

SAVE THE REDWOODS LEAGUE

FINANCIAL STATEMENTS

March 31, 2020 and 2019



Save The Redwoods

L E A G U E

STAND
FOR
THE **FUTURE**

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, 2020 and 2019, 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, 2020 and 2019, 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 24, 2020

SAVE THE REDWOODS LEAGUE
STATEMENTS OF FINANCIAL POSITION

As of March 31, 2020 and 2019

(In thousands)

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,135	\$ 7,948
Contributions, grants, and other receivables, net	8,774	8,885
Notes receivable	39	46
Deposits for land transactions	2,650	3,460
Other assets	476	327
Investments	49,679	57,267
Restricted investments	949	1,038
	68,702	78,971
Total current assets		
Non-current assets:		
Restricted cash	37	37
Contributions, grants, and other receivables, net	6,760	3,744
Notes receivable	-	39
Property and equipment, net	835	1,838
Split interest agreements	5,038	5,565
Real estate held	62,163	46,440
Endowment fund	810	1,013
	75,643	58,676
Total non-current assets		
Total assets	\$ 144,345	\$ 137,647

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

SAVE THE REDWOODS LEAGUE
STATEMENTS OF FINANCIAL POSITION

As of March 31, 2020 and 2019

(In thousands)

	2020	2019
LIABILITIES AND NET ASSETS		
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,688	\$ 1,595
Refundable advance	1,350	100
Line of credit	1,000	-
Notes payable, current portion	1,100	-
Total current liabilities	6,138	1,695
Non-current liabilities:		
Deferred compensation	70	73
Liabilities under unitrust agreements	258	-
Notes payable, net of current portion	-	1,100
Total non-current liabilities	328	1,173
Total liabilities	6,466	2,868
Commitments and contingencies (Note 14)		
Net assets:		
Without donor restrictions:		
Undesignated	2,416	5,274
Board designated	78,600	84,600
Total without donor restrictions	81,016	89,874
With donor restrictions	56,863	44,905
Total net assets	137,879	134,779
Total liabilities and net assets	\$ 144,345	\$ 137,647

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, 2020 and 2019

(In thousands)

	2020			2019		
	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	\$ 5,599	\$ 21,510	\$ 27,109	\$ 7,758	\$ 12,413	\$ 20,171
Special event revenue	92	566	658	170	1,334	1,504
In-kind contributions	21	-	21	25	75	100
Grants from state and federal agencies	-	3,994	3,994	306	375	681
Change in value of split interest agreements	-	(1,200)	(1,200)	-	530	530
Interest from loans	-	2	2	-	4	4
Other income	246	-	246	295	-	295
Net assets released from restrictions	12,635	(12,635)	-	5,822	(5,822)	-
Total revenue and public support	<u>18,593</u>	<u>12,237</u>	<u>30,830</u>	<u>14,376</u>	<u>8,909</u>	<u>23,285</u>
Expenses:						
Program services:						
Redwood land programs	13,898	-	13,898	8,905	-	8,905
Education and research grants	567	-	567	250	-	250
Redwood restoration grants	2,304	-	2,304	76	-	76
Climate change research grants	261	-	261	248	-	248
Park support grants	556	-	556	472	-	472
Other grants	3	-	3	120	-	120
Total program services	<u>17,589</u>	<u>-</u>	<u>17,589</u>	<u>10,071</u>	<u>-</u>	<u>10,071</u>
Support services:						
General and administrative	2,126	-	2,126	2,919	-	2,919
Fundraising	4,784	-	4,784	4,875	-	4,875
Special event	120	-	120	317	-	317
Total support services	<u>7,030</u>	<u>-</u>	<u>7,030</u>	<u>8,111</u>	<u>-</u>	<u>8,111</u>
Total expenses	<u>24,619</u>	<u>-</u>	<u>24,619</u>	<u>18,182</u>	<u>-</u>	<u>18,182</u>
Change in net assets from operations prior to investment income and impairment loss	(6,026)	12,237	6,211	(3,806)	8,909	5,103
Investment income, net	(2,789)	(279)	(3,068)	1,495	50	1,545
Impairment loss	(43)	-	(43)	-	-	-
Change in net assets related to activities (excluding land and conservation easement transactions)	<u>(8,858)</u>	<u>11,958</u>	<u>3,100</u>	<u>(2,311)</u>	<u>8,959</u>	<u>6,648</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, 2020 and 2019

