Save the Redwoods League

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

for the years ended March 31, 2012 and 2011

SAVE THE REDWOODS LEAGUE

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INDEPENDENT AUDITORS' REPORT

The Audit Committee of
Save the Redwoods League:

We have audited the accompanying statements of financial position of Save the Redwoods League (a nonprofit organization) (the League) as of March 31, 2012 and 2011, and the related statements of activities and changes in net assets and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audits provide 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Burr Pilger Mayer, Inc.

San Francisco, California
July 3, 2012

SAVE THE REDWOODS LEAGUE

STATEMENTS OF FINANCIAL POSITION

March 31, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	$ 4,256,374	$ 2,343,054
Restricted cash and cash equivalents	880,056	881,445
Interest receivable	-	427,142
Contributions receivable	1,492,586	813,704
Grants receivable	545,000	1,050,500
Other receivable	52,434	2,388
Investments	60,179,503	65,801,961
Real estate held	26,288,880	20,586,880
Beneficial interest in irrevocable trusts	2,130,733	2,140,369
Property and equipment, net	160,819	77,047
Notes receivable	365,789	402,229
Deposits on land purchase	5,250	40,000
Other assets	89,081	101,321
Endowment fund	458,000	439,536
Total assets	$ 96,904,505	$ 95,107,576
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 204,650	$ 140,510
Accrued liabilities	451,648	788,032
Environmental remediation obligation	157,290	157,290
Note payable	5,000,000	5,000,000
Total liabilities	5,813,588	6,085,832
Net assets:		
Unrestricted	59,494,733	55,666,721
Temporarily restricted	31,187,376	32,947,215
Permanently restricted	408,808	407,808
Total net assets	91,090,917	89,021,744
Total liabilities and net assets	$ 96,904,505	$ 95,107,576

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

SAVE THE REDWOODS LEAGUE
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
for the years ended March 31, 2012 and 2011

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and public support:								
Contributions:								
Donations	$ 3,328,832	$ 1,047,272	$ 1,000	$ 4,377,104	$ 1,974,837	$ 495,539	$ 1,000	$ 2,471,376
Program and land acquisition contributions	-	3,424,148	-	3,424,148	-	3,905,240	-	3,905,240
Reforestation, restoration, research, and other contributions	-	508,839	-	508,839	-	874,811	-	874,811
In-kind contributions	16,467	-	-	16,467	118,373	-	-	118,373
Change in value of beneficial interest in irrevocable trusts	-	20,870	-	20,870	-	77,613	-	77,613
Donated mineral interest	25,000	-	-	25,000	-	-	-	-
Grants from state and federal agencies	-	3,000,000	-	3,000,000	-	253,500	-	253,500
Income from investments	3,054,179	17,464	-	3,071,643	3,516,924	31,728	-	3,548,652
Interest from loans	-	14,210	-	14,210	9,025	2,022	-	11,047
Net (loss) gain on sale of land and right-of-way easement	(103,000)	-	-	(103,000)	(75,000)	-	-	(75,000)
Other income	52,839	-	-	52,839	29,077	-	-	29,077
Net assets released from restrictions	9,792,642	(9,792,642)	-	-	5,452,525	(5,452,525)	-	-
Total revenue and public support	16,166,959	(1,759,839)	1,000	14,408,120	11,025,761	187,928	1,000	11,214,689
Expenses:								
Program services:								
Contributions of land and easements to public agencies and other nonprofit organizations:								
Fair market value conveyed	8,250,000	-	-	8,250,000	845,000	-	-	845,000
Less consideration received	4,000,000	-	-	4,000,000	420,000	-	-	420,000
Contributions of land and easement values made	4,250,000	-	-	4,250,000	425,000	-	-	425,000
Redwood land program support	3,129,423	-	-	3,129,423	4,227,318	-	-	4,227,318
Education and research grants	202,191	-	-	202,191	202,279	-	-	202,279
Redwood reforestation grants	65,393	-	-	65,393	130,993	-	-	130,993
Climate change research grants	790,338	-	-	790,338	286,398	-	-	286,398
Other grants	775,758	-	-	775,758	328,162	-	-	328,162
Total program services	9,213,103	-	-	9,213,103	5,600,150	-	-	5,600,150
Support services:								
General and administrative	1,284,343	-	-	1,284,343	1,198,143	-	-	1,198,143
Fund-raising	1,841,501	-	-	1,841,501	1,791,774	-	-	1,791,774
Total support services	3,125,844	-	-	3,125,844	2,989,917	-	-	2,989,917
Total expenses	12,338,947	-	-	12,338,947	8,590,067	-	-	8,590,067
Change in net assets	3,828,012	(1,759,839)	1,000	2,069,173	2,435,694	187,928	1,000	2,624,622
Net assets, beginning of year	55,666,721	32,947,215	407,808	89,021,744	53,231,027	32,759,287	406,808	86,397,122
Net assets, end of year	$ 59,494,733	$ 31,187,376	$ 408,808	$ 91,090,917	$ 55,666,721	$ 32,947,215	$ 407,808	$ 89,021,744

