

SAVE THE REDWOODS LEAGUE

MARCH 31, 2021

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Save the Redwoods League

Independent Auditors' Report and Financial Statements

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A Century Strong

Independent Auditors' Report

THE AUDIT COMMITTEE
SAVE THE REDWOODS LEAGUE
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of **SAVE THE REDWOODS LEAGUE (the League)**, which comprise the statement of financial position as of March 31, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 League'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 League'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.

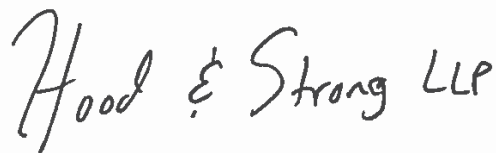
Opinion

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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Report on Summarized Comparative Information

The financial statements of the League as of and for the year ended March 31, 2020 were audited by other auditors, whose report, dated July 24, 2020, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Hood & Strong LLP". The signature is written in a cursive, flowing style.

San Francisco, California
August 11, 2021

Save the Redwoods League

Statement of Financial Position (in thousands)

<i>March 31, 2021 (with comparative totals for 2020)</i>	2021	2020
Assets		
Cash and cash equivalents	\$ 6,806	\$ 6,182
Government contracts receivable	3,741	3,234
Contributions receivable, net	6,109	9,016
Bequests receivable, net	4,591	3,200
Investments	64,330	51,427
Prepaid expenses and other assets	583	600
Deposits for land transactions		2,650
Property and equipment, net	610	835
Charitable trust assets	5,088	5,038
Real estate held	76,188	62,163
Total assets	\$ 168,046	\$ 144,345
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,350	\$ 2,615
Grants payable	1,968	143
Refundable advance	52	1,350
Line of credit		1,000
Notes payable	2,278	1,100
Liabilities under unitrust agreements	349	258
Total liabilities	6,997	6,466
Net Assets:		
Without donor restrictions:		
Undesignated	11,236	2,416
Board designated	82,700	78,600
Total net assets without donor restrictions	93,936	81,016
With donor restrictions	67,113	56,863
Total net assets	161,049	137,879
Total liabilities and net assets	\$ 168,046	\$ 144,345

See accompanying notes to the financial statements.

Save the Redwoods League

Statement of Activities and Changes in Net Assets (in thousands)

Year Ended March 31, 2021 (with comparative totals for 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating Revenue and Public Support:				
Contributions and grants	\$ 4,273	\$ 6,882	\$ 11,155	\$ 21,935
Bequests	5,227	1,824	7,051	5,195
Government contract revenue		11,594	11,594	3,994
Special event revenue	51	594	645	658
Change in value of split interest agreements		881	881	(1,200)
Other income	88		88	248
Net assets released from restrictions	19,229	(19,229)	-	-
Total operating revenue and public support	28,868	2,546	31,414	30,830
Operating Expenses:				
Program services	24,312		24,312	17,589
General and administrative	2,457		2,457	2,126
Development	4,245		4,245	4,784
Special events	54		54	120
Total operating expenses	31,068	-	31,068	24,619
Change in net assets related to operating activities	(2,200)	2,546	346	6,211
Land Transactions and Conservation Easements:				
Contributions and grants		5,050	5,050	-
Government contract revenue		7,456	7,456	-
Conservation easement acquisition expense	(5,675)		(5,675)	-
Net assets released from restrictions	5,675	(5,675)	-	-
Change in net assets related to land transactions and conservation easements	-	6,831	6,831	-
Other Changes in Net Assets:				
Investment income (loss), net	13,946	873	14,819	(3,068)
Impairment loss			-	(43)
Forgiveness of Paycheck Protection Program loan	1,174		1,174	-
Change in other changes in net assets	15,120	873	15,993	(3,111)
Change in Net Assets	12,920	10,250	23,170	3,100
Net Assets, beginning of year	81,016	56,863	137,879	134,779
Net Assets, end of year	\$ 93,936	\$ 67,113	\$ 161,049	\$ 137,879

See accompanying notes to the financial statements.

