

SAVE THE REDWOODS LEAGUE

FINANCIAL STATEMENTS

March 31, 2013 and 2012



SAVE THE REDWOODS LEAGUE

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INDEPENDENT AUDITORS' REPORT

The Audit Committee of
Save the Redwoods League:

We have audited the accompanying financial statements of Save the Redwoods League (a nonprofit organization) (the League), which comprise the statements of financial position as of March 31, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Save the Redwoods League as of March 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Burr Pilger Mayer, Inc.

San Francisco, California
July 11, 2013

SAVE THE REDWOODS LEAGUE
STATEMENTS OF FINANCIAL POSITION
March 31, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 2,838,563	\$ 4,256,374
Restricted cash and cash equivalents	862,790	880,056
Contributions receivable	4,280,753	1,492,586
Grants receivable	1,190,000	545,000
Other receivable	10,102	52,434
Investments	67,922,143	60,179,503
Land held for sale	110,000	-
Real estate held	30,488,880	26,288,880
Beneficial interest in irrevocable trusts	2,261,226	2,130,733
Property and equipment, net	123,732	160,819
Notes receivable	329,707	365,789
Deposits on land purchase	30,250	5,250
Other assets	150,169	89,081
Endowment fund	545,075	458,000
	\$ 111,143,390	\$ 96,904,505
Total assets		
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 250,587	\$ 204,650
Accrued liabilities	424,362	451,648
Environmental remediation obligation	-	157,290
Grant payable	2,500,000	-
Notes payable	10,000,000	5,000,000
	13,174,949	5,813,588
Total liabilities		
Net assets:		
Unrestricted	68,008,207	59,494,733
Temporarily restricted	29,550,426	31,187,376
Permanently restricted	409,808	408,808
	97,968,441	91,090,917
Total net assets		
Total liabilities and net assets	\$ 111,143,390	\$ 96,904,505

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

SAVE THE REDWOODS LEAGUE
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
for the years ended March 31, 2013 and 2012

	2013			2012				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Non-land transactions								
Revenue and public support:								
Contributions:								
Donations	\$ 2,972,580	\$ 3,449,513	\$ 1,000	\$ 6,423,093	\$ 3,328,832	\$ 1,047,272	\$ 1,000	\$ 4,377,104
Program and land acquisition contributions	-	1,035,790	-	1,035,790	-	571,810	-	571,810
Reforestation, restoration, research, and other contributions	-	561,366	-	561,366	-	508,839	-	508,839
In-kind contributions	97,709	-	-	97,709	16,467	-	-	16,467
Change in value of beneficial interest in irrevocable trusts	-	134,653	-	134,653	-	20,870	-	20,870
Donated mineral interest	-	-	-	-	25,000	-	-	25,000
Income from investments	7,763,176	104,134	-	7,867,310	3,054,179	17,464	-	3,071,643
Interest from loans	-	12,328	-	12,328	-	14,210	-	14,210
Other income	49,828	-	-	49,828	52,839	-	-	52,839
Net assets released from restrictions	5,481,824	(5,481,824)	-	-	5,542,642	(5,542,642)	-	-
Total revenue and public support	<u>16,365,117</u>	<u>(184,040)</u>	<u>1,000</u>	<u>16,182,077</u>	<u>12,019,959</u>	<u>(3,362,177)</u>	<u>1,000</u>	<u>8,658,782</u>
Expenses:								
Program services:								
Redwood land program support	3,357,112	-	-	3,357,112	3,129,423	-	-	3,129,423
Education and research grants	204,015	-	-	204,015	202,191	-	-	202,191
Redwood reforestation grants	99,887	-	-	99,887	65,393	-	-	65,393
Climate change research grants	696,726	-	-	696,726	790,338	-	-	790,338
Other grants	43,563	-	-	43,563	775,758	-	-	775,758
Total program services	<u>4,401,303</u>	<u>-</u>	<u>-</u>	<u>4,401,303</u>	<u>4,963,103</u>	<u>-</u>	<u>-</u>	<u>4,963,103</u>
Support services:								
General and administrative	1,410,036	-	-	1,410,036	1,284,343	-	-	1,284,343
Fund-raising	2,002,304	-	-	2,002,304	1,841,501	-	-	1,841,501
Total support services	<u>3,412,340</u>	<u>-</u>	<u>-</u>	<u>3,412,340</u>	<u>3,125,844</u>	<u>-</u>	<u>-</u>	<u>3,125,844</u>
Total expenses	<u>7,813,643</u>	<u>-</u>	<u>-</u>	<u>7,813,643</u>	<u>8,088,947</u>	<u>-</u>	<u>-</u>	<u>8,088,947</u>
Change in net assets related to non-land transactions	<u>8,551,474</u>	<u>(184,040)</u>	<u>1,000</u>	<u>8,368,434</u>	<u>3,931,012</u>	<u>(3,362,177)</u>	<u>1,000</u>	<u>569,835</u>

