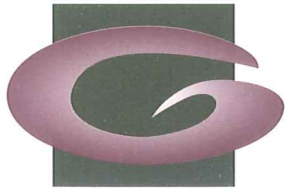


**RESOURCES LEGACY FUND**

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

**YEARS ENDED  
DECEMBER 31, 2008 AND 2007**



**Gilbert Associates, Inc.**  
CPAs and Advisors

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying consolidated statements of financial position of Resources Legacy Fund and Resources Legacy Fund Foundation, collectively the Fund, as of December 31, 2008 and 2007, and the related consolidated statements of activities and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these 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 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Gilbert Associates, Inc.*

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

**March 18, 2009**

# RESOURCES LEGACY FUND

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2008 AND 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and equivalents	\$ 58,447,347	\$ 52,292,102
Investments	12,086,280	26,503,950
Current portion of contributions receivable	2,600,262	3,213,238
Current portion of notes receivable		3,152,044
Interest receivable	89,718	308,718
Prepaid expenses	32,213	14,546
Total current assets	<u>73,255,820</u>	<u>85,484,598</u>
<b>NOTES RECEIVABLE, Net</b>	2,076,333	1,850,000
<b>CONTRIBUTIONS RECEIVABLE, Net</b>	5,767,767	
<b>EQUIPMENT AND FURNITURE</b> (net of accumulated depreciation of \$48,709 in 2008 and \$42,213 in 2007)	<u>31,172</u>	<u>42,207</u>
<b>TOTAL ASSETS</b>	<u>\$ 81,131,092</u>	<u>\$ 87,376,805</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 2,552,537	\$ 1,140,239
Grants committed	33,124,512	37,870,147
Accrued expenses	18,775	14,441
Interest payable	26,833	26,833
Note payable		7,000,000
Total current liabilities	<u>35,722,657</u>	<u>46,051,660</u>
<b>NOTE PAYABLE</b>	<u>7,000,000</u>	
<b>TOTAL LIABILITIES</b>	<u>42,722,657</u>	<u>46,051,660</u>
<b>NET ASSETS:</b>		
Unrestricted	3,370,379	2,133,261
Temporarily restricted	<u>35,038,056</u>	<u>39,191,884</u>
Total net assets	<u>38,408,435</u>	<u>41,325,145</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 81,131,092</u>	<u>\$ 87,376,805</u>

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

# RESOURCES LEGACY FUND

## CONSOLIDATED STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2008 AND 2007

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	<u>2008</u>	<u>2007</u>
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>		
Contributions	\$ 42,011,598	\$ 48,679,214
Interest and investment income	1,711,092	3,483,758
Net assets released from restrictions	<u>(47,876,518)</u>	<u>(38,718,293)</u>
<b>INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS</b>	<u>(4,153,828)</u>	<u>13,444,679</u>
<b>UNRESTRICTED NET ASSETS:</b>		
<b>REVENUES:</b>		
Contributions	1,457,606	1,311,232
Interest and investment income	749,466	729,717
Net assets released from restrictions	<u>47,876,518</u>	<u>38,718,293</u>
Total revenues	<u>50,083,590</u>	<u>40,759,242</u>
<b>EXPENSES:</b>		
Conservation program services	47,972,819	38,770,066
General and administrative	<u>873,653</u>	<u>824,986</u>
Total expenses	<u>48,846,472</u>	<u>39,595,052</u>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<u>1,237,118</u>	<u>1,164,190</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(2,916,710)	14,608,869
<b>NET ASSETS, Beginning of year</b>	<u>41,325,145</u>	<u>26,716,276</u>
<b>NET ASSETS, End of year</b>	<u>\$ 38,408,435</u>	<u>\$ 41,325,145</u>

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

# RESOURCES LEGACY FUND

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ (2,916,710)	\$ 14,608,869
Reconciliation to net cash and equivalents provided (used) by operating activities:		
Depreciation	13,381	25,213
Net realized and unrealized gain on investments	(167,010)	(39,501)
Changes in:		
Interest receivable	219,000	(153,229)
Contributions receivable	(5,154,791)	(1,905,938)
Prepaid expenses	(17,667)	43,538
Accounts payable	1,412,298	238,923
Grants committed	(4,745,635)	3,564,121
Accrued expenses	4,334	3,676
Net cash and equivalents provided (used) by operating activities	<u>(11,352,800)</u>	<u>16,385,672</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of equipment and furniture	(2,346)	(4,320)
Notes receivable principal receipts	2,925,711	2,620,032
Purchases of investments	(16,915,320)	(45,500,000)
Proceeds from sales and maturity of investments	31,500,000	41,000,000
Net cash and equivalents provided (used) by investing activities	<u>17,508,045</u>	<u>(1,884,288)</u>
<b>NET INCREASE IN CASH AND EQUIVALENTS</b>	6,155,245	14,501,384
<b>CASH AND EQUIVALENTS, Beginning of year</b>	<u>52,292,102</u>	<u>37,790,718</u>
<b>CASH AND EQUIVALENTS, End of year</b>	<u>\$ 58,447,347</u>	<u>\$ 52,292,102</u>
<b>OTHER CASH FLOW INFORMATION:</b>		
Cash paid for interest	<u>\$ 70,000</u>	<u>\$ 70,000</u>