(In thousands)

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Land transactions and conservation easements						
Net gain on exchange of land	-	-	-	3,388	-	3,388
Change in net assets related to land transactions and conservation easements acquired	-	-	-	3,388	-	3,388
Change in net assets related to activities (excluding land and conservation easement transactions (page 3))	(8,858)	11,958	3,100	(2,311)	8,959	6,648
Total change in net assets	(8,858)	11,958	3,100	1,077	8,959	10,036
Net assets, beginning of year	89,874	44,905	134,779	88,797	35,946	124,743
Net assets, end of year	<u>\$ 81,016</u>	<u>\$ 56,863</u>	<u>\$ 137,879</u>	<u>\$ 89,874</u>	<u>\$ 44,905</u>	<u>\$ 134,779</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, 2020 and 2019

(In thousands)

	2020					2019				
	Program Services	General and Administrative	Fundraising	Special Event	Total	Program Services	General and Administrative	Fundraising	Special Event	Total
Operating activities (excluding land and conservation easement transactions)										
Salaries and benefits	\$ 3,747	\$ 1,233	\$ 1,849	\$ -	\$ 6,829	\$ 3,461	\$ 1,089	\$ 1,952	\$ -	\$ 6,502
Program grants	3,691	-	-	-	3,691	1,167	-	-	-	1,167
Appraisals and environmental costs	479	-	-	-	479	416	-	-	-	416
Planning and design	204	-	-	-	204	150	-	-	-	150
Printing, publications and videos	186	80	807	-	1,073	338	486	656	-	1,480
Services and fees	296	249	626	19	1,190	242	784	1,088	55	2,169
Other project costs	1,432	-	-	-	1,432	1,359	-	-	-	1,359
Site improvements	4,025	-	-	-	4,025	822	-	-	-	822
Mapping services	17	-	1	-	18	17	-	-	-	17
Occupancy	492	191	241	-	924	419	163	231	-	813
Postage and shipping	24	33	29	-	86	30	24	32	-	86
Travel	114	33	157	3	307	117	24	90	-	231
Conferences, meeting and event catering	108	99	411	98	716	61	151	292	262	766
Professional fundraising fees	57	11	390	-	458	-	-	280	-	280
Consultants	590	-	-	-	590	1,070	-	-	-	1,070
Accounting fees	-	64	-	-	64	-	55	-	-	55
Depreciation	126	48	62	-	236	137	52	74	-	263
Equipment rental and maintenance	9	3	4	-	16	9	4	5	-	18
Insurance	39	15	19	-	73	32	12	19	-	63
Supplies	36	6	6	-	48	26	8	8	-	42
Advocacy	29	-	-	-	29	70	-	-	-	70
Miscellaneous expenses	23	15	2	-	40	13	25	3	-	41
Other fundraising costs	3	20	66	-	89	6	10	36	-	52
Telephone	23	10	11	-	44	22	9	12	-	43
Furniture and equipment	39	16	95	-	150	53	22	96	-	171
Legal fees	19	-	8	-	27	23	1	1	-	25
Interest	19	-	-	-	19	11	-	-	-	11
Visitor Center	1,762	-	-	-	1,762	-	-	-	-	-
Total	\$ 17,589	\$ 2,126	\$ 4,784	\$ 120	\$ 24,619	\$ 10,071	\$ 2,919	\$ 4,875	\$ 317	\$ 18,182