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

SAVE THE REDWOODS LEAGUE

STATEMENTS OF CASH FLOWS

for the years ended March 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Increase in net assets	$ 2,069,173	$ 2,624,622
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Contributions restricted for investment in endowment	(1,000)	(1,000)
Land deeded	3,950,000	425,000
Loss on sale of land	103,000	75,000
Depreciation	32,055	39,748
Net (gain) loss on sale of investments	(1,601,002)	14,822
Net unrealized loss (gain) on investments	175,876	(1,639,354)
Conservation easement revalued	300,000	-
Donated investments	(38,014)	(759,481)
Contribution received in form of note receivable	-	(332,281)
Changes in:		
Restricted cash	1,389	640
Interest receivable	427,142	(8,998)
Contributions receivable	(678,882)	758,478
Grants receivable	505,500	(1,000,500)
Other receivable	(50,046)	24,872
Beneficial interest in irrevocable trusts	9,636	(58,807)
Deposits on land purchase	34,750	991,100
Other assets	12,240	(15,358)
Accounts payable	64,140	(88,170)
Accrued liabilities	(336,384)	449,580
Environmental remediation obligation	-	(239,306)
Additional cash provided by (used in) real estate held land activities:		
Proceeds on sale of land	4,000,000	420,000
Acquisition of redwood lands	(14,055,000)	(11,590,000)
Net cash used in operating activities	(5,075,427)	(9,909,393)
Cash flows from investing activities:		
Purchase of investments	(67,831,684)	(25,955,076)
Proceeds from maturities of investments	74,899,818	25,587,870
Proceeds from notes receivable	36,440	5,354,697
Acquisition of property and equipment	(115,827)	(16,910)
Net cash provided by investing activities	6,988,747	4,970,581
Cash flows from financing activities:		
Proceeds on issuance of note payable	-	5,000,000
Net cash provided by financing activities	-	5,000,000
Net increase in cash and cash equivalents	1,913,320	61,188
Cash and cash equivalents, beginning of year	2,343,054	2,281,866
Cash and cash equivalents, end of year	$ 4,256,374	$ 2,343,054
Supplemental disclosure:		
Cash paid for interest	$ 100,000	$ 14,690
Noncash acquisition of redwood lands through reduction of note receivable	$ -	$ 1,130,000

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

1. Organization

Save the Redwoods League (the League) has been protecting redwood lands for nearly 100 years. We are the only organization with the comprehensive approach needed to ensure that forests that take one thousand years to grow will be here for another thousand years.

- We **protect** them by purchasing redwood forests and the surrounding lands and waterways needed to nurture these forests.
- We **restore** land that has been previously logged as well as surrounding lands that already protected redwood forests need to thrive.
- We **study** redwood forests and surrounding waterways to understand how to best protect them and what their long-term survival means to the health of people and our planet.
- We **partner** with a range of organizations and industries to ensure that both public and privately owned land receive the proper care to secure the long-term health and survival of the redwoods.
- We **inspire** people to support the work needed to save these magical places forever.

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 27 provides additional context for review of programmatic accomplishments over a three year period.

Saving the redwoods today is different and more challenging than at the time of our founding in 1918. Our work is making a real difference in protecting some of the most magical places on the planet.

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.

Continued

2. Summary of Significant Accounting Policies, continued

Basis of Presentation, continued

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

Unrestricted

These generally result from revenues generated by recognizing unrestricted contributions, recognizing interest from banks and notes receivable, recognizing 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.

Permanently Restricted

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

Basis of Accounting

Accrual Basis

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

Endowments

The State of California enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to endowment funds existing on or established after January 1, 2009.

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.