Save the Redwoods League

Statement of Functional Expenses (in thousands)

Year Ended March 31, 2021 (with comparative totals for 2020)

	2021								2020 Total
	Protect	Restore	Connect	Total Program Services	General and Administrative	Development	Special Events	Total	
Operating Expenses:									
Salaries and benefits	\$ 1,803	\$ 938	\$ 1,311	\$ 4,052	\$ 1,363	\$ 1,989		\$ 7,404	\$ 4,659
Professional restoration and stewardship services	52	9,552	320	9,924				9,924	6,830
Grants	15	4,138	991	5,144				5,144	3,691
Project management fees	209	1,712	933	2,854				2,854	1,218
Professional services and fees	358	319	108	785	329	1,105		2,219	2,116
Rent and office expenses	208	151	157	516	190	252		958	923
Marketing and public relations	130	60	36	226	354	477		1,057	1,324
Travel and meetings	21	124	6	151	6	22	\$ 2	181	364
Property taxes and interest expense	80	2		82				82	96
Postage and supplies	12	9	9	30	39	39		108	107
Insurance	18	13	14	45	17	21		83	73
Meetings and events	1	1	1	3	4		27	34	611
Technology and equipment	51	37	38	126	94	217		437	370
Depreciation expense	50	36	38	124	46	59		229	236
Other expenses	100	146	4	250	15	64	25	354	239
Visitor Center				-				-	1,762
Total operating expenses	3,108	17,238	3,966	24,312	2,457	4,245	54	31,068	24,619
Land Transactions and Conservation									
Easements:									
Conservation easement acquisition	5,675			5,675				5,675	-
Total land transactions and conservation easements expenses	5,675	-	-	5,675	-	-	-	5,675	-
Total Expenses	\$ 8,783	\$ 17,238	\$ 3,966	\$ 29,987	\$ 2,457	\$ 4,245	\$ 54	\$ 36,743	\$ 24,619

See accompanying notes to the financial statements.

Save the Redwoods League

Statement of Cash Flows (in thousands)

<i>Year Ended March 31, 2021 (with comparative totals for 2020)</i>	2021	2020
Cash Flows from Operating Activities:		
Change in net assets	\$ 23,170	\$ 3,100
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Fair market value of real estate acquired	(14,025)	(15,725)
Forgiveness of Paycheck Protection Program loan	(1,174)	
Depreciation	229	236
Construction costs charged to expense		1,762
Impairment loss		43
Net realized and unrealized (gain) loss on investments	(13,684)	4,714
Gain on sale of donated securities		(11)
Stock donations for long-term purposes		(5,673)
Contribution of real estate		(893)
Changes in:		
Government contracts, contributions and bequests receivable	1,009	(2,870)
Prepaid expenses and other assets	17	(136)
Deposits for land transactions	2,650	810
Charitable trust assets	(50)	527
Accounts payable and accrued expenses	(265)	949
Grants payable	1,825	143
Refundable advance	(1,298)	1,250
Liabilities under unitrust agreements	91	258
Net cash used in operating activities	(1,505)	(11,516)
Cash Flows from Investing Activities:		
Purchase of investments	(18,558)	(76,852)
Proceeds from sale of investments	19,339	80,878
Purchase of property and equipment	(4)	(996)
Net cash provided by investing activities	777	3,030
Cash Flows from Financing Activities:		
Proceeds from line of credit	1,000	1,000
Payments on line of credit	(2,000)	
Proceeds from Payroll Protection Program loans (Note 6)	2,352	
Proceeds from stock donations for long-term purpose		5,680
Net cash provided by financing activities	1,352	6,680
Net Change in Cash and Cash Equivalents	624	(1,804)
Cash and Cash Equivalents, beginning of year	6,182	7,986
Cash and Cash Equivalents, end of year	\$ 6,806	\$ 6,182
Supplemental Information:		
Cash paid during the year for:		
Interest	\$ 13	\$ 19
Unrelated business income tax		\$ 14
Non-cash transaction from operating activities:		
Reclassification of charitable trust assets to contributions receivable	\$ 705	

See accompanying notes to the financial statements.