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, 2020 and 2019

(In thousands)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,100	\$ 10,036
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Gain on exchange of land	-	(3,388)
Depreciation	236	263
Construction costs charged to expense (Note 6)	1,762	-
Impairment loss	43	-
Net realized and unrealized loss on investments	4,714	1,360
Gain on sale of donated securities	(10)	(172)
Stock donations for long-term purpose	(5,667)	(3,370)
Investment income for long-term purposes	(87)	(98)
Change in value of split interest agreements	1,200	(530)
Contributions of beneficial interest in charitable remainder trusts	(423)	-
Distributions from split interest agreement	8	22
Discount on contributions, grants, pledges, and other receivables	353	243
Contribution of real estate	(893)	-
Changes in:		
Contributions, grants, pledges, and other receivables, net	(3,261)	(4,292)
Deposits for land transactions	810	(3,185)
Other assets	(149)	497
Accounts payable, accrued liabilities, deferred compensation	1,090	215
Refundable advance	1,250	100
Additional cash used in real estate held land activities:		
Acquisition of redwood lands	<u>(15,723)</u>	<u>(12,889)</u>
Net cash used by operating activities	<u>(11,647)</u>	<u>(15,188)</u>
Cash flows from investing activities:		
Purchase of investments	(76,862)	(9,695)
Proceeds from sale of investments	80,878	13,929
Proceeds from notes receivable	46	44
Purchase of property and equipment	<u>(995)</u>	<u>(900)</u>
Net cash provided by investing activities	<u>3,067</u>	<u>3,378</u>
Cash flows from financing activities:		
Investment income for long-term purposes	87	98
Net borrowings and payment on line of credit	1,000	-
Proceeds from stock donations for long-term purpose	<u>5,680</u>	<u>3,541</u>
Net cash provided by financing activities	<u>6,767</u>	<u>3,639</u>
Net decrease in cash, cash equivalents, restricted cash	(1,813)	(8,171)
Cash, cash equivalents, and restricted cash, beginning of year	<u>7,985</u>	<u>16,156</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 6,172</u>	<u>\$ 7,985</u>
Supplemental disclosure:		
Cash paid for interest	<u>\$ 19</u>	<u>\$ 11</u>
Cash paid for unrelated business income tax	<u>\$ 14</u>	<u>\$ 15</u>

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

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

(In thousands)

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 restrictions. A portion of these net assets have been designated by the governing board for specific purposes. Board designated net assets were \$78,600 and \$84,600 as of March 31, 2020 and 2019, respectively (see Note 10).

Net Assets With Donor Restrictions – Net assets subject to donor 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, 2020 and 2019

(In thousands)

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; and (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 Uniform Prudent Management of Institutional Funds Act ("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% 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% 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 for spending in 2020 and 2019.

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

(In thousands)

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% 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 5% to 0.57%.

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 deducted 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 conditions are met.

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

(In thousands)

2. Summary of Significant Accounting Policies, continued

Donated Real Estate

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

The League was gifted an apartment appraised at \$850 at the time of donation in August 2019. The League capitalized approximately \$43 in improvement costs to prepare the apartment for sale, thereby bringing the total value of the apartment to \$893. Subsequent to year-end, the League accepted an offer for the sale of the apartment at a value of \$850. For the year ended March 31, 2020, the League recognized \$43 in impairment loss. Impairment loss is a recognized reduction in the carrying amount of an asset that is triggered by a decline in its fair value. The apartment is reported as an investment on the statement of financial position since the apartment improvements were still under way as of March 31, 2020 and had not met the criteria for recognition as available-for-sale.

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, 2020 and 2019, the League recognized in-kind goods of \$18 and \$100, 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 for the maintenance of a grove is held in a separate bank account. Cash, cash equivalents, and restricted cash are comprised of the following as of March 31:

	<u>2020</u>	<u>2019</u>
Money market fund	\$ 2,762	\$ 4,674
Demand deposits	3,373	3,274
Restricted cash	<u>37</u>	<u>37</u>
Cash, cash equivalents, and restricted cash	<u>\$ 6,172</u>	<u>\$ 7,985</u>

Investments

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, 2020 and 2019, the League received \$6,150 and \$3,843 in donated stocks, respectively. Donated stocks are presented net of liquidated proceeds and a gain on the sale of donated stocks of \$10 and \$172 was recognized in the statement of cash flows for the years ended March 31, 2020 and 2019, respectively.

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

(In thousands)

2. Summary of Significant Accounting Policies, continued

Investments, continued

Restricted investments of \$949 and \$1,038 for the years ended March 31, 2020 and 2019, respectively, are pooled in the general investment account. The purpose of these restricted investments is to monitor easements, protect marbled murrelets (an endangered species of bird that nests in the ancient redwoods), restoration and to cover administrative costs of monitoring these easements.

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 a significant impairment occurs, it remains at that same value until a new appraisal establishes its current fair market value at the time of disposition. No such revaluations occurred during the years ended March 31, 2020 and 2019. It is not an objective of the League to profit from its land transactions.