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

SAVE THE REDWOODS LEAGUE
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS, Continued
for the years ended March 31, 2013 and 2012

	2013			2012				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Land transactions								
Revenue and public support:								
Contributions restricted for land acquisitions and transfers:								
Private support	-	4,102,090	-	4,102,090	-	2,852,338	-	2,852,338
Grants from state and federal agencies	-	-	-	-	-	3,000,000	-	3,000,000
Total contributions restricted for land acquisitions and transfers	-	4,102,090	-	4,102,090	-	5,852,338	-	5,852,338
Net assets released for land acquisitions and transfers	5,555,000	(5,555,000)	-	-	4,250,000	(4,250,000)	-	-
Expenses:								
Contributions towards land and easements to public agencies and other nonprofit organizations:								
Fair market value conveyed	5,817,000	-	-	5,817,000	8,250,000	-	-	8,250,000
Less consideration received	262,000	-	-	262,000	4,000,000	-	-	4,000,000
Contributions of land and easement values made	5,555,000	-	-	5,555,000	4,250,000	-	-	4,250,000
Net loss on sale of land and right-of-way easement	(38,000)	-	-	(38,000)	(103,000)	-	-	(103,000)
Change in net assets related to land transactions	(38,000)	(1,452,910)	-	(1,490,910)	(103,000)	1,602,338	-	1,499,338
Change in net assets related to non-land transactions (page 3)	8,551,474	(184,040)	1,000	8,368,434	3,931,012	(3,362,177)	1,000	569,835
Total change in net assets	8,513,474	(1,636,950)	1,000	6,877,524	3,828,012	(1,759,839)	1,000	2,069,173
Net assets, beginning of year	59,494,733	31,187,376	408,808	91,090,917	55,666,721	32,947,215	407,808	89,021,744
Net assets, end of year	<u>\$ 68,008,207</u>	<u>\$ 29,550,426</u>	<u>\$ 409,808</u>	<u>\$ 97,968,441</u>	<u>\$ 59,494,733</u>	<u>\$ 31,187,376</u>	<u>\$ 408,808</u>	<u>\$ 91,090,917</u>

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

SAVE THE REDWOODS LEAGUE
STATEMENTS OF FUNCTIONAL EXPENSES
for the years ended March 31, 2013 and 2012

	2013				2012			
	Program Services	General and Admini- strative	Fund- raising	Total	Program Services	General and Admini- strative	Fund- raising	Total
Salaries and benefits	\$ 1,539,634	\$ 697,529	\$ 936,163	\$ 3,173,326	\$ 1,361,754	\$ 698,870	\$ 939,257	\$ 2,999,881
Contributions of land and other grants	6,737,691	-	-	6,737,691	6,083,680	-	-	6,083,680
Other project costs	355,312	-	-	355,312	296,226	-	-	296,226
Printing and publications	174,835	21,058	425,970	621,863	175,456	12,800	345,971	534,227
Advocacy	4,750	-	-	4,750	19,000	-	-	19,000
Services and fees	90,978	210,129	147,778	448,885	90,714	246,228	142,908	479,850
Appraisals and environmental costs	54,845	-	-	54,845	310,745	-	-	310,745
Occupancy	151,016	76,480	113,143	340,639	116,291	63,267	85,548	265,106
Payroll taxes	95,598	43,311	58,128	197,037	86,548	44,418	59,696	190,662
Legal fees	226,462	15,204	4,182	245,848	113,511	-	-	113,511
Consultants	226,179	-	-	226,179	104,273	2,975	-	107,248
Travel	55,564	15,772	35,619	106,955	59,538	15,643	28,011	103,192
Interest	103,468	-	-	103,468	100,000	-	-	100,000
Conferences and meetings	46,279	57,218	32,530	136,027	47,249	37,963	26,715	111,927
Investment fees	-	114,620	-	114,620	-	37,300	-	37,300
Postage and shipping	10,704	24,430	19,850	54,984	13,241	25,849	23,782	62,872
Accounting fees	-	50,195	-	50,195	-	47,004	-	47,004
Professional fund-raising fees	-	-	123,857	123,857	-	-	86,870	86,870
Depreciation	23,625	11,907	17,700	53,232	14,113	7,560	10,382	32,055
Insurance	18,326	9,237	13,730	41,293	19,618	10,508	14,432	44,558
Equipment rental and maintenance	6,750	6,305	46,034	59,089	6,580	6,426	38,284	51,290
Option termination fee	-	-	-	-	158,246	-	-	158,246
Miscellaneous expenses	10,195	37,434	3,196	50,825	6,089	10,991	3,320	20,400
Telephone	8,848	5,264	6,629	20,741	8,560	4,861	6,297	19,718
Supplies	11,003	5,214	7,094	23,311	13,839	6,351	8,817	29,007
Furniture and equipment	4,241	2,893	3,177	10,311	7,832	4,847	5,795	18,474
Other fund-raising costs	-	5,836	7,524	13,360	-	482	15,416	15,898
Total	\$ 9,956,303	\$ 1,410,036	\$ 2,002,304	\$ 13,368,643	\$ 9,213,103	\$ 1,284,343	\$ 1,841,501	\$ 12,338,947

