

# Save the Redwoods League

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## **REPORT ON AUDIT OF FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

for the year ended March 31, 2010, with comparative totals for 2009

# SAVE THE REDWOODS LEAGUE

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## C O N T E N T S

	<b>Page</b>
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5-20
Supplementary Information:	
Independent Auditors' Report on Supplementary Information	21
Schedule of Functional Expenses	22
Three-year Comparative Statements of Activities	23



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## INDEPENDENT AUDITORS' REPORT

The Audit Committee of  
Save the Redwoods League:

We have audited the accompanying statement of financial position of Save the Redwoods League (a nonprofit organization) (the League) as of March 31, 2010, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the League's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the League's 2009 financial statements and, in our report dated July 15, 2009, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Burr Pilger Mayer, Inc.*

San Francisco, California  
July 1, 2010

*Member of The Leading Edge Alliance*

**SAVE THE REDWOODS LEAGUE**  
**STATEMENT OF FINANCIAL POSITION**

March 31, 2010  
with comparative totals for 2009

	2010	2009
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,281,866	\$ 1,476,953
Restricted cash and cash equivalents	882,085	919,339
Interest receivable	418,144	466,647
Contributions receivable	1,572,182	3,028,610
Grants receivable	50,000	100,000
Other receivable	27,260	-
Investments	63,110,855	67,551,967
Real estate held	8,786,880	9,027,380
Contributions receivable from irrevocable trusts	2,081,562	1,503,406
Notes receivable	6,554,645	-
Property and equipment, net	99,885	96,121
Deposits on land purchase	1,031,100	10,000
Other assets	85,963	54,584
Endowment fund	378,423	244,309
	\$ 87,360,850	\$ 84,479,316
<b>Total assets</b>		
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 228,680	\$ 253,199
Accrued liabilities	338,452	466,703
Environmental remediation obligation	396,596	417,694
	963,728	1,137,596
<b>Total liabilities</b>		
Net assets:		
Unrestricted	53,231,027	45,895,920
Temporarily restricted	32,759,287	37,039,992
Permanently restricted	406,808	405,808
	86,397,122	83,341,720
<b>Total net assets</b>		
<b>Total liabilities and net assets</b>	\$ 87,360,850	\$ 84,479,316

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

**SAVE THE REDWOODS LEAGUE**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

for the year ended March 31, 2010  
with comparative totals for 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010	Total 2009
Revenue and public support:					
Contributions:					
Donations	\$ 2,984,182	\$ 351,380	\$ 1,000	\$ 3,336,562	\$ 6,852,913
Program and land acquisition contributions	-	2,408,222	-	2,408,222	15,170,718
Reforestation, restoration, research, and other contributions	-	462,530	-	462,530	909,488
In-kind contributions	12,897	-	-	12,897	30,273
Change in value of irrevocable trusts	-	609,331	-	609,331	(556,553)
Grants from state and federal agencies	-	5,000	-	5,000	5,000
Income (loss) from investments	5,660,494	-	-	5,660,494	(849,388)
Interest from loans	15,103	-	-	15,103	-
(Loss) gain on revaluation of land	(35,500)	-	-	(35,500)	18,500
Net gain on sale of land and right-of-way easement	10,000	-	-	10,000	-
Other income	29,993	-	-	29,993	43,506
Net assets released from restrictions	8,117,168	(8,117,168)	-	-	-
Total revenue and public support	<u>16,794,337</u>	<u>(4,280,705)</u>	<u>1,000</u>	<u>12,514,632</u>	<u>21,624,457</u>
Expenses:					
Program services:					
Land deeded to the State of California	565,000	-	-	565,000	1,971,000
Land deeded to the United States of America	1,105,000	-	-	1,105,000	1,220,500
Conservation easement expense	-	-	-	-	3,750,000
Redwood land program support	3,219,423	-	-	3,219,423	2,734,817
Education and research grants	198,951	-	-	198,951	254,682
Redwood reforestation grants	144,743	-	-	144,743	62,099
Climate change research grants	499,990	-	-	499,990	-
Other grants	365,806	-	-	365,806	218,778
Total program services	<u>6,098,913</u>	<u>-</u>	<u>-</u>	<u>6,098,913</u>	<u>10,211,876</u>
Support services:					
General and administrative	1,369,982	-	-	1,369,982	1,432,573
Fund-raising	1,990,335	-	-	1,990,335	1,945,978
Total support services	<u>3,360,317</u>	<u>-</u>	<u>-</u>	<u>3,360,317</u>	<u>3,378,551</u>
Total expenses	<u>9,459,230</u>	<u>-</u>	<u>-</u>	<u>9,459,230</u>	<u>13,590,427</u>
Change in net assets	7,335,107	(4,280,705)	1,000	3,055,402	8,034,030
Net assets, beginning of year	<u>45,895,920</u>	<u>37,039,992</u>	<u>405,808</u>	<u>83,341,720</u>	<u>75,307,690</u>
Net assets, end of year	<u>\$53,231,027</u>	<u>\$32,759,287</u>	<u>\$ 406,808</u>	<u>\$86,397,122</u>	<u>\$83,341,720</u>