Continued

2. Summary of Significant Accounting Policies, continued

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

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 2012 and 2011.

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.

Continued

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 and grants are recognized when the donor makes a promise to give to the League that is, in substance, unconditional. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributions from estates and trusts that are a receivable at year end are reclassified to temporarily restricted contributions. In the event the receivable is received during the month after year end, it is recorded as an unrestricted contribution.

The League recognizes revenue from government sources at the time of the close of escrow for a land acquisition, or at the time of receipt of funds if for another programmatic purpose.

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 years ended March 31, 2012 and 2011, the League recognized in-kind services of $13,150 and $114,275, respectively, for legal and consulting services. For the years ended March 31, 2012 and 2011, the League recognized in-kind goods of $3,317 and $4,098, respectively.

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.

Continued

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

Restricted Cash and Cash Equivalents

These funds are required to be held in separate bank accounts and are restricted for the purpose of monitoring easements to protect Marbled Murrelets, an endangered species of bird that nests in the ancient Redwoods, restoration and also to cover administrative costs of monitoring these easements, and for grove maintenance. The balance at March 31, 2012 and 2011 is $880,056 and $881,445, respectively.

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 years ended March 31, 2012 and 2011, the League received $38,014 and $759,481, respectively, 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 years ended March 31, 2012 and 2011.

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) or another appropriate alternate permanent steward. Transfer of property to the State is a lengthy process.

Continued

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

Real Estate Held, continued

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, 2012, the League did not incur a loss on revaluation of land. 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, 2012 and 2011, the League incurred a net loss on sale of land of $103,000 and $75,000, respectively. Temporarily restricted net assets are released from restriction based on historical cost of the property.

Notes Receivable

Notes receivable are carried at unpaid principal balances. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. In making that determination, management has evaluated historical loan loss experience, financial condition of the borrower and current economic conditions that lead to default. The allowance for loan losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent on the loans. As of March 31, 2012 and 2011, notes receivable are considered by management to be fully collectible and, accordingly, no allowance is considered necessary.

Fair Value of Financial Instruments

The carrying amounts of the League's cash and cash equivalents, restricted cash and cash equivalents, interest receivable, contributions 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 and notes payable approximates fair value as of March 31, 2012 and 2011 because interest rates on these instruments approximate market interest rates.

Fair Value Measurements

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 instruments 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.

Continued

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

Fair Value Measurements, continued

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.

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.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the type of instrument, whether the instrument 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.

Easement Policy

Conservation easements are expensed as a program expense in the period they are purchased or donated to the League. At March 31, 2012 and 2011, the League did not purchase any new conservation easements. The League received a donated conservation easement of $300,000 for the year ended March 31, 2012. The League did not receive donated conservation easements for the year ended March 31, 2011.

Continued

2. Summary of Significant Accounting Policies, continued

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.

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.

The League reviews and assesses 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.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Continued

3. Fair Value of Assets Measured on a Recurring Basis

Financial instruments are recorded at fair value as follows:

	Assets at Fair Value as of March 31, 2012		
	Level 1	Level 2	Total
Assets:			
Cash equivalents	$ 4,072,408	$ -	$ 4,072,408
Endowment fund:			
Endowment exchange–International Stock Fund	66,332	-	66,332
Endowment exchange–Stock Fund	386,683	-	386,683
Total endowment fund	453,015	-	453,015
Investments:			
Money market fund held for investment purposes	6,620,208	-	6,620,208
Fixed Income:			
Income Fund	26,867,267	-	26,867,267
Equity Securities:			
Energy	1,767,987	-	1,767,987
Materials	689,195	-	689,195
Industrials	1,681,648	-	1,681,648
Consumer discretionary	3,571,095	-	3,571,095
Consumer staples	638,325	-	638,325
Healthcare	4,554,094	-	4,554,094
Financials	4,992,966	-	4,992,966
Information technology	4,633,980	-	4,633,980
Telecommunication services	482,855	-	482,855
Mutual Funds:			
International Stock Fund	3,657,048	-	3,657,048
Large Growth Fund	22,835	-	22,835
Total investments	60,179,503	-	60,179,503
Beneficial interest in irrevocable trusts	-	2,130,733	2,130,733
Total	$ 64,704,926	$ 2,130,733	$ 66,835,659

