Investments, net	51,823,887	69,990,562
Grants and contributions receivable, net	<u>1,365,000</u>	<u>1,750,000</u>
Total noncurrent assets	<u>53,612,360</u>	<u>71,740,562</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 121,669,997</u></b>	<b><u>\$ 131,328,180</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 186,276	\$ 139,041
Grants and contracts payable	4,640,826	6,933,072
Accrued salaries and related benefits	2,687,194	2,171,207
Deferred revenue	125,000	77,500
Current portion of deferred rent abatement	-	50,038
Operating lease liability	<u>226,317</u>	<u>-</u>
Total current liabilities	<u>7,865,613</u>	<u>9,370,858</u>
<b>NONCURRENT LIABILITIES</b>		
Deferred rent abatement, net	-	18,238
Operating lease liability, net of current	<u>202,334</u>	<u>-</u>
Total liabilities	<u>8,067,947</u>	<u>9,389,096</u>
<b>NET ASSETS</b>		
Without donor restrictions	7,238,405	5,923,530
With donor restrictions	<u>106,363,645</u>	<u>116,015,554</u>
Total net assets	<u>113,602,050</u>	<u>121,939,084</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 121,669,997</u></b>	<b><u>\$ 131,328,180</u></b>

See accompanying notes to financial statements.

## RESOURCES LEGACY FUND

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Grants and contributions	\$ 1,198,135	\$ 85,964,143	\$ 87,162,278
Contracts	1,900,315	-	1,900,315
Investment loss, net	(49,037)	(7,769,721)	(7,818,758)
Rental income	205,977	-	205,977
Net assets released from donor restrictions	<u>87,846,331</u>	<u>(87,846,331)</u>	<u>-</u>
Total support and revenue	<u>91,101,721</u>	<u>(9,651,909)</u>	<u>81,449,812</u>
<b>EXPENSES</b>			
Program Services	<u>85,103,090</u>	<u>-</u>	<u>85,103,090</u>
Supporting Services:			
General and Administrative	4,080,970	-	4,080,970
Fundraising	<u>602,786</u>	<u>-</u>	<u>602,786</u>
Total supporting services	<u>4,683,756</u>	<u>-</u>	<u>4,683,756</u>
Total expenses	<u>89,786,846</u>	<u>-</u>	<u>89,786,846</u>
Changes in net assets	1,314,875	(9,651,909)	(8,337,034)
Net assets at beginning of year	<u>5,923,530</u>	<u>116,015,554</u>	<u>121,939,084</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 7,238,405</u></b>	<b><u>\$ 106,363,645</u></b>	<b><u>\$ 113,602,050</u></b>

## RESOURCES LEGACY FUND

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Grants and contributions	\$ 234,167	\$ 77,782,142	\$ 78,016,309
Contracts	1,441,201	-	1,441,201
Investment (loss) income, net	(19,099)	6,413,623	6,394,524
Rental income	115,157	-	115,157
Net assets released from donor restrictions	<u>61,178,200</u>	<u>(61,178,200)</u>	<u>-</u>
Total support and revenue	<u>62,949,626</u>	<u>23,017,565</u>	<u>85,967,191</u>
<b>EXPENSES</b>			
Program Services	<u>59,087,560</u>	<u>-</u>	<u>59,087,560</u>
Supporting Services:			
General and Administrative	3,357,073	-	3,357,073
Fundraising	<u>381,053</u>	<u>-</u>	<u>381,053</u>
Total supporting services	<u>3,738,126</u>	<u>-</u>	<u>3,738,126</u>
Total expenses	<u>62,825,686</u>	<u>-</u>	<u>62,825,686</u>
Changes in net assets, before other items	<u>123,940</u>	<u>23,017,565</u>	<u>23,141,505</u>
<b>OTHER ITEMS</b>			
Extinguishment of debt	1,500,000	-	1,500,000
Restricted funds returned to donors	<u>-</u>	<u>(1,285,447)</u>	<u>(1,285,447)</u>
Total other items	<u>1,500,000</u>	<u>(1,285,447)</u>	<u>214,553</u>
Changes in net assets	1,623,940	21,732,118	23,356,058
Net assets at beginning of year	<u>4,299,590</u>	<u>94,283,436</u>	<u>98,583,026</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 5,923,530</u></b>	<b><u>\$ 116,015,554</u></b>	<b><u>\$ 121,939,084</u></b>