Most 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 at the time 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. There was no land divested in this financial year, while the League generated a gain of \$3,388 in an exchange in the year ended March 31, 2019. 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. 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.

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

(In thousands)

2. Summary of Significant Accounting Policies, continued

Notes Receivable

The notes receivable are carried at the unpaid principal balance. Interest on the loan is recognized over the terms of the loans and are calculated using the simple-interest method on the principal amounts outstanding. Management evaluates the collectability of the 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 the loan loss is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent on the loan. As of March 31, 2020 and 2019, the notes receivable are considered by management to be fully collectible and, accordingly, no allowance is considered necessary.

Split Interest Agreements

Held by Others

The League is the residual beneficiary of a number of irrevocable trust agreements held by others. These include charitable remainder trusts ("CRT") and charitable gift annuities ("CGA"). These split interest agreements are generally invested in marketable securities and real estate. The League uses the actuarial method of recording these agreements where the present value is determined based on the fair value of the assets at year end, beneficiary payout rate, discount rate of 5%, investment return of 6% and applicable mortality table. A contribution receivable from irrevocable trusts is recorded at the time the gift is established with an increase in contributions with donor restrictions in the statement of activities and changes in net assets. The change in valuation of the irrevocable trusts from year to year is recognized in the statement of activities and changes in net assets.

The League is the Trustee

The League is the trustee of two CRTs as of March 31, 2020. Assets held in the CRT are recorded at fair value and a corresponding liability for each split interest agreement is calculated based on the present value of the amount payable to the income beneficiary under terms of the agreement, assumed investment rate at 5% - 6%, a discount rate of 5% and applicable mortality tables. The League's net beneficial interest in the split interest agreements is the difference between the assets and the liabilities and it is recorded in the statements of activities and changes in net assets as contributions with donor restrictions in the period the trust is established.

Due to annual payments being made to current beneficiaries from certain trusts over the trust's term, there is a possibility that the trust's assets will be exhausted before distribution to the League.

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

(In thousands)

2. Summary of Significant Accounting Policies, continued

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.

Conservation 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. There were no conservation easement acquisitions during the years ended March 31, 2020 and 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.

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).

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

(In thousands)

2. Summary of Significant Accounting Policies, continued

Fair Value Measurements, continued

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 \$0 and \$467 as of March 31, 2020 and 2019, respectively.

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.

Changes in Accounting Principles

During the year ended March 31, 2020, the League adopted the requirements of the Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“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 League evaluates all contributions received against this guidance to determine whether they are non-reciprocal contributions or exchange transactions, and whether a contribution is conditional.

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

(In thousands)

2. Summary of Significant Accounting Policies, continued

Changes in Accounting Principles, continued

The League has determined grants from governmental agencies to be conditional grants and not exchange transactions. The adoption of this policy did not result in change in the total revenue recognized in the current year or in the prior year.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (“ASU 2014-09”), to clarify the principles of recognizing revenue and create common revenue recognition guidance between U.S. GAAP and International Financial Reporting Standards. Under ASU 2014-09, revenue is recognized when a customer obtains control of promised goods or services and is recognized at an amount that reflects the consideration expected to be received in exchange for such goods or services. In addition, ASU 2014-09 requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new guidance is effective for years beginning after December 31, 2018 and interim periods beginning the following year. Early application is permitted. The League adopted this guidance for the year ended March 31, 2020. There was no material impact to the financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update apply to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows. The amendments address diversity in practice that exists in the classification and presentation of changes in restricted cash on the statement of cash flows. The amendments require a statement of cash flows explain the change during the period in the total of cash, cash equivalent and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with unrestricted cash and cash equivalents when reconciling the beginning and end of period balances on the statement of cash flows. For nonpublic entities, the ASU is effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted. The League has adopted this standard for the year ended March 31, 2020.

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, 2020 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.