Continued

3. Fair Value of Assets Measured on a Recurring Basis, continued

	Assets at Fair Value as of March 31, 2011		
	Level 1	Level 2	Total
Assets:			
Cash equivalents	$ 2,366,619	$ -	$ 2,366,619
Endowment fund:			
Money market fund held for investment purposes	19,077	-	19,077
Endowment exchange–traded funds	420,459	-	420,459
Total endowment fund	439,536	-	439,536
Investments:			
Money market fund held for investment purposes	455,868	-	455,868
Domestic Large Blend exchange–traded funds	10,243,630	-	10,243,630
Large Blend exchange-traded funds–follows MSCI US Broad Market Index	3,325,690	-	3,325,690
Preferred stocks	1,788,499	-	1,788,499
Mutual fund	22,069	-	22,069
Government and agency discount notes	-	4,998,822	4,998,822
Agency coupon bonds	-	32,509,450	32,509,450
Agency variable rate notes	-	2,965,000	2,965,000
Corporate coupon bonds	-	9,492,933	9,492,933
Total investments	15,835,756	49,966,205	65,801,961
Beneficial interest in irrevocable trusts	-	2,140,369	2,140,369
Total	$ 18,641,911	$ 52,106,574	$ 70,748,485

Continued

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, are as follows:

	2012	2011
Money market fund	$ 3,192,352	$ 1,485,174
Demand deposits	1,063,772	857,630
Petty cash	250	250
Cash and cash equivalents	$ 4,256,374	$ 2,343,054
Restricted cash and cash equivalents	$ 880,056	$ 881,445

5. Contributions Receivable

As of March 31, 2012, the League is a beneficiary for a total of twenty-six estates and trusts. The contributions have no restricted purpose, but have been recorded as temporarily restricted net assets due to a time restriction. As of March 31, 2012 and 2011, the balance of contributions receivable was $1,492,586 and $813,704, respectively, net of a contingency provision of $141,062 and $85,774, respectively.

6. Grants Receivable

The entire balance of grants receivable is due within one year and are restricted for the following purposes:

	2012	2011
Acquisition for specifically identified redwood lands	$ 150,000	$ 933,000
Sonoma Cedars Conceptual Area Protection Plan	-	67,500
Redwoods and Climate Change Initiative	-	50,000
Support work being done around state park closures	125,000	-
Conservation Easement	150,000	-
Conservation	120,000	-
Total grants receivable	$ 545,000	$ 1,050,500

Continued

7. Investments

The cost and estimated fair value of the investment portfolio as of March 31, 2012 is invested as follows:

	Cost	Fair Market Value
Endowment fund:		
Cash	$ 4,985	$ 4,985
Endowment exchange–International Stock Fund	58,050	66,332
Endowment exchange–Stock Fund	338,586	386,683
	396,636	453,015
Total endowment fund	$ 401,621	$ 458,000
Investments:		
Money market fund held for investment purposes	$ 6,620,208	$ 6,620,208
Fixed Income Fund	26,500,000	26,867,267
Equity Securities:		
Energy	1,830,226	1,767,987
Materials	625,277	689,195
Industrials	1,553,135	1,681,648
Consumer Discretionary	3,333,621	3,571,095
Consumer Staples	628,094	638,325
Healthcare	4,447,307	4,554,094
Financials	4,299,846	4,992,966
Information Technology	4,328,849	4,633,980
Telecommunication Services	473,119	482,855
Mutual Funds:		
International Stock Fund	3,500,000	3,657,048
Large Growth Fund	41,233	22,835
Total investments	$ 58,180,915	$ 60,179,503

Continued

7. **Investments**, continued

The cost and estimated fair value of the investment portfolio as of March 31, 2011 is invested as follows:

	Cost	Fair Market Value
Endowment fund:		
Money market fund held for investment purposes	$ 19,077	$ 19,077
Exchange traded funds and stocks	419,335	420,459
Total endowment fund	$ 438,412	$ 439,536
Investments:		
Money market fund held for investment purposes	$ 455,868	$ 455,868
Domestic Large Blend Exchange–traded funds	9,061,401	10,243,630
Large Blend Exchange-traded funds–follows MSCI US Broad Market Index	3,073,670	3,325,690
Preferred Stocks	1,768,184	1,788,499
Mutual fund	41,233	22,069
Government and agency discount notes	4,998,644	4,998,823
Agency coupon bonds	32,030,798	32,509,449
Agency variable rate notes	3,000,000	2,965,000
Corporate coupon bonds	9,152,255	9,492,933
Total investments	$ 63,582,053	$ 65,801,961

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended March 31:

	2012	2011
Dividends and interest	$ 1,646,516	$ 1,924,120
Realized gain (loss) on sale of investments, net	1,601,002	(14,822)
Unrealized (loss) gain on investments, net	(175,875)	1,639,354
Net gain from investments	$ 3,071,643	$ 3,548,652

Investment fees for the years ended March 31, 2012 and 2011 amounted to $37,300 and $63,103, respectively.