## RESOURCES LEGACY FUND

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services	Supporting Services		Total Supporting Services	Total Expenses
		General and Administrative	Fundraising		
Grants and contracts	\$ 67,637,959	\$ 2,500	\$ -	\$ 2,500	\$ 67,640,459
Salaries and benefits	15,066,462	2,664,105	458,660	3,122,765	18,189,227
Travel	726,879	85,439	35,356	120,795	847,674
IT consulting and systems	573,608	171,625	23,048	194,673	768,281
Facilities	148,101	562,738	43,242	605,980	754,081
Professional services	283,975	349,234	30,000	379,234	663,209
Conferences and meetings	337,046	44,622	69	44,691	381,737
Office supplies and expenses	268,646	44,916	9,698	54,614	323,260
Business insurance	2,669	125,805	-	125,805	128,474
Depreciation expense	57,745	29,986	2,713	32,699	90,444
<b>TOTAL</b>	<b>\$ 85,103,090</b>	<b>\$ 4,080,970</b>	<b>\$ 602,786</b>	<b>\$ 4,683,756</b>	<b>\$ 89,786,846</b>

See accompanying notes to financial statements.



## RESOURCES LEGACY FUND

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services	Supporting Services		Total Supporting Services	Total Expenses
		General and Administrative	Fundraising		
Grants and contracts	\$ 44,513,112	\$ -	\$ -	\$ -	\$ 44,513,112
Salaries and benefits	13,401,124	2,157,890	308,196	2,466,086	15,867,210
Travel	99,963	3,023	3,185	6,208	106,171
IT consulting and systems	247,947	152,501	12,380	164,881	412,828
Facilities	356,636	202,969	46,229	249,198	605,834
Professional services	135,679	641,748	-	641,748	777,427
Conferences and meetings	55,107	7,789	-	7,789	62,896
Office supplies and expenses	213,011	53,471	8,242	61,713	274,724
Business insurance	1,706	109,754	-	109,754	111,460
Depreciation expense	63,275	27,928	2,821	30,749	94,024
<b>TOTAL</b>	<b>\$ 59,087,560</b>	<b>\$ 3,357,073</b>	<b>\$ 381,053</b>	<b>3,738,126</b>	<b>\$ 62,825,686</b>

See accompanying notes to financial statements.

**RESOURCES LEGACY FUND**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (8,337,034)	\$ 23,356,058
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	90,444	94,024
Net realized and unrealized loss (gain) on investments	9,370,771	(5,263,072)
Donated securities	(5,469,167)	(9,167,362)
Change in operating lease	5,178	-
Extinguishment of debt	-	(1,500,000)
(Increase) decrease in:		
Accounts and other receivables	(125,570)	(278,788)
Grants and contributions receivable	9,320,541	(8,616,853)
Prepaid expenses	276,422	(398,253)
Increase (decrease) in:		
Accounts payable	47,237	86,728
Deferred revenue	47,500	(147,500)
Accrued salaries and related benefits	515,987	201,396
Deferred rent abatement	(68,276)	(43,505)
Operating lease liability	<u>(2,292,247)</u>	<u>545,071</u>
Net cash provided (used) by operating activities	<u>3,381,786</u>	<u>(1,132,056)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	(9,140)	(24,946)
Purchase of investments	(37,454,304)	(56,672,334)
Proceeds from sale of investments	<u>54,173,580</u>	<u>68,093,871</u>
Net cash provided by investing activities	<u>16,710,136</u>	<u>11,396,591</u>
Net increase in cash and cash equivalents	20,091,922	10,264,535
Cash and cash equivalents at beginning of year	<u>23,039,437</u>	<u>12,774,902</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 43,131,359</u></b>	<b><u>\$ 23,039,437</u></b>
<b>SCHEDULE OF NONCASH FINANCING TRANSACTIONS</b>		
Operating Lease Right-of-Use Asset	<b><u>\$ 1,062,996</u></b>	<b><u>\$ -</u></b>
Operating Lease Liability for Right-of-Use Asset	<b><u>\$ 1,077,723</u></b>	<b><u>\$ -</u></b>

