

SAVE THE REDWOODS LEAGUE

MARCH 31, 2022

INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS

Save the Redwoods League

Independent Auditors' Report and Financial Statements

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Independent Auditors' Report

THE AUDIT COMMITTEE
SAVE THE REDWOODS LEAGUE
San Francisco, California

Opinion

We have audited the financial statements of **SAVE THE REDWOODS LEAGUE (the League)**, which comprise the statement of financial position as of March 31, 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the League as of March 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the League and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the League's ability to continue as a going concern for one year from the date of this report.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

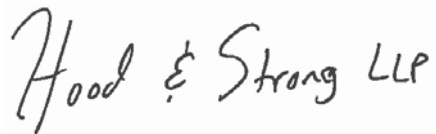
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the League's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the League's March 31, 2021 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated August 11, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2021, 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 8, 2022

Save the Redwoods League

Statement of Financial Position (in thousands)

<i>March 31, 2022 (with comparative totals for 2021)</i>	2022	2021
Assets		
Cash and cash equivalents	\$ 7,038	\$ 6,806
Government contracts receivable	2,105	3,741
Contributions receivable, net	5,541	6,109
Bequests receivable, net	8,230	4,591
Investments	63,188	64,330
Prepaid expenses and other assets	681	583
Property and equipment, net	530	610
Charitable trust assets	5,346	5,088
Real estate held	107,553	76,188
Total assets	\$ 200,212	\$ 168,046
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,309	\$ 2,402
Grants payable	623	1,968
Notes payable	15,768	2,278
Liabilities under unitrust agreements	302	349
Total liabilities	19,002	6,997
Net Assets:		
Without donor restrictions:		
Undesignated	5,798	11,236
Board designated	93,800	82,700
Total net assets without donor restrictions	99,598	93,936
With donor restrictions	81,612	67,113
Total net assets	181,210	161,049
Total liabilities and net assets	\$ 200,212	\$ 168,046

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, 2022 (with comparative totals for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating Revenue and Public Support:				
Contributions and grants	\$ 7,556	\$ 26,775	\$ 34,331	\$ 11,155
Bequests	8,612	909	9,521	7,051
Government contract revenue	32	6,971	7,003	11,594
Special event revenue	85	616	701	645
Change in value of split interest agreements		126	126	881
Other income	520		520	88
Net assets released from restrictions	15,507	(15,507)	-	-
Total operating revenue and public support	32,312	19,890	52,202	31,414
Operating Expenses:				
Program services	21,825		21,825	24,312
General and administrative	2,670		2,670	2,457
Development	4,281		4,281	4,245
Special events	130		130	54
Total operating expenses	28,906	-	28,906	31,068
Change in net assets related to operating activities	3,406	19,890	23,296	346
Land Transactions and Conservation Easements:				
Contributions and grants			-	5,050
Government contract revenue		50	50	7,456
Land deeded to others	(4,060)		(4,060)	-
Conservation easement acquisition expense			-	(5,675)
Revaluation of land	(1,475)		(1,475)	-
Net assets released from restrictions	5,585	(5,585)	-	-
Change in net assets related to land transactions and conservation easements	50	(5,535)	(5,485)	6,831
Other Changes in Net Assets:				
Investment income, net	1,028	144	1,172	14,819
Forgiveness of Paycheck Protection Program loan	1,178		1,178	1,174
Change in other changes in net assets	2,206	144	2,350	15,993
Change in Net Assets	5,662	14,499	20,161	23,170
Net Assets, beginning of year	93,936	67,113	161,049	137,879
Net Assets, end of year	\$ 99,598	\$ 81,612	\$ 181,210	\$ 161,049

See accompanying notes to the financial statements.