Save the Redwoods League

Notes to Financial Statements (dollars in thousands)

Note 1 - Organization:

Save the Redwoods League (the League) is a non-profit corporation organized to protect the redwood lands and has been in operation for over 100 years. The League is 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.

- The League protects redwood forests and the surrounding lands and waterways needed to nurture them, either by acquisition or by conservation easement.
- The League restores land that has been logged to accelerate the regeneration of old growth form and function.
- The League connects 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 to complete 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.

Note 2 - Significant Accounting Policies:

a. Basis of Accounting and Presentation

The League uses the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and reports information regarding its financial position and activities according to two classes of net assets.

Net Assets without donor restrictions: The portion of net assets that is subject to neither time nor donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the League. The Board of Directors has designated approximately \$82,700 of net assets without donor restrictions (see Note 7).

Save the Redwoods League

Notes to Financial Statements (dollars in thousands)

Net Assets with donor restrictions: The portion of net assets whose use by the League is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the League. Net assets with donor restrictions also include a portion of net assets consisting of contributions to endowment funds where the donor indicated that a portion of the fund be retained 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.

b. Revenue Recognition

Contributions and grants are recognized when the donor/grantor makes an unconditional promise to give to the League. Amounts that are restricted by the donor/grantor are reported as increases in net assets with donor restrictions. 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.

The League is the beneficiary under various wills and trust agreements, the total realizable amount of which is not presently determinable. Such amounts are recognized in the League's financial statements as bequests receivable when clear title is established, and the proceeds are measurable. In any given year, the League will hold its books of record open through May 31 to record bequest revenue and the amount recorded must be reasonably estimated using the court documents or through communication with the estate's attorneys and/or Trustees.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows when a material impact is noted and are discounted at an appropriate discount rate. Amortization of the discounts is included in contribution revenue. The League uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific promises made.

Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met (Note 3).

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 to be distributed and their value. A 7.5% contingency provision is deducted from the receivables to account for fluctuations in the value of assets and closing costs.

Save the Redwoods League

Notes to Financial Statements (dollars in thousands)

Testamentary pledges – The League receives testamentary pledges, whereby, the donor will fulfill the pledge against their estate upon dissolution. These pledges are discounted to 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 – Government grants awarded on a cost reimbursement basis are considered conditional grants and the revenue is recognized when the condition is met, that is, when allowable costs have been incurred. The League was awarded cost-reimbursable grants of \$7,292 that have not been recognized at March 31, 2021 because qualifying expenditures have not yet been incurred (see Note 3).

c. 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.

d. Cash and Cash Equivalents

The League considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents and not held for investment purposes. Restricted cash of \$37 is held for the maintenance of a grove.

e. Investments

Investments are reported at fair value. Changes in fair values as well as realized gains and losses are reflected in the Statement of Activities and Changes in Net Assets. Dividend and interest income are accrued when earned. Investments received through gifts are recorded at estimated fair value at the date of donation.

Gains and losses that result from market fluctuations are recognized in the Statement of Activities and Changes in Net Assets in the period such fluctuations occur. Dividend and interest income are accrued when earned.

Restricted investments of \$1,220 for the year ended March 31, 2021 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.

Save the Redwoods League

Notes to Financial Statements (dollars in thousands)

f. Fair Value Measurements

The League carries certain assets and liabilities at fair value. 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 three levels, and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

g. 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 term 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.

Depreciation expense for the year ended March 31, 2021 was \$229.

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, the cumulative costs of \$1,762 as of March 31, 2020 have been expensed.