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

SAVE THE REDWOODS LEAGUE
STATEMENTS OF CASH FLOWS
for the years ended March 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Increase in net assets	\$ 6,877,524	\$ 2,069,173
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Donated property	(665,000)	-
Land deeded	-	3,950,000
Loss on sale of land	38,000	103,000
Depreciation	53,232	32,055
Net realized and unrealized gain on investments	(6,165,119)	(1,425,126)
Investment income for long-term purposes	(86,075)	(17,464)
Conservation easement revalued	3,055,000	300,000
Donated investments	-	(38,014)
Gain on environmental remediation liability	(157,290)	-
Changes in:		
Restricted cash	17,266	1,389
Interest receivable	-	427,142
Contributions receivable	(2,788,167)	(678,882)
Grants receivable	(645,000)	505,500
Other receivable	42,332	(50,046)
Beneficial interest in irrevocable trusts	(130,493)	9,636
Deposits on land purchase	(25,000)	34,750
Other assets	(61,088)	12,240
Accounts payable	45,937	64,140
Accrued liabilities	(27,286)	(336,384)
Grant payable	2,500,000	-
Additional cash provided by (used in) real estate held land activities:		
Proceeds on sale of land	262,000	4,000,000
Acquisition of redwood lands	(2,000,000)	(14,055,000)
Net cash provided by (used in) operating activities	140,773	(5,091,891)
Cash flows from investing activities:		
Purchase of investments	(17,711,433)	(67,833,684)
Proceeds from maturities of investments	16,045,837	74,899,818
Proceeds from notes receivable	36,082	36,440
Acquisition of property and equipment	(16,145)	(115,827)
Net cash (used in) provided by investing activities	(1,645,659)	6,986,747
Cash flows from financing activities:		
Investment income for long-term purposes	86,075	17,464
Contributions restricted for investment in endowment	1,000	1,000
Net cash provided by financing activities	87,075	18,464
Net (decrease) increase in cash and cash equivalents	(1,417,811)	1,913,320
Cash and cash equivalents, beginning of year	4,256,374	2,343,054
Cash and cash equivalents, end of year	\$ 2,838,563	\$ 4,256,374
Supplemental disclosure:		
Cash paid for interest	\$ 100,000	\$ 100,000
Noncash acquisition of redwood lands through notes payable	\$ 5,000,000	\$ -

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

SAVE THE REDWOODS LEAGUE

NOTES TO FINANCIAL STATEMENTS

March 31, 2013 and 2012

1. Organization

Save the Redwoods League (the League) has been protecting redwood lands for nearly 100 years. We are the only organization with the comprehensive approach needed to ensure that forests that take one thousand years to grow will be here for another thousand years.

- We **protect** them by purchasing redwood forests and the surrounding lands and waterways needed to nurture these forests.
- We **restore** land that has been previously logged as well as surrounding lands that already protected redwood forests need to thrive.
- We **study** redwood forests and surrounding waterways to understand how to best protect them and what their long-term survival means to the health of people and our planet.
- We **partner** with a range of organizations and industries to ensure that both public and privately owned land receive the proper care to secure the long-term health and survival of the redwoods.
- We **inspire** people to support the work needed to save these magical places forever.

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.

Saving the redwoods today is different and more challenging than at the time of our founding in 1918. Our work is making a real difference in protecting some of the most magical places on the planet.

2. Summary of Significant Accounting Policies

Basis of Presentation and Accounting

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

Continued

SAVE THE REDWOODS LEAGUE

NOTES TO FINANCIAL STATEMENTS

March 31, 2013 and 2012

2. Summary of Significant Accounting Policies, continued

Basis of Presentation and Accounting, continued

Accordingly, all financial transactions have been recorded and reported by net asset groups as follows:

Unrestricted

These generally result from revenues generated by recognizing unrestricted contributions, recognizing interest from banks and notes receivable, recognizing net realized and unrealized gains or losses from investments (unless time-restricted) less expenses incurred in providing related services, raising contributions, and performing administrative functions.

