

Save the Redwoods League

REPORT ON AUDIT OF FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

for the year ended March 31, 2009, with comparative totals for 2008

SAVE THE REDWOODS LEAGUE

C O N T E N T S

	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
Notes to Financial Statements	5-18
Supplementary Information:	
Independent Auditors' Report on Supplementary Information	19
Schedule of Functional Expenses	20
Three-year Comparative Statements of Activities	21

INDEPENDENT AUDITORS' REPORT

The Audit Committee of
Save the Redwoods League

We have audited the accompanying statement of financial position of Save the Redwoods League (a nonprofit organization) (the League) as of March 31, 2009, 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 League's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the League's 2008 financial statements and, in our report dated August 18, 2008, we expressed an unqualified opinion on those financial statements.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Save the Redwoods League as of March 31, 2009, 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.



San Francisco, California
July 15, 2009

SAVE THE REDWOODS LEAGUE
STATEMENT OF FINANCIAL POSITION

March 31, 2009
with comparative totals for 2008

ASSETS	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 1,476,953	\$ 2,103,652
Restricted cash and cash equivalents	919,339	544,060
Interest receivable	466,647	519,726
Contributions receivable	3,028,610	1,179,266
Grants receivable	100,000	-
Other receivable	-	6,668
Investments	67,551,967	58,240,351
Real estate held	9,027,380	11,029,880
Contributions receivable from irrevocable trusts	1,503,406	2,214,767
Property and equipment, net	96,121	86,796
Deposits on land purchase	10,000	20,000
Other assets	54,584	52,464
Endowment fund	<u>244,309</u>	<u>373,461</u>
Total assets	<u>\$84,479,316</u>	<u>\$76,371,091</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 253,199	\$ 203,735
Accrued liabilities	466,703	382,376
Environmental remediation obligation	<u>417,694</u>	<u>477,290</u>
Total liabilities	<u>1,137,596</u>	<u>1,063,401</u>
Net assets:		
Unrestricted	45,895,920	45,338,359
Temporarily restricted	37,039,992	29,580,997
Permanently restricted	<u>405,808</u>	<u>388,334</u>
Total net assets	<u>83,341,720</u>	<u>75,307,690</u>
Total liabilities and net assets	<u>\$84,479,316</u>	<u>\$76,371,091</u>

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

SAVE THE REDWOODS LEAGUE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

for the year ended March 31, 2009
with comparative totals for 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2009</u>	<u>Total 2008</u>
Revenue and public support:					
Contributions:					
Donations	\$ 4,618,684	\$ 2,216,755	\$ 17,474	\$ 6,852,913	\$ 2,843,993
Program and land acquisition contributions	-	15,170,718	-	15,170,718	13,762,772
Reforestation, restoration, research, and other contributions	-	909,488	-	909,488	2,877,916
In-kind contributions	30,273	-	-	30,273	22,632
Change in value of irrevocable trusts	-	(556,553)	-	(556,553)	101,487
Donated land	-	-	-	-	308,000
Grants from state and federal agencies	-	5,000	-	5,000	5,000
(Loss) income from investments	(849,388)	-	-	(849,388)	3,718,717
Gain on revaluation of land	18,500	-	-	18,500	660,000
Other income	43,506	-	-	43,506	21,277
Net assets released from restrictions	<u>10,286,413</u>	<u>(10,286,413)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and public support	<u>14,147,988</u>	<u>7,458,995</u>	<u>17,474</u>	<u>21,624,457</u>	<u>24,321,794</u>
Expenses:					
Program services:					
Land deeded to the State of California	1,971,000	-	-	1,971,000	800,000
Land deeded to the United States of America	1,220,500	-	-	1,220,500	200,000
Conservation easement expense	3,750,000	-	-	3,750,000	7,039,100
Redwood land program support	2,734,817	-	-	2,734,817	2,019,894
Education and research grants	254,682	-	-	254,682	244,147
Redwood reforestation grants	62,099	-	-	62,099	45,000
Other grants	<u>218,778</u>	<u>-</u>	<u>-</u>	<u>218,778</u>	<u>255,382</u>
Total program services	<u>10,211,876</u>	<u>-</u>	<u>-</u>	<u>10,211,876</u>	<u>10,603,523</u>
Support services:					
General and administrative	1,432,573	-	-	1,432,573	1,449,468
Fund-raising	<u>1,945,978</u>	<u>-</u>	<u>-</u>	<u>1,945,978</u>	<u>1,654,700</u>
Total support services	<u>3,378,551</u>	<u>-</u>	<u>-</u>	<u>3,378,551</u>	<u>3,104,168</u>
Total expenses	<u>13,590,427</u>	<u>-</u>	<u>-</u>	<u>13,590,427</u>	<u>13,707,691</u>
Increase in net assets	557,561	7,458,995	17,474	8,034,030	10,614,103
Net assets, beginning of year	<u>45,338,359</u>	<u>29,580,997</u>	<u>388,334</u>	<u>75,307,690</u>	<u>64,693,587</u>
Net assets, end of year	<u>\$45,895,920</u>	<u>\$ 37,039,992</u>	<u>\$ 405,808</u>	<u>\$83,341,720</u>	<u>\$75,307,690</u>