Save the Redwoods League

Statement of Functional Expenses (in thousands)

Year Ended March 31, 2022 (with comparative totals for 2021)

	2022							2021	
	Protect	Restore	Connect	Total Program Services	General and Administrative	Development	Special Events	Total	Total
Operating Expenses:									
Salaries and benefits	\$ 1,991	\$ 1,492	\$ 1,233	\$ 4,716	\$ 1,441	\$ 1,930		\$ 8,087	\$ 7,404
Professional restoration and stewardship services	174	5,390	518	6,082				6,082	9,924
Grants	745	4,319	1,117	6,181				6,181	5,144
Project management fees	339	1,219	596	2,154				2,154	2,854
Professional services and fees	412	188	279	879	345	1,043	\$ 71	2,338	2,219
Rent and office expenses	207	218	130	555	173	223		951	958
Marketing and public relations	168	73	114	355	407	534		1,296	1,057
Travel and meetings	52	134	24	210	19	60	6	295	181
Property taxes and interest expense	271	4		275				275	82
Postage and supplies	10	10	6	26	35	29		90	108
Insurance	24	21	12	57	16	21		94	83
Meetings and events		2	1	3	27	35	45	110	34
Technology and equipment	54	56	34	144	84	154		382	437
Depreciation expense	40	43	25	108	34	44		186	229
Other expenses	36	10	34	80	89	208	8	385	354
Total operating expenses	4,523	13,179	4,123	21,825	2,670	4,281	130	28,906	31,068
Land Transactions and Conservation									
Easements:									
Land deeded to others	\$ 4,060			\$ 4,060				\$ 4,060	
Revaluation of land	1,475			1,475				1,475	
Conservation easement acquisition				-				-	\$ 5,675
Total Expenses	\$ 10,058	\$ 13,179	\$ 4,123	\$ 27,360	\$ 2,670	\$ 4,281	\$ 130	\$ 34,441	\$ 36,743

See accompanying notes to the financial statements.

Save the Redwoods League

Statement of Cash Flows (in thousands)

<i>Year Ended March 31, 2022 (with comparative totals for 2021)</i>	2022	2021
Cash Flows from Operating Activities:		
Change in net assets	\$ 20,161	\$ 23,170
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Fair value of real estate acquired	(36,900)	(14,025)
Forgiveness of Paycheck Protection Program loan	(1,178)	(1,174)
Depreciation	186	229
Revaluation of land	1,475	
Net realized and unrealized gain on investments	(73)	(13,684)
Stock donations for long-term purposes	(5,174)	
Land deeded to others	4,060	
Changes in:		
Government contracts, contributions and bequests receivable	(1,435)	1,009
Prepaid expenses and other assets	(68)	17
Deposits for land transactions	(30)	2,650
Charitable trust assets	(258)	(50)
Accounts payable and accrued expenses	(76)	(265)
Grants payable	(1,345)	1,825
Refundable advance	(17)	(1,298)
Liabilities under unitrust agreements	(47)	91
Net cash used in operating activities	(20,719)	(1,505)
Cash Flows from Investing Activities:		
Purchase of investments	(17,821)	(18,558)
Proceeds from sale of investments	19,036	19,339
Purchase of property and equipment	(106)	(4)
Net cash provided by investing activities	1,109	777
Cash Flows from Financing Activities:		
Proceeds from line of credit	5,000	1,000
Payments on line of credit	(5,000)	(2,000)
Proceeds from notes payable	16,045	
Payments on notes payable	(1,377)	
Proceeds from Payroll Protection Program loans		2,352
Proceeds from stock donations for long-term purposes	5,174	
Net cash provided by financing activities	19,842	1,352
Net Change in Cash and Cash Equivalents	232	624
Cash and Cash Equivalents, beginning of year	6,806	6,182
Cash and Cash Equivalents, end of year	\$ 7,038	\$ 6,806
Supplemental Information:		
Cash paid during the year for:		
Interest	\$ 106	\$ 13
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 accounting principles generally accepted in the United States of America (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 other donor-imposed restrictions and may be expended for any purpose in carrying out the mission of the League. The Board of Directors has designated \$93,800 of net assets without donor restrictions (see Note 7).

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 the 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.

Save the Redwoods League

Notes to Financial Statements (Dollars in thousands)

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, or when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Unconditional promises to give to the League which are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give which are expected to be collected in future years are recorded at the present value of their estimated future cash flows 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 review of receivables.

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 and trusts – The League is the beneficiary under various wills and trust agreements. Contributions from estates and trusts are recognized in the League's financial statements on the following basis:

- a) *Estates or Trusts, with no probate*: the League only records bequest revenue for estates or trusts if the notices are received during the fiscal year, and the League has received a copy of the will or trust document and the estate's attorney or trustee has provided an estimated valuation of assets to be distributed by May 31.
- b) *Estates or Trusts, with probate*: same as the *Estates or Trusts, with no probate* above, with the additional requirement that the Notification of Probate has been received by the League and it is dated at least 120 days prior to March 31.