Temporarily Restricted

The 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 or expend all of the income (or other economic benefits) derived from the donated assets.

Measure of Operations

The League's measure of operations is its changes in net assets from operating activities, which includes all unrestricted and temporarily restricted operating revenues and expenses that are an integral part of its non-land acquisition and transfers programs and supporting activities. Unrestricted contributions and net assets released from donor restrictions to support its operating activities are also included. The measure of operations excludes contributions restricted for land acquisitions, grants specifically restricted for land acquisitions and expenses related to transfers of land and gains and losses on the sale or revaluation of lands.

Interpretation of Relevant Law

The Board of Directors (the Board) of the League has interpreted the State of California's enacted version of 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.

Continued

SAVE THE REDWOODS LEAGUE

NOTES TO FINANCIAL STATEMENTS

March 31, 2013 and 2012

2. Summary of Significant Accounting Policies, continued

Spending Policy

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 League 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 League
- 7) The investment policies of the League

The League has a policy of appropriating for distribution each year an amount of up to 3 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the League considered the long-term expected return on its endowment. Accordingly, over the long term, the League expects the current spending policy to allow its endowment to grow at an average of between 4 to 7 percent annually. This is consistent with the League's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. 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 appropriated zero percent for spending in 2013 and 2012.

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 purchasing power of the endowment assets. 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 approximate 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 percent 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 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.

Continued

SAVE THE REDWOODS LEAGUE

NOTES TO FINANCIAL STATEMENTS

March 31, 2013 and 2012

2. Summary of Significant Accounting Policies, continued

Revenue Recognition

Contributions and grants are recognized when the donor makes a promise to give to the League that is, in substance, unconditional. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributions from estates and trusts that are a receivable at year end are reclassified to temporarily restricted contributions. In the event the receivable is received during the month after year end, it is recorded as an unrestricted contribution.

The League recognizes revenue from government sources at the time of the close of escrow for a land acquisition, or at the time of receipt of funds if for another programmatic purpose.

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.

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 years ended March 31, 2013 and 2012, the League recognized in-kind services of \$96,415 and \$13,150, respectively, for legal and consulting services. For the years ended March 31, 2013 and 2012, the League recognized in-kind goods of \$1,294 and \$3,317, respectively.

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.

Continued

SAVE THE REDWOODS LEAGUE

NOTES TO FINANCIAL STATEMENTS

March 31, 2013 and 2012

2. Summary of Significant Accounting Policies, continued

Restricted Cash and Cash Equivalents

These funds are required to be held in separate bank accounts and are restricted for the purpose of monitoring easements to protect Marbled Murrelets, an endangered species of bird that nests in the ancient Redwoods, restoration and also to cover administrative costs of monitoring these easements, and for grove maintenance. The balance at March 31, 2013 and 2012 is \$862,790 and \$880,056, respectively.

Investments

The League maintains liquidity sufficient to respond to conservation opportunities.

The League carries investments in marketable equity securities with readily determinable fair values and all investments in debt securities at their fair values. 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 years ended March 31, 2013 and 2012, the League received \$92,937 and \$38,014 in donated stocks, respectively.

Real Estate Held

Real estate held is recorded at cost, which approximates fair market value, if purchased, or estimated fair value at the date of the gift, if donated. Except as the 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 years ended March 31, 2013 and 2012.

Real estate held is valued by a certified general appraiser at the time of negotiation for its acquisition from the seller. It 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.

The majority of the League's real estate held is intended to be transferred to the California State Parks (the State) or another appropriate alternate permanent steward. Transfer of property to the State is a lengthy process.

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 upon reappraisal and the carrying amount of the land. A gain or loss on sale of land or easement is recorded for the difference between the fair value upon transfer date and carrying amount of the land. At March 31, 2013 and 2012, the League incurred a net loss on sale of land of \$38,000 and \$103,000, respectively. Temporarily restricted net assets are released from restriction based on historical cost of the property.

Continued

SAVE THE REDWOODS LEAGUE

NOTES TO FINANCIAL STATEMENTS

March 31, 2013 and 2012

2. Summary of Significant Accounting Policies, continued

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.

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

Notes Receivable

Notes receivable are carried at unpaid principal balances. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. Management evaluates the collectability of notes receivable on an annual basis. In making that determination, management has evaluated historical loan loss experience, financial condition of the borrower and current economic conditions that lead to default. The allowance for loan losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent on the loans. As of March 31, 2013 and 2012, notes receivable are considered by management to be fully collectible and, accordingly, no allowance is considered necessary.