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

SAVE THE REDWOODS LEAGUE

STATEMENT OF CASH FLOWS

for the year ended March 31, 2009

with comparative totals for 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Increase in net assets	\$ 8,034,030	\$ 10,614,103
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Contributions restricted for investment in endowment	(17,474)	(19,853)
Donated land	-	(308,000)
Donated easements	(3,270,000)	(5,415,000)
Land deeded	3,191,500	1,000,000
Gain on revaluation of land	(18,500)	(660,000)
Conservation easement revalued	3,750,000	-
Loss on sale of property and equipment	-	281
Depreciation	34,755	32,244
Net gain on sale of investments	(16,149)	(177,008)
Net unrealized loss (gain) on investments	3,398,728	(555,050)
Donated investments	(195,246)	(276,275)
Changes in:		
Restricted cash	(375,279)	(214,858)
Interest receivable	53,079	5,208
Contributions receivable	(1,849,344)	827,395
Contributions receivable from irrevocable trusts	711,361	(24,680)
Deposits on land purchase	10,000	(8,000)
Other receivable	6,668	893,193
Grants receivable	(100,000)	-
Other assets	(2,120)	(14,002)
Accounts payable	49,464	(49,098)
Accrued liabilities	84,327	91,721
Environmental remediation obligation	(59,596)	302,490
Additional cash provided by (used in) land activities:		
Proceeds on sale of land	346,000	2,510,000
Acquisition of redwood lands	<u>(1,996,500)</u>	<u>(3,493,900)</u>
Net cash provided by operating activities	<u>11,769,704</u>	<u>5,060,911</u>
Cash flows from investing activities:		
Purchase of investments	(138,175,992)	(140,153,204)
Proceeds from maturities of investments	125,823,669	134,741,955
Acquisition of property and equipment	<u>(44,080)</u>	<u>(15,453)</u>
Net cash used in investing activities	<u>(12,396,403)</u>	<u>(5,426,702)</u>
Cash flows from financing activities—Payments on notes payable	<u>-</u>	<u>(500,000)</u>
Net cash used in financing activities	<u>-</u>	<u>(500,000)</u>
Net decrease in cash and cash equivalents	(626,699)	(865,791)
Cash and equivalents, beginning of year	<u>2,103,652</u>	<u>2,969,443</u>
Cash and equivalents, end of year	<u>\$ 1,476,953</u>	<u>\$ 2,103,652</u>
Supplemental disclosure—Cash paid for interest	<u>-</u>	<u>\$ 7,500</u>

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

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

1. **Organization**

Save the Redwoods League (the League) exists to purchase and protect redwood forest lands in public parks in California, to encourage and support reforestation and conservation of California redwood forest areas, and to foster and encourage a better understanding of the value of the primeval forests of America.

Many purchases of forest land require several years for completion because of their scale and complexity. The League may hold some land (reflected as real estate held) for several years before transfer to public ownership. These lands and forests are protected at the time of purchase and the League remains a steward of those lands until they are able to be transferred to a public agency for permanent protection. Programmatic accomplishment is only recognized at the time of divestment of the property, therefore program service expenses may vary significantly from one year to the next, without a commensurate reduction in support service costs. The League also acquires and holds conservation easements which are monitored on a regular basis. The supplemental schedule on page 20 provides additional context for review of programmatic accomplishments over a three year period.