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 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.

Save the Redwoods League

Notes to Financial Statements (Dollars in thousands)

Government grants – Government grants awarded on a cost reimbursement basis or for a land or conservation easement acquisition are considered conditional grants and the revenue is recognized when the condition is met, that is, when allowable costs have been incurred, or the acquisition has been made. The League was awarded grants of \$20,588 that were not recognized at March 31, 2022 because qualifying expenditures or acquisition have not yet materialized (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 easement acquisitions; (b) expense 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 and realized gains and losses are reflected in the Statement of Activities and Changes in Net Assets in the period such fluctuations occur. Dividend and interest income are accrued when earned. Investments received through gifts are recorded at estimated fair value at the date of donation. The League holds restricted investments which are described in Note 4.

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 - Unadjusted quoted market prices in active markets for identical assets or liabilities that the League 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.

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Notes to Financial Statements (Dollars in thousands)

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 ten 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.

Depreciation expense for the year ended March 31, 2022 was \$186.

h. Land Transactions and Conservation Easements

Real Estate Held:

Real estate held is recorded at fair value at the date of acquisition. A certified general appraiser determines fair value at the time of the negotiation for the acquisition of real estate from the seller. Except in the rare circumstance that a significant impairment occurs, real estate held remains at the fair value at acquisition until a new appraisal establishes fair value at the time of disposition. 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. Transfers of property may frequently be a lengthy process.

The League held a total of 27 properties with a recorded value of \$107,553 as of March 31, 2022. These properties are 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 the carrying amount of the land. The League acquired one property for \$36,900 and divested another property valued at \$4,060 during the year ended March 31, 2022.

During the year ended March 31, 2022, in advance of anticipated transfers of three properties to public agencies, new appraisals were conducted which resulted in a total reduction of \$1,475 from the original fair values.

Net assets with donor restrictions are released from restriction upon the sale or exchange of related land.

Save the Redwoods League

Notes to Financial Statements (Dollars in thousands)

Easements:

Conservation easements are expensed as a program expense in the period in which they are acquired or donated to the League. Sales to public agencies of conservation easements on real estate held by the League are recorded as a decrease in the basis of the real estate held in the Statement of Financial Position.

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.

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 whereby present value is determined based on the fair value of the assets at year end, the beneficiary payout rate, a discount rate of 6%, investment return of 6%, and the 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, 2022. 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 6%, a discount rate of 6%, 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 Statement 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 there is any distribution to the League.

Save the Redwoods League

Notes to Financial Statements (Dollars in thousands)

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 a goal of 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.

From time to time, the fair value of the assets associated with individual donor restricted endowment funds may fall below the historical gift value "corpus". As of March 31, 2022, the League had two funds with deficiencies totaling \$60. These deficiencies were reflected in net assets with donor restrictions (see Notes 4 and 8).

Fair value of underwater endowments	\$	885
Less: Original endowment gift amount		(945)
		<hr/>
	\$	(60)

These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions of donor-restricted endowment funds.

Spending Policy

In accordance with the State of California's enacted version of UPMIFA, the League considers the following factors in making a determination whether or not 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

Save the Redwoods League

Notes to Financial Statements (Dollars in thousands)

- 6) Other resources of the League
- 7) The investment policies of the League

General Endowment

The League has a policy of appropriating for distribution each year an amount of no more than 3% of its endowment fund average fair value over the prior 12 quarters through the calendar yearend 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 3% 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 the endowment at this time. As a result, there was no appropriation for spending in 2022.

Fish Run Place Endowments

A grantor established two endowments (the Funds) for the management, maintenance and preservation, and the conservation easement stewardship in perpetuity of the Fish Run Place property (Fish Run Place). The League transferred Fish Run Place to another entity and holds an easement over Fish Run Place. The League manages the Funds for the work to be completed by the entity as required in the Long-Term Management Plan (LTMP). All the earnings from the Funds are intended to provide the funding for the work on Fish Run Place. If the earnings from the Funds are insufficient to provide for the land management, maintenance and preservation of Fish Run Place, the entity shall prudently use such available funds (including corpus) to address the most critical management, maintenance and preservation needs of Fish Run Place.