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

## SAVE THE REDWOODS LEAGUE

### STATEMENT OF CASH FLOWS

for the year ended March 31, 2010  
with comparative totals for 2009

	2010	2009
Cash flows from operating activities:		
Increase in net assets	\$ 3,055,402	\$ 8,034,030
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Contributions restricted for investment in endowment	(1,000)	(17,474)
Donated easements	-	(3,270,000)
Land deeded	1,670,000	3,191,500
Loss on sale of land	5,000	-
Loss (gain) on revaluation of land	35,500	(18,500)
Conservation easement revalued	-	3,750,000
Depreciation	42,918	34,755
Net gain on sale of investments	(168,584)	(16,149)
Net unrealized (gain) loss on investments	(3,446,072)	3,398,728
Gain on sale of right-of-way easement	(15,000)	-
Donated investments	(95,564)	(195,246)
Changes in:		
Restricted cash	37,254	(375,279)
Interest receivable	48,503	53,079
Contributions receivable	1,456,428	(1,849,344)
Grants receivable	50,000	(100,000)
Other receivable	(27,260)	6,668
Contributions receivable from irrevocable trusts	(578,156)	711,361
Deposits on land purchase	(1,021,100)	10,000
Other assets	(31,379)	(2,120)
Accounts payable	(24,519)	49,464
Accrued liabilities	(128,251)	84,327
Environmental remediation obligation	(21,098)	(59,596)
Additional cash provided by (used in) real estate held land activities:		
Proceeds on sale of land	2,645,000	346,000
Acquisition of redwood lands	(4,100,000)	(1,996,500)
Net cash (used in) provided by operating activities	(611,978)	11,769,704
Cash flows from investing activities:		
Purchase of investments	(37,756,813)	(72,074,791)
Proceeds from maturities of investments	45,775,031	59,722,468
Issuance of notes receivable	(6,554,645)	-
Acquisition of property and equipment	(46,682)	(44,080)
Net cash provided by (used in) investing activities	1,416,891	(12,396,403)
Net increase (decrease) in cash and cash equivalents	804,913	(626,699)
Cash and cash equivalents, beginning of year	1,476,953	2,103,652
Cash and cash equivalents, end of year	\$ 2,281,866	\$ 1,476,953

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

**SAVE THE REDWOODS LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS**

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1. **Organization**

Save the Redwoods League (the League) exists to purchase and protect redwood forest lands in public parks in California, to encourage and support reforestation and conservation of California redwood forest areas, to provide support for California State Parks, to research and monitor redwoods and climate change and to foster and encourage a better understanding of the value of the primeval forests of America.

Many purchases of forest land require several years for completion because of their scale and complexity. The League may hold some land (reflected as real estate held) for several years before transfer to public ownership. These lands and forests are protected at the time of purchase and the League remains a steward of those lands until they are able to be transferred to a public agency for permanent protection. Programmatic accomplishment is only recognized at the time of divestment of the property, therefore program service expenses may vary significantly from one year to the next, without a commensurate reduction in support service costs. The League also acquires and holds conservation easements which are monitored on a regular basis. The supplemental schedule on page 23 provides additional context for review of programmatic accomplishments over a three year period.

The League has developed a Master Plan for the Redwoods that documents the scientific criteria for evaluating lands that are available for purchase in the coastal redwood range. The highest priority is given to lands that include any of the remaining 4% of the original ancient redwood forest strategically located to enhance the values of currently protected forest lands. Watershed protection and landscape-scale connections are also high priorities.

2. **Summary of Significant Accounting Policies**

**Basis of Presentation**

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the League are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net assets that are in accordance with specified activities or objectives.

Accordingly, all financial transactions have been recorded and reported by net assets group as follows:

***Unrestricted***

These generally result from revenues generated by receiving unrestricted contributions, receiving interest from bank(s) and notes receivable, receiving net realized and unrealized gains or losses from investments (unless time-restricted) less expenses incurred in providing related services, raising contributions, and performing administrative functions.

***Temporarily Restricted***

The League reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is met, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**SAVE THE REDWOODS LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS, Continued**

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2. **Summary of Significant Accounting Policies, continued**

**Basis of Presentation, continued**

***Permanently Restricted***

These stipulate that resources be maintained permanently but permit the League to use up or expend all of the income (or other economic benefits) derived from the donated assets.

**Endowments**

The State of California enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective January 1, 2009, the provisions of which apply to endowment funds existing on or established after that date. Additional disclosures about the League's endowment funds whether or not the League is subject to UPMIFA have been included for the year ending March 31, 2010.

