

SAVE THE REDWOODS LEAGUE

FINANCIAL STATEMENTS

March 31, 2014 and 2013



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, 2014 and 2013, 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, 2014 and 2013, 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 30, 2014

SAVE THE REDWOODS LEAGUE
STATEMENTS OF FINANCIAL POSITION

March 31, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 4,955,566	\$ 2,838,563
Restricted cash and cash equivalents	848,618	862,790
Contributions receivable	3,151,253	4,280,753
Grants receivable	10,000	1,190,000
Other receivable	10,405	10,102
Investments	72,927,626	67,922,143
Land held for sale	-	110,000
Real estate held	32,483,880	30,488,880
Beneficial interest in charitable remainder trusts	2,503,670	2,261,226
Property and equipment, net	217,373	123,732
Notes receivable	292,345	329,707
Deposits on land purchase	300,250	30,250
Other assets	417,240	150,169
Endowment fund	699,277	545,075
	\$ 118,817,503	\$ 111,143,390
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 331,501	\$ 250,587
Accrued liabilities	423,351	424,362
Grants payable	3,125,000	2,500,000
Notes payable	8,333,333	10,000,000
	12,213,185	13,174,949
Net assets:		
Unrestricted:		
Available for operations	11,392,210	67,940,207
Board designated:		
Land and Conservation Easement Stewardship Fund	22,380,000	68,000
Park Enhancement Fund	21,869,000	-
Land and Conservation Easement Acquisition Opportunity Fund	10,000,000	-
Science and Education Fund	7,267,000	-
Operating Expense Reserve	9,004,000	-
	81,912,210	68,008,207
Temporarily restricted	24,282,300	29,550,426
Permanently restricted	409,808	409,808
	106,604,318	97,968,441
Total net assets	106,604,318	97,968,441
Total liabilities and net assets	\$ 118,817,503	\$ 111,143,390