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 6% 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 provided by individuals possessing those skills, which would typically need to be paid for, if not donated. Contributed goods are recognized as in-kind revenues at their estimated fair value.

l. Grants Payable and Expense

Unconditional grants are recognized as a grant expense and 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. Properties deeded to other organizations 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, 2022 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 some 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 a reasonable 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 taxes on income has been reflected in these financial statements.

As of March 31, 2022, 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, 2021, from which the summarized information is derived.

Certain reclassifications have been made to the 2021 financial statements in order to conform to the 2022 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 September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 will be effective for the League for its fiscal year ending March 31, 2023. 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 February 2016, the FASB issued 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 will be effective for the League for its fiscal year ending March 31, 2023. The League is currently evaluating the impact of adopting this new guidance on its financial statements.

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 not to 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.

r. Subsequent Events

The League evaluated subsequent events with respect to the financial statements for the year ended March 31, 2022 through August 8, 2022, 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 Note 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 consisted of the following as of March 31, 2022:

	Gross	Allowance	Discount	Net
Government contracts receivable	\$ 2,105			\$ 2,105
Contributions receivable, net	5,970	\$ (342)	\$ (87)	5,541
Bequests receivable, net	10,797	(612)	(1,955)	8,230
Total	\$ 18,872	\$ (954)	\$ (2,042)	\$ 15,876

Government contracts, contributions, and bequests receivable are expected to be collected as follows as of March 31, 2022:

Within one year	\$ 12,197
Within two to five years	3,053
Thereafter	3,622
	<u>18,872</u>
Less: discount	(2,042)
Less: allowance	(954)
	<u>\$ 15,876</u>

The League has received the following conditional promises to give that were not recognized as revenue in the accompanying financial statements as of March 31, 2022:

Government grants upon incurring allowable project expenses	\$ 11,660
Conditional gift upon acquisition of a conservation easement	9,500
	<u>\$ 21,160</u>

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, 2022 on a recurring basis, and the composition of investments at March 31, 2022:

	Total	Level 1	Level 2
Investments:			
Cash and cash equivalents	\$ 5,317	\$ 5,317	
Equities:			
U.S. large cap	19,722	19,722	
U.S. mid cap	2,498	2,498	
Developed markets	11,340	11,340	
Emerging markets	5,173	5,173	
Mutual funds	1,466	1,466	
Fixed income funds:			
U.S. fixed income funds	17,672	17,672	
Total investments	63,188	63,188	
Charitable Trust Assets (Held by the League):			
Cash and cash equivalents	6	6	
Equities:			
U.S. large cap	378	378	
U.S. mid and small cap	78	78	
Developed markets	98	98	
Emerging markets	47	47	
Fixed income:			
Taxable U.S. bond funds	122	122	
Foreign developed and emerging debt	32	32	
Real estate securities fund	24	24	
Charitable Trust Receivable (Held by Others)	4,561		\$ 4,561
Total charitable trust assets	5,346	785	4,561
Total	\$ 68,534	\$ 63,973	\$ 4,561
Liabilities:			
Liability to beneficiaries	\$ (302)		\$ (302)
Deferred compensation	(80)		(80)
Total	\$ (382)		\$ (382)

Save the Redwoods League

Notes to Financial Statements (Dollars in thousands)

Investments as summarized above include:

- General Endowment - \$1,597 in endowment funds that are managed in accordance with the League's endowment policy and are not immediately available for operations (Note 9).
- Fish Run Place Endowments - \$885 for the management, maintenance and preservation of Fish Run Place and for the monitoring and enforcement of a conservation easement of Fish Run Place (Notes 8 and 9).
- Restricted investments of \$1,211 for the year ended March 31, 2022. 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.