Continued

8. Notes Receivable

The League has two promissory notes. The promissory notes are from one donor who made a $500,000 matching grant for the redwoods and climate change initiative in fiscal year 2010. The matching grant is valid until June 30, 2014. As of March 31, 2011, the League had raised $406,926 of the $500,000 matching grant. As of March 31, 2012, the remaining $93,074 was raised and paid in cash by the donor. Each promissory note is payable in 40 quarterly payments and bears an interest rate equivalent to the Wall Street Journal prime rate at the date of the issuance of the promissory note. The rates for the promissory notes were 3.69% and 3.46%, respectively.

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

For the fiscal years ending March 31:	
2013	$ 28,659
2014	37,102
2015	38,419
2016	39,783
2017	41,196
Thereafter	180,630
	$ 365,789

9. Beneficial Interest in 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.

Continued

10. Property and Equipment

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

	2012	2011
Office equipment	$ 358,098	$ 290,231
Leasehold improvements	66,468	18,509
	424,566	308,740
Less accumulated depreciation	(263,747)	(231,693)
	$ 160,819	$ 77,047

Depreciation expense for the years ended March 31, 2012 and 2011 was $32,055 and $39,748, respectively.

11. Endowment Fund

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

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 49,192	$ 408,808	$ 458,000
Total funds	$ -	$ 49,192	$ 408,808	$ 458,000

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 31,728	$ 407,808	$ 439,536
Total funds	$ -	$ 31,728	$ 407,808	$ 439,536

Continued

11. **Endowment Fund**, continued

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

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 31,728	$ 407,808	$ 439,536
Investment return:				
Investment income	-	8,877	-	8,877
Net unrealized appreciation	-	8,587	-	8,587
Total investment return	-	17,464	-	17,464
Contributions	-	-	1,000	1,000
Endowment net assets, end of year	$ -	$ 49,192	$ 408,808	$ 458,000

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (28,385)	$ -	$ 406,808	$ 378,423
Investment return:				
Investment income	-	7,812	-	7,812
Net unrealized appreciation	28,385	23,916	-	52,301
Total investment return	28,385	31,728	-	60,113
Contributions	-	-	1,000	1,000
Endowment net assets, end of year	$ -	$ 31,728	$ 407,808	$ 439,536

12. **Note Payable**

The League has an unsecured note payable to an independent third party. The funds were used to acquire redwood land property for future divestment to an identified third party. The League shall repay all amounts due, including unpaid accrued interest and principal, on or before the date which shall be the earlier to occur of the following: (a) sale of property to the identified party or (b) the fourth anniversary of the note payable closing date, June 2014. The note bears an interest rate of 2%. The balance as of March 31, 2012 and 2011 was $5,000,000. Accrued interest as of March 31, 2012 and 2011 was $75,000 and $75,278, respectively.

Continued

13. Accrued Liabilities

At March 31, accrued liabilities consisted of the following:

	2012	2011
Deferred compensation	$ 138,000	$ 145,000
Accrued vacation	134,676	119,783
Deposit owed to third party	-	325,000
Deferred rent	71,855	82,941
Accrued interest	75,000	75,278
Other accrued liabilities	32,117	40,030
Total accrued liabilities	$ 451,648	$ 788,032

14. 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 Statements of Financial Position. The League's funding commitment expired on June 30, 2012. The League is maintaining the provision to cover any possible expenses incurred by the owner up to June 30, 2012 which have not yet been submitted to the League. The League has incurred some costs to date and its accrued liability related to this now stands at $157,290 at March 31, 2012 and 2011.