The League has developed a Master Plan for the Redwoods that documents the scientific criteria for evaluating lands that are available for purchase in the coastal redwood range. The highest priority is given to lands that include any of the remaining 4% of the original ancient redwood forest strategically located to enhance the values of currently protected forest lands. Watershed protection and landscape-scale connections are also high priorities.

2. **Summary of Significant Accounting Policies**

Basis of Presentation

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the League are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net assets that are in accordance with specified activities or objectives.

Accordingly, all financial transactions have been recorded and reported by net assets group as follows:

Unrestricted

These generally result from revenues generated by providing services, receiving unrestricted contributions, receiving interest from bank(s), receiving net realized and unrealized gains or losses from investments less expenses incurred in providing related services, raising contributions, and performing administrative functions.

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS, Continued

2. **Summary of Significant Accounting Policies, continued**

Basis of Presentation, continued

Temporarily Restricted

Save the Redwoods League reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is met, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted

These stipulate that resources be maintained permanently but permit the League to use up or expend all of the income (or other economic benefits) derived from the donated assets.

Uniform Prudent Management of Institutional Funds Act (UPMIFA)

FASB Staff Position 117-1 (FSP 117-1) was issued on August 6, 2008, in response to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in 2006. FSP 117-1 requires additional disclosures as a result of the issuance of UPMIFA and the enactment of it in individual states. It is effective for years ending after December 15, 2008. The California enacted version of UPMIFA is applicable to “endowment funds,” defined as “an institutional fund or part thereof that, under the terms of a gift instrument, is not wholly expendable by the institution on a current basis. The term does not include assets that an institution designates as an endowment fund for its own use.” Additionally, the definition of an “institutional fund” is “a fund held by an institution exclusively for charitable purposes.”

Interpretation of Relevant Law

The Board of the League has interpreted the State of California’s enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the League classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts donated to the permanent endowment, and (3) additions to the permanent endowment in accordance with donor directions. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the League in a manner consistent with the standard of prudence prescribed by California’s enacted version of UPMIFA.

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS, Continued

2. **Summary of Significant Accounting Policies, continued**

Spending Policies

In accordance with the State of California's enacted version of UPMIFA, the League considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The endowment of the League is currently in a building stage and the Board believes that there is not a sufficient base with which to spend or appropriate from the endowment at this time. As a result, the League has a policy of appropriating zero for spending in the current year. The League intends to grow the endowment by the receipt of new gifts and investment return, and expects its endowment funds, over time, to provide an average rate of return of approximately 7% annually. The Board will review its spending policy on a periodic basis to determine when it would be prudent to revise the current spending policy.

Endowment Investment Policy – Return Objectives and Risk Parameters

The League has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the fair value of the endowment assets over the long term. Endowment assets include those assets of donor-restricted funds that the League must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The League expects its endowment funds, over time, to provide an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the League relies on a total return strategy (e.g. total return) in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The League targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Endowment Fund

Endowment net assets are donor-restricted. Amounts of \$405,808 are classified as permanently restricted net assets and \$(161,499) is classified as unrestricted net assets as of March 31, 2009.

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS, Continued

2. **Summary of Significant Accounting Policies, continued**

Endowment Fund, continued

Changes in endowment net assets for the fiscal year ended March 31, 2009 are as follows:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ <u>(14,873)</u>	\$ <u>388,334</u>	\$ <u>373,461</u>
Investment return:			
Investment income	8,373	-	8,373
Net depreciation (realized and unrealized)	<u>(154,999)</u>	<u>-</u>	<u>(154,999)</u>
Total investment return	(146,626)	-	(146,626)
Contributions		17,474	17,474
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	\$ <u>(161,499)</u>	\$ <u>405,808</u>	\$ <u>244,309</u>

Revenue Recognition

The financial statements of the League have been prepared on the accrual basis of accounting.

Contributions are recognized when the donor makes a promise to give to the League that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Cash from conditional gifts received prior to the conditions being met is classified as deferred income.

Contributions related to estates and charitable remainder trusts are recognized when the League has obtained a copy of a court order, or all of the following documents: letter of notification as beneficiary; trust agreement or will; and an estimate and/or list of assets and valuation to be distributed. The League does not record an allowance on their contributions receivable because historically, the League has collected all receivables. A 10% contingency provision is deducted from the receivables to cover any closing costs.

Unconditional promises to give due within one year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using the average rate the League is earning on its investments.

