

SAVE THE REDWOODS LEAGUE

FINANCIAL STATEMENTS

March 31, 2019 and 2018

STAND FOR
THE
REDWOODS
STAND FOR THE FUTURE

100 YEARS IS JUST THE BEGINNING

Save The Redwoods
LEAGUE®

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, 2019 and 2018, 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, 2019 and 2018, 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.

BPM LLP

San Jose, California
July 29, 2019

SAVE THE REDWOODS LEAGUE
STATEMENTS OF FINANCIAL POSITION

As of March 31, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,948,336	\$ 16,119,065
Contributions, grants, and other receivables, net	8,884,706	5,253,886
Notes receivable	46,061	44,172
Deposits for land transactions	3,460,000	275,000
Other assets	326,793	823,739
Investments	58,304,612	63,924,813
Total current assets	78,970,508	86,440,675
Non-current assets:		
Restricted cash	37,460	37,438
Contributions, grants, and other receivables, net	3,744,230	3,327,088
Notes receivable	38,611	84,981
Property and equipment, net	1,837,553	1,200,000
Beneficial interest in charitable remainder trusts	5,565,190	5,057,526
Real estate held	46,439,683	30,162,880
Endowment fund	1,012,946	984,515
Total non-current assets	58,675,673	40,854,428
Total assets	\$ 137,646,181	\$ 127,295,103
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,694,020	\$ 1,374,499
Non-current liabilities:		
Deferred compensation	72,623	77,115
Notes payable	1,100,000	1,100,000
Total non-current liabilities	1,172,623	1,177,115
Total liabilities	2,866,643	2,551,614
Net assets:		
Without donor restrictions:		
Undesignated	5,273,257	5,797,578
Board designated	84,600,000	83,000,000
Total without donor restrictions	89,873,257	88,797,578
With donor restrictions	44,906,281	35,945,911
Total net assets	134,779,538	124,743,489
Total liabilities and net assets	\$ 137,646,181	\$ 127,295,103

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, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities (excluding land and conservation easement transactions)						
Revenue and public support:						
Contributions and grants	\$ 7,758,065	\$ 12,413,218	\$ 20,171,283	\$ 7,136,595	\$ 13,555,834	\$ 20,692,429
Special event revenue	170,488	1,333,927	1,504,415	-	383,332	383,332
In-kind contributions	25,192	75,289	100,481	10,123	-	10,123
Grants from state and federal agencies	305,792	375,675	681,467	104,000	455,664	559,664
Change in value of beneficial interest in irrevocable trusts	-	529,723	529,723	-	(77,360)	(77,360)
Interest from loans	-	3,928	3,928	-	5,453	5,453
Other income	295,362	-	295,362	141,923	-	141,923
Net assets released from restrictions	5,821,812	(5,821,812)	-	3,439,690	(3,439,690)	-
Total revenue and public support	<u>14,376,711</u>	<u>8,909,948</u>	<u>23,286,659</u>	<u>10,832,331</u>	<u>10,883,233</u>	<u>21,715,564</u>
Expenses:						
Program services:						
Redwood land programs	8,903,966	-	8,903,966	7,322,607	-	7,322,607
Education and research grants	250,480	-	250,480	711,237	-	711,237
Redwood restoration grants	76,145	-	76,145	89,800	-	89,800
Climate change research grants	248,403	-	248,403	225,071	-	225,071
Park support grants	471,875	-	471,875	433,766	-	433,766
Other grants	120,344	-	120,344	225,089	-	225,089
Total program services	<u>10,071,213</u>	<u>-</u>	<u>10,071,213</u>	<u>9,007,570</u>	<u>-</u>	<u>9,007,570</u>
Support services:						
General and administrative	2,847,837	-	2,847,837	2,408,329	-	2,408,329
Fundraising	4,947,400	-	4,947,400	3,427,873	-	3,427,873
Special event	316,968	-	316,968	-	-	-
Total support services	<u>8,112,205</u>	<u>-</u>	<u>8,112,205</u>	<u>5,836,202</u>	<u>-</u>	<u>5,836,202</u>
Total expenses	<u>18,183,418</u>	<u>-</u>	<u>18,183,418</u>	<u>14,843,772</u>	<u>-</u>	<u>14,843,772</u>
Change in net assets from operations prior to investment income	(3,806,707)	8,909,948	5,103,241	(4,011,441)	10,883,233	6,871,792
Investment income, net	1,494,883	50,422	1,545,305	4,338,392	165,755	4,504,147
Change in net assets related to activities (excluding land and conservation easement transactions)	<u>(2,311,824)</u>	<u>8,960,370</u>	<u>6,648,546</u>	<u>326,951</u>	<u>11,048,988</u>	<u>11,375,939</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, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Land transactions and conservation easements						
Revenue and public support:						
Contributions and grants	-	-	-	-	8,811,553	8,811,553
Grants from state agency	-	-	-	-	5,250,000	5,250,000
Total contributions restricted for land transactions and conservation easements	-	-	-	-	14,061,553	14,061,553
Net assets released for land and easement acquisitions, transfers, and grant for land protection	-	-	-	21,540,000	(21,540,000)	-
Expenses:						
Contributions of land to public agencies and other nonprofit organizations and conservation easements revalued:						
Conservation easements acquisition	-	-	-	21,300,000	-	21,300,000
Land deeded to other agencies	-	-	-	240,000	-	240,000
Contributions of land and easement and conservation easement acquired	-	-	-	21,540,000	-	21,540,000
Net gain on exchange of land	3,387,503	-	3,387,503	-	-	-
Change in net assets related to land transactions and conservation easements acquired	3,387,503	-	3,387,503	-	(7,478,447)	(7,478,447)
Change in net assets related to activities (excluding land and conservation easement transactions (page 3))	(2,311,824)	8,960,370	6,648,546	326,951	11,048,988	11,375,939
Total change in net assets	1,075,679	8,960,370	10,036,049	326,951	3,570,541	3,897,492
Net assets, beginning of year	88,797,578	35,945,911	124,743,489	88,470,627	32,375,370	120,845,997
Net assets, end of year	<u>\$ 89,873,257</u>	<u>\$ 44,906,281</u>	<u>\$ 134,779,538</u>	<u>\$ 88,797,578</u>	<u>\$ 35,945,911</u>	<u>\$ 124,743,489</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, 2019 and 2018