Grants Payable and Expense

Unconditional grants are recognized as grant expense and a liability when the grant agreement is signed. Unconditional grants that are expected to be paid in less than one year are measured at net settlement value. Unconditional grants that are expected to be paid in more than one year are measured at the present value of the estimated future cash flows. Grant refunds are recorded as a reduction of grant expense at the time the League becomes aware the grant will be refunded.

Easement Policy

Conservation easements are expensed as a program expense in the period they are purchased or donated to the League. For the year ended March 31, 2013, the League purchased one conservation easement for approximately \$3,055,000. For the year ended March 31, 2012, the League did not purchase any new conservation easements. The League did not receive donated conservation easement for the year ended March 31, 2013. The League received a donated conservation easement of \$300,000 for the year ended March 31, 2012.

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.

Continued

SAVE THE REDWOODS LEAGUE

NOTES TO FINANCIAL STATEMENTS

March 31, 2013 and 2012

2. Summary of Significant Accounting Policies, continued

Fair Value of Financial Instruments

The carrying amounts of the League's cash and cash equivalents, restricted cash and cash equivalents, interest receivable, contributions receivable, deposits on land purchase, accounts payable, accrued liabilities, and environmental remediation obligation approximate fair value due to the relatively short period to maturity for these instruments.

The carrying amounts of notes receivable and notes payable approximate fair value as of March 31, 2013 and 2012 because interest rates on these instruments approximate market interest rates.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The League classifies its financial assets and liabilities according to the following hierarchy, and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1—quoted prices in active markets for identical investments.

Level 2—other significant observable inputs (including quoted prices for similar instruments, interest rates, prepayment speeds, credit risk, etc.)

Level 3—significant unobservable inputs (including the League's own assumptions in determining fair value instruments).

The valuation levels are not necessarily an indication of the risk or liquidity associated with the investments.

Income Taxes

The Internal Revenue Service has determined that the League is exempt from federal income tax under Section 501(c)(3) in the Internal Revenue Code. However, income from activities not related to its tax-exempt purpose may be subject to taxation as unrelated business income. No provision has been made for income taxes in these financial statements.

The League follows the guidance for uncertain tax positions. Management has concluded there are no uncertain tax positions at March 31, 2013 and 2012.

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.

Continued

SAVE THE REDWOODS LEAGUE

NOTES TO FINANCIAL STATEMENTS

March 31, 2013 and 2012

2. Summary of Significant Accounting Policies, continued

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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, are as follows:

	<u>2013</u>	<u>2012</u>
Money market fund	\$ 1,329,186	\$ 3,192,352
Demand deposits	1,509,127	1,063,772
Petty cash	<u>250</u>	<u>250</u>
Cash and cash equivalents	<u>\$ 2,838,563</u>	<u>\$ 4,256,374</u>
Restricted cash and cash equivalents	<u>\$ 862,790</u>	<u>\$ 880,056</u>

4. Contributions Receivable

As of March 31, 2013, the League is a beneficiary for a total of twenty-six estates and trusts. The contributions have no restricted purpose, but have been recorded as temporarily restricted net assets due to a time restriction. As of March 31, 2013 and 2012, the balance of contributions receivable was \$4,280,753 and \$1,492,586, respectively, net of a contingency provision of \$383,036 and \$141,062, respectively. Additionally, as of March 31, 2013, the League had one pledge receivable of \$62,635 included in contributions receivable. As of March 31, 2012, there were no pledge receivables outstanding.

5. Grants Receivable

The entire balance of grants receivable is due within one year and are restricted for the following purposes:

	<u>2013</u>	<u>2012</u>
Acquisition for specifically identified redwood lands	\$ 1,140,000	\$ 150,000
Redwoods and Climate Change Initiative	50,000	-
Support work being done around state park closures	-	125,000
Conservation Easement	-	150,000
Conservation	<u>-</u>	<u>120,000</u>
Total grants receivable	<u>\$ 1,190,000</u>	<u>\$ 545,000</u>

Continued

SAVE THE REDWOODS LEAGUE

NOTES TO FINANCIAL STATEMENTS

March 31, 2013 and 2012

6. Investments and Fair Value Measurements

The following table presents balances of assets measured at fair value on a recurring basis:

	As of March 31, 2013		
	Level 1	Level 2	Total
Assets:			
Cash equivalents	\$ 2,191,976	\$ -	\$ 2,191,976
Endowment fund:			
Endowment exchange - International Stock Fund	79,374	-	79,374
Endowment exchange - Stock Fund	465,365	-	465,365
Total endowment fund	544,739	-	544,739
Investments:			
Money market fund held for investment purposes	442,279	-	442,279
Fixed Income:			
Income Fund	30,529,889	-	30,529,889
Equity Securities:			
Energy	2,087,661	-	2,087,661
Materials	807,995	-	807,995
Industrials	2,198,677	-	2,198,677
Consumer discretionary	4,288,859	-	4,288,859
Consumer staples	639,060	-	639,060
Healthcare	5,934,669	-	5,934,669
Financials	6,642,793	-	6,642,793
Information technology	7,104,891	-	7,104,891
Telecommunication services	1,098,867	-	1,098,867
Mutual Funds:			
International Stock Fund	6,122,933	-	6,122,933
Large Growth Fund	23,570	-	23,570
Total investments	67,922,143	-	67,922,143
Beneficial interest in irrevocable trusts	-	2,261,226	2,261,226
Total	\$ 70,658,858	\$ 2,261,226	\$ 72,920,084

Continued

SAVE THE REDWOODS LEAGUE

NOTES TO FINANCIAL STATEMENTS

March 31, 2013 and 2012

6. Investments and Fair Value Measurements, continued

	As of March 31, 2012		
	Level 1	Level 2	Total
Assets:			
Cash equivalents	\$ 4,072,408	\$ -	\$ 4,072,408
Endowment fund:			
Endowment exchange - International Stock Fund	66,332	-	66,332
Endowment exchange - Stock Fund	386,683	-	386,683
Total endowment fund	453,015	-	453,015
Investments:			
Money market fund held for investment purposes	6,620,208	-	6,620,208
Fixed Income:			
Income Fund	26,867,267	-	26,867,267
Equity Securities:			
Energy	1,767,987	-	1,767,987
Materials	689,195	-	689,195
Industrials	1,681,648	-	1,681,648
Consumer discretionary	3,571,095	-	3,571,095
Consumer staples	638,325	-	638,325
Healthcare	4,554,094	-	4,554,094
Financials	4,992,966	-	4,992,966
Information technology	4,633,980	-	4,633,980
Telecommunication services	482,855	-	482,855
Mutual Funds:			
International Stock Fund	3,657,048	-	3,657,048
Large Growth Fund	22,835	-	22,835
Total investments	60,179,503	-	60,179,503
Beneficial interest in irrevocable trusts	-	2,130,733	2,130,733
Total	\$ 64,704,926	\$ 2,130,733	\$ 66,835,659

Continued

SAVE THE REDWOODS LEAGUE

NOTES TO FINANCIAL STATEMENTS

March 31, 2013 and 2012

6. Investments and Fair Value Measurements, continued

Net investment gain at March 31, is comprised of the following:

	<u>2013</u>	<u>2012</u>
Dividends and interest	\$ 1,702,191	\$ 1,646,516
Realized gain on sale of investments, net	528,769	1,601,002
Unrealized gain (loss) on investments, net	<u>5,636,350</u>	<u>(175,875)</u>
Net gain from investments	<u>\$ 7,867,310</u>	<u>\$ 3,071,643</u>

Investment fees for the years ended March 31, 2013 and 2012 amounted to \$114,620 and \$37,300, respectively.

7. Beneficial Interest in 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 6%, a discount rate of 5%, and the applicable mortality tables. Due to annual payments being made to current beneficiaries from certain trusts over the trust's term, there is a slight possibility that the trust's assets will be exhausted before distribution to the League.

8. Property and Equipment

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

	<u>2013</u>	<u>2012</u>
Office equipment	\$ 192,424	\$ 358,098
Leasehold improvements	<u>62,672</u>	<u>66,468</u>
	255,096	424,566
Less accumulated depreciation	<u>(131,364)</u>	<u>(263,747)</u>
	<u>\$ 123,732</u>	<u>\$ 160,819</u>

Depreciation expense for the years ended March 31, 2013 and 2012 was \$53,232 and \$32,055, respectively.

Continued

SAVE THE REDWOODS LEAGUE

NOTES TO FINANCIAL STATEMENTS

March 31, 2013 and 2012

9. Notes Receivable

The League has two promissory notes. The promissory notes are from one donor who made a \$500,000 matching grant for the redwoods and climate change initiative in fiscal year 2010. The matching grant is valid until June 30, 2014. As of March 31, 2012, the League was able to fulfill the entire matching grant. Each promissory note is payable in 40 quarterly payments and bears an interest rate equivalent to the Wall Street Journal prime rate at the date of the issuance of the promissory note. The rates for the promissory notes were 3.69% and 3.46%, respectively.