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS, Continued

2. **Summary of Significant Accounting Policies, continued**

Donated Land

Donated land is recognized as support and is recorded at its estimated fair value as appraised by third-party consultants at the date of the donation.

Contributed Services and Goods

Contributed professional services are recognized as in-kind revenues at their estimated fair value if they require specialized skills that would need to be purchased if they were not donated. Contributed goods are recognized as in-kind revenues at their estimated fair value. For the year ended March 31, 2009, the League recognized in-kind services of \$29,768 for legal and consulting services. For the year ended March 31, 2009, the League recognized in-kind goods of \$505.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and all highly liquid investments (primarily commercial paper) with original maturities of three months or less at date of purchase.

Restricted Cash and Cash Equivalents

On the statement of cash flows, the restricted cash and cash equivalents was previously reported with cash and cash equivalents. In the current year, this amount is presented in the operating activities. Prior year amounts have been adjusted to conform to this presentation. These funds are required to be held in separate bank accounts and are restricted for the purpose of monitoring an easement to protect Marbled Murrelets, an endangered species of bird that nests in the ancient Redwoods, restoration and also to cover administrative costs of monitoring this easement. The balance at March 31, 2009 is \$919,339.

Investments

The League maintains liquidity sufficient to respond to conservation opportunities.

Investments are carried at estimated fair value based on quoted market prices. Investments received through gifts are recorded at estimated fair value at the date of donation. Gains or losses that result from market fluctuations are recognized in the period such fluctuations occur. For the year ended March 31, 2009, the League received \$195,246 in donated investments.

Property and Equipment

Property and equipment purchased are stated at cost and are capitalized if these expenditures are over \$3,000. Assets acquired by contribution or bequest are stated at market value at the date of acquisition.

Depreciation is provided using the straight-line method over the estimated useful life of three to seven years. Maintenance and repairs are charged to expense as incurred.

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS, Continued

2. **Summary of Significant Accounting Policies, continued**

Property and Equipment, continued

Leasehold improvements are recorded at cost and amortized over the shorter of their estimated useful lives or the terms of the applicable lease.

Real Estate Held

Real estate held is recorded at cost, if purchased, or estimated fair value at the date of the gift, if donated. Except as a result of a transaction, the carrying amount of real estate acquired in prior periods is revised only when current data indicates that a significant decrease in value has occurred. No such revaluations occurred during the year ended March 31, 2009.

The majority of the League's real estate held is intended to be transferred to the California State Parks (the State). Transfer of property to the State is a lengthy process. Consistent with its historic business model, the League is seeking State matching funds for private funds contributed.

Transfer of the land to the State, or other conservation partner, is recognized at fair value of the land transferred on the date of transfer. A gain or loss on revaluation of land is recorded for the difference between the fair value and the carrying amount of the land. At March 31, 2009, this was \$18,500. Temporarily restricted net assets are released from restriction based on historical cost of the property.

Fair Value of Financial Instruments

The League adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS No. 157), effective April 1, 2008. Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair values of all reported assets and liabilities that represent financial instruments, the League uses the carrying market values of such amounts. SFAS No. 157 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the League. Unobservable inputs are inputs that reflect the League's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1—Valuations based on quoted prices in active markets for identical assets or liabilities that the League has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. The League considers its investments in cash, bonds, exchange-traded funds, and actively traded stocks as Level 1.

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS, Continued

2. **Summary of Significant Accounting Policies, continued**

Fair Value of Financial Instruments, continued

Level 2—Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Land is valued by a certified general appraiser at the time of negotiation for its acquisition from the seller. Land is valued at its original fair market value at the time of acquisition and, except in the rare circumstance that there is a significant diminution in value, it remains at that same value until such time as a new appraisal establishes its current fair market value at the time of disposition. It is not a goal of the League to profit from its land transactions.

Contributions receivable are valued by obtaining an accounting of the net assets of the estate, establishing the percentage or fixed amount due as per the Trust Agreement or Will, and deducting a 10% contingency to cover any market fluctuations in the value of the assets and sundry closing costs of the estate.

Charitable remainder trusts are valued by obtaining the values of the assets, the age of the beneficiary, and determining the present value by the confluence of the investment rate of return (0% to 7.5%), the withdrawal rate, and the discount rate (5% to 6%).