	2019				2018				
	Program Services	General and Administrative	Fundraising	Special Event	Total	Program Services	General and Administrative	Fundraising	Total
Operating activities (excluding land and conservation easement transactions)									
Salaries and benefits	\$ 3,266,931	\$ 1,028,013	\$ 1,842,444	\$ -	\$ 6,137,388	\$ 2,975,698	\$ 908,545	\$ 1,555,210	\$ 5,439,453
Program grants	1,167,247	-	-	-	1,167,247	1,684,963	-	-	1,684,963
Services and fees	241,940	794,228	1,083,649	55,000	2,174,817	220,390	925,061	362,710	1,508,161
Printing and publications	337,925	405,470	730,234	-	1,473,629	314,840	56,931	537,112	908,883
Occupancy	418,792	162,999	230,893	-	812,684	428,931	175,204	205,188	809,323
Other project costs	1,359,140	-	-	-	1,359,140	648,975	-	-	648,975
Site improvements	821,520	-	-	-	821,520	606,057	-	-	606,057
Consultants	1,069,519	-	-	-	1,069,519	429,432	-	-	429,432
Advocacy	69,500	-	-	-	69,500	409,300	-	-	409,300
Payroll taxes	193,632	60,931	109,202	-	363,765	174,225	55,088	100,496	329,809
Appraisals and environmental costs	415,829	-	-	-	415,829	322,164	-	-	322,164
Professional fundraising fees	-	-	271,122	-	271,122	-	-	287,076	287,076
Planning and design	150,270	-	-	-	150,270	244,949	-	-	244,949
Depreciation	136,919	51,897	74,489	-	263,305	131,696	47,704	63,000	242,400
Conferences, meetings, and event catering	61,393	150,783	291,990	261,968	766,134	87,490	62,916	90,199	240,605
Travel	116,977	23,528	90,288	-	230,793	100,888	37,413	51,012	189,313
Furniture and equipment	53,110	21,958	95,893	-	170,961	33,312	17,755	86,855	137,922
Insurance	32,174	12,195	19,462	-	63,831	33,112	11,994	15,840	60,946
Accounting fees	-	55,262	-	-	55,262	-	53,345	-	53,345
Other fundraising costs	6,387	10,391	45,143	-	61,921	11,658	10,648	29,921	52,227
Postage and shipping	29,754	24,267	32,339	-	86,360	12,575	12,300	18,334	43,209
Telephone	22,276	9,067	12,126	-	43,469	21,862	7,984	10,458	40,304
Legal fees	22,938	907	1,110	-	24,955	23,848	7,786	3,182	34,816
Miscellaneous expenses	13,425	24,696	3,423	-	41,544	22,624	9,862	772	33,258
Mapping services	17,313	-	211	-	17,524	30,132	-	250	30,382
Supplies	25,858	7,666	8,245	-	41,769	18,182	4,436	5,825	28,443
Equipment rental and maintenance	9,444	3,579	5,137	-	18,160	9,267	3,357	4,433	17,057
Interest	11,000	-	-	-	11,000	11,000	-	-	11,000
Subtotal	<u>10,071,213</u>	<u>2,847,837</u>	<u>4,947,400</u>	<u>316,968</u>	<u>18,183,418</u>	<u>9,007,570</u>	<u>2,408,329</u>	<u>3,427,873</u>	<u>14,843,772</u>
Land transactions and conservation easements									
Conservation easements acquisition	-	-	-	-	-	21,300,000	-	-	21,300,000
Land deeded to other agencies	-	-	-	-	-	240,000	-	-	240,000
Conservation easements deeded to public agency	-	-	-	-	-	-	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,540,000</u>	<u>-</u>	<u>-</u>	<u>21,540,000</u>
Total	<u>\$ 10,071,213</u>	<u>\$ 2,847,837</u>	<u>\$ 4,947,400</u>	<u>\$ 316,968</u>	<u>\$ 18,183,418</u>	<u>\$ 30,547,570</u>	<u>\$ 2,408,329</u>	<u>\$ 3,427,873</u>	<u>\$ 36,383,772</u>