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, 2014 and 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Non-land transactions								
Revenue and public support:								
Contributions:								
Donations	\$ 3,412,062	\$ 14,916	\$ -	\$ 3,426,978	\$ 2,972,580	\$ 3,449,513	\$ 1,000	\$ 6,423,093
Program contributions	-	780,453	-	780,453	-	1,035,790	-	1,035,790
Reforestation, restoration, research, and other contributions	-	510,408	-	510,408	-	561,366	-	561,366
In-kind contributions	11,302	-	-	11,302	97,709	-	-	97,709
Change in value of beneficial interest in irrevocable trusts	-	109,224	-	109,224	-	134,653	-	134,653
Income from investments	10,677,348	186,110	-	10,863,458	7,763,176	104,134	-	7,867,310
Interest from loans	-	11,047	-	11,047	-	12,328	-	12,328
Other income	109,963	-	-	109,963	49,828	-	-	49,828
Net assets released from restrictions	7,609,406	(7,609,406)	-	-	5,481,824	(5,481,824)	-	-
Total revenue and public support	<u>21,820,081</u>	<u>(5,997,248)</u>	<u>-</u>	<u>15,822,833</u>	<u>16,365,117</u>	<u>(184,040)</u>	<u>1,000</u>	<u>16,182,077</u>
Expenses:								
Program services:								
Redwood land program support	3,501,342	-	-	3,501,342	3,357,112	-	-	3,357,112
Education and research grants	230,179	-	-	230,179	204,015	-	-	204,015
Redwood reforestation grants	-	-	-	-	99,887	-	-	99,887
Climate change research grants	258,428	-	-	258,428	696,726	-	-	696,726
Park support grants	165,000	-	-	165,000	-	-	-	-
Other grants	19,944	-	-	19,944	43,563	-	-	43,563
Total program services	<u>4,174,893</u>	<u>-</u>	<u>-</u>	<u>4,174,893</u>	<u>4,401,303</u>	<u>-</u>	<u>-</u>	<u>4,401,303</u>
Support services:								
General and administrative	1,665,387	-	-	1,665,387	1,410,036	-	-	1,410,036
Fund-raising	2,075,798	-	-	2,075,798	2,002,304	-	-	2,002,304
Total support services	<u>3,741,185</u>	<u>-</u>	<u>-</u>	<u>3,741,185</u>	<u>3,412,340</u>	<u>-</u>	<u>-</u>	<u>3,412,340</u>
Total expenses	<u>7,916,078</u>	<u>-</u>	<u>-</u>	<u>7,916,078</u>	<u>7,813,643</u>	<u>-</u>	<u>-</u>	<u>7,813,643</u>
Change in net assets related to non-land transactions	<u>13,904,003</u>	<u>(5,997,248)</u>	<u>-</u>	<u>7,906,755</u>	<u>8,551,474</u>	<u>(184,040)</u>	<u>1,000</u>	<u>8,368,434</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, 2014 and 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Land transactions								
Revenue and public support:								
Contributions restricted for land and easement acquisitions and transfers:								
Private support	-	1,354,122	-	1,354,122	-	4,102,090	-	4,102,090
Grants from state and federal agencies	-	-	-	-	-	-	-	-
Total contributions restricted for land acquisitions and transfers	-	1,354,122	-	1,354,122	-	4,102,090	-	4,102,090
Net assets released for land and easement acquisitions, transfers, and grant for land protection	625,000	(625,000)	-	-	5,555,000	(5,555,000)	-	-
Expenses:								
Contributions towards land and easements to public agencies and other nonprofit organizations:								
Fair market value conveyed	-	-	-	-	5,817,000	-	-	5,817,000
Less consideration received	-	-	-	-	262,000	-	-	262,000
Contributions of land and easement values made	-	-	-	-	5,555,000	-	-	5,555,000
Grant for land protection	625,000	-	-	625,000	-	-	-	-
Net loss on sale of land and right-of-way easement	-	-	-	-	(38,000)	-	-	(38,000)
Change in net assets related to land transactions	-	729,122	-	729,122	(38,000)	(1,452,910)	-	(1,490,910)
Change in net assets related to non-land transactions (page 3)	13,904,003	(5,997,248)	-	7,906,755	8,551,474	(184,040)	1,000	8,368,434
Total change in net assets	13,904,003	(5,268,126)	-	8,635,877	8,513,474	(1,636,950)	1,000	6,877,524
Net assets, beginning of year	68,008,207	29,550,426	409,808	97,968,441	59,494,733	31,187,376	408,808	91,090,917
Net assets, end of year	<u>\$ 81,912,210</u>	<u>\$ 24,282,300</u>	<u>\$ 409,808</u>	<u>\$ 106,604,318</u>	<u>\$ 68,008,207</u>	<u>\$ 29,550,426</u>	<u>\$ 409,808</u>	<u>\$ 97,968,441</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, 2014 and 2013

	2014				2013			
	Program Services	General and Admini- strative	Fund- raising	Total	Program Services	General and Admini- strative	Fund- raising	Total
Salaries and benefits	\$ 1,658,517	\$ 837,483	\$ 1,003,720	\$ 3,499,720	\$ 1,539,634	\$ 697,529	\$ 936,163	\$ 3,173,326
Contributions of land and other grants	1,298,551	-	-	1,298,551	6,737,691	-	-	6,737,691
Printing and publications	121,945	11,909	440,382	574,236	174,835	21,058	425,970	621,863
Services and fees	110,183	299,548	163,642	573,373	90,978	210,129	147,778	448,885
Occupancy	168,770	92,539	123,609	384,918	151,016	76,480	113,143	340,639
Appraisals and environmental costs	364,362	-	-	364,362	54,845	-	-	54,845
Other project costs	353,504	-	-	353,504	355,312	-	-	355,312
Consultants	240,281	-	-	240,281	226,179	-	-	226,179
Payroll taxes	103,922	52,476	62,893	219,291	95,598	43,311	58,128	197,037
Conferences and meetings	53,657	43,430	43,078	140,165	46,279	57,218	32,530	136,027
Investment fees	-	137,153	-	137,153	-	114,620	-	114,620
Travel	62,009	25,189	36,551	123,749	55,564	15,772	35,619	106,955
Interest	108,571	-	-	108,571	103,468	-	-	103,468
Equipment rental and maintenance	7,094	6,743	51,844	65,681	6,750	6,305	46,034	59,089
Miscellaneous expenses	29,746	30,665	1,941	62,352	10,195	37,434	3,196	50,825
Professional fund-raising fees	-	-	52,986	52,986	-	-	123,857	123,857
Depreciation	21,890	12,002	15,993	49,885	23,625	11,907	17,700	53,232
Accounting fees	-	49,715	-	49,715	-	50,195	-	50,195
Postage and shipping	9,616	21,297	18,527	49,440	10,704	24,430	19,850	54,984
Furniture and equipment	18,669	10,980	14,728	44,377	4,241	2,893	3,177	10,311
Insurance	18,867	10,345	13,785	42,997	18,326	9,237	13,730	41,293
Supplies	15,822	6,206	8,224	30,252	11,003	5,214	7,094	23,311
Telephone	12,482	7,627	8,802	28,911	8,848	5,264	6,629	20,741
Legal fees	16,435	5,774	268	22,477	226,462	15,204	4,182	245,848
Other fund-raising costs	-	4,306	14,825	19,131	-	5,836	7,524	13,360
Advocacy	5,000	-	-	5,000	4,750	-	-	4,750
Total	\$ 4,799,893	\$ 1,665,387	\$ 2,075,798	\$ 8,541,078	\$ 9,956,303	\$ 1,410,036	\$ 2,002,304	\$ 13,368,643