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the League in determining fair value is greatest for instruments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the League's own assumptions are set to reflect those that the League believes market participants would use in pricing the asset or liability at the measurement date.

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS, Continued

2. **Summary of Significant Accounting Policies, continued**

Fair Value of Financial Instruments, continued

Securities owned and investments at March 31, 2009 are recorded at fair value as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Balance as of March 31, 2009</u>
Investments:				
Commercial paper and cash	\$ 6,866,332	-	-	\$ 6,866,332
U.S. Government and agency obligations	54,107,505	-	-	54,107,505
Exchange traded funds and stocks	6,578,130	-	-	6,578,130
Endowment fund—				
Exchange traded funds	244,309	-	-	244,309
Real Estate held	-	\$ 9,027,380	-	9,027,380
Contributions receivable	-	3,028,610	-	3,028,610
Contributions receivable from CRTs	<u>-</u>	<u>1,503,406</u>	<u>-</u>	<u>1,503,406</u>
Total	<u>\$67,796,276</u>	<u>\$13,559,396</u>	<u>-</u>	<u>\$ 81,355,672</u>

Easement Policy

Conservation easements are expensed as a program expense in the period they are purchased or donated to the League. At March 31, 2009, the League incurred expenses of \$3,750,000 related to acquiring new easements. This amount includes donated conservation easements the League received which totaled \$3,270,000 at March 31, 2009.

Functional Expense Allocations

Expenses such as depreciation, supplies, travel, personnel, and occupancy costs, are allocated among program services, general and administrative, and fund-raising classifications on the basis of time estimates, head counts, and other criteria determined by the League's management.

Income Tax Status

The League has been granted tax-exempt status as provided by the Internal Revenue Code Section 501(c)3 and Section 23701(d) of the California Revenue and Taxation Code. In addition, the League has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. As a result, the League is exempt from paying any income taxes, and thus no provision for income taxes has been reflected in these financial statements. In addition, the League has filed with the Internal Revenue Service to make limited expenditures to influence legislation as allowed under Section 501(h) of the Internal Revenue Code.

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS, Continued

2. **Summary of Significant Accounting Policies, continued**

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. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain reclassifications have been made to the prior year's numbers in order to conform to the presentation in the current year.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the League's financial statements for the year ended March 31, 2008, from which the summarized information was derived.

3. **Cash and Cash Equivalents, and Restricted Cash and Cash Equivalents**

The League's cash and cash equivalents, and restricted cash and cash equivalents at March 31, 2009 are as follows:

Money market fund	\$ 703,682
Demand deposits	773,021
Petty cash	<u>250</u>
Cash and cash equivalents	<u>\$1,476,953</u>
Restricted cash	<u>\$ 919,339</u>

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS, Continued

4. **Investments**

The cost and estimated fair value of the investment portfolio as of March 31, 2009 is invested as follows:

	Fair Market Value	Cost
Commercial paper and cash	\$ 6,866,332	\$ 6,904,709
U.S. Government and agency obligations	54,107,505	53,046,161
Exchange traded funds and stocks	6,578,130	10,256,509
	<u>\$ 67,551,967</u>	<u>\$ 70,207,379</u>
Endowment fund	\$ 244,309	\$ 405,808

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the League to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets, temporarily restricted net assets, or both, were \$161,499 as of March 31, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board.

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended March 31, 2009:

Dividends and interest	\$ 2,533,191
Gain on sale of investments, net	16,149
Unrealized loss on investments, net	<u>(3,398,728)</u>
Loss from investments	<u>\$ (849,388)</u>

Investment fees for the year ended March 31, 2009 amounted to \$68,604.

5. **Contributions Receivable from Irrevocable Trusts**

The League is the remainder beneficiary of various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the League's use. The portion of the trust attributable to the future interest of the League is recorded in the statement of activities as temporarily restricted contributions in the period the trust is established. Assets held in the charitable remainder trusts are recorded at fair market value as contributions receivable from irrevocable trusts. The present value of the estimated future payments is calculated using an assumed investment rate of return between 0% to 7.5%, a discount rate of 5% to 6%, and the applicable mortality tables.

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS, Continued

6. Property and Equipment

The League's property and equipment consist of the following at March 31, 2009:

Office equipment		\$ 275,120
Leasehold improvements		<u>5,878</u>
		280,998
Less accumulated depreciation		<u>(184,877)</u>
		<u>\$ 96,121</u>

Depreciation expense for the year ended March 31, 2009 was \$34,755.