Net investment income is comprised of the following as of March 31, 2022:

Interest and dividends	\$ 1,289
Realized gain on sale of investments, net	698
Unrealized loss on investments, net	(625)
Investment advisory fees	(190)
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	\$ 1,172

Note 5 - Charitable Trust Assets:

Charitable trust assets consist of the following as of March 31, 2022:

Charitable gift annuities, net of discount of \$99	\$ 4,561
Assets held in charitable trusts in which the League is both trustee and secondary beneficiary	<hr/> 785
Total	<hr/> \$ 5,346

Save the Redwoods League

Notes to Financial Statements (Dollars in thousands)

Note 6 - Notes Payable and Line of Credit:

Notes Payable

During the year ended March 31, 2022, the League obtained a note payable (the Note) from an institution for \$15,045 to fund the acquisition of a property in Mendocino County (the Property). The Note bears a fixed interest rate of 3.15% per annum and the Note is secured by the Property. The Note is payable in monthly installments of \$271 and matures February 1, 2027. The balance of the Note was \$14,768 as of March 31, 2022. The League is subject to various nonfinancial covenants under the note agreement and the League was in compliance with all these covenants as of March 31, 2022.

To finance the Property acquisition, the League also obtained an unsecured loan from an unrelated donor for \$1,000, payable in total by December 2024 and bearing an interest rate of 0.33% per annum with interest-only payments made annually.

Annual maturities of notes payable were as follows:

Year Ending March 31,		
2023	\$	2,832
2024		2,922
2025		4,016
2026		3,112
2027		2,886
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Total	\$	15,768

Subsequent to the fiscal year-end, in May 2022, the League obtained the following additional funding:

- a program-related investment loan from a foundation for \$5,000, bearing an interest rate of 0.5% per annum with interest-only payments made annually and payable in total at the earlier of May 24, 2026, or the date of transfer of the above-mentioned Property; and
- an interest-free loan of \$500 from an unrelated donor. This loan is payable in total on May 1, 2027.

In June 2022, the League used the proceeds from these two loans to pay down the Note, resulting in interest expense savings.

Save the Redwoods League

Notes to Financial Statements (Dollars in thousands)

Paycheck Protection Program Note Payable

In January 2021, the League applied for and was awarded a second loan of \$1,178 from the Paycheck Protection Program (PPP) with a fixed interest rate of 1% per annum. The loan was eligible for forgiveness if specific requirements were met. During the fiscal year, the League successfully applied to convert the loan into a grant, and it is reflected as other changes in net assets in the Statement of Activities and Changes in Net Assets.

Line of Credit

The League has an operating line of credit (LOC) of up to \$15,000. There was no balance outstanding as of March 31, 2022. The interest rate on the LOC is based on the Secured Overnight Financing Rate (SOFR) plus 1.3% and it is collateralized by investments held by the financial institution. The rate as of March 31, 2022 was 1.59%. The LOC expires January 31, 2023 and is renewable annually, however it can be terminated at any time either by the League or the financial institution. The LOC may only be utilized for program-related projects.

Note 7 - Board-Designated Net Assets:

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

- Land and Conservation Easement Stewardship and Defense Fund – to provide ongoing funding for the League's ad infinitum conservation easement monitoring obligations and for the stewardship of held land, and to provide funding for the enforcement of the League's conservation easements;
- Park Enhancement Fund – to provide funding for the projects and initiatives to support the coastal redwood 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 program;
- Operating Expense Reserve Fund – to provide the League with financial security and sustenance by holding a reserve of one year's operating expense.

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Notes to Financial Statements (Dollars in thousands)

Board designations of net assets without donor restrictions were as follows at March 31, 2022:

Land and Conservation Easement Stewardship and Defense Fund	\$ 20,500
Park Enhancement Fund	32,900
Land and Conservation Easement Acquisition Opportunity Fund	10,000
Science and Education Fund	5,600
Operating Expense Reserve Fund	24,800
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Total Board designated net assets	\$ 93,800

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

Note 8 - Net Assets with Donor Restrictions:

Net assets with donor restrictions as of March 31, 2022 were as follows:

Time and purpose restrictions:	
Land acquisition	\$ 66,406
Stewardship and restoration	4,313
Park enhancements	786
Education and park support	50
Science	15
With time restrictions including charitable trusts and bequests	7,560
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Total time and purpose restrictions	79,130
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Perpetual restrictions:	
General endowment funds	1,597
Fish Run Place Endowments	885
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Total perpetual restrictions	2,482
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Total net assets with donor restrictions	\$ 81,612

Save the Redwoods League

Notes to Financial Statements (Dollars in thousands)

During the year ended March 31, 2022, a grantor established two endowments for the management, maintenance and preservation of and for the conservation easement stewardship in perpetuity of Fish Run Place. The grantor provided an endowment of \$557 to fund the ongoing management, maintenance and preservation costs starting from April 1, 2024. The grantor also provided an endowment of \$388 to fund the conservation easement stewardship, including monitoring and enforcement of the said easement starting April 1, 2024. The endowments provide the flexibility to spend corpus and the available earnings.