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, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 10,036,049	\$ 3,897,492
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Contribution of land	-	240,000
Gain on exchange of land	(3,387,503)	-
Depreciation	263,305	242,400
Net realized and unrealized gain on investments	1,359,650	(2,905,934)
(Gain) loss on sale of donated securities	(171,521)	15,775
Stock donations for long-term purpose	(3,369,635)	-
Investment income for long-term purposes	(97,794)	(58,189)
Change in value of beneficial interest in charitable remainder trusts	(529,723)	77,360
Contributions of beneficial interest in charitable remainder trusts	-	(296,893)
Distribution from beneficial interest in charitable remainder trusts	22,059	-
Discount on contributions, grants, and other receivables	243,271	467,703
Changes in:		
Restricted cash and cash equivalents	(22)	(23)
Contributions, grants, and other receivables, net	(4,291,232)	(331,531)
Deposits for land transactions	(3,185,000)	1,550,000
Other assets	496,946	(492,680)
Accounts payable, accrued liabilities and deferred compensation	315,027	(350,803)
Additional cash used in real estate held land activities:		
Acquisition of redwood lands	(12,889,300)	(240,000)
Net cash (used in) provided by operating activities	(15,185,423)	1,814,677
Cash flows from investing activities:		
Purchase of investments	(9,696,209)	(18,241,461)
Proceeds from sale of investments	13,928,330	26,540,904
Proceeds from notes receivable	44,481	42,957
Purchase of property and equipment	(900,858)	(45,010)
Net cash provided by investing activities	3,375,744	8,297,390
Cash flows from financing activities:		
Investment income for long-term purposes	97,794	58,189
Proceeds from stock donations for long-term purpose	3,541,156	-
Net cash provided by financing activities	3,638,950	58,189
Net (decrease) increase in cash and cash equivalents	(8,170,729)	10,170,256
Cash and cash equivalents, beginning of year	16,119,065	5,948,809
Cash and cash equivalents, end of year	\$ 7,948,336	\$ 16,119,065
Supplemental disclosure:		
Cash paid for interest	\$ 11,000	\$ 11,061
Cash paid for unrelated business income tax	\$ 15,368	\$ -

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

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

1. Organization

Save the Redwoods League (the “League”) has been protecting redwood lands for over 100 years. We are the only organization which works throughout the natural range of the coast redwood and giant sequoia to protect and restore the redwood forest and connect people to their peace and beauty.

- We **protect** redwood forests and the surrounding lands and waterways needed to nurture them, either by acquisition or by conservation easement.
- We **restore** land that has been logged to accelerate the regeneration of old growth form and function.
- We **connect** people to the redwoods to inspire a love of nature and to engage new generations in the stewardship of our redwood forests.

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

Programmatic accomplishment is only recognized when the property is divested or a conservation easement is acquired and, therefore, program service expenses may vary significantly from one year to the next, without a commensurate reduction in support service costs. The League monitors all conservation easements annually.

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.

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. A portion of these net assets have been designated by the governing board for specific purposes. Board designated net assets were \$84,600,000 and \$83,000,000 at March 31, 2019 and 2018, respectively (see Note 10).

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

2. Summary of Significant Accounting Policies, continued

Measure of Operations

The League's measure of operations is its changes in net assets from operating activities, which includes all operating revenues and expenses, except for (a) government grants and involved party contributions, specifically restricted for land and conservation easements acquisitions; (b) expenses directly related to transfers of land and conservation easements; (c) gains and losses on the sale or revaluation of lands.

Endowments

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 net assets with donor restrictions (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts donated to the endowment, and (3) additions to the endowment in accordance with donor directions and 4) the remaining portion of the donor-restricted endowment fund whose use is restricted 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.