7. Commitments and Contingencies

The League leases office space under a noncancelable operating lease expiring in December 2014. Under the terms of this lease, the League is obligated to pay escalation rentals. The deferred rent is recorded in the accounts payable and accrued liabilities line item on the statement of financial position. Minimum future rental payments under the lease are summarized as follows:

	Cash	Expense	Deferral
March 31:			
2010	\$ 196,536	\$ 197,447	\$ (911)
2011	203,690	197,447	6,243
2012	210,844	197,447	13,397
2013	217,998	197,447	20,551
2014	223,563	195,857	27,706
Thereafter	<u>171,696</u>	<u>146,893</u>	<u>24,803</u>
	<u>\$ 1,224,327</u>	<u>\$ 1,132,538</u>	<u>\$ 91,789</u>

Occupancy expense for the year ended March 31, 2009 was \$238,628.

8. Environmental Remediation Obligation

At March 31, 2007, the League held a parcel of land in Humboldt County which, prior to the League's acquisition, had fuel station containments. In May 2007, this parcel of land was sold to a third party with a retained conservation easement. As part of the sale agreement, the League agreed to pay 50% of the costs related to work plan preparation, monitoring, active remediation, and well closure. The ultimate goal is to obtain a no further action (NFA) letter from Humboldt County. At March 31, 2007, the League accrued the maximum potential liability of \$174,800 regarding its obligation, which is presented under the caption environmental remediation obligation in the accompanying Statement of Financial Position. The League's funding commitment expires on June 30, 2012, or the date the county issues the NFA, whichever is sooner. At March 31, 2009, the League has incurred some costs to date and its accrued liability related to this now stands at \$157,290.

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS, Continued

8. **Environmental Remediation Obligation, continued**

During the fiscal year, the League purchased a parcel of land in Mendocino County and inspections revealed concentrations of contaminants above the Environmental Screening Levels (ESLs). To remediate the areas of concern, soil concentrations must be returned to below ESL. This will be done by evacuating and removing contaminated soils. The League is liable to pay \$320,000 to a combination of contractors, depending on how much it will cost to restore and clean up the property, which is included in environmental remediation obligation the Statement of Financial Position. The balance, if any, will be remitted to the property's seller. During the year ended March 31, 2009, the League has incurred some costs to date and its accrued liability related to this now stands at \$260,404.

9. **Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes or periods:

Time restricted	\$ 2,689,650
Program activities	<u>34,350,342</u>
Total temporarily restricted net assets	<u>\$ 37,039,992</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Purposes restriction accomplished:	
Conservation easement expense	\$ 3,750,000
Redwood land program support	2,734,817
Land deeded to the State of California	1,971,000
Time restriction	93,037
Grants	535,559
Land deeded to the United States of America	<u>1,220,500</u>
	10,304,913
Gain over historical cost of land	<u>(18,500)</u>
	<u>\$ 10,286,413</u>

10. **Permanently Restricted Net Assets**

Net assets were permanently restricted for future operations of the League. A contribution of \$17,474 for permanently restricted contributions was received for the year ended March 31, 2009, creating a net asset balance of \$405,808 as of March 31, 2009. At March 31, 2009, the fair value of invested assets assigned to donor restricted endowment net asset balances required to be maintained in perpetuity had a deficiency of approximately \$161,499 (Note 4).

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS, Continued

11. Employee Benefit Plans

Prior to February 28, 2002, the League had a defined benefit pension plan (the DB Plan) covering all of its employees. The benefits were based upon years of service and the employee's average monthly compensation over the highest paid five consecutive plan years. Employees became eligible for the Plan on the first day of the plan year following a minimum of one year of service.

On February 28, 2002, the Board of Directors approved curtailment of further benefit accrual under the DB Plan. On December 13, 2002, the Board of Directors authorized its officers to terminate the DB Plan and distribute plan assets in accordance with law. As of March 31, 2006, the Board of Directors authorized the League to reduce the running costs of the Plan, set an aggressive investment policy, and make the first of three annual contributions to fully fund the Plan in preparation for its termination. The expense recognized for the year ended March 31, 2009 was \$3,000, which includes quarterly administrative fees.