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, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Increase in net assets	\$ 8,635,877	\$ 6,877,524
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Donated property	-	(665,000)
Loss on sale of land	-	38,000
Proceeds on sale of donated property	120,300	-
Depreciation	49,885	53,232
Net realized and unrealized gain on investments	(8,775,469)	(6,258,056)
Investment income for long-term purposes	(154,202)	(86,075)
Conservation easement revalued	-	3,055,000
Donated investments	188,679	92,937
Gain on environmental remediation liability	-	(157,290)
Changes in:		
Restricted cash	14,172	17,266
Contributions receivable	1,129,500	(2,788,167)
Grants receivable	1,180,000	(645,000)
Other receivable	(303)	42,332
Beneficial interest in irrevocable trusts	(242,444)	(130,493)
Deposits on land purchase	(270,000)	(25,000)
Donated property proceeds	(120,300)	-
Other assets	(267,071)	(61,088)
Accounts payable	80,914	45,937
Accrued liabilities	(1,011)	(27,286)
Grant payable	625,000	2,500,000
Additional cash provided by (used in) real estate held land activities:		
Proceeds on sale of land	125,300	262,000
Acquisition of redwood lands	(2,000,000)	(2,000,000)
Net cash provided by operating activities	318,827	140,773
Cash flows from investing activities:		
Purchase of investments	(6,614,385)	(17,711,433)
Proceeds from maturities of investments	10,030,920	16,045,837
Proceeds from notes receivable	37,362	36,082
Acquisition of property and equipment	(143,256)	(16,145)
Net cash provided by (used in) investing activities	3,310,641	(1,645,659)
Cash flows from financing activities:		
Investment income for long-term purposes	154,202	86,075
Payments on notes payable	(1,666,667)	-
Contributions restricted for investment in endowment	-	1,000
Net cash (used in) provided by financing activities	(1,512,465)	87,075
Net increase (decrease) in cash and cash equivalents	2,117,003	(1,417,811)
Cash and cash equivalents, beginning of year	2,838,563	4,256,374
Cash and cash equivalents, end of year	\$ 4,955,566	\$ 2,838,563
Supplemental disclosure:		
Cash paid for interest	\$ 108,614	\$ 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, 2014 and 2013

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** redwoods by purchasing forests and the surrounding lands and waterways needed to nurture them.
- We **restore** land that has been logged as well as surrounding lands that already protected redwood forests need to thrive.
- In an increasingly urbanized society that is often detached from the natural world, we **connect** people to the redwoods to promote the health benefits of spending time in nature and to inspire new generations to take care of our magical forests forever.

The transaction cycle in land conservation may require several years for completion because of its complexity. The League may hold land (reflected as real estate held) for many years before transferring it to a public agency or nonprofit land trust. 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 or non-profit land trust for ongoing stewardship, public access and permanent protection.

Programmatic accomplishment is only recognized when the property is divested, and 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 require annual monitoring in perpetuity.

Protecting 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, 2014 and 2013

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. Unrestricted net assets include those resources that have been designated for special use by the Board of Directors.

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 statements of activities and changes in net assets 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 as a goal reasonable efforts to preserve 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, 2014 and 2013

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 2014 and 2013.

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 endowment 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.

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.