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 no more than 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 4 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 2019 and 2018.

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

2. Summary of Significant Accounting Policies, continued

Endowments, continued

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). 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 (see Note 12).

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. Unconditional promises to give expected to be received after one year are recorded at their estimated net present value in the initial year received, using risk-free discount rate, and are recorded net of an allowance for amounts estimated by management to be uncollectible. These pledges are discounted to present value using a discount ranging from 0.57% to 5%.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional (see Note 16).

Contributions from estates, trusts - The League recognizes contributions from estates and charitable remainder trusts when it 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. A 7.5% contingency provision is deduction from the receivables to account for fluctuations in the value of assets and closing costs.

Testamentary pledges - The League receives testamentary pledges, whereby, the donor will fulfill the pledge against their estate upon dissolution. These pledges are discounted to the present value using a discount rate of 5% and applicable published actuarial tables. A 7.5% contingency provision has been applied against the outstanding balances at year-end.

Government grants - The League recognizes revenue from government sources, state and federal, at the time of the close of escrow for a land acquisition or as work is completed, or at the time of receipt of funds, if for another programmatic purpose.

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

2. Summary of Significant Accounting Policies, continued

Donated Land

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

Contributed Services and Goods

Contributed professional services are recognized as in-kind revenues at their estimated fair value if they require specialized skills that would need to be purchased if they were not donated. Contributed goods are recognized as in-kind revenues at their estimated fair value. For the years ended March 31, 2019 and 2018, the League recognized in-kind services of \$0 and \$5,200, respectively, for legal and consulting services. For the years ended March 31, 2019 and 2018, the League recognized in-kind goods of \$100,481 and \$4,923, respectively.

Cash, Cash Equivalents, and Restricted Cash

For purposes of the statements of cash flows, the League considers all highly-liquid investments (primarily commercial paper) with original maturities of three months or less at date of purchase to be cash and cash equivalents.

The restricted cash is held in a separate bank account and is 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.

	2019	2018
Money market fund	\$ 4,674,152	\$ 14,527,369
Demand deposits	3,273,934	1,591,446
Petty cash	250	250
Cash and cash equivalents	\$ 7,948,336	\$ 16,119,065
Restricted cash	\$ 37,460	\$ 37,438

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 receipt of donation. Gains or losses that result from market fluctuations are recognized in the period such fluctuations occur. For the years ended March 31, 2019 and 2018, the League received \$3,842,983 and \$2,668,328 in donated stocks, respectively. Donated stocks are presented net of liquidated proceeds and a gain on the sale of donated stocks of \$171,521 and loss of \$15,755 was recognized in the statement of cash flows for the years ended March 31, 2019 and 2018.

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

2. Summary of Significant Accounting Policies, continued

Real Estate Held

Real estate held is recorded at cost if purchased or estimated fair value at the date of the gift, if donated. 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. No such revaluations occurred during the years ended March 31, 2019 and 2018. 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 frequently 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 the sale or exchange of land is recorded for the difference between the fair value upon transfer date and carrying amount of the land. The League incurred gain of \$3,387,503 in an exchange and \$12,000 in a transfer in the years ended March 31, 2019 and 2018, respectively. Net assets with donor restrictions are released from restriction based on the historical cost of the property.

Property and Equipment

Property and equipment purchased is stated at cost and is capitalized if these expenditures exceed \$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 asset's estimated useful life ranging from 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.

Construction costs associated with a project are accumulated and capitalized as construction in progress. The construction in progress is closed out to the appropriate asset classification when the project is substantially complete, occupied, or placed into service.

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, 2019 and 2018, notes receivable are considered by management to be fully collectible and, accordingly, no allowance is considered necessary.

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

2. Summary of Significant Accounting Policies, continued

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 contributions with donor restrictions 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 at 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.

Grants Payable and Expense

Unconditional grants are recognized as grant expense and a liability when the grant agreement is signed by both parties. 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 acquired or donated to the League. Sales of conservation easements on real estate held by the League to public agencies are recorded as a decrease in the basis of the real estate held in the statement of financial position. For the year ended March 31, 2018, the League acquired two conservation easements for \$21,300,000. There were no acquisitions during the year ended March 31, 2019.

Functional Expense Allocations

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Direct identification of specific expenses is the League's preferable method of charging expenses to various functions. The League has a number of expenses which relate to more than one program or supporting activity, or to a combination of programs and supporting services. Expenses such as depreciation, supplies, travel, personnel, and occupancy costs, are allocated among program services, general and administration, and fundraising classifications on the basis of head count, time estimates and other criteria determined by the League's management. The cost allocation methodologies deployed by the League are to use an educated estimate of allocation of time and effort by staff member based on their direct conduct and direct supervision, where applicable, and apply it to the allocable expenses.