The following table sets forth the funded status of the Plan as of and for the year ended March 31, 2009:

Benefit obligation	\$ (1,396,448)
Fair value of plan assets	<u>1,376,434</u>
 Funded status	 <u>\$ <u>(20,014)</u></u>
 Weighted average assumptions as of March 31, 2009:	
Discount rate	<u>5.4%</u>
Expected return on plan assets	<u>7%</u>

FASB Statement No. 158 requires that the full funding status of defined benefit pension and other postretirement plans be recognized on the balance sheet as an asset (for overfunded plans) or as a liability (for underfunded plans). FASB Statement No. 158 also requires that the measurement of defined benefit plan assets and obligations be as of the balance sheet date. The League uses an independent third party actuary to value the plan assets and benefit obligation as of March 31, 2009. An adjustment to the financial statements for the funded status was not made by management at March 31, 2009 to record the funded status of the Plan because the Plan was terminated, and the League will fully settle in 2010. Management has estimated that payments on the distributions approximate the fair value of the plan assets as of March 31, 2009. The Form 5310 to officially terminate the Plan has been filed with the IRS and the League is waiting for the response before they can distribute the funds. The funds were all transferred to money market funds, therefore they have not experienced losses.

Effective on October 1, 2002, the League established a defined contribution retirement plan (401(k) Plan) under Section 401(k) of the Internal Revenue Code. The 401(k) Plan covers all employees, except hourly, of the League after six months of service and provides for voluntary salary deferrals up to certain amounts. The League may elect to make various types of matching contributions as prescribed under the 401(k) Plan agreement. During 2009, the Board of Directors approved a 3% safe harbor contribution and a 5% employer matching contribution. The total expense related to the 401(k) Plan was approximately \$139,000 for the year ended March 31, 2009.

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS, Continued

12. **Joint Costs**

For the year ending March 31, 2009, the League incurred joint costs of \$77,812 for informational materials and activities that included fund-raising appeals. The League allocated \$14,074 to general and administrative expense, \$9,983 to fund-raising expense, and \$53,755 to program expense.

13. **Concentration of Credit Risk**

Cash and Investments

At March 31, 2009, substantially all of the Company's cash and cash equivalents and investments primarily composed of investments in money market funds, commercial paper and government and non-government debt securities which are maintained with five high quality financial institutions. The composition and maturities are regularly monitored by management. Such deposits are in excess of the amount of the insurance provided by the federal government on such deposits. To date, the Company has not experienced any losses on such deposits. The League also had 80% of total investments in U.S. Government bonds and 10% of investments in Exchange Traded Funds.

Revenue and Receivables

The League's revenue is derived from individual contributions from throughout North America, state and federal grants, and investment income. For the year ended March 31, 2009, 46% of revenue is comprised of contributions from one donor.

As of March 31, 2009, one irrevocable trust comprised 59% of the contributions receivable from irrevocable trusts.

As of March 31, 2009, one bequest comprised 33% of the contributions receivable balance.

SUPPLEMENTARY INFORMATION



Building your future

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

The Audit Committee of
Save the Redwoods League

Our report on our audits of the basic financial statements of Save the Redwoods League for the year ended March 31, 2009, appears on page 1. We conducted our audit for the purpose of forming an opinion on such financial statements taken as a whole. The schedule of functional expenses for the year ended March 31, 2009 with comparative totals for March 31, 2008 and schedule of the three-year comparative statements of activities for the years ended March 31, 2009, 2008, and 2007 are 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 for the year ended March 31, 2009, taken as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the statements of financial position of Save the Redwoods League as of March 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended, and we expressed unqualified opinions on those financial statements. In our opinion, the schedule for the comparative statement of activities for the years ended March 31, 2008 and 2007 is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