**Interpretation of Relevant Law**

The Board of Directors (the Board) of the League has interpreted the State of California's enacted version of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the League classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts donated to the permanent endowment, and (3) additions to the permanent endowment in accordance with donor directions. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the League in a manner consistent with the standard of prudence prescribed by California's enacted version of UPMIFA.

**Spending Policies**

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

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**SAVE THE REDWOODS LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS, Continued**

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2. **Summary of Significant Accounting Policies, continued**

**Spending Policies, continued**

The League has a policy of appropriating for distribution each year an amount of up to 3 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the League considered the long-term expected return on its endowment. Accordingly, over the long term, the League expects the current spending policy to allow its endowment to grow at an average of between 4 to 7 percent annually. This is consistent with the League's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The endowment of the League is currently in a building stage and the Board believes that there is not a sufficient base with which to spend or appropriate from the endowment at this time. As a result, the League has appropriated zero percent for spending in the current year.

**Endowment Investment Policy—Return Objectives and Risk Parameters**

The League has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the League must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that approximate the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The League expects its endowment funds, over time, to provide an average rate of return of approximately 7 percent annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the League relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The League targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

**Endowment Fund**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the League to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$28,385 as of March 31, 2010. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board.

**SAVE THE REDWOODS LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS, Continued**

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2. **Summary of Significant Accounting Policies, continued**

**Revenue Recognition**

The financial statements of the League have been prepared on the accrual basis of accounting.

Contributions are recognized when the donor makes a promise to give to the League that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Cash from conditional gifts received prior to the conditions being met is classified as deferred income.

Contributions related to estates and charitable remainder trusts are recognized when the League has obtained a copy of a court order, or all of the following documents: letter of notification as beneficiary; trust agreement or will; and an estimate and/or list of assets and valuation to be distributed. The League does not record an allowance on their contributions receivable because historically, the League has collected all receivables. A 10% contingency provision is deducted from the receivables to cover any closing costs.

Unconditional promises to give due within one year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using the average rate the League is earning on its investments.

**Donated Land**

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

**Contributed Services and Goods**

Contributed professional services are recognized as in-kind revenues at their estimated fair value if they require specialized skills that would need to be purchased if they were not donated. Contributed goods are recognized as in-kind revenues at their estimated fair value. For the year ended March 31, 2010, the League recognized in-kind services of \$9,075 for legal and consulting services. For the year ended March 31, 2010, the League recognized in-kind goods of \$3,822.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and all highly liquid investments (primarily commercial paper) with original maturities of three months or less at date of purchase.

**Restricted Cash and Cash Equivalents**

These funds are required to be held in separate bank accounts and are restricted for the purpose of monitoring an easement to protect Marbled Murrelets, an endangered species of bird that nests in the ancient Redwoods, restoration and also to cover administrative costs of monitoring this easement. The balance at March 31, 2010 is \$882,085.

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**SAVE THE REDWOODS LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS, Continued**

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2. **Summary of Significant Accounting Policies, continued**

**Investments**

The League maintains liquidity sufficient to respond to conservation opportunities.

The League carries investments in marketable equity securities with readily determinable fair values and all investments in debt securities at their fair values. Investments received through gifts are recorded at estimated fair value at the date of donation. Gains or losses that result from market fluctuations are recognized in the period such fluctuations occur. For the year ended March 31, 2010, the League received \$95,564 in donated investments.

**Property and Equipment**

Property and equipment purchased are stated at cost and are capitalized if these expenditures are over \$3,000. Assets acquired by contribution or bequest are stated at market value at the date of acquisition.

Depreciation is provided using the straight-line method over the estimated useful life of three to seven years. Maintenance and repairs are charged to expense as incurred.

Leasehold improvements are recorded at cost and amortized over the shorter of their estimated useful lives or the terms of the applicable lease.

**Real Estate Held**

Real estate held is recorded at cost, which approximates fair market value, if purchased, or estimated fair value at the date of the gift, if donated. Except as the result of a transaction, the carrying amount of real estate acquired in prior periods is revised only when current data indicates that a significant decrease in value has occurred. No such revaluations occurred during the year ended March 31, 2010.

Real estate held is valued by a certified general appraiser at the time of negotiation for its acquisition from the seller. It is valued at its original fair market value at the time of acquisition and, except in the rare circumstance that there is a significant diminution in value, it remains at that same value until such time as a new appraisal establishes its current fair market value at the time of disposition. It is not a goal of the League to profit from its land transactions.

The majority of the League's real estate held is intended to be transferred to the California State Parks (the State). Transfer of property to the State is a lengthy process. Consistent with its historic business model, the League is seeking State matching funds for private funds contributed.

Transfer of the land to the State, or other conservation partner, is recognized at fair value of the land transferred on the date of transfer. A gain or loss on revaluation of land is recorded for the difference between the fair value upon reappraisal and the carrying amount of the land. At March 31, 2010, the League incurred a loss on revaluation of land of \$35,500. A gain or loss on sale of land or easement is recorded for the difference between the fair value upon transfer date and carrying amount of the land. At March 31, 2010, the League incurred a net gain on sale of land and right-of-way easement of \$10,000. Temporarily restricted net assets are released from restriction based on historical cost of the property.