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2014 and 2013

2. Summary of Significant Accounting Policies, continued

Revenue Recognition, continued

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 7.5% 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, 2014 and 2013, the League recognized in-kind services of \$11,302 and \$96,415, respectively, for legal and consulting services. For the year ended March 31, 2014, the League did not recognize any in-kind goods. For the year ended March 31, 2013, \$1,294 of in-kind goods were recognized.

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

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, 2014 and 2013 is \$848,618 and \$862,790, respectively.

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2014 and 2013

2. Summary of Significant Accounting Policies, continued

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, 2014 and 2013, the League received \$188,679 and \$92,937 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, 2014 and 2013.

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 governmental agencies, conservation partners or other appropriate alternate permanent stewards. Transfer of property may be a lengthy process.

Transfer of the land 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. The League did not incur any such gain or loss in March 31, 2014 and in 2013 a \$38,000 net loss on sale of land of was incurred. Temporarily restricted net assets are released from restriction based on historical cost of the property.

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.

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2014 and 2013

2. Summary of Significant Accounting Policies, continued

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, 2014 and 2013, 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. Those 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. Grants made to other organizations for the purpose of land acquisitions are treated as land transactions in the statements of activities and changes in net assets. Grants made for other purposes are treated as program service expenses.

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, 2014, there were no conservation easements purchased. For the year ended March 31, 2013, the League purchased one conservation easement for approximately \$3,055,000. The League did not receive donated conservation easements for the years ended March 31, 2014 and 2013.

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.

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 approximates fair value as of March 31, 2014 and 2013 because interest rates on these instruments approximate market interest rates.

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2014 and 2013

2. Summary of Significant Accounting Policies, continued

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, 2014 and 2013. The League’s federal and state returns for 2011 to 2013 are subject to examination.

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.

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.

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2014 and 2013

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:

	2014	2013
Money market fund	\$ 3,398,382	\$ 1,329,186
Demand deposits	1,556,934	1,509,127
Petty cash	250	250
Cash and cash equivalents	\$ 4,955,566	\$ 2,838,563
Restricted cash and cash equivalents	\$ 848,618	\$ 862,790

4. Contributions Receivable

As of March 31, 2014, the League is a beneficiary for a total of twenty-one 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, 2014 and 2013, the balance of contributions receivable was \$3,151,253 and \$4,280,753, respectively, net of a contingency provision of \$196,000 and \$383,036, respectively. Additionally, as of March 31, 2014, the League had two pledges receivable of \$259,240 included in contributions receivable. As of March 31, 2013, the League had one pledge receivable of \$62,635 included in contributions receivable.

5. Grants Receivable

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

	2014	2013
Acquisition for specifically identified redwood lands	\$ 10,000	\$ 1,140,000
Redwoods and Climate Change Initiative	-	50,000
Total grants receivable	\$ 10,000	\$ 1,190,000

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SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2014 and 2013

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, 2014		
	Level 1	Level 2	Total
Assets:			
Cash equivalents	\$ 4,247,000	\$ -	\$ 4,247,000
Endowment fund:			
Endowment exchange - International Stock Fund	99,416	-	99,416
Endowment exchange - Stock Fund	599,525	-	599,525
Total endowment fund	698,941	-	698,941
Investments:			
Money market fund held for investment purposes	2,544,255	-	2,544,255
Fixed Income:			
Income Fund	29,293,248	-	29,293,248
Equity Securities:			
Energy	2,715,001	-	2,715,001
Materials	857,963	-	857,963
Industrials	2,397,538	-	2,397,538
Consumer discretionary	4,685,059	-	4,685,059
Consumer staples	629,700	-	629,700
Healthcare	6,780,221	-	6,780,221
Financials	7,939,060	-	7,939,060
Information technology	7,120,523	-	7,120,523
Telecommunication services	194,840	-	194,840
Total equity securities	33,319,905	-	33,319,905
Mutual Funds:			
International Stock Fund	7,640,618	-	7,640,618
Large Growth Fund	129,600	-	129,600
Total investments	72,927,626	-	72,927,626
Beneficial interest in charitable remainder trusts	-	2,503,670	2,503,670
Total	\$ 77,873,567	\$ 2,503,670	\$ 80,377,237

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SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2014 and 2013