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

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.

Advertising

Advertising costs are expensed as incurred and totaled approximately \$466,600 in 2019 and \$67,400 in 2018.

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, which include items related to investment income and certain revenue and support for land transactions.

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

2. Summary of Significant Accounting Policies, continued

Changes in Accounting Principles

In 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 985). The League adapted the provisions of this new standard during the year ended March 31, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and funds available (Note 3). Net assets without donor imposed time restrictions recorded as temporarily restricted net assets were reclassified to net assets without donor restrictions. The League applied the new guidance retrospectively, with the exception of the liquidity and availability, which is only required to be included for the first year of adoption.

Net asset reclassifications due to the implementation of ASU 2016-14 as of March 31, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
As previously presented:			
Unrestricted	\$ 87,191,330	\$ -	\$ 87,191,330
Temporarily restricted	-	37,141,351	37,141,351
Permanently restricted	-	410,808	410,808
	87,191,330	37,552,159	124,743,489
Reclassifications to implement ASU 2016-14:			
Contributions from estates and trusts designated as implied time restriction	1,606,248	(1,606,248)	-
	\$ 88,797,578	\$ 35,945,911	\$ 124,743,489

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (842). The new guidance requires lessees to recognize a right-to-use asset and a lease liability for virtually all leases (other than leases that meet the definition of a short-term lease). The new guidance is effective for years beginning after December 15, 2019 and interim periods beginning the following year. Early application is permitted. The League is in the process of evaluating the impact of the new guidance on the League’s financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows* (230), to address diversity in practice due to a lack of guidance on how to classify and present changes in restricted cash or restricted cash equivalents in the statement of cash flows. The ASU does not define restricted cash and there is no intent to change practice for what an entity reports as restricted cash. The amendments require that a statement of cash flows explain the change during the period in restricted cash or restricted cash equivalents, in addition to changes in cash and cash equivalents. That is, restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for annual reporting periods beginning after December 15, 2018 with early adoption permitted. The League is currently evaluating the impact of adoption on its financial statements.

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

2. Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncements, continued

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. The accounting for contributions has been modified to make it more clear in distinguishing whether grants or contracts should be accounted for as non-reciprocal contributions, or as exchange transactions that follow revenue recognition accounting. For exchange transactions, the standard clarifies when each party directly receives commensurate value in the transaction, and how to deal with third party payers to a transaction. Additionally, the criteria for determining whether a contribution is conditional has been changed from a probability-based approach to one focused on barriers in an arrangement. The changes in this standard are likely going to result in more transactions being treated as conditional contributions, including those that were previously considered earned revenue as exchange transactions. ASU 2018-08 is effective for annual reporting periods beginning after December 15, 2019 with early adoption permitted. The League is currently evaluating the impact of adoption on its financial statements.

3. Liquidity and Availability

The League regularly monitors the availability of resources required to meet its operational needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the League considers all expenditures related to its ongoing programmatic activities as well as the conduct of services undertaken to support those activities to be general expenditures. The League has various sources of liquidity at its disposal, including cash and cash equivalents and investments. In addition to financial assets available to meet general expenditures over the next 12 months, the League operates with a balanced core budget and anticipates generating sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The following represents the League's financial assets at March 31, 2019:

Unencumbered financial assets at year end:	
Cash and cash equivalents	\$ 7,948,336
Contributions, grants, and other receivables, net	5,491,892
Notes receivable	46,061
Investments	<u>58,304,612</u>
	71,790,901
Less amounts unavailable for general expenditures over the next 12 months:	
Board designated funds for programs	<u>(60,800,000)</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 10,990,901</u></u>

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

4. Contributions, Grants, and Other Receivables

As of March 31, 2019 and 2018, the balance of contributions, grants, and other receivables was:

	2019	2018
Contributions receivable:		
Bequests, net of allowance of \$324,132 and \$142,187, respectively, and discount of \$27,657 and \$29,758, respectively	\$ 4,292,469	\$ 2,636,072
Pledges, net of allowance of \$398,417 and \$276,080, respectively, and discount of \$152,251 and \$164,169, respectively	5,117,073	3,650,956
Testamentary pledges, net of allowance of \$71,952 and \$68,943, respectively, and discount of \$1,047,628 and \$1,142,765, respectively	887,420	850,292
Total contributions receivable	10,296,962	7,137,320
Grants receivable:		
Acquisition for specifically identified redwood lands	50,000	175,000
Restoration and trail construction	486,307	289,389
Other, net discount of \$3,750 and \$9,184, respectively	94,250	15,000
Redwoods Rising, net discount of \$46,878	1,453,122	500,000
Centennial Celebration, net discount of \$3,695	196,305	290,815
Total grants receivable	2,279,984	1,270,204
Other receivables	51,990	173,450
Total contributions, grants, and other receivables	\$ 12,628,936	\$ 8,580,974