The anticipated principal repayments to the League on notes receivable are scheduled to be as follows:

For the fiscal years ending March 31:	
2014	\$ 37,362
2015	38,689
2016	40,062
2017	41,484
2018	<u>172,110</u>
	<u>\$ 329,707</u>

10. Endowment Fund

Endowment net asset composition by type of fund for the fiscal year ended March 31, are as follows:

	<u>2013</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 135,267</u>	<u>\$ 409,808</u>	<u>\$ 545,075</u>
Total funds	<u>\$ -</u>	<u>\$ 135,267</u>	<u>\$ 409,808</u>	<u>\$ 545,075</u>
	<u>2012</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 49,192</u>	<u>\$ 408,808</u>	<u>\$ 458,000</u>
Total funds	<u>\$ -</u>	<u>\$ 49,192</u>	<u>\$ 408,808</u>	<u>\$ 458,000</u>

Continued

SAVE THE REDWOODS LEAGUE

NOTES TO FINANCIAL STATEMENTS

March 31, 2013 and 2012

10. Endowment Fund, continued

Changes in endowment net assets for the fiscal years ended March 31, is as follows:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 49,192	\$ 408,808	\$ 458,000
Investment return:				
Investment income	-	8,382	-	8,382
Net unrealized appreciation	-	77,693	-	77,693
Total investment return	-	86,075	-	86,075
Contributions	-	-	1,000	1,000
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 135,267</u>	<u>\$ 409,808</u>	<u>\$ 545,075</u>

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 31,728	\$ 407,808	\$ 439,536
Investment return:				
Investment income	-	8,877	-	8,877
Net unrealized appreciation	-	8,587	-	8,587
Total investment return	-	17,464	-	17,464
Contributions	-	-	1,000	1,000
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 49,192</u>	<u>\$ 408,808</u>	<u>\$ 458,000</u>

Continued

SAVE THE REDWOODS LEAGUE

NOTES TO FINANCIAL STATEMENTS

March 31, 2013 and 2012

11. Accrued Liabilities

At March 31, accrued liabilities consisted of the following:

	2013	2012
Deferred compensation	\$ 135,400	\$ 138,000
Accrued vacation	149,254	134,676
Deferred rent	54,233	71,855
Accrued interest	78,468	75,000
Other accrued liabilities	7,007	32,117
Total accrued liabilities	<u>\$ 424,362</u>	<u>\$ 451,648</u>

12. 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. In 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 Statements of Financial Position. The League's funding commitment expired on June 30, 2012 and with no additional obligation in the current year, the League recognized \$157,290 towards appraisal and environmental costs.

13. Grant Payable

During the year ended March 31, 2013, the League has entered into collaboration with other conservation organizations in an effort to create and maintain a sustainable living landscape in the heart of coastal California. This collaborative is designed to leverage the expertise of each organization to achieve their common goals within the collaboration. As of March 31, 2013, the League has committed to pay a total of \$2.5M towards this project and the date of payment has yet to be determined.

14. Notes Payable

The League has an unsecured note payable to an independent third party. The funds were used to acquire redwood land property for future divestment to an identified third party. The League shall repay all amounts due, including unpaid accrued interest and principal, on or before the date which shall be the earlier to occur of the following: (a) sale of property to the identified party or (b) the fourth anniversary of the note payable closing date, June 2014. The note bears an interest rate of 2%. Accrued interest as of March 31, 2013 and 2012 was \$75,000 for both years. The League entered into two new unsecured notes payable in the current year in connection with the land and easement purchase in San Mateo County. Interest rates range from 0.25% to 2% with the notes maturing on November 1, 2015.

Continued

SAVE THE REDWOODS LEAGUE

NOTES TO FINANCIAL STATEMENTS

March 31, 2013 and 2012

14. Notes Payable, continued

Future minimum payments for year-ending March 31 are as follows:

2014	\$ 1,666,667
2015	6,666,666
2016	<u>1,666,667</u>
	<u>\$ 10,000,000</u>

15. Temporarily Restricted Net Assets

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

	<u>2013</u>	<u>2012</u>
Time restricted	\$ 3,535,589	\$ 1,747,542
Program activities	<u>26,014,837</u>	<u>29,439,834</u>
Total temporarily restricted net assets	<u>\$ 29,550,426</u>	<u>\$ 31,187,376</u>

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

	<u>2013</u>	<u>2012</u>
Time restriction	<u>\$ 3,449,513</u>	<u>\$ 495,539</u>
Purposes restriction accomplished:		
Redwood land program support	4,005,120	3,418,426
Grants	3,544,191	1,825,677
Land deeded to the United States of America	<u>-</u>	<u>3,950,000</u>
	7,549,311	9,194,103
Net loss on sale of land	<u>38,000</u>	<u>103,000</u>
	<u>\$ 11,036,824</u>	<u>\$ 9,792,642</u>

Continued

SAVE THE REDWOODS LEAGUE

NOTES TO FINANCIAL STATEMENTS

March 31, 2013 and 2012

16. Permanently Restricted Net Assets

Net assets were permanently restricted for future operations of the League. A contribution of \$1,000 for permanently restricted contributions was received for each of the years ended March 31, 2013 and 2012, creating a net asset balance of \$409,808 and \$408,808 as of March 31, 2013 and 2012, respectively.