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 conveyed one property during the year ended March 31, 2022 (see Note 2h).

Net assets released from donor restrictions during the year ended March 31, 2022 were as follows:

Expiration of time restrictions	\$	799
Satisfaction of purpose restrictions:		
Land		5,535
Conservation easement		50
Stewardship and restoration		8,132
Park enhancement		1,528
Education and park support		428
Science		52
General program		4,568
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Total net assets released from restrictions	\$	21,092

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, 2022 were as follows:

	General	Fish Run Place	Total
<u>Endowment net assets, beginning of year</u>	<u>\$ 1,404</u>		<u>\$ 1,404</u>
Change in endowment net assets:			
Contributions		\$ 945	945
Interest and dividends	42		42
Unrealized gain (loss)	151	(60)	91
<u>Change in endowment net assets</u>	<u>193</u>	<u>885</u>	<u>1,078</u>
<u>Endowment net assets, end of year</u>	<u>\$ 1,597</u>	<u>\$ 885</u>	<u>\$ 2,482</u>

Save the Redwoods League

Notes to Financial Statements (Dollars in thousands)

Note 10 - Availability of Financial Assets and Liquidity:

The League's financial assets available for general expenditures as of March 31, 2022 were as follows:

Financial assets at year end:	
Cash and cash equivalents	\$ 7,038
Government contracts receivable	2,105
Contributions receivable, net	5,541
Bequests receivable, net	8,230
Investments	63,188
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Total financial assets	86,102
Less amounts not available to be used within one year:	
Board designated net assets	(93,800)
Net assets with donor restrictions, including long-term receivables, endowments, and charitable trust assets	(81,612)
Add:	
Board designated operational reserve fund available for use	24,800
Net assets with donor restrictions expected to be met within one year	3,507
Net assets with donor restrictions used to purchase real estate held	65,150
Net assets with donor restrictions included in charitable trust assets	5,044
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	(76,911)
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Financial assets available to meet general expenditures within one year	\$ 9,191

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, a 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 \$15,000 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).

Save the Redwoods League

Notes to Financial Statements (Dollars in thousands)

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 (3%) and an employer matching contribution (up to 5%). The total expense related to the 401(k) Plan was \$416 for the year ended March 31, 2022.

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, 2022, 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 sound reputations. 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, 2022, the League held investments in excess of the SIPC insurance limits.

Government contracts, contributions and bequests revenue and receivables

The League's revenue is derived from individual contributions and bequests from throughout North America and beyond, state and federal grants, and investment income.

For the year ended March 31, 2022, there were two donors who accounted for 45% of the receivables balance for government contracts, contributions and bequests.

Save the Redwoods League

Notes to Financial Statements (Dollars in thousands)

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
2023	\$ 827	\$ 746	\$ 81
2024	852	746	106
2025	653	560	93
	<u>\$ 2,332</u>	<u>\$ 2,052</u>	<u>\$ 280</u>

Rent expense for the year ended March 31, 2022 was \$749.

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, 2022, the State of California suffered through multiple devastating fires, which were greatly exacerbated due to climate change-related prolonged drought conditions. The fires damaged two League-owned properties in the sequoia range.

The properties' land value is presumed to have been maintained, however the League does not have appraisals of the damage sustained to the timber values, therefore no adjustment is being made to the value of the two properties at this time.

Save the Redwoods League

Notes to Financial Statements (Dollars in thousands)

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, 2022, Covid restrictions were gradually relaxed, which permitted the League to conduct more in-person gatherings and increased travel to conduct programmatic work. The staff however continued to work remotely. Despite the constraints, the League was able to successfully adapt and continue its operations. Throughout the period, management actively monitored the impact of the pandemic on its financial condition, liquidity, operations, and workforce. With substantial government intervention through the PPP loans and the rollout of vaccines, and through the effective use of technology, the League was able to successfully pursue its mission and surpass the goals of the annual plan.