Total contributions, grants, and other receivables are expected to be collected as follows:

For the fiscal years ending March 31:	
Within one year	\$ 8,884,706
Within two to five years	5,820,590
	14,705,296
Less: discount	(1,281,859)
Less: allowance	(794,501)
Total contributions, grants, and other receivables, net	\$ 12,628,936

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

5. Investments and Fair Value Measurements

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

	As of March 31, 2019			Total
	Level 1	Level 2	Level 3	
Assets:				
Cash equivalents	\$ 4,711,612	\$ -	\$ -	\$ 4,711,612
Endowment fund:				
Insured Deposit Account	381	-	-	381
Exchange traded fund	1,086	-	-	1,086
Endowment exchange - International Stock Fund	103,689	-	-	103,689
Endowment exchange - Stock Fund	907,790	-	-	907,790
Total endowment fund	1,012,946	-	-	1,012,946
Investments:				
Money market fund held for investment purposes	2,480,663	-	-	2,480,663
Fixed Income:				
Income Fund	26,329,807	-	-	26,329,807
Corporate issues	-	2,057,213	-	2,057,213
Total fixed income	26,329,807	2,057,213	-	28,387,020
Equity Securities:				
Energy	452,309	-	-	452,309
Materials	167,610	-	-	167,610
Industrials	1,300,756	-	-	1,300,756
Consumer discretionary	532,053	-	-	532,053
Consumer staples	119,281	-	-	119,281
Healthcare	3,892,611	-	-	3,892,611
Financials	4,236,341	-	-	4,236,341
Information technology	2,572,355	-	-	2,572,355
Communication services	2,635,677	-	-	2,635,677
Total equity securities	15,908,993	-	-	15,908,993
Mutual Funds:				
International Stock Fund	11,477,125	-	-	11,477,125
Large Growth Fund	50,811	-	-	50,811
Total mutual funds	11,527,936	-	-	11,527,936
Total investments	56,247,399	2,057,213	-	58,304,612
Beneficial interest in charitable remainder trusts	-	5,565,190	-	5,565,190
Total	\$ 61,971,957	\$ 7,622,403	\$ -	\$ 69,594,360

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

5. Investments and Fair Value Measurements, continued

	As of March 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	\$ 14,564,807	\$ -	\$ -	\$ 14,564,807
Endowment fund:				
Insured Deposit Account	354	-	-	354
Exchange traded fund	1,165	-	-	1,165
Endowment exchange - International Stock Fund	112,701	-	-	112,701
Endowment exchange - Mutual Fund	870,295	-	-	870,295
Total endowment fund	984,515	-	-	984,515
Investments:				
Money market fund held for investment purposes	1,318,546	-	-	1,318,546
Fixed Income:				
Income Fund	26,678,419	-	-	26,678,419
Corporate issues	-	2,133,408	-	2,133,408
US government issues	-	4,998,500	-	4,998,500
Total fixed income	26,678,419	7,131,908	-	33,810,327
Equity Securities:				
Energy	1,161,847	-	-	1,161,847
Materials	151,839	-	-	151,839
Industrials	939,534	-	-	939,534
Consumer discretionary	2,386,093	-	-	2,386,093
Healthcare	3,378,313	-	-	3,378,313
Financials	6,301,860	-	-	6,301,860
Information technology	2,876,236	-	-	2,876,236
Telecommunication services	225,742	-	-	225,742
Total equity securities	17,421,464	-	-	17,421,464
Mutual Funds:				
International Stock Fund	11,327,485	-	-	11,327,485
Large Growth Fund	46,991	-	-	46,991
Total mutual funds	11,374,476	-	-	11,374,476
Total investments	56,792,905	7,131,908	-	63,924,813
Beneficial interest in charitable remainder trusts	-	5,057,526	-	5,057,526
Total	\$ 72,342,227	\$ 12,189,434	\$ -	\$ 84,531,661

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SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

5. Investments and Fair Value Measurements, continued

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

	2019	2018
Dividends, interest, capital gains	\$ 2,823,105	\$ 1,664,710
Realized gain on sale of investments, net	1,109,013	5,202,045
Unrealized loss on investments, net	(2,297,141)	(2,249,658)
Investment advisory fees	(89,672)	(112,950)
Net gain from investments	\$ 1,545,305	\$ 4,504,147

6. Property and Equipment

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

	2019	2018
Leasehold improvements	\$ 1,372,744	\$ 1,372,744
Office equipment	835,753	746,046
	2,208,497	2,118,790
Less accumulated depreciation and amortization	(1,182,095)	(918,790)
	1,026,402	1,200,000
Construction in progress - Visitor Center	811,151	-
Property and equipment, net	\$ 1,837,553	\$ 1,200,000

Depreciation expense for the years ended March 31, 2019 and 2018 was \$263,305 and \$242,400, respectively.