**RESOURCES LEGACY FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization -

The Resources Legacy Fund (the Fund) is a non-profit organization, incorporated and located in the State of California. The Fund builds alliances that advance bold solutions to secure a just and resilient world for people and nature. The Fund is an independent, nonprofit organization that partners with leaders in philanthropy, communities, government, science, and business to promote smart policies and secure equitable public funding for the environment, climate change resilience, and healthy communities. Across the American West and internationally, the Fund manages large, multi-year grantmaking programs and fiscally sponsors projects that advance enduring outcomes.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from donor restrictions.

New accounting pronouncements adopted -

During the year ended December 31, 2022, the Fund adopted ASU 2019-01, *Leases* (Topic 842), which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosure of key information about leasing arrangements. The Fund applied the new standard across their leasing arrangements and also applied the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. See Note 8 for further details.

Cash and cash equivalents -

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Fund maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

**RESOURCES LEGACY FUND**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income (loss), which is presented net of investment expenses paid to external investment advisors, in the accompanying Statements of Activities and Changes in Net Assets.

Investments acquired by gift are recorded at their fair value at the date of the gift. The Fund's policy is to liquidate all gifts of investments as soon as possible after the gift.

Receivables -

Accounts, grants and contributions receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Accounts and other receivable consisted of the following as of December 31, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Accounts receivable	\$ 509,884	\$ 367,961
Due from affiliates	338,736	355,089
<b>TOTAL ACCOUNTS AND OTHER RECEIVABLE</b>	<b>\$ 848,620</b>	<b>\$ 723,050</b>

Grants and contributions receivable consisted of the following as of December 31, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Less than one year	\$ 2,805,959	\$ 11,741,500
One to five years	1,365,000	1,300,000
Beyond five years	-	450,000
<b>TOTAL GRANTS AND CONTRIBUTIONS RECEIVABLE</b>	<b>\$ 4,170,959</b>	<b>\$ 13,491,500</b>

Fixed assets -

Fixed assets in excess of \$25,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to ten years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense for the years ended December 31, 2022 and 2021 totaled \$90,444 and \$ 94,024, respectively.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable.

## RESOURCES LEGACY FUND

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

##### Impairment of long-lived assets (continued) -

When considered impaired, the carrying amount of the assets is reduced, by a charge to the Statements of Activities and Changes in Net Assets to its current fair value.

##### Income taxes -

The Fund is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Fund is not a private foundation.

##### Uncertain tax positions -

For the years ended December 31, 2022 and 2021, the Fund has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

##### Revenue -

##### Grants and contributions -

The Fund receives grants and contributions, including unconditional promises to give, from many sources such as Foundations, individuals and other organizations. Grants and contributions are recognized in the appropriate category of net assets in the period received. The Fund performs an analysis of the individual contribution or grant to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For contributions and grants qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions and grants qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Contributions and grants qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. These transactions are nonreciprocal and recognized as contributions when the revenue becomes unconditional. Funds received in advance of the incurrence of qualifying expenditures are recorded as deferred revenue. Refer to Note 3 for the Fund's unrecognized conditional promises to give.

##### Contracts revenue -

Contracts and program revenue classified as exchange transactions following ASU 2014-09, *Revenue from Contracts With Customers*, are recorded as revenue when performance obligations are met.

RESOURCES LEGACY FUND

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)

Revenue (continued) -

Contracts revenue (continued) -

The Fund has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on cost. Funding received in advance of satisfying performance obligations are recorded as deferred revenue.