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SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

(In thousands)

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, line of credit 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 as of March 31:

	2020	2019
Cash and cash equivalents	\$ 6,135	\$ 7,948
Contributions, grants, and other receivables, net	8,774	5,492
Notes receivable	39	46
Investments	50,628	58,305
	65,576	71,791
Less: amounts unavailable for general expenditure over the next 12 months:		
Board designated funds for programs	(62,300)	(60,800)
Financial assets available to meet general expenditures within one year	\$ 3,276	\$ 10,991

The League obtained an operating line of credit (“LOC”) in November 2019 of up to \$12,000. As of March 31, 2020, the outstanding balance was \$1,000 leaving \$11,000 not utilized. The interest rate on the LOC is based on the Libor rate plus 1.2% and it is collateralized by investments held by the financial institution. At March 31, 2020 the interest rate was approximately 2.2%. The LOC expires January 31, 2021 and can be terminated at any time either by the League or the financial institution. The total interest paid for the year ended March 31, 2020 was \$8. The LOC may only be utilized for program related projects.

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

(In thousands)

4. Contributions, Grants, and Other Receivables

The balance of contributions, grants, and other receivables was as follows as of March 31:

	2020	2019
Contributions receivable:		
Bequests, net of allowance of \$72 and \$324 as of March 31, 2020 and 2019, respectively, and discount of \$23 and \$28 as of March 31, 2020 and 2019, respectively	\$ 1,906	\$ 4,292
Pledges, net of allowance of \$511 and \$361 as of March 31, 2020 and 2019, respectively, and discount of \$227 and \$137 as of March 31, 2020 and 2019, respectively	6,572	4,670
Testamentary pledges, net of allowance of \$105 and \$72, as of March 31, 2020 and 2019, respectively, and discount of \$1,413 and \$1,048 as of March 31, 2020 and 2019, respectively	1,294	887
Total contributions receivable	9,772	9,849
Grants receivable:		
Acquisition for specifically identified redwood lands, net of discount of \$18	612	50
Restoration and trail construction	3,234	486
Other, net of allowance of \$6 and \$38 as of March 31, 2020 and 2019, respectively, and net discount of \$23 and \$19 as of March 31, 2020 and 2019, respectively	913	543
Redwoods Rising, net discount of \$31 and \$47 as of March 31, 2020 and 2019, respectively	819	1,453
Centennial Celebration, net discount of \$0 and \$4 as of March 31, 2020 and 2019, respectively	100	196
Total grants receivable	5,678	2,728
Other receivables	84	52
Total contributions, grants, and other receivables	\$ 15,534	\$ 12,629

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

(In thousands)

4. Contributions, Grants, and Other Receivables

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

For the fiscal years ending March 31:		
Within one year	\$	8,774
Within one to five years		6,177
Thereafter		<u>3,012</u>
		17,963
Less: discount		(1,736)
Less: allowance		<u>(693)</u>
		17,963
Total contributions, grants, and other receivables, net	\$	<u><u>15,534</u></u>

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

(In thousands)

5. Investments and Fair Value Measurements

The following tables present balances of assets and liabilities measured at fair value on a recurring basis:

	As of March 31, 2020			Total
	Level 1	Level 2	Level 3	
Assets:				
Cash equivalents	\$ 2,799	\$ -	\$ -	\$ 2,799
Endowment fund:				
Exchange traded fund	1	-	-	1
International stock fund	81	-	-	81
Mutual fund	728	-	-	728
Total endowment fund	810	-	-	810
Investments:				
Money market fund held for investment purposes	1,183	-	-	1,183
Fixed Income:				
Core fixed income	18,394	-	-	18,394
Inflation	1,697	-	-	1,697
Total fixed income	20,091	-	-	20,091
Equity securities:				
U.S. large cap equity	14,409	-	-	14,409
U.S. mid cap equity	2,344	-	-	2,344
EAFE equity	7,428	-	-	7,428
Japan equity	541	-	-	541
Emerging markets equity	3,782	-	-	3,782
Total equity securities	28,504	-	-	28,504
Total investments	49,778	-	-	49,778
Split interest agreements				
Held by others	-	4,427	-	4,427
The League is the Trustee				
Cash	8	-	-	8
U.S. large cap equity	-	-	-	-
U.S. mid cap equity	-	-	-	-
U.S. small cap equity	-	-	-	-
Developed markets equity	103	-	-	103
Emerging markets equity	20	-	-	20
Taxable U.S. investment grade	-	-	-	-
Taxable high yield	9	-	-	9
Real estate securities fund	27	-	-	27
Total split interest agreements	167	4,427	-	4,594
Liability to beneficiaries	-	-	(258)	(258)
Total recurring fair value measurements	\$ 53,554	\$ 4,427	\$ (258)	\$ 57,723