7. Notes Receivable

The League has two unsecured promissory notes receivable. 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. 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 \$46,061 and \$38,611 for fiscal years ending March 31, 2020 and 2021, respectively.

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SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

8. Accounts Payable, Accrued Liabilities and Deferred Compensation

At March 31, accounts payable, accrued liabilities and deferred compensation consisted of the following:

	2019	2018
Accounts payable	\$ 458,707	\$ 486,709
Accrued vacation	412,065	324,169
Deferred rent	381,050	369,703
Other accrued liabilities	259,642	90,912
Refundable advance	100,000	-
Deferred compensation	92,623	97,115
Deferred revenue	54,550	-
Accrued interest	8,006	8,006
Grant payable	-	75,000
	1,766,643	1,451,614
Less current portion	(1,694,020)	(1,374,499)
Non-current portion	\$ 72,623	\$ 77,115

9. Notes Payable

During fiscal year 2017, the League entered into an unsecured note payable to an independent third party for \$1,100,000 for the acquisition of a property in Humboldt County, with an annual interest rate of 1%. The note will mature on the earlier of the four-year anniversary of the closing date of the acquisition of the property in July 2020 or the date on which the League sells the property to United States Bureau of Land Management. Accrued interest was \$8,006 as of March 31, 2019 and 2018.

10. Board Designated Funds

The League's Board of Directors has approved five Board designated funds:

- *Land and Conservation Easement Stewardship Fund* – to provide ongoing funding for the League's ad infinitum conservation easement monitoring obligations and for the stewardship of lands the League holds;
- *Park Enhancement Fund* – to provide funding for the projects and initiatives to support the coastal redwoods and sequoia parks;
- *Science and Education Fund* – to provide funding for the League's science and research and support for the education programs;
- *Land and Conservation Easement Acquisition Opportunity Fund* – to provide the capital for the League to maintain the capacity to act on outstanding and time-sensitive conservation opportunities as they arise; and
- *Operating Expense Reserve Fund* – to provide the League with the financial security and sustenance by holding a reserve of one year's operating expense.

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

10. Board Designated Funds, continued

The Board designated funds have investment objectives which are tailored to the financial and cash flow needs of each category of Board designated fund. The Land and Conservation Easement Stewardship, Park Enhancement and Science and Education Funds are invested with a longer-term investment objective, while the Land and Conservation Easement Acquisition Opportunity Funds are invested with a shorter-term investment objective of capital preservation and with a lower risk-profile.

Board designations of net assets without donor restrictions assets were as follows at March 31:

	2019	2018
Land and Conservation Easement Stewardship Fund	\$ 21,200,000	\$ 20,600,000
Park Enhancement Fund	24,200,000	24,800,000
Land and Conservation Easement Acquisition Opportunity Fund	10,000,000	10,000,000
Science and Education Fund	5,400,000	5,900,000
Operating Expense Reserve Fund	23,800,000	21,700,000
Total Board Designated Funds	\$ 84,600,000	\$ 83,000,000

11. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods.

	2019	2018
Subject to the passage of time	\$ 2,379,951	\$ 2,528,172
Subject to expenditure for specified purpose:		
Land and easement conservation	28,704,850	22,721,599
Program activities	9,338,866	8,831,201
Science, research, and education	2,005,075	530,025
Park enhancements	1,464,593	350,399
	41,513,384	32,433,224
Endowment:		
Subject to the League's spending policy and appropriation:		
Investment in perpetuity (including amounts above original gift amount of \$410,808), which once appropriated, is expendable to support program activities	1,012,946	984,515
	1,012,946	984,515
Total with donor restrictions	\$ 44,906,281	\$ 35,945,911

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SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

11. Net Assets with Donor Restrictions, continued

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended March 31, 2019 and 2018:

	2019	2018
Expiration of time restrictions	\$ 799,935	\$ 571,208
Satisfaction of purpose restrictions:		
Land and easement conservation	3,422,341	21,756,050
Program activities	15,490	205,626
Science, research and education	1,076,321	2,233,764
Park enhancements	485,666	213,042
	4,999,818	24,408,482
Distributions (proceeds are not restricted by donors):		
Beneficial interests in charitable trusts held by others	22,059	-
	\$ 5,821,812	\$ 24,979,690

12. Endowments

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

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 410,808	\$ 410,808
Accumulated investment gains	-	602,138	602,138
Total funds	\$ -	\$ 1,012,946	\$ 1,012,946

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 410,808	\$ 410,808
Accumulated investment gains	-	573,707	573,707
Total funds	\$ -	\$ 984,515	\$ 984,515

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

12. Endowments, continued

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

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 984,515	\$ 984,515
Investment return, net	-	28,431	28,431
Endowment net assets, end of year	\$ -	\$ 1,012,946	\$ 1,012,946
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 888,679	\$ 888,679
Investment return, net	-	95,836	95,836
Endowment net assets, end of year	\$ -	\$ 984,515	\$ 984,515

13. Employee Benefit Plans

In 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 matching contribution, which were 3% and 5%, respectively, for the current year. The total expense related to the 401(k) Plan was \$365,858 and \$329,514 for the years ended March 31, 2019 and 2018, respectively.