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**SAVE THE REDWOODS LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS, Continued**

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2. **Summary of Significant Accounting Policies, continued**

**Fair Value of Financial Instruments**

The carrying amounts of the League's cash and cash equivalents, restricted cash and cash equivalents, interest receivable, deposits on land purchase, accounts payable, accrued liabilities, and environmental remediation obligation approximate fair value due to the relatively short period to maturity for these instruments.

The carrying amounts of notes receivable approximates fair value as of March 31, 2010 because interest rates on these instruments approximate market interest rates. A discount has not been applied due to the short term nature of the notes receivable.

In determining fair value, the League uses various valuation approaches. A hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the League. Unobservable inputs are inputs that reflect the League's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

*Level 1*—Valuations based on quoted prices in active markets for identical assets or liabilities that the League has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. The League considers its investments in cash, exchange-traded funds, and actively traded stocks as Level 1.

*Level 2*—Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Contributions receivable are valued by obtaining an accounting of the net assets of the estate, establishing the percentage or fixed amount due as per the Trust Agreement or Will, and deducting a 10% contingency to cover any market fluctuations in the value of the assets and sundry closing costs of the estate.

Charitable remainder trusts are valued by obtaining the values of the assets, the age of the beneficiary, and determining the present value by the confluence of the investment rate of return (0% to 6%), the withdrawal rate, and the discount rate (5%).

*Level 3*—Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

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**SAVE THE REDWOODS LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS, Continued**

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2. **Summary of Significant Accounting Policies, continued**

**Fair Value of Financial Instruments, continued**

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the League in determining fair value is greatest for instruments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the League's own assumptions are set to reflect those that the League believes market participants would use in pricing the asset or liability at the measurement date.

On July 1, 2008, the League also adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159), which provided an irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities under an instrument-by-instrument election. The League has not elected fair value as an irrevocable option for any of its financial assets or liabilities.

**Easement Policy**

Conservation easements are expensed as a program expense in the period they are purchased or donated to the League. At March 31, 2010, the League did not incur any expenses related to acquiring new easements. The League also did not receive donated conservation easements for the year ended at March 31, 2010.

**Functional Expense Allocations**

Expenses such as depreciation, supplies, travel, personnel, and occupancy costs, are allocated among program services, general and administrative, and fund-raising classifications on the basis of time estimates, head counts, and other criteria determined by the League's management.

**SAVE THE REDWOODS LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS, Continued**

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2. **Summary of Significant Accounting Policies, continued**

**Income Taxes**

The League has been granted tax-exempt status as provided by the Internal Revenue Code Section 501(c)3 and Section 23701(d) of the California Revenue and Taxation Code. However, income from certain activities not directly related to the League's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the League has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. As a result, the League is exempt from paying any income taxes, and thus no provision for income taxes has been reflected in these financial statements. In addition, the League has filed with the Internal Revenue Service to make limited expenditures to influence legislation as allowed under Section 501(h) of the Internal Revenue Code.

Effective April 1, 2009, the League began reviewing and assessing tax positions taken or expected to be taken against more-likely-than-not recognition threshold and measurement attributes for financial statement recognition.

The League's policy for evaluating uncertain tax positions is a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more-likely-than-not that the position will be sustained upon audit, including resolution of related appeals or litigations processes, if any. The second step is to measure the tax benefit or liability as the largest amount that is more than 50% likely to be realized or incurred upon settlement. Based on an analysis prepared by the League, it was determined that the tax positions taken or expected to be taken had no material effect on the recorded tax assets and liabilities of the League.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**FASB Codification**

In June 2009, the Codification, a single source of authoritative nongovernmental GAAP, superseding existing Financial Accounting Standards Board (FASB), American Institute of Certified Public Accountants (AICPA), Emerging Issues Task Force (EITF), and related accounting literature, was created. The Codification reorganized a large number of pronouncements issued by various standard setters into roughly 90 accounting topics and displays them using a consistent structure. The Codification is effective for interim or annual financial periods ending after September 15, 2009 and therefore was adopted by the League for reporting in the fiscal year ended March 31, 2010. The adoption did not have a material impact on the League's financial position, statement of activities and changes in net assets and cash flows.

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**SAVE THE REDWOODS LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS, Continued**

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2. **Summary of Significant Accounting Policies, continued**

**Reclassification**

Certain reclassifications have been made to the prior year's numbers in order to conform to the presentation in the current year.

**Comparative Financial Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the League's financial statements for the year ended March 31, 2009, from which the summarized information was derived.