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SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

(In thousands)

5. Investments and Fair Value Measurements, continued

	As of March 31, 2019			Total
	Level 1	Level 2	Level 3	
Assets:				
Cash equivalents	\$ 4,712	\$ -	\$ -	\$ 4,712
Endowment fund:				
Exchange traded fund	1	-	-	1
International stock fund	104	-	-	104
Mutual fund	908	-	-	908
Total endowment fund	1,013	-	-	1,013
Investments:				
Money market fund held for investment purposes	2,481	-	-	2,481
Fixed Income:				
Income Fund	26,330	-	-	26,330
Corporate issues	-	2,057	-	2,057
Total fixed income	28,811	2,057	-	30,868
Equity securities:				
Energy	452	-	-	452
Materials	168	-	-	168
Industrials	1,301	-	-	1,301
Consumer discretionary	532	-	-	532
Consumer staples	119	-	-	119
Healthcare	3,893	-	-	3,893
Financials	4,236	-	-	4,236
Information technology	2,572	-	-	2,572
Communication services	2,636	-	-	2,636
Total equity securities	15,909	-	-	15,909
Mutual Funds:				
International stock fund	11,477	-	-	11,477
Large growth fund	51	-	-	51
Total mutual funds	11,528	-	-	11,528
Total investments	56,248	2,057	-	58,305
Split interest agreements held by others	-	5,565	-	5,565
Total	\$ 61,973	\$ 7,622	\$ -	\$ 69,595

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

(In thousands)

5. Investments and Fair Value Measurements, continued

The following table presents balances of assets and liabilities measured at fair value on a nonrecurring basis:

	As of March 31, 2020			
	Level 1	Level 2	Level 3	Total
Donated investment property	\$ -	\$ 850	\$ -	\$ 850
Total nonrecurring fair value measurements	\$ -	\$ 850	\$ -	\$ 850

Transfers to or from Level 3 measurements are based on relevant accounting guidance and are assessed during the period of the transfer and are recognized at the end of the fiscal year. No such transfers occurred for the years ended March 31, 2020 and 2019.

The following table provides a reconciliation of liabilities measured at fair value using significant unobservable inputs (Level 3) on a recurring basis:

	Liabilities under Split Interest Agreements
Balance, March 31, 2019	\$ -
New agreements	300
Payments to beneficiaries	(9)
Change in value	(33)
Balance, March 31, 2020	\$ 258

Net investment income is comprised of the following as of March 31:

	2020	2019
Dividends, interest, capital gains	\$ 1,771	\$ 2,823
Realized gain on sale of investments, net	7,997	1,109
Unrealized loss on investments, net	(12,701)	(2,297)
Investment advisory fees	(135)	(90)
Net (loss) gain from investments	\$ (3,068)	\$ 1,545

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

(In thousands)

6. Property and Equipment

The League's property and equipment consisted of the following as of March 31:

	2020	2019
Leasehold improvements	\$ 1,373	\$ 1,373
Office equipment	880	836
	2,253	2,209
Less: accumulated depreciation and amortization	(1,418)	(1,182)
Construction in progress - Visitor Center	-	811
Property and equipment, net	\$ 835	\$ 1,838

Depreciation expense for the years ended March 31, 2020 and 2019 was \$236 and \$263, respectively.

The League had initially capitalized the costs incurred in developing the architectural and engineering drawings for the proposed visitor center and gateway to the redwoods in Northern California. In view of the uncertainty as to whether the League will be able to continue building and completing the visitor center, it has been determined to expense the costs of \$1,762, including amounts previously capitalized of \$811.

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following as of March 31:

	2020	2019
Current:		
Accounts payable	\$ 1,502	\$ 459
Accrued vacation	424	412
Deferred rent	370	381
Other accrued liabilities	347	260
Deferred compensation	20	20
Deferred revenue	17	55
Accrued interest	8	8
	2,688	1,595
Non-current:		
Deferred compensation	70	73
Total accounts payable and accrued liabilities	\$ 2,758	\$ 1,668

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SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

(In thousands)

8. Note Payable

During fiscal year 2017, the League received an unsecured note payable to an independent third party for \$1,100 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, that is in July 2020 or the date on which the League sells the property to United States Bureau of Land Management. Accrued interest was \$8 as of March 31, 2020 and 2019. Subsequent to year end, the maturity of the note payable was extended by one year to July 2021.