14. Joint Costs

For the years ended March 31, 2019 and 2018, the League incurred joint costs of \$194,927 and \$265,729, respectively, for informational materials and website content, both digital and hard copy productions and activities that included elements of programmatic, general and administrative, and fundraising expenses. For the years ended March 31, 2019 and 2018, the League allocated \$5,866 and \$3,673 to general and administration expense, \$16,279 and \$19,253 to fundraising expense, and \$172,782 and \$242,803, respectively, to program expense.

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SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

15. Commitments and Contingencies

In February 2014, the League signed a 10-year lease with two 5-year renewal options. Monthly rent for the office lease is approximately \$57,300 with annual increases of approximately 3%. Minimum future rental payments under the new lease are summarized as follows:

	Cash	Expense	Deferral
March 31:			
2020	\$ 756,960	\$ 746,260	\$ 10,700
2021	779,669	746,260	33,409
2022	803,059	746,260	56,799
2023	827,151	746,260	80,891
2024	851,965	746,260	105,705
Thereafter	653,244	559,698	93,546
	\$ 4,672,048	\$ 4,290,998	\$ 381,050

Rent expense for the years ended March 31, 2019 and 2018 was \$746,260. Deferred rent as of March 31, 2019 and 2018 was \$381,050 and \$369,703, respectively.

16. Conditional Promises to Give

The League has received a conditional contribution of \$800,000 from a donor in the form of matching grants and other conditions. The League was able to meet the matching grant condition and has recognized \$500,000 for the year-ended March 31, 2019. The League has not recognized the remaining \$300,000 in the accompanying financial statements because the conditions on which they depend have not been substantially met.

In January 2019, the League was awarded \$1,000,000 matching challenge grant. The grant will match dollar for dollar up to \$100,000 if the League for each new donor commitment of \$100,000 or more, or if an existing donor's commitment increases to \$100,000. The challenge expires December 31, 2019. As of March 31, 2019, the League was able to recognize \$450,000.

17. 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 and which are regularly monitored by management. As of March 31, 2019 and 2018, the League was in excess of the federal depository insurance limit.

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SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

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17. Concentration of Credit Risk, continued

Investments

The League’s credit risk is inherent principally in its investments. As of March 31, 2019 and 2018, 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, 2019 and 2018, the League held investments in excess of the SIPC insurance limits.

Real Estate Held

The League held a total of twenty-two and twenty one properties as of March 31, 2019 and 2018, respectively in various counties: Tuolumne, Mariposa, Del Norte, Monterey, Mendocino, Napa, Humboldt, San Mateo, Santa Cruz, and Sonoma. The concentration of real estate held are in the following counties as of March 31:

	2019	2018
Sonoma	39.0%	17.0%
Mendocino	29.8%	45.8%
San Mateo	11.6%	17.9%
Humboldt	8.8%	13.5%

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, 2019, there was one donor who accounted for 10% or more of revenue from contributions and bequests. For the year ended March 31, 2018, there were two donors who accounted for 10% or more of revenue from contributions and bequests.

As of March 31, 2019 and 2018, three irrevocable trusts comprised 67% and 62% of the beneficial interest in charitable remainder trusts, respectively.

As of March 31, 2019 and 2018, two donors comprised 73% and 36% of the contributions receivable balance, respectively.

As of March 31, 2019 and 2018, three grantors comprised 75% and two grants comprised 63% of the grants receivable balance, respectively.

As of March 31, 2019 and 2018, two donors comprised 35% and four donors comprised of 42% of the pledge receivable balance, respectively.

As of March 31, 2019 and 2018, two donors comprised 62% and 72% of the testamentary pledges receivable balance, respectively.

As of March 31, 2019 and 2018, one individual comprised 100% of the notes receivable balance, and it is unsecured.

Continued

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18. Subsequent Events

The League has evaluated events that occurred during the period subsequent to March 31, 2019 through July 29, 2019, the date the financial statements were available to be issued. The League concluded that no material subsequent events have occurred since March 31, 2019 that require recognition or disclosure in such financial statements.