15. Temporarily Restricted Net Assets

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

	2012	2011
Time restricted	$ 1,747,542	$ 1,195,809
Program activities	29,439,834	31,751,406
Total temporarily restricted net assets	$ 31,187,376	$ 32,947,215

Continued

15. 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:

	2012	2011
Time restriction	$ 495,539	$ 351,380
Purposes restriction accomplished:		
Redwood land program support	3,418,426	3,694,311
Grants	1,825,677	906,834
Land deeded to the United States of America	3,950,000	425,000
	9,194,103	5,026,145
Net loss on sale of land	103,000	75,000
	$ 9,792,642	$ 5,452,525

16. 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 years ended March 31, 2012 and 2011, creating a net asset balance of $408,808 and $407,808 as of March 31, 2012 and 2011, respectively.

17. Employee Benefit Plans

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 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. During 2011, the Board approved a 3% safe harbor contribution and a 5% employer matching contribution. The total expense related to the 401(k) Plan was $174,321 and $158,228 for the years ended March 31, 2012 and 2011, respectively.

18. Joint Costs

For the years ending March 31, 2012 and 2011, the League incurred joint costs of $93,114 and $89,501, respectively, for informational materials and activities that included fund-raising appeals. For the years ended March 31, 2012 and 2011, the League allocated $6,940 and $5,959 to general and administrative expense, $16,870 and $16,106 to fund-raising expense, and $69,304 and $67,436, respectively, to program expense.

Continued

19. Commitments and Contingencies

The League leases office space and postage equipment under noncancelable operating leases expiring in December 2014. Under the terms of office space 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 leases are summarized as follows:

	Cash	Expense	Deferral
March 31:			
2013	$ 313,203	$ 295,581	$ 17,622
2014	321,900	293,992	27,908
2015	246,819	220,494	26,325
	$ 881,922	$ 810,067	$ 71,855

Rent expense for the years ended March 31, 2012 and 2011 was $237,294 and $238,473, respectively.

20. 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, 2012 and 2011, the League was in excess of the federal depository insurance limit.

Investments

The League's credit risk is inherent principally in its investments. As of March 31, 2012, investments comprised of money market funds, fixed income and equity securities. As of March 31, 2011, investments comprised of investments in money market funds held for investing purposes, government and agency obligations, corporate obligations, exchange traded funds, and stocks. The investments 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, 2012 and 2011, the League held investments in excess of the SIPC insurance limits.

Real Estate Held

The League holds a total of eighteen and fourteen properties as of March 31, 2012 and 2011, respectively, in various counties: Tuolomne, Mariposa, Del Norte, Monterey, Mendocino, Napa, Humboldt, Santa Cruz, Sonoma and Tulare. Of these properties, 43% and 46% of real estate held is held in Sonoma and Mendocino Counties, respectively, at March 31, 2012.

As of March 31, 2011, the League held 55% and 35% of real estate in Sonoma and Mendocino Counties, respectively.

Continued

20. Concentration of Credit Risk, continued

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 years ended March 31, 2012 and 2011, 36% and 13% of revenue is comprised of contributions from one donor, respectively.

As of March 31, 2012 and 2011, one irrevocable trust comprised of 56% and 59% of the contributions receivable from irrevocable trusts, respectively.

As of March 31, 2012 and 2011, two donors comprised of 43% and five donors comprised of 64% of the contributions receivable balance, respectively.

As of March 31, 2012 and 2011, two grants comprised of 76% and three grants comprised 95% of the grants receivable balance, respectively.

As of March 31, 2012 and 2011, one individual comprised of 100% of the notes receivable balance, and was unsecured.

For the years ended March 31, 2012 and 2011, 72% and 95% of total grants from state and federal agencies was granted from the State Coastal Conservancy, respectively.

21. Subsequent Events

The League has evaluated all events occurring subsequent to March 31, 2012 through July 3, 2012, the date the financial statements were available to be issued. Nothing has occurred outside the normal course of business operations which requires recognition as of March 31, 2012.

Supplementary Information

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

The Audit Committee of
Save the Redwoods League:

We have audited the financial statements of Save the Redwoods League for the year ended March 31, 2012, and our report thereon dated July 3, 2012, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses for the year ended March 31, 2012 with comparative totals for March 31, 2011 and schedule of the three-year comparative statements of activities for the years ended March 31, 2012, 2011, and 2010 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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, 2011 and 2010, 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 three-year comparative statements of activities for the years ended March 31, 2012, 2011, and 2010 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 3, 2012

SAVE THE REDWOODS LEAGUE
SUPPLEMENTAL SCHEDULE
SCHEDULES OF FUNCTIONAL EXPENSES
for the years ended March 31, 2012 and 2011