Receivables from contracts with customers were the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
<b>RECEIVABLES FROM CONTRACTS WITH CUSTOMERS</b>	<b><u>\$ 509,884</u></b>	<b><u>\$ 367,961</u></b>

Deferred revenue consists of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
<b>DEFERRED REVENUE RELATED TO CONTRACTS WITH CUSTOMERS</b>	<b><u>\$ 125,000</u></b>	<b><u>\$ 77,500</u></b>

Grants and contracts expense -

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. Grants that have been determined to be conditional, which depend on the occurrence of specified uncertain events, are not recorded until the conditions have been met. Those grants that have been awarded but yet to be paid are recorded as grants payable. As of December 31, 2021, the Fund has outstanding conditional grants of approximately \$9,067,000 and \$15,000,000 for the purchase of land acquisitions and funding the Climate Power programs, respectively. As of December 31, 2022, the Fund has outstanding conditional grants of approximately \$7,950,000 for funding Beyond Petrochemicals programs, \$114,617 pending receipt of sufficient incoming funds and \$485,741 for the purchase of land acquisitions.

Additionally, the Fund contracts with consultants that provide a variety of services to the Fund's programs. These contracts are considered exchange transactions as the Fund receives commensurate value for the services provided. The Fund recognizes contract expenses as services or work is performed or expected to be performed.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

## RESOURCES LEGACY FUND

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Functional allocation of expenses (continued) -

Expenses directly attributed to a specific functional area of the Fund are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a reasonable basis.

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 its 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.

Investment risks and uncertainties -

The Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

In accordance with FASB ASC 820, *Fair Value Measurement*, the Fund has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

## RESOURCES LEGACY FUND

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Fair value measurement (continued) -

Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Fund has the ability to access.

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

For disclosure of inputs and valuation techniques, see Note 2.

New accounting pronouncements not yet adopted -

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for the Fund for the year ending December 31, 2023 but early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach. The Fund plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

#### 2. INVESTMENTS

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used and there were no transfers between levels in the fair value hierarchy during the years ended December 31, 2022 and 2021. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Exchange traded funds* - Valued at the closing price reported in the active market in which the individual securities are traded.
- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by Fund are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by Fund are deemed to be actively traded.
- *Corporate debt, municipal bonds, government asset-backed debt securities* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.



**RESOURCES LEGACY FUND**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**2. INVESTMENTS (Continued)**

The table below summarizes the investments measured at fair value on a recurring basis, by level, within the fair value hierarchy as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total December 31, 2022</u>
<b>Investments</b>				
Mutual funds - fixed income	\$ 9,104,133	\$ -	\$ -	\$ 9,104,133
Mutual funds - equity	13,802,327	-	-	13,802,327
Corporate bonds	-	14,437,988	-	14,437,988
Municipal bonds	-	19,105,840	-	19,105,840
Exchange traded funds	3,837,095	-	-	3,837,095
Government asset backed debt securities	-	12,480,890	-	12,480,890
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 26,743,555</u></b>	<b><u>\$ 46,024,718</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 72,768,273</u></b>

The table below summarizes the investments measured at fair value on a recurring basis, by level, within the fair value hierarchy as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total December 31, 2021</u>
<b>Investments:</b>				
Mutual funds - fixed income	\$ 32,933,700	\$ -	\$ -	\$ 32,933,700
Mutual funds - equity	21,106,034	-	-	21,106,034
Corporate bonds	-	18,193,537	-	18,193,537
Municipal bonds	-	7,966,345	-	7,966,345
Exchange traded funds	6,769,418	-	-	6,769,418
Government asset backed debt securities	-	6,420,119	-	6,420,119
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 60,809,152</u></b>	<b><u>\$ 32,580,001</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 93,389,153</u></b>

Included in investment (loss) income, net are the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 1,782,972	\$ 1,357,137
Unrealized (loss) gain	(7,234,508)	3,653,129
Realized (loss) gain	(2,136,263)	1,655,194
Investment expenses provided by external investment advisors	(230,959)	(270,936)
<b>TOTAL INVESTMENT (LOSS) INCOME, NET OF INVESTMENT EXPENSES</b>	<b><u>\$ (7,818,758)</u></b>	<b><u>\$ 6,394,524</u></b>