3. **Fair Value of Financial Instruments Measured on a Recurring Basis**

Financial instruments at March 31, 2010 are recorded at fair value as follows:

	Assets at Fair Value as of March 31, 2010			
	Level 1	Level 2	Level 3	Total
Money market fund held for investment purposes	\$ 2,895,264	\$ -	\$ -	\$ 2,895,264
Exchange traded funds and stocks	11,409,326	-	-	11,409,326
Certificates of deposit	-	5,160,045	-	5,160,045
Government and agency obligations	-	34,739,443	-	34,739,443
Corporate obligations	-	9,285,200	-	9,285,200
Contributions and grants receivable	-	1,622,182	-	1,622,182
Contributions receivable from CRTs	-	2,081,562	-	2,081,562
	<u>\$ 14,304,590</u>	<u>\$ 52,888,432</u>	<u>\$ -</u>	<u>\$ 67,193,022</u>

Continued

**SAVE THE REDWOODS LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS, Continued**

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4. **Cash and Cash Equivalents, and Restricted Cash and Cash Equivalents**

The League's cash and cash equivalents, and restricted cash and cash equivalents at March 31, 2010 are as follows:

Money market fund	\$ 1,147,868
Demand deposits	1,133,748
Petty cash	<u>250</u>
Cash and cash equivalents	<u>\$ 2,281,866</u>
Restricted cash and cash equivalents	<u>\$ 882,085</u>

5. **Investments**

The cost and estimated fair value of the investment portfolio as of March 31, 2010 is invested as follows:

	Cost	Fair Market Value
Money market fund held for investment purposes	\$ 2,884,998	\$ 2,884,998
Certificates of deposit	5,160,045	5,160,045
Government and agency obligations	36,045,260	34,739,443
Corporate obligations	7,080,575	9,285,200
Exchange traded funds and stocks	<u>11,287,996</u>	<u>11,041,169</u>
Total investments	<u>\$ 62,458,874</u>	<u>\$ 63,110,855</u>
Money market fund held for investment purposes	\$ 10,266	\$ 10,266
Exchange traded funds and stocks	<u>419,335</u>	<u>368,157</u>
Total endowment fund	<u>\$ 429,601</u>	<u>\$ 378,423</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended March 31, 2010:

Dividends and interest	\$ 2,045,838
Gain on sale of investments, net	168,584
Unrealized gain on investments, net	<u>3,446,072</u>
Gain from investments	<u>\$ 5,660,494</u>

Investment fees for the year ended March 31, 2010 amounted to \$66,444.

Continued



**SAVE THE REDWOODS LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS, Continued**

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**6. Notes Receivable**

The Sonoma Land Trust, the dominant land trust in its region, was involved in protracted negotiations with multiple parties to acquire and protect a 5,630 acre property on the Sonoma coast which was valued at \$36 million. This property contains a substantial redwood-dominated forest and is considered a high priority area according to the League's master plan. Due to the recent bond freeze in California, the state agencies were not able to release the previously approved funds amounting to the remaining \$16 million, placing the entire project in jeopardy. The League stepped in to save the transaction by lending \$5.35 million to the Sonoma Land Trust, together with two other partners, who financed the balance. Due to the importance of protecting this property to the League's mission, and the fact that the League will be repaid once the state agencies funds are released, which is expected by July 2010, the League decided not to burden the Sonoma Land Trust with interest on the note. This note is unsecured and bears an interest rate of 0%.

As of March 31, 2010, the League was in contract for the acquisition of 871 acres from a large land owner in Sonoma County and in order to extend the option period, the League had provided a loan to the land owner which would be applied against the purchase price of the property on acquisition. The acquisition was completed on June 29, 2010, subsequent to fiscal year end. The maximum total potential loan was \$3 million, but as of March 31, 2010 and June 29, 2010, the note receivable was for \$1.13 million and was secured by the property, which had been appraised at \$11.3 million. The note bore an interest rate of 3.25%, which corresponded to the prime rate at the time of the loan being made. As of March 31, 2010, there was \$15,103 in accrued interest on this note receivable, which was included in the interest receivable line item on the statement of financial position. As part of this transaction, the League also received a contribution of \$1 million which was to be held in escrow until the property was purchased. This amount had been recorded in the deposits on land purchase on the statement of financial position.

There is a promissory note for an amount of \$74,645 from a donor who made a \$500,000 matching grant for the redwoods and climate change initiative. This matching grant is valid until June 30, 2014. For the period ending March 31, 2010, the League had raised \$74,645 of it. The promissory note is payable in 40 quarterly payments and bears an interest rate equivalent to the Wall Street Journal prime rate at the date of the issuance of the promissory note, and for this promissory note the rate was 3.69%. The remaining \$425,355 is considered a conditional grant and will not be recognized until the matching funds have been raised for this purpose.