	2012				2011			
	Program Services	General and Admini-strative	Fund-raising	Total	Program Services	General and Admini-strative	Fund-raising	Total
Salaries and benefits	$ 1,361,754	$ 698,870	$ 939,257	$ 2,999,881	$ 1,301,661	$ 628,393	$ 816,298	$ 2,746,352
Contributions of land and other grants	6,083,680	-	-	6,083,680	1,372,831	-	-	1,372,831
Other project costs	296,226	-	-	296,226	941,941	-	-	941,941
Printing and publications	175,456	12,800	345,971	534,227	229,074	32,038	471,950	733,062
Advocacy	19,000	-	-	19,000	574,000	-	-	574,000
Services and fees	90,714	246,228	142,908	479,850	108,984	166,777	158,335	434,096
Appraisals and closing costs	310,745	-	-	310,745	391,312	-	-	391,312
Occupancy	116,291	63,267	85,548	265,106	133,493	69,578	86,187	289,258
Payroll taxes	86,548	44,418	59,696	190,662	82,324	39,743	51,627	173,694
Legal fees	113,511	-	-	113,511	90,385	26,878	776	118,039
Consultants	104,273	2,975	-	107,248	111,332	3,350	-	114,682
Travel	59,538	15,643	28,011	103,192	55,428	10,159	29,288	94,875
Interest	100,000	-	-	100,000	89,968	-	-	89,968
Conferences and meetings	47,249	37,963	26,715	111,927	27,393	28,049	34,466	89,908
Investment fees	-	37,300	-	37,300	-	63,103	-	63,103
Postage and shipping	13,241	25,849	23,782	62,872	14,052	28,916	20,088	63,056
Accounting fees	-	47,004	-	47,004	-	50,507	-	50,507
Professional fund-raising fees	-	-	86,870	86,870	-	-	44,000	44,000
Depreciation	14,113	7,560	10,382	32,055	18,574	9,186	11,988	39,748
Insurance	19,618	10,508	14,432	44,558	17,985	8,894	11,607	38,486
Equipment rental and maintenance	6,580	6,426	38,284	51,290	4,538	5,140	27,688	37,366
Option termination fee	158,246	-	-	158,246	-	-	-	-
Miscellaneous expenses	6,089	10,991	3,320	20,400	12,351	11,253	3,833	27,437
Telephone	8,560	4,861	6,297	19,718	7,702	8,668	4,973	21,343
Supplies	13,839	6,351	8,817	29,007	9,930	4,392	5,686	20,008
Furniture and equipment	7,832	4,847	5,795	18,474	4,892	3,119	3,172	11,183
Other fund-raising costs	-	482	15,416	15,898	-	-	9,812	9,812
Total	$ 9,213,103	$ 1,284,343	$ 1,841,501	$ 12,338,947	$ 5,600,150	$ 1,198,143	$ 1,791,774	$ 8,590,067

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, 2012, 2011, and 2010

	2012	2011	2010	Three-Year Total
Revenue and public support:				
Contributions:				
Donations	$ 4,377,104	$ 2,471,376	$ 3,336,562	$ 10,185,042
Program and land acquisition contributions	3,424,148	3,905,240	2,408,222	9,737,610
Reforestation, restoration, research, and other contributions	508,839	874,811	462,530	1,846,180
In-kind contributions	16,467	118,373	12,897	147,737
Change in value of beneficial interest in irrevocable trusts	20,870	77,613	609,331	707,814
Donated mineral interest	25,000	-	-	25,000
Grants from state and federal agencies	3,000,000	253,500	5,000	3,258,500
Income from investments	3,071,643	3,548,652	5,660,494	12,280,789
Interest from loans	14,210	11,047	15,103	40,360
Gain (loss) on revaluation of land	-	-	(35,500)	(35,500)
Net (loss) gain on sale of land and right-of-way easement	(103,000)	(75,000)	10,000	(168,000)
Other income	52,839	29,077	29,993	111,909
Total revenue and public support	14,408,120	11,214,689	12,514,632	38,137,441
Expenses:				
Program services:				
Contributions of land and easements to public agencies and other nonprofit organizations:				
Fair market value conveyed	8,250,000	845,000	4,300,000	13,395,000
Less consideration received	4,000,000	420,000	2,630,000	7,050,000
Contributions of land and easement values made	