**RESOURCES LEGACY FUND**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**3. CONDITIONAL PROMISES TO GIVE**

During 2021, the Fund received conditional grants totaling \$5,924,918 and met program initiatives and milestones required to recognize \$2,706,973. The remaining \$3,217,945 was the unrecognized conditional contribution balance as of December 31, 2021. During 2022, the Fund received \$1,119,059 in additional conditional grants, adding to the \$3,217,945 prior year balance. The Fund met program initiatives and milestones required to recognize \$3,812,004 total conditional revenue. The remaining \$525,000 was the unrecognized conditional contribution balance as of December 31, 2022.

**4. PAYCHECK PROTECTION PROGRAM FUNDING**

On April 27, 2020, the Fund received loan proceeds in the amount of \$1,500,000 under the Paycheck Protection Program (PPP). Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), a portion or all of the loan and accrued interest may be forgiven provided the funds are spent on qualifying expenditures and certain other criteria regarding the full-time equivalent employee and payroll levels are maintained. The Fund received notification that its loan was fully forgiven on April 26, 2021 and recorded the extinguishment of debt in the Statement of Activities and Changes in Net Assets for the year ended December 31, 2021.

**5. BOARD DESIGNATED NET ASSETS**

As of December 31, 2022 and 2021, net assets without donor restrictions have been designated by the Board of Directors for the following purposes:

	<b>2022</b>	<b>2021</b>
Operating reserve	\$ 5,965,716	\$ 5,531,862
Designated for various conservation programs	1,272,689	391,668
<b>BOARD DESIGNATED NET ASSETS</b>	<b>\$ 7,238,405</b>	<b>\$ 5,923,530</b>

**6. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at December 31, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Subject to expenditure for specified purpose:		
Fiscally sponsored projects	\$ 47,983,253	\$ 30,487,875
Lands, rivers and communities	52,636,722	79,866,281
Ocean, coast and fisheries	5,743,670	5,661,398
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>\$ 106,363,645</b>	<b>\$ 116,015,554</b>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

	<b>2022</b>	<b>2021</b>
Purpose restrictions accomplished:		
Fiscally sponsored projects	\$ 52,550,650	\$ 32,704,245
Lands, rivers and communities	27,596,354	20,890,751
Ocean, coast and fisheries	7,699,327	7,583,204
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>\$ 87,846,331</b>	<b>\$ 61,178,200</b>

**RESOURCES LEGACY FUND**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**7. LIQUIDITY AND AVAILABILITY**

Financial assets available for use for general expenditures within one year of the Statements of Financial Position date comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 43,131,359	\$ 23,039,437
Investments	72,768,273	93,389,153
Accounts and other receivables	848,620	723,050
Grants and contributions receivable	<u>4,170,959</u>	<u>13,491,500</u>
Subtotal financial assets available within one year	120,919,211	130,643,140
Less: Donor restricted funds	(106,363,645)	(116,015,554)
Less: Board-designated funds	<u>(7,238,405)</u>	<u>(5,923,530)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 7,317,161</u></b>	<b><u>\$ 8,704,056</u></b>

The Fund is substantially supported by restricted contributions. Because a 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, 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 date 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 meeting operating needs if necessary.

**8. LEASE COMMITMENTS**

The Fund leased office space for their headquarters in Sacramento, California under a thirty-seven (37) month lease agreement, which originated on February 1, 2020 and expired on February 28, 2023. Base rent was \$52,038 per year, plus a proportionate share of expenses, increasing by a factor of 50 cents a square foot per year. The Fund received twelve (12) months of free rent under this lease agreement.

On November 1, 2022, the Fund entered into a new 11-year lease agreement for headquarter office space in Sacramento, California that commenced on April 1, 2023. Base rent is \$328,650 per year, increasing by a factor of 2.7% per year. The Fund received twelve (12) months of free rent under this lease agreement.