6. Investments and Fair Value Measurements, continued

	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
Total equity securities	30,803,472	-	30,803,472
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 charitable remainder trusts	-	2,261,226	2,261,226
Total	\$ 70,658,858	\$ 2,261,226	\$ 72,920,084

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SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2014 and 2013

6. Investments and Fair Value Measurements, continued

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

	2014	2013
Dividends and interest	\$ 2,276,668	\$ 1,702,191
Realized gain on sale of investments, net	1,962,448	528,769
Unrealized gain (loss) on investments, net	6,624,342	5,636,350
Net gain from investments	\$ 10,863,458	\$ 7,867,310

Investment fees for the years ended March 31, 2014 and 2013 amounted to \$137,153 and \$114,620, respectively.

7. Beneficial Interest in Charitable Remainder 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 statements of activities and changes in net assets 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:

	2014	2013
Office equipment	\$ 266,014	\$ 192,424
Leasehold improvements	113,614	62,672
	379,628	255,096
Less accumulated depreciation	(162,255)	(131,364)
	\$ 217,373	\$ 123,732

Depreciation expense for the years ended March 31, 2014 and 2013 was \$49,885 and \$53,232, respectively.

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SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2014 and 2013

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. During fiscal year March 31, 2013, 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:	
2015	\$ 38,689
2016	40,062
2017	41,196
2018	42,658
2019	44,173
Thereafter	<u>85,567</u>
	<u><u>\$ 292,345</u></u>

10. Accrued Liabilities

At March 31, accrued liabilities consisted of the following:

	<u>2014</u>	<u>2013</u>
Deferred compensation	\$ 131,750	\$ 135,400
Accrued vacation	182,395	149,254
Deferred rent	26,325	54,233
Accrued interest	78,426	78,468
Other accrued liabilities	<u>4,455</u>	<u>7,007</u>
Total accrued liabilities	<u><u>\$ 423,351</u></u>	<u><u>\$ 424,362</u></u>

11. Grants Payable

During the year ended March 31, 2013, the League 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 collaboration is designed to leverage the expertise of each organization to achieve their common goals within the collaboration. As of March 31, 2014, the total grants payable balance includes \$2.5M that the League has committed to pay towards this project with the date of payment yet to be determined and \$625,000 to another conservation organization for the purchase of property in San Mateo, California.

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SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2014 and 2013

12. 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 unidentified 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, 2014 and 2013 was \$75,000. During fiscal year 2013, the League entered into two unsecured notes payable in connection with a land and easement purchase in San Mateo County. Interest rates range from 0.25% to 2% with the notes maturing on November 1, 2015.

Future minimum payments for years ending March 31 are as follows:

2015	\$ 6,666,667
2016	<u>1,666,666</u>
	<u><u>\$ 8,333,333</u></u>

13. Board Designated Funds

During the current year, the League's Board of Directors approved five Board-designated funds. Board designations of unrestricted net assets were as follows at March 31:

	<u>2014</u>	<u>2013</u>
Land and Conservation Easement Stewardship Fund	\$ 22,380,000	\$ 68,000
Park Enhancement Fund	21,869,000	-
Land and Conservation Easement Acquisition Opportunity Fund	10,000,000	-
Science and Education Fund	7,267,000	-
Operating Expense Reserve	<u>9,004,000</u>	<u>-</u>
Total Board Designated Funds	<u><u>\$ 70,520,000</u></u>	<u><u>\$ 68,000</u></u>

14. Temporarily Restricted Net Assets

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

	<u>2014</u>	<u>2013</u>
Time restricted	\$ 17,600	\$ 3,535,589
Program activities	<u>24,264,700</u>	<u>26,014,837</u>
Total temporarily restricted net assets	<u><u>\$ 24,282,300</u></u>	<u><u>\$ 29,550,426</u></u>

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SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2014 and 2013

14. Temporarily Restricted Net Assets, continued

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

	2014	2013
Time restriction	\$ 17,600	\$ 3,449,513
Purposes restriction accomplished:		
Redwood land program support	7,103,555	4,005,120
Grants	1,123,551	3,544,191
	8,227,106	7,549,311
Net (gain) loss on sale of land	(10,300)	38,000
	\$ 8,234,406	\$ 11,036,824

15. Permanently Restricted Net Assets

Net assets were permanently restricted for future operations of the League.