Burr, Pilger & Mayer LLP

San Francisco, California
July 15, 2009

Member of The Leading Edge Alliance

SAVE THE REDWOODS LEAGUE
SUPPLEMENTAL SCHEDULE
SCHEDULE OF FUNCTIONAL EXPENSES

for the year ended March 31, 2009
with comparative totals for 2008

	<u>Program</u> <u>Services</u>	<u>General and</u> <u>Administrative</u>	<u>Fund-</u> <u>raising</u>	<u>Total</u> <u>2009</u>	<u>Total</u> <u>2008</u>
Contributions of land and other grants	\$ 7,552,059	-	-	\$ 7,552,059	\$ 8,583,630
Salaries and benefits	1,064,815	\$ 611,749	\$ 833,739	2,510,303	2,109,911
Services and fees	145,866	405,546	219,388	770,800	746,792
Printing and publications	58,742	48,384	475,367	582,493	569,837
Other project costs	439,215	-	-	439,215	164,539
Appraisals and closing costs	390,253	-	-	390,253	301,851
Occupancy	91,251	65,432	81,945	238,628	219,405
Advocacy	224,000	-	-	224,000	29,000
Payroll taxes	68,492	39,349	53,628	161,469	130,722
Conferences and meetings	19,906	38,479	59,658	118,043	74,274
Travel	49,939	27,552	28,256	105,747	72,732
Professional fundraising fees	-	-	70,014	70,014	134,532
Investment fees	-	68,604	-	68,604	68,638
Postage and shipping	12,681	25,289	30,506	68,476	48,791
Consultants	58,720	-	-	58,720	42,437
Accounting fees	-	37,440	-	37,440	36,920
Depreciation	13,291	9,529	11,935	34,755	32,244
Insurance	12,357	8,860	11,096	32,313	34,397
Equipment rental and maintenance	3,389	6,310	22,048	31,747	19,697
Miscellaneous expenses	6,634	11,675	12,998	31,307	21,658
Supplies	8,951	6,572	7,900	23,423	22,139
Furniture and Equipment	7,213	6,873	6,739	20,825	16,848
Telephone	5,723	4,831	5,675	16,229	15,004
Other fundraising costs	-	114	3,862	3,976	5,039
Interest	-	-	-	-	26,282
Reduction in estimate of legal fees	(36,821)	-	-	(36,821)	-
Legal fees	15,200	9,985	11,224	36,409	180,372
	<u>\$10,211,876</u>	<u>\$ 1,432,573</u>	<u>\$1,945,978</u>	<u>\$13,590,427</u>	<u>\$13,707,691</u>
Total					

The accompanying notes are an integral
part of this supplemental schedule.

SAVE THE REDWOODS LEAGUE
SUPPLEMENTAL SCHEDULE
THREE-YEAR COMPARATIVE STATEMENTS OF ACTIVITIES

for the years ended March 31, 2009, 2008, and 2007

	2009	2008	2007	Three-Year Total
Revenue and public support:				
Contributions:				
Donations	\$ 6,852,913	\$ 2,843,993	\$ 4,029,928	\$13,726,834
Program and land acquisition contributions	15,170,718	13,762,772	1,318,221	30,251,711
Reforestation, restoration, research, and other contributions	909,488	2,877,916	565,742	4,353,146
In-kind contributions	30,273	22,632	3,167	56,072
Change in value of irrevocable trusts	(556,553)	101,487	215,510	(239,556)
Donated land	-	308,000	-	308,000
Grants from state and federal agencies	5,000	5,000	-	10,000
Income from investments	(849,388)	3,718,717	2,784,929	5,654,258
Gain on revaluation of land	18,500	660,000	4,147,293	4,825,793
Other income	43,506	21,277	9,884	74,667
	21,624,457	24,321,794	13,074,674	59,020,925
Total revenue and public support				
Expenses:				
Program services:				
Land deeded to State of California	1,971,000	800,000	11,084,463	13,855,463
Land deeded to the United States of America	1,220,500	200,000	-	1,420,500
Conservation easement expense	3,750,000	7,039,100	-	10,789,100
Redwood land program support	2,734,817	2,019,894	1,995,990	6,750,701
Cooperative preservation grants	-	-	150,000	150,000
Education and research grants	254,682	244,147	206,223	705,052
Redwood reforestation grants	62,099	45,000	45,000	152,099
Other grants	218,778	255,382	143,931	618,091
	10,211,876	10,603,523	13,625,607	34,441,006
Total program services				
Support services:				
General and administrative	1,432,573	1,449,468	1,172,395	4,054,436
Fund-raising	1,945,978	1,654,700	1,565,855	5,166,533
	3,378,551	3,104,168	2,738,250	9,220,969
Total support services				
Total expenses	13,590,427	13,707,691	16,363,857	43,661,975
Increase (decrease) in net assets	\$ 8,034,030	\$10,614,103	\$ (3,289,183)	\$15,358,950

The accompanying notes are an integral
part of this supplemental schedule.