9. 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 held lands;
- *Park Enhancement Fund* – to provide funding for the projects and initiatives to support the coastal redwoods and sequoia parks;
- *Land and Conservation Easement Acquisition Opportunity Fund* – to provide the capital for the League to maintain the capacity to act on important and time-sensitive conservation opportunities as they arise;
- *Science and Education Fund* – to provide funding for the League's science and research and support for the education programs; 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.

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

	2020	2019
Land and Conservation Easement Stewardship Fund	\$ 21,700	\$ 21,200
Park Enhancement Fund	25,000	24,200
Land and Conservation Easement Acquisition Opportunity Fund	10,000	10,000
Science and Education Fund	5,600	5,400
Operating Expense Reserve Fund	16,300	23,800
Total Board Designated Funds	\$ 78,600	\$ 84,600

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SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

(In thousands)

10. Net Assets With Donor Restrictions

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

	2020	2019
Subject to the passage of time:	\$ 2,501	\$ 2,380
Subject to expenditure for specified purpose:		
Land and easement conservation	43,496	28,705
Program activities	8,554	9,339
Science, research and education	524	2,005
Park enhancements	978	1,463
	53,552	41,512
Endowment:		
Subject to the League's spending policy and appropriation:		
Investment in perpetuity (including amounts above original gift amount of \$410), which once appropriated, is expendable to support program activities:	810	1,013
Total with donor restrictions	\$ 56,863	\$ 44,905

Net assets 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 were as follows for the years ended March 31:

	2020	2019
Expiration of time restrictions	\$ 623	\$ 800
Satisfaction of purpose restrictions:		
Land and easement conservation	7,738	3,422
Program activities	4	16
Science, research and education	2,221	1,076
Park enhancements	2,041	486
	12,004	5,000
Distributions (proceeds are not restricted by donors):		
Beneficial interests in charitable trusts held by others	8	22
	\$ 12,635	\$ 5,822

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SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

(In thousands)

11. Endowments

Endowment net asset composition by type of fund was as follows for the years ended March 31:

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 410	\$ 410
Accumulated investment gains	-	400	400
Total funds	\$ -	\$ 810	810

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 410	\$ 410
Accumulated investment gains	-	603	603
Total funds	\$ -	\$ 1,013	\$ 1,013

Changes in endowment net assets were as follows for the years ended March 31:

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment net assets, beginning of year	\$ -	\$ 1,013	\$ 1,013
Investment return, net		(203)	(203)
Endowment net assets, end of year	\$ -	\$ 810	\$ 810

Continued

SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

(In thousands)

11. Endowments, continued

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment net assets, beginning of year	\$ -	\$ 985	\$ 985
Investment return, net		28	28
Endowment net assets, end of year	\$ -	\$ 1,013	\$ 1,013

12. 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 and prior year. The total expense related to the 401(k) Plan was \$382 and \$366 for the years ended March 31, 2020 and 2019, respectively.

13. Joint Costs

For the years ended March 31, 2020 and 2019, the League incurred joint costs of \$307 and \$195, 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, 2020 and 2019, the League allocated \$72 and \$6, respectively, to general and administration expense, \$29 and \$16, respectively, to fundraising expense, and \$206 and \$173, respectively, to program expense.

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SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

(In thousands)

14. Commitments and Contingencies

Operating Lease

In February 2014, the League signed a lease with a term ending on December 31, 2024, with two 5-year renewal options. Monthly rent for the office lease is approximately \$57 over the life of the lease, including annual increases of approximately 3%. Minimum future rental payments under the new lease are summarized as follows:

	Cash	Expense	Deferral
<u>March 31:</u>			
2021	\$ 780	\$ 746	\$ 34
2022	803	746	57
2023	827	746	81
2024	852	746	106
2025	653	561	92
	\$ 3,915	\$ 3,545	\$ 370

Rent expense for the years ended March 31, 2020 and 2019 was \$746. Deferred rent as of March 31, 2020 and 2019 was \$370 and \$381, respectively.