17. Employee Benefit Plans

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 eligible employees of the League 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 2012, the Board approved a 3% safe harbor contribution and a 5% employer matching contribution. The total expense related to the 401(k) Plan was \$180,017 and \$174,321 for the years ended March 31, 2013 and 2012, respectively.

18. Joint Costs

For the years ending March 31, 2013 and 2012, the League incurred joint costs of \$84,544 and \$93,114, respectively, for informational materials and activities that included fund-raising appeals. For the years ended March 31, 2013 and 2012, the League allocated \$5,824 and \$6,940 to general and administrative expense, \$17,914 and \$16,870 to fund-raising expense, and \$60,806 and \$69,304, respectively, to program expense.

19. Commitments and Contingencies

The League leases office space and postage equipment under noncancelable operating leases expiring in December 2014. Under the terms of office space lease, the League is obligated to pay escalation rentals. The deferred rent is recorded in the accrued liabilities line item on the Statement of Financial Position. Minimum future rental payments under the leases are summarized as follows:

	<u>Cash</u>	<u>Expense</u>	<u>Deferral</u>
March 31:			
2014	\$ 321,900	\$ 293,899	\$ 28,001
2015	246,819	220,587	26,232
	<u>\$ 568,719</u>	<u>\$ 514,486</u>	<u>\$ 54,233</u>

Rent expense for the years ended March 31, 2013 and 2012 was \$295,072 and \$237,294, respectively.

Continued

SAVE THE REDWOODS LEAGUE

NOTES TO FINANCIAL STATEMENTS

March 31, 2013 and 2012

20. Concentration of Credit Risk

Cash and Cash Equivalents

The League maintains cash and cash equivalents with two major high-quality financial institutions, which are regularly monitored by management. As of March 31, 2013 and 2012, the League was in excess of the federal depository insurance limit.

Investments

The League's credit risk is inherent principally in its investments. As of March 31, 2013 and 2012, investments comprised of money market funds, fixed income and equity securities. The investments are maintained with three high quality financial institutions. Credit risk is limited by diversifying the League's investments among a variety of high-quality issuers, and the composition and maturities are regularly monitored by management. Investments are secured up to a limit set by the Securities Investor Protection Corporation (SIPC). As of March 31, 2013 and 2012, the League held investments in excess of the SIPC insurance limits.

Real Estate Held

The League holds a total of eighteen properties as of March 31, 2013 in various counties: Tuolumne, Mariposa, Del Norte, Monterey, Mendocino, Napa, Humboldt, San Mateo, Santa Cruz, Sonoma and Tulare. Of these properties, 39%, 37% and 15% of real estate held is held in Mendocino, Sonoma, and San Mateo Counties, respectively, at March 31, 2013.

As of March 31, 2012, the League held a total of eighteen properties with 46% and 43% of real estate being held in Mendocino and Sonoma Counties, respectively.

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 years ended March 31, 2013 and 2012, two donors comprised of 22% and one donor comprised of 36% of the revenue from contributions, respectively.

As of March 31, 2013 and 2012, one irrevocable trust comprised of 54% and 56% of the contributions receivable from irrevocable trusts, respectively.

As of March 31, 2013 and 2012, three donors comprised of 76% and two donors comprised of 43% of the contributions receivable balance, respectively.

As of March 31, 2013 and 2012, one grant comprised of 95% and two grants comprised 76% of the grants receivable balance, respectively.

Continued

SAVE THE REDWOODS LEAGUE

NOTES TO FINANCIAL STATEMENTS

March 31, 2013 and 2012

20. Concentration of Credit Risk, continued

Revenue and Receivables, continued

As of March 31, 2013 and 2012, one individual comprised 100% of the notes receivable balance, and was unsecured.

For the year ended March 31, 2013, the League did not receive any grants from state or federal agencies. For the year ended March 31, 2012, 72% of total grants from state and federal agencies was granted from the State Coastal Conservancy.

21. Subsequent Events

The League has evaluated all events occurring subsequent to March 31, 2013 through July 11, 2013, the date the financial statements were available to be issued. Nothing has occurred outside the normal course of business operations which requires recognition as of March 31, 2013.