The Fund also rents office space in Colorado, New Mexico and Washington D.C. under various long term lease agreements with varying expiration dates from 2024 to 2027.

ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosure of key information about leasing arrangements.

**RESOURCES LEGACY FUND**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**8. LEASE COMMITMENTS (Continued)**

During the year ended December 31, 2022, the Fund evaluated their long term lease arrangements for implementation of ASU 2019-01. The Fund elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. The Fund also elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. The Fund adopted the package of practical expedients to not perform any lease reclassification, did not reevaluate embedded leases and did not reassess initial direct costs. As a result, the Fund recorded a right-of-use asset (for all long term leases) in the amount of \$1,062,996. The Fund recorded an operating lease liability in the amount of \$1,077,723 by calculating the present value using the discount rate of 7.00%. The outstanding balance of the right-of-use asset and operating lease liability totaled \$423,473 and \$428,651 as of December 31, 2022, respectively

The following is a schedule of the future minimum lease payments:

**Year Ending December 31,**

2023	\$ 243,536
2024	82,484
2025	84,499
2026	36,973
2027	<u>18,536</u>
	466,028
Less: Imputed interest	<u>(37,377)</u>
	428,651
Less: Current portion	<u>(226,317)</u>
<b>LONG-TERM PORTION</b>	<b><u>\$ 202,334</u></b>

Lease expense for the years ended December 31, 2022 and 2021 was \$747,361 and \$706,180, respectively.

Additionally, the Fund subleased office space under a non-cancelable operating lease agreement that expired in March 2023. Rental income for the years ended December 31, 2022 and 2021 was \$205,977 and \$115,157, respectively.

**9. RETIREMENT PLAN**

Effective January 1, 2021, the Fund adopted a 401(k) retirement plan. Under the Plan, employees may participate beginning on the first day of the month following employment. Employees are 100% vested in safe harbor contributions and vest in 50% increments per year over two years, in all other employer contributions.

For the years ended December 31, 2022 and 2021, 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. Contributions to the Plan for the years ended December 31, 2022 and 2021 totaled \$997,483 and \$876,578, respectively.

## RESOURCES LEGACY FUND

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

#### 10. CONCENTRATION OF REVENUE

Approximately 58% and 45%, respectively of the Fund's contributions revenue for the years ended December 31, 2022 and 2021 was derived from four major donors. The Fund has no reason to believe that relationships with these donors will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect the Fund's ability to finance ongoing operations.

#### 11. RELATED PARTY

The president of the Fund is also the president of Fund for a Better Future, Inc. (FBF) and Shared Ascent Fund (SAF). The Fund has an agreement with FBF and SAF to share resources of staff, office services, and technology resources.

The Fund received the following reimbursements for shared services for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Fund for a Better Future, Inc.	\$ 3,525,021	\$ 2,168,857
Shared Ascent Fund	<u>509,607</u>	<u>154,009</u>
<b>TOTAL</b>	<b><u>\$ 4,034,628</u></b>	<b><u>\$ 2,322,866</u></b>

The Fund had the following due from balances from related parties, which are included in accounts and other receivables in the Statements of Financial Position, as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Fund for a Better Future, Inc.	\$ 278,560	\$ 348,220
Shared Ascent Fund	<u>49,673</u>	<u>22,184</u>
<b>TOTAL</b>	<b><u>\$ 328,233</u></b>	<b><u>\$ 370,404</u></b>

The Fund contributed \$10,150,000 to FBF and no funds to SAF during 2022 and did not contribute any financial resources to either entity in 2021. As of December 31, 2022, the Fund did not have an outstanding conditional grant to FBF for the Climate Power programs. As of December 31, 2021, the Fund had an outstanding conditional grant to FBF for the Climate Power programs in the amount of \$15,000,000.

#### 12. SUBSEQUENT EVENTS

In preparing these financial statements, the Fund has evaluated events and transactions for potential recognition or disclosure through May 3, 2023, the date the financial statements were issued.