Contingencies

From time to time, the League is involved in litigation that arises in the ordinary course of business. There are no pending significant legal proceedings to which the League is a party for which management believes the ultimate outcome would have a material adverse effect on the League's financial position.

COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude of the effect that the pandemic will have on the League's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact on its financial condition, liquidity, operations, and workforce.

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SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

(In thousands)

15. Conditional Promises to Give

The League received a conditional contribution of \$800 from a donor in the form of matching grants and other conditions. The League met the conditions to recognize \$150 and \$500 for the years ended March 31, 2020 and 2019, respectively. Since the inception of this gift, the League has recognized a total of \$650 as of March 31, 2020 with \$150 remaining to be met by July 2021.

In January 2020, the League was awarded a \$1,000 matching challenge grant. The grant will match Dollar for Dollar up to \$100 for each new donor commitment of \$100 or more, or if an existing donor's commitment increases to \$100. The League recognized \$450 for the year ended March 31, 2019. The League met all conditions by December 31, 2019 and recognized a total of \$550, fulfilling the total challenge grant.

In December 2019, the League received a one for one match grant from a foundation, up to \$250. The League raised more than \$250 by December 31, 2019 and was able to recognize the \$250 matching gift.

The League received a conditional contribution of \$1,300 from a donor requiring a purchase of certain property and other conditions. As of March 31, 2020, \$1,300 remains conditional. The conditions are expected to be met in the next year.

The League received several grants from governmental agencies which have been determined to be conditional grants based on the amount of project expenses incurred each year. Total cumulative governmental grants awarded to the League as of March 31, 2020 was \$21,728. For the years ended March 31, 2020 and 2019, the League has recognized \$3,993 and \$861, respectively. As of March 31, 2020, \$16,873 remains conditional. The conditions are expected to be met in the next one to five years.

Refundable advances consist of cash payments received for conditional grants for which conditions have not been met as of year end. Refundable advances for the years ended March 31, 2020 and 2019 was \$1,350 and \$100, respectively.

16. Concentration of Credit Risk

Cash and Cash Equivalents

In the regular course of business, The League may maintain operating cash balances at a bank in excess of federally insured limits. The League seeks to control the risk of loss by maintaining deposits with only high quality financial institutions.

Investments

The League's credit risk is inherent principally in its investments. As of March 31, 2020 and 2019, 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, 2020 and 2019, the League held investments in excess of the SIPC insurance limits.

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SAVE THE REDWOODS LEAGUE
NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

(In thousands)

16. Concentration of Credit Risk, continued

Real Estate Held

The League held a total of twenty-five and twenty-two properties as of March 31, 2020 and 2019, respectively, in various counties: Tulare, 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:

	<u>2020</u>	<u>2019</u>
Tulare	29.5%	7.1%
Sonoma	29.1%	39.0%
Mendocino	22.2%	29.8%
San Mateo	8.7%	11.6%
Others	10.3%	12.4%

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 years ended March 31, 2020 and 2019, there were two donors and one donor, respectively, who accounted for 10% or more of revenue from contributions and bequests. For the years ended March 31, 2020 and 2019, there were two donors who accounted for 37% and one donor that made up 20% of the contributions, grants, and other receivables balance, respectively.

Three irrevocable trusts comprised 63% and 67% of the beneficial interest in charitable remainder trusts as of March 31, 2020 and 2019, respectively.

17. Subsequent Events

Subsequent to year-end, the League received funds of \$1,174 from the Paycheck Protection Program ("PPP"). The PPP is available through the Small Business Administration and provides small businesses with loans to help fund payroll costs, mortgages, rent, and utilities during the COVID-19 (coronavirus) crisis. All payments of principal, interest, and fees under the loans are deferred for a period of time. The loan may be converted to a grant if certain criteria are met. The League fully expects to meet those criteria.

The League evaluated events that occurred during the period subsequent to March 31, 2020 through July 24, 2020, the date the financial statements were available to be issued. The League concluded that, other than the events related to donated real estate (see Note 2), note payable (see Note 8) and the event noted above, no material subsequent events have occurred since March 31, 2020 that require recognition or disclosure.