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

# RESOURCES LEGACY FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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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 land and marine conservation programs. The Fund makes grants, provides low-interest bridge financing, and enters into contracts for land acquisition, research, policy, outreach and education, capacity building, planning, 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 to operate for the benefit of Resources Legacy Fund.

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

**Basis of presentation** – The financial statements are presented in conformity with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, the Fund reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The Fund has no permanently restricted net assets.

**Revenue recognition** – Contributions, including grants and contracts obtained from private foundations and other nonprofit organizations, are recognized in full when received or unconditionally promised, in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. If there are donor or grantor-imposed restrictions, the amount is initially reported as an increase in temporarily restricted net assets. When a restriction expires (generally, as payments are made to fulfill the purposes of the contribution), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Cash and equivalents** – For financial statement purposes, the Fund considers all investments with a maturity at purchase of three months or less to be cash equivalents. Certain donors require the Fund to maintain separate cash accounts related to their grant funding.

**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 seven years. The Fund's policy is to capitalize such items with a cost of \$1,000 or more.

# RESOURCES LEGACY FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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**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. The Fund has elected to defer the application of Financial Accounting Standard Board (FASB) Interpretation 48, “Accounting for Uncertainty in Income Taxes” as allowed until January 1, 2009. The Fund will evaluate any uncertain tax positions in conjunction with the preparation of the tax return.

**Functional allocation of expenses** – The Fund accounts for its expenditures in the following categories:

**Conservation program services** – Expenditures related to a broad range of activities necessary to accomplish the Fund’s land and marine conservation programs. These include retaining a range of specialists to develop strategies, carry out policy and education activities, perform scientific research, and restore and monitor land, wetland and marine areas, as well as re-granting to nonprofit entities to carry out strategic planning, land acquisition, restoration and stewardship, capacity building, outreach, education and policy activities.

**General and administrative** – Expenditures 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 directly attributable to the conduct of conservation program services.

**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.

**Recent accounting pronouncements** – In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, *Fair Value Measurements* (SFAS 157), which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. SFAS 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. The adoption of SFAS 157 for financial assets and liabilities on January 1, 2008 did not have a material impact on the Fund’s statement of financial position or the related statements of activities and of cash flows.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, which expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. The adoption of SFAS 159 for financial assets and liabilities on January 1, 2008 did not have a material impact on the Fund’s statement of financial position or the related statements of activities and of cash flows.

# RESOURCES LEGACY FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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**Fair value measurements** – Assets and liabilities measured at fair value are recorded in accordance with SFAS 157, which clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, SFAS 157 establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value 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 in which there is little or no market data, which require us to develop our own assumptions.

### 2. INVESTMENTS

Investments consist of government and agency securities and are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

Interest and investment income are as follows:

	<u>2008</u>	<u>2007</u>
Interest and dividends	\$ 2,340,547	\$ 4,236,956
Unrealized and realized gains	167,010	39,501
Investment fees	<u>(46,999)</u>	<u>(62,982)</u>
Total	<u>\$ 2,460,558</u>	<u>\$ 4,213,475</u>

### 3. CONTRIBUTIONS RECEIVABLE

The Fund initially records multi-year contributions receivable at fair value and subsequently amortizes them using the discount rate established in the initial fair value calculation. Multi-year contributions receivable are classified within Level 3 of the fair value hierarchy because determination of the present value of future cash flows is based on little or no market data and requires management to develop their own assumptions. Management determined fair value using a discount rate of 2% at December 31, 2008. The discount rate was obtained by taking their average interest rate earned on the Fund's investments during 2008.