The anticipated principal repayments to the League on notes receivable are scheduled to be as follows:

For the fiscal years ending March 31:	
2011	\$ 6,486,292
2012	6,528
2013	6,772
2014	7,025
2015	7,288
Thereafter	<u>40,740</u>
	<u><u>\$ 6,554,645</u></u>

Continued

**SAVE THE REDWOODS LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS, Continued**

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**7. Contributions Receivable from Irrevocable Trusts**

The League is the remainder beneficiary of various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the League's use. The portion of the trust attributable to the future interest of the League is recorded in the statement of activities as temporarily restricted contributions in the period the trust is established. Assets held in the charitable remainder trusts are recorded at fair market value as contributions receivable from irrevocable trusts. The present value of the estimated future payments is calculated using an assumed investment rate of return between 0% to 6%, a discount rate of 5%, and the applicable mortality tables. Due to annual payments being made to current beneficiaries from certain trusts over the trust's term, there is a slight possibility that the trust's assets will be exhausted before distribution to the League.

**8. Property and Equipment**

The League's property and equipment consist of the following at March 31, 2010:

Office equipment	\$	285,951
Leasehold improvements		5,878
		291,829
Less accumulated depreciation		(191,944)
	\$	99,885

Depreciation expense for the year ended March 31, 2010 was \$42,918.

**9. Endowment Fund**

Changes in endowment net assets for the fiscal year ended March 31, 2010 are as follows:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (161,499)	\$ 405,808	\$ 244,309
Investment return:			
Investment income	6,921	-	6,921
Net appreciation (realized and unrealized)	126,193	-	126,193
Total investment return	133,114	-	133,114
Contributions	-	1,000	1,000
Appropriation of endowment assets for expenditure	-	-	-
Endowment net assets, end of year	\$ (28,385)	\$ 406,808	\$ 378,423

Continued

**SAVE THE REDWOODS LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS, Continued**

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**10. Accrued Liabilities**

At March 31, 2010, accrued liabilities consisted of the following:

Deferred compensation	\$	156,000
Accrued vacation		118,377
Other accrued liabilities		<u>64,075</u>
Total accrued liabilities	\$	<u><u>338,452</u></u>

**11. Environmental Remediation Obligation**

At March 31, 2007, the League held a parcel of land in Humboldt County which, prior to the League’s acquisition, had fuel station containments. In May 2007, this parcel of land was sold to a third party with a retained conservation easement. As part of the sale agreement, the League agreed to pay 50% of the costs related to work plan preparation, monitoring, active remediation, and well closure. The ultimate goal is to obtain a no further action (NFA) letter from Humboldt County. In 2007, the League accrued the maximum potential liability of \$174,800 regarding its obligation, which is presented under the caption “Environmental remediation obligation” in the accompanying Statement of Financial Position. The League’s funding commitment expires on June 30, 2012, or the date the county issues the NFA, whichever is sooner. At March 31, 2010, the League has incurred some costs to date and its accrued liability related to this now stands at \$157,290.

On March 28, 2008, the League purchased a parcel of land in Mendocino County and inspections revealed concentrations of contaminants above the Environmental Screening Levels (ESLs). To remediate the areas of concern, soil concentrations must be returned to below ESL. This was done by evacuating and removing contaminated soils. The League is to pay no more than \$320,000, which had been expensed in the prior fiscal year. The balance, if any, remaining after the remediation will be remitted to the property’s seller. On March 23, 2010, the League received a “No Further Action” determination from the California Regional Water Quality Control Board of the North Coast Region. There are a few outstanding invoices which will have to be paid from the provision, which stands at \$239,306 as of March 31, 2010. The balance is expected to be remitted to the property’s seller in the subsequent fiscal year. The \$239,306 remaining on this liability has been included in the Environmental remediation obligation on the Statement of Financial Position.

**12. Temporarily Restricted Net Assets**

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

Time restricted	\$	700,270
Program activities		<u>32,059,017</u>
Total temporarily restricted net assets	\$	<u><u>32,759,287</u></u>

Continued

**SAVE THE REDWOODS LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS, Continued**

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12. **Temporarily Restricted Net Assets, continued**

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

Purposes restriction accomplished:	
Redwood land program support	\$ 3,019,423
Land deeded to the State of California	565,000
Time restriction	2,216,755
Grants	1,185,490
Land deeded to the United States of America	<u>1,105,000</u>
	8,091,668
Loss on revaluation of land net of gain on sale of land	<u>25,500</u>
	<u><u>\$ 8,117,168</u></u>

13. **Permanently Restricted Net Assets**

Net assets were permanently restricted for future operations of the League. A contribution of \$1,000 for permanently restricted contributions was received for the year ended March 31, 2010, creating a net asset balance of \$406,808 as of March 31, 2010. At March 31, 2010, the fair value of invested assets assigned to donor restricted endowment net asset balances required to be maintained in perpetuity had a deficiency of approximately \$28,385 (Note 9).

14. **Employee Benefit Plans**

Prior to February 28, 2002, the League had a defined benefit pension plan (the DB Plan) covering all of its employees. The benefits were based upon years of service and the employee's average monthly compensation over the highest paid five consecutive plan years. Employees became eligible for the Plan on the first day of the plan year following a minimum of one year of service.