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

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ 289,469	\$ 409,808	\$ 699,277
Total funds	\$ -	\$ 289,469	\$ 409,808	\$ 699,277
	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 135,267	\$ 409,808	\$ 545,075
Total funds	\$ -	\$ 135,267	\$ 409,808	\$ 545,075

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2014 and 2013

15. Permanently Restricted Net Assets, continued

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

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 135,267	\$ 409,808	\$ 545,075
Investment return:				
Investment income	-	10,773	-	10,773
Net unrealized appreciation	-	143,429	-	143,429
Total investment return	-	154,202	-	154,202
Contributions	-	-	-	-
Endowment net assets, end of year	\$ -	\$ 289,469	\$ 409,808	\$ 699,277
	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	\$ -	\$ 135,267	\$ 409,808	\$ 545,075

16. 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. Annually, the Board approves a safe harbor contribution and an employer contribution, which were 3% and 5%, respectively, for the current year. The total expense related to the 401(k) Plan was \$202,309 and \$180,017 for the years ended March 31, 2014 and 2013, respectively.

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SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2014 and 2013

17. Joint Costs

For the years ending March 31, 2014 and 2013, the League incurred joint costs of \$77,229 and \$84,544, respectively, for informational materials and activities that included fund-raising appeals. For the years ended March 31, 2014 and 2013, the League allocated \$6,172 and \$5,824 to general and administrative expense, \$16,665 and \$17,914 to fund-raising expense, and \$54,392 and \$60,806, respectively, to program expense.

18. 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 statements of financial position. Minimum future rental payments under the leases are summarized as follows:

	Cash	Expense	Deferral
March 31:			
2015	\$ 246,819	\$ 220,494	\$ 26,325
	\$ 246,819	\$ 220,494	\$ 26,325

Rent expense for the years ended March 31, 2014 and 2013 was \$296,872 and \$295,072, respectively.

In February 2014, the League signed a 10-year lease with two 5-year renewal options for office space in a building in downtown San Francisco. Monthly rent will be approximately \$57,300 with annual increases of approximately 3%. Minimum future rental payments under the leases are summarized as follows:

	Cash	Expense	Deferral
March 31:			
2015	\$ 210,595	\$ 435,319	\$ (224,724)
2016	687,569	746,260	(58,691)
2017	692,726	746,260	(53,534)
2018	713,508	746,260	(32,752)
2019	734,913	746,260	(11,349)
Thereafter	4,672,048	4,291,000	381,050
	\$ 7,711,359	\$ 7,711,359	\$ -

19. Concentration of Credit Risk

Cash and Cash Equivalents

The League maintains cash and cash equivalents with two well established and widely used financial institutions which have a sound reputation, which are regularly monitored by management. As of March 31, 2014 and 2013, the League was in excess of the federal depository insurance limit.

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SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2014 and 2013

19. Concentration of Credit Risk, continued

Investments

The League's credit risk is inherent principally in its investments. As of March 31, 2014 and 2013, investments were comprised of money market funds, fixed income and equity securities. The investments are maintained with three well established and widely used financial institutions which have a sound reputation. 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, 2014 and 2013, the League held investments in excess of the SIPC insurance limits.

Real Estate Held

The League holds a total of nineteen properties as of March 31, 2014 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, 2014.

As of March 31, 2013, the League held a total of eighteen properties with 39%, 37%, and 15% of real estate being held in Mendocino, Sonoma and San Mateo Counties, respectively.

Revenue and Receivables

The League's revenue is derived from individual contributions and bequests from throughout North America, state and federal grants, and investment income. For the year ended March 31, 2013, two donors comprised of 22% of the revenue from contributions and bequests.

As of March 31, 2014 and 2013, one irrevocable trust comprised of 51% and 54% of the contributions receivable from irrevocable trusts, respectively.

As of March 31, 2014 and 2013, four donors comprised of 74% and three donors comprised of 76% of the contributions receivable balance, respectively.

As of March 31, 2014 and 2013, one grant comprised of 100% and one grant comprised 95% of the grants receivable balance, respectively.

As of March 31, 2014 and 2013, one individual comprised 100% of the notes receivable balance, and was unsecured.

20. Subsequent Events

The League has evaluated all events occurring subsequent to March 31, 2014 through July 30, 2014, 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, 2014.