# RESOURCES LEGACY FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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Contributions receivable consist of the following:

	<u>2008</u>	<u>2007</u>
Gross contributions receivable	\$ 8,600,262	\$3,213,238
Less: Unamortized discount	<u>(232,233)</u>	<u>                    </u>
Contributions receivable, net	<u>\$ 8,368,029</u>	<u>\$3,213,238</u>

Contributions receivable are due to be collected as follows:

	<u>2008</u>	<u>2007</u>
Within one year	\$ 2,600,262	\$3,213,238
In one to five years	<u>5,767,767</u>	<u>                    </u>
Contributions receivable, net	<u>\$ 8,368,029</u>	<u>\$3,213,238</u>

**Conditional promises to give** – The Fund has grant agreements with several donors and foundations that are to provide funding over multi-year periods. In accordance with SFAS No. 116, conditional future funding has not been recognized as revenue in the financial statements. Conditional promises to give are as follows:

	<u>2008</u>	<u>2007</u>
Conditional upon meeting program initiatives and milestones	\$ 4,181,805	\$ 1,040,262
Conditional upon appropriation of the state funds	<u>390,000</u>	<u>780,000</u>
Total	<u>\$ 4,571,805</u>	<u>\$ 1,820,262</u>

## RESOURCES LEGACY FUND

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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#### 4. NOTES RECEIVABLE

Notes receivable consist of the following:

	<u>2008</u>	<u>2007</u>
The Nature Conservancy – two notes with interest at 3% annum, outstanding principal and interest due the earlier of July 15, 2010 or upon the sale of the real property that secures the notes.	\$ 2,076,333	
Western Rivers Conservancy – interest at 2% annum, outstanding principal and interest paid on February 15, 2008.		\$ 1,850,000
The Nature Conservancy – interest at 3% annum, outstanding principal and interest paid on January 15, 2008.		1,400,000
Friends of the Desert Mountains – interest at 1% annum, outstanding principal and interest paid on July 16, 2008.		1,216,044
The Trust for Public Land – interest at 1% annum, outstanding principal and interest paid on March 11, 2008.	<u>                    </u>	<u>536,000</u>
Total	2,076,333	5,002,044
Less current portion	<u>                    </u>	<u>(3,152,044)</u>
Long-term notes receivable, net	<u>\$ 2,076,333</u>	<u>\$ 1,850,000</u>

#### 5. NOTE PAYABLE

In 2004, the Fund obtained a \$7,000,000 note payable from The David and Lucile Packard Foundation. Interest accrues at a fixed rate of 1.0% per annum. Accrued interest is due annually on each anniversary of the note. The outstanding principal and any unpaid accrued interest are due on August 15, 2010. Interest of \$70,000 was paid on this note during the years ended December 31, 2008 and 2007. The balance outstanding on the note at December 31, 2008 and 2007 was \$7,000,000.

#### 6. NET ASSETS

The Association has designated \$435,350 of unrestricted net assets for the Conservation Opportunity Fund.

## RESOURCES LEGACY FUND

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

Temporarily restricted net assets consist of unexpended contributions restricted for the following purposes:

	<u>2008</u>	<u>2007</u>
Northern Sierra Partnership	\$ 9,465,446	
Northwest Mexico	5,207,578	
California Coastal and Marine Initiative	3,048,644	\$ 3,942,286
Preserving Wild California	2,619,207	18,261,837
Revolving loan fund	2,593,033	2,516,624
Sustainable Fisheries and Aquaculture	1,929,945	2,079,232
Other land and resource conservation programs	1,646,053	953,573
SF Bay Wetlands Restoration	1,618,998	2,471,828
Children and Urban Rivers Parkways	1,519,723	2,708,764
Point Reyes Acquisition	1,450,000	
Western Conservation Initiative	1,138,791	
Conservation Bond Implementation	919,876	1,187,500
San Joaquin River Restoration	837,599	974,002
Marine Life Protection Act Initiative	540,782	3,016,922
Los Angeles River Revitalization Project	267,381	1,079,316
Tejon Ranch Conservancy	<u>235,000</u>	
Total	<u>\$ 35,038,056</u>	<u>\$ 39,191,884</u>

#### 7. OFFICE LEASE

The Fund subleases office space under non-cancelable lease agreements. Office rent expense was \$114,326 and \$132,813 for the years ended December 31, 2008 and 2007, respectively. Future minimum lease payments are as follows:

##### Year ending December 31:

2009	\$ 106,171
2010	110,000
2011	112,436
2012	<u>18,797</u>
Total	<u>\$ 347,404</u>

#### 8. CONCENTRATIONS

The Fund maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Fund has not experienced any losses in such accounts. Management believes the Fund is not exposed to any significant credit risk related to cash.

# **RESOURCES LEGACY FUND**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007**

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### **9. RETIREMENT PLAN**

The Fund sponsors a 401(k) profit sharing plan. Under this plan, employees may participate beginning on the first day of the month following employment. For 2008 and 2007, the Fund made contributions of 100% of the first 4% of eligible compensation plus 50% of the next 2% of compensation. Such contributions are 100% vested, and totaled \$18,550 for 2008 and \$12,430 for 2007.