In 2002, the Board approved curtailment of further benefit accrual under the DB Plan and authorized its officers to terminate the DB Plan and distribute plan assets in accordance with the law. In 2006, the Board authorized the League to reduce the running costs of the Plan, set an aggressive investment policy, and make the first of three annual contributions to fully fund the Plan in preparation for its termination. During the year ended March 31, 2010, the DB Plan was formally terminated and distributions were made to the participants. The expense recognized for the year ended March 31, 2010 was \$255,743, which includes quarterly administrative fees. Included in this expense is the final contribution of \$252,743 to fully fund the DB Plan prior to its termination.

Continued

**SAVE THE REDWOODS LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS, Continued**

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14. **Employee Benefit Plans, continued**

Effective on October 1, 2002, the League established a defined contribution retirement plan (401(k) Plan) under Section 401(k) of the Internal Revenue Code. The 401(k) Plan covers all employees, except hourly, of the League after six months of service 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. During 2010, the Board approved a 3% safe harbor contribution and a 5% employer matching contribution. The total expense related to the 401(k) Plan was approximately \$141,000 for the year ended March 31, 2010.

15. **Joint Costs**

For the year ending March 31, 2010, the League incurred joint costs of \$102,489 for informational materials and activities that included fund-raising appeals. The League allocated \$8,584 to general and administrative expense, \$14,355 to fund-raising expense, and \$79,550 to program expense.

16. **Commitments and Contingencies**

The League leases office space under a noncancelable operating lease expiring in December 2014. Under the terms of this lease, the League is obligated to pay escalation rentals. The deferred rent is recorded in the accrued liabilities line item on the statement of financial position. Minimum future rental payments under the lease are summarized as follows:

	Cash	Expense	Deferral
March 31:			
2011	\$ 203,690	\$ 197,447	\$ 6,243
2012	210,844	197,447	13,397
2013	217,998	197,447	20,551
2014	223,563	195,857	27,706
2015	171,696	146,893	24,803
	\$ 1,027,791	\$ 935,091	\$ 92,700

Occupancy expense for the year ended March 31, 2010 was \$245,144.

**SAVE THE REDWOODS LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS, Continued**

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**17. Concentration of Credit Risk**

**Cash and Cash Equivalents**

The League maintains cash and cash equivalents with two major high-quality financial institutions, which are regularly monitored by management. As of March 31, 2010, the League was in excess of federally depository insurance limit.

**Investments**

The League's credit risk is inherent principally in its investments. As of March 31, 2010, investments comprised of investments in money market funds held for investing purposes, certificates of deposit, government and agency obligations, corporate obligations, exchange traded funds, and stocks which are maintained with three high quality financial institutions. 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, 2010, the League held investments in excess of the SIPC insurance limits.

At March 31, 2010, the League had 55% of total investments in Government and agency obligations, 15% of total investments in Corporate obligations, and 18% of total investments in Exchange Traded Funds.

**Revenue and Receivables**

The League's revenue is derived from individual contributions from throughout North America, state and federal grants, and investment income. For the year ended March 31, 2010, 33% of revenue is comprised of contributions from two donors.

As of March 31, 2010, one irrevocable trust comprised 58% of the contributions receivable from irrevocable trusts.

As of March 31, 2010, two contributions receivable comprised 52% of the contributions receivable balance.

As of March 31, 2010, one note receivable comprised 82% of the notes receivable balance, and was unsecured.

**18. Subsequent Events**

The League has evaluated all events occurring subsequent to March 31, 2010 through July 1, 2010, the date which these financial statements were available to be issued. Nothing has occurred outside the normal course of business operations that require recognition as of March 31, 2010.

On June 29, 2010, the League acquired 871 acres from a land owner in Sonoma County. As discussed in footnote 6, the League provided a loan to the land owner. Upon acquisition of the land, the purchase price was reduced by the outstanding note receivable and interest receivable owed to the League.

## **SUPPLEMENTARY INFORMATION**



*Building your future*

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

The Audit Committee of  
Save the Redwoods League

Our report on our audits of the basic financial statements of Save the Redwoods League for the year ended March 31, 2010, appears on page 1. We conducted our audit for the purpose of forming an opinion on such financial statements taken as a whole. The schedule of functional expenses for the year ended March 31, 2010 with comparative totals for March 31, 2009 and schedule of the three-year comparative statements of activities for the years ended March 31, 2010, 2009, and 2008 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended March 31, 2010, taken as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the statements of financial position of Save the Redwoods League as of March 31, 2010 and 2009, and the related statements of activities and changes in net assets and cash flows for the years then ended, and we expressed unqualified opinions on those financial statements. In our opinion, the schedule for the comparative statement of activities for the years ended March 31, 2009 and 2008 is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