Save the Redwoods League

Notes to Financial Statements (dollars in thousands)

h. Land and Property Acquisitions

Real Estate Held:

Real estate held is recorded at fair value at the date of acquisition. 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 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 value at the time of disposition. No such revaluations occurred during the year ended March 31, 2021. 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.

The League held a total of 27 properties with a recorded value of \$76,188 as of March 31, 2021, spread throughout the natural redwood and sequoia ranges.

Land conveyance is recognized at fair value of the land transferred at the time of transfer. 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 the year ending March 31, 2021. Net assets with donor restrictions are released from restriction upon the sale or exchange of land.

Easements:

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 was a conservation easement acquisition for a value of \$5,675 in the year ended March 31, 2021.

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.

Save the Redwoods League

Notes to Financial Statements (dollars in thousands)

i. 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, 2021. 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, using an assumed investment rate of 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 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.

j. 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.

Save the Redwoods League

Notes to Financial Statements (dollars in thousands)

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 from which to spend or appropriate from the endowment at this time. As a result, the League has appropriated zero for spending in 2021.

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 9).

Save the Redwoods League

Notes to Financial Statements (dollars in thousands)

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.

k. Contributed Services and Goods

Contributions of services are recognized when received if such services (a) enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. Contributed goods are recognized as in-kind revenues at their estimated fair value. For the year ended March 31, 2021, the League recognized in-kind goods of \$17.

l. 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. Grants payable as of March 31, 2021 were paid subsequent to year end.

m. 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 to allocate time and effort by staff member based on their direct conduct and direct supervision, where applicable, and apply it to the allocable expenses.

Save the Redwoods League

Notes to Financial Statements (dollars in thousands)

n. Income Taxes

The League is a tax-exempt organization under the Internal Revenue Code, Section 501(c)(3) and related California code sections. Accordingly, no provision for income taxes on income has been reflected in these financial statements.

The League follows the guidance on accounting for uncertainty in income taxes issued by Financial Accounting Standards Board (FASB) ASC Topic 740. As of March 31, 2021, management evaluated the League's tax positions and concluded that the League had maintained its tax-exempt status and had taken no uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

o. Comparative Information and Reclassifications

The financial statements include certain comparative information for which the prior year information is summarized in total but not by net asset class. Accordingly, such information should be read in conjunction with the League's financial statements for the year ended March 31, 2020, from which the summarized information is derived.

Certain reclassifications have been made to the 2020 financial statements in order to conform to the 2021 presentation. These reclassifications had no impact on net assets or changes in net assets.

p. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates based on assumptions. Those estimates affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

q. Recent Accounting Pronouncements

Pronouncement Effective in the Future:

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize, at commencement date, a lease liability representing the lessee's obligation to make payments arising from the lease and a right-of-use asset representing the lessee's right to use, or control the use of, a specified asset for the lease term. This guidance is effective for fiscal years beginning after December 15, 2021. The League is currently evaluating the impact of adopting this new guidance on its financial statements.

Save the Redwoods League

Notes to Financial Statements (dollars in thousands)

In January 2018, the FASB issued ASU 2018-01, *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*. The amendments in the update provide an optional transition practical expedient to not evaluate under Topic 842 existing or expired land easements that were not previously accounted for as leases under the current lease guidance in Topic 840. An entity that elects this practical expedient should evaluate new or modified land easements under Topic 842 beginning at the date that the entity adopts Topic 842, which will be effective for the League for its fiscal year ending March 31, 2023. An entity that does not elect this practical expedient should evaluate all existing or expired land easements in connection with the adoption of the new lease requirement in Topic 842 to assess whether they meet the definition of a lease. The League is currently evaluating the impact of this pronouncement on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU changes the required presentation for in-kind contributions other than contributed services. The first element will require separate presentation on the Statement of Activities and the second element will require additional disclosure about how the in-kind gifts were utilized (in which program or part of management and general or fundraising), donor restrictions associated with the gifts and valuation techniques employed. The ASU is effective for fiscal years beginning after June 15, 2021 with early adoption permitted. The League is currently evaluating the impact of adopting this new guidance on its financial statements.

r. Subsequent Events

The League evaluated subsequent events with respect to the financial statements for the year ended March 31, 2021 through August 11, 2021, the date the financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure, except as discussed in Notes 21 and 6.

Save the Redwoods League

Notes to Financial Statements (dollars in thousands)

Note 3 - Government Contracts, Contributions and Bequests Receivable:

Government contracts, contributions, and bequests receivable consist of the following as of March 31, 2021:

	Gross	Allowance	Discount	Net
Government contracts receivable	\$ 3,741			\$ 3,741
Contributions receivable, net	6,606	\$ (351)	\$ (146)	6,109
Bequests receivable, net	6,286	(332)	(1,363)	4,591
Total	\$ 16,633	\$ (683)	\$ (1,509)	\$ 14,441

Government contracts, contributions, and bequests receivable are expected to be collected as follows as of March 31, 2021:

Within one year	\$ 9,973
Within two to five years	3,788
Thereafter	2,872
	16,633
Less: discount	(1,509)
Less: allowance	(683)
	\$ 14,441

The League has received the following conditional promises to give that are not recognized as revenue in the accompanying financial statements as of March 31, 2021:

Government grants upon incurring allowable project expenses	\$ 7,292
Conditional gift upon completion of project	150
	\$ 7,442

Save the Redwoods League

Notes to Financial Statements (dollars in thousands)

Note 4 - Investments and Fair Value Measurements:

The table below presents the balances of assets and liabilities measured at fair value at March 31, 2021 on a recurring basis, and the composition of investments at March 31, 2021:

	Total	Level 1	Level 2
Investments:			
Cash and cash equivalents	\$ 1,276	\$ 1,276	
Equities:			
U.S. large cap	19,910	19,910	
U.S. mid cap	2,396	2,396	
Developed markets	10,485	10,485	
Emerging markets	5,281	5,281	
Mutual funds	1,277	1,277	
Fixed income funds:			
Core fixed income funds	23,705	23,705	
Total investments	64,330	64,330	
Charitable Trust Assets (Held by the League):			
Cash and cash equivalents	19	19	
Equities:			
U.S. large cap	292	292	
U.S. mid and small cap	95	95	
Developed markets	149	149	
Emerging markets	32	32	
Fixed income:			
Taxable U.S. bond funds	182	182	
Real estate investment fund	36	36	
Charitable Trust Receivable (Held by Others)	4,283		\$ 4,283
Total charitable trust assets	5,088	805	4,283
Total	\$ 69,418	\$ 65,135	\$ 4,283
Liabilities:			
Liability to beneficiaries	\$ (259)		\$ (259)
Deferred compensation	(90)		(90)
Total	\$ (349)		\$ (349)

Save the Redwoods League

Notes to Financial Statements (dollars in thousands)

Investments include \$1,404 in endowment funds that are managed in accordance with the League's endowment policy and are not immediately available for operations (Note 9).

Net investment income is comprised of the following as of March 31, 2021:

Interest and dividends	\$	1,535
Realized gain on sale of investments, net		771
Unrealized gain (loss) on investments, net		12,682
Investment advisory fees		(169)
		<hr/>
	\$	14,819

Note 5 - Charitable Trust Assets:

Charitable trust assets consist of the following as of March 31, 2021:

Charitable gift annuities, net of discount of \$777	\$	4,283
Assets held in charitable trusts in which the League is both trustee and secondary beneficiary		805
		<hr/>
Total	\$	5,088

Note 6 - Notes Payable and Line of Credit:

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 matures on the earlier of July 8, 2021 or the date of sale of property to the Bureau of Land Management. This loan was repaid subsequent to year end on May 28, 2021.

Save the Redwoods League

Notes to Financial Statements (dollars in thousands)

Paycheck Protection Program Note Payable

In April 2020, the League applied for and received funds of \$1,174 from the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides loans to qualifying businesses in amounts up to 2.5 times of the average monthly payroll expenses. The loans and accrued interest may be forgivable as long as the League uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its personnel levels. The amount of loan forgiveness will be reduced if certain requirements are not met. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1% per annum. If the League submits its loan forgiveness application within ten months of the completion of its loan forgiveness covered period, the League will not be required to make any payments until the forgiveness amount has been communicated by the lender. During the fiscal year, the League successfully applied to convert the loan to a grant and it is reflected as other changes in net assets in the Statement of Activities and Changes in Net Assets.

In January 2021, the League was awarded a second PPP loan of \$1,178, which is outstanding as of March 31, 2021 and bears interest at a fixed rate of 1.0% per annum. The loan could be eligible for forgiveness if specific requirements are met. If any or all of the loan is not forgiven, the unforgiven balance must be repaid by the maturity date of the loan which is five years from the date of disbursement. The League intends to use the proceeds for purposes consistent with the PPP. While the League currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, the League cannot assure that it will not take actions that could cause the League to be ineligible for forgiveness of the loan, in whole or in part.

Line of Credit

The League has an operating line of credit (LOC) of up to \$12,000. There was no LOC balance at March 31, 2021. 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, the rate at March 31, 2021 was 1.32%. The LOC expires January 31, 2022 and can be terminated at any time either by the League or the financial institution. The LOC may only be utilized for program related projects.

Save the Redwoods League

Notes to Financial Statements (dollars in thousands)

Note 7 - Board-Designated Net Assets:

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;
- 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 were as follows as of March 31, 2021:

Land and Conservation Easement Stewardship Fund	\$ 19,700
Park Enhancement Fund	29,300
Land and Conservation Easement Acquisition Opportunity Fund	10,000
Science and Education Fund	5,600
Operating Expense Reserve Fund	18,100
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Total Board designated net assets	\$ 82,700

The Board designated operating expense reserve fund is available for use by the League without any action required by the Board.

Save the Redwoods League

Notes to Financial Statements (dollars in thousands)

Note 8 - Net Assets With Donor Restrictions:

Net assets with donor restrictions as of March 31, 2021 were as follows:

Time and purpose restrictions:	
Land acquisition	\$ 50,770
Stewardship and restoration	4,361
Park enhancements	774
Education and park support	428
General program	3,078
With time restrictions including charitable trusts and bequests	6,298
	<hr/>
Total time and purpose restrictions	65,709
	<hr/>
Perpetual restrictions:	
Endowment funds	1,404
	<hr/>
Total net assets with donor restrictions	\$ 67,113

Land acquisition includes donations used to acquire properties which are a component of real estate held on the Statement of Financial Position. The League's policy is to release the related contributions used to purchase the properties at the time they are conveyed to a third party. The League did not convey any properties during the year ended March 31, 2021 (see Note 2h).

Net assets released from donor restrictions during the year ended March 31, 2021 were as follows:

Expiration of time restrictions	\$ 2,154
Satisfaction of purpose restrictions:	
Stewardship and restoration	12,543
Park enhancement	988
Education and park support	399
Science	577
General program	2,568
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	19,229
Conservation easement acquisition	5,675
	<hr/>
Total net assets released from restrictions	\$ 24,904

Save the Redwoods League

Notes to Financial Statements (dollars in thousands)

Note 9 - Endowments:

Changes in donor restricted endowment funds for the year ended March 31, 2021 were as follows:

Endowment net assets, beginning of year	\$	810
Change in endowment net assets:		
Interest and dividends		72
Unrealized gain		521
Contributions		1
<hr/>		
Change in endowment net assets		594
<hr/>		
Endowment net assets, end of year	\$	1,404

Note 10 - Availability of Financial Assets and Liquidity:

The League's financial assets available for general expenditures as of March 31, 2021 are determined as follows:

Financial assets at year end:		
Cash and cash equivalents	\$	6,806
Government contracts receivable		3,741
Contributions receivable, net		6,109
Bequests receivable, net		4,591
Investments		64,330
<hr/>		
Total financial assets		85,577
Less amounts not available to be used within one year:		
Board designated net assets		(82,700)
Net assets with donor restrictions, including long-term receivables, endowments, and charitable trust assets		(67,113)
Add:		
Board designated operational reserve fund available for use		18,100
Net assets with donor restrictions expected to be met within one year		4,915
Net assets with donor restrictions used to purchase real estate held		49,286
Net assets with donor restrictions included in charitable trust assets		4,739
<hr/>		
		(72,773)
<hr/>		
Financial assets available to meet general expenditures within one year	\$	12,804

Save the Redwoods League

Notes to Financial Statements (dollars in thousands)

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.

The League has available a line of credit of up to \$12,000 which can be drawn for program related projects (see Note 6). The Board designated operational reserve fund is available for use by the League without any action required by the Board (see Note 7).

Note 11 - 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 was 3% for 2021. The total expense related to the 401(k) Plan was \$423 for the year ended March 31, 2021.

Note 12 - 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, 2021, 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, 2021, the League held investments in excess of the SIPC insurance limits.

Save the Redwoods League

Notes to Financial Statements (dollars in thousands)

Government contracts, contributions and bequests 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, 2021, there were two donors/grantors who accounted for 27% of the revenue from government grants, contributions and bequests.

For the year ended March 31, 2021, there were two donors who accounted for 26% of the receivables balance for government contracts, contributions and bequests.

Note 13 - 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 lease are summarized as follows:

Year Ending March 31,	Cash	Expense	Deferral
2022	\$ 803	\$ 746	\$ 57
2023	827	746	81
2024	852	746	106
2025	653	560	93
	<u>\$ 3,135</u>	<u>\$ 2,798</u>	<u>\$ 337</u>

Rent expense for the year ended March 31, 2021 was \$746.

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.

Real Estate Held – California Fires

During the year ended March 31, 2021, the State of California suffered through multiple devastating fires, which were greatly exacerbated due to the ongoing prolonged drought conditions. The League owns two properties which suffered fire damage, one in the coastal redwood range and the other in the sequoia range.

Save the Redwoods League

Notes to Financial Statements (dollars in thousands)

Preliminary assessments by outside experts indicate that the land values of both properties have not changed as a result of the fires. The timber values currently have not decreased post-fire because the properties now meet the definition of substantially damaged timberland per the California Forest Practice Rules. Given the increased harvest level allowed under these rules, and the reduced logging and permitting costs, the present net timber value of the properties, at the minimum, meet the previously appraised values and may have actually increased due to the fire. The timber value of both properties will likely have some undetermined diminution in value once the timber harvest restrictions are reimposed and the trees which have died are no longer commercially harvestable. The League will conduct more thorough assessments to determine the lasting effects on the timber value elements of the properties.

Note 14 - Pandemic:

On March 11, 2020, the World Health Organization publicly characterized a novel strain of the coronavirus (COVID-19) as a pandemic and recommended containment and mitigation measures worldwide. States of emergency were declared in many U.S. federal, state and local jurisdictions and shelter in place orders instituted in many countries, cities and states, including California, which impacted general business operations in most industries and sectors.

During the year ended March 31, 2021, all staff sheltered in place and worked remotely, employee travel was restricted, events were postponed or canceled, and contingency plans for operations were developed. Despite the limitations, the League managed to continue its operations. Throughout the period, management actively monitored the impact of the pandemic on its financial condition, liquidity, operations, and workforce. The substantial government intervention calmed the markets and, with the two PPP loans and the effective use of technology, the League was able to successfully pursue the mission and accomplish the goals of the annual plan.

In the new fiscal year ending March 31, 2022, as restrictions are lifted, the League has resumed outdoor meetings and activities with partners and donors. The League expects operations to continue to operate, and it is not expected that the ongoing situation will have a significantly negative impact on the League's programmatic work or fundraising activities.