*Burr Pilger Mayer, Inc.*

San Francisco, California  
July 1, 2010

*Member of The Leading Edge Alliance*



**SAVE THE REDWOODS LEAGUE**  
**SUPPLEMENTAL SCHEDULE**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
for the year ended March 31, 2010  
with comparative totals for 2009

	Program Services	General and Admini- strative	Fund- raising	Total 2010	Total 2009
Contributions of land and other grants	\$ 2,879,490	\$ -	\$ -	\$ 2,879,490	\$ 7,552,059
Salaries and benefits	1,221,501	677,874	934,155	2,833,530	2,510,303
Other project costs	649,008	-	-	649,008	473,001
Printing and publications	134,433	58,370	453,321	646,124	583,443
Services and fees	117,230	282,125	183,458	582,813	770,800
Appraisals and closing costs	486,306	-	-	486,306	356,467
Occupancy	97,131	66,250	81,763	245,144	238,628
Advocacy	224,000	-	-	224,000	224,000
Payroll taxes	71,767	39,827	54,885	166,479	161,469
Travel	63,919	21,167	28,789	113,875	105,747
Conferences and meetings	24,902	30,226	47,800	102,928	118,043
Professional fundraising fees	-	-	86,235	86,235	70,014
Postage and shipping	14,893	25,975	30,063	70,931	67,526
Investment fees	-	66,444	-	66,444	68,604
Consultants	45,504	-	-	45,504	58,720
Accounting fees	-	44,770	-	44,770	37,440
Depreciation	17,309	11,369	14,240	42,918	34,755
Equipment rental and maintenance	4,049	5,555	27,124	36,728	31,747
Insurance	12,808	8,413	10,538	31,759	32,313
Supplies	10,694	6,423	7,363	24,480	23,423
Miscellaneous expenses	10,139	11,909	1,890	23,938	31,307
Other fundraising costs	-	2,963	17,200	20,163	3,976
Telephone	7,915	5,329	6,512	19,756	16,229
Furniture and equipment	4,803	4,523	4,410	13,736	20,825
Legal fees	1,112	470	589	2,171	36,409
Reduction in estimate of legal fees	-	-	-	-	(36,821)
<b>Total</b>	<b>\$ 6,098,913</b>	<b>\$ 1,369,982</b>	<b>\$ 1,990,335</b>	<b>\$ 9,459,230</b>	<b>\$13,590,427</b>

The accompanying notes are an integral  
part of this supplemental schedule.

**SAVE THE REDWOODS LEAGUE**  
**SUPPLEMENTAL SCHEDULE**  
**THREE-YEAR COMPARATIVE STATEMENTS OF ACTIVITIES**  
for the years ended March 31, 2010, 2009, and 2008

	2010	2009	2008	Three-Year Total
Revenue and public support:				
Contributions:				
Donations	\$ 3,336,562	\$ 6,852,913	\$ 2,843,993	\$13,033,468
Program and land acquisition contributions	2,408,222	15,170,718	13,762,772	31,341,712
Reforestation, restoration, research, and other contributions	462,530	909,488	2,877,916	4,249,934
In-kind contributions	12,897	30,273	22,632	65,802
Change in value of irrevocable trusts	609,331	(556,553)	101,487	154,265
Donated land	-	-	308,000	308,000
Grants from state and federal agencies	5,000	5,000	5,000	15,000
Income (loss) from investments	5,660,494	(849,388)	3,718,717	8,529,823
Interest from loans	15,103	-	-	15,103
(Loss) gain on revaluation of land	(35,500)	18,500	660,000	643,000
Net gain on sale of land and right-of-way easement	10,000	-	-	10,000
Other income	29,993	43,506	21,277	94,776
	12,514,632	21,624,457	24,321,794	58,460,883
Total revenue and public support				
Expenses:				
Program services:				
Land deeded to State of California	565,000	1,971,000	800,000	3,336,000
Land deeded to the United States of America	1,105,000	1,220,500	200,000	2,525,500
Conservation easement expense	-	3,750,000	7,039,100	10,789,100
Redwood land program support	3,219,423	2,734,817	2,019,894	7,974,134
Education and research grants	198,951	254,682	244,147	697,780
Redwood reforestation grants	144,743	62,099	45,000	251,842
Climate change research grants	499,990	-	-	499,990
Other grants	365,806	218,778	255,382	839,966
	6,098,913	10,211,876	10,603,523	26,914,312
Total program services				
Support services:				
General and administrative	1,369,982	1,432,573	1,449,468	4,252,023
Fund-raising	1,990,335	1,945,978	1,654,700	5,591,013
	3,360,317	3,378,551	3,104,168	9,843,036
Total support services				
Total expenses	9,459,230	13,590,427	13,707,691	36,757,348
Increase in net assets	\$ 3,055,402	\$ 8,034,030	\$10,614,103	\$21,703,535

The accompanying notes are an integral  
part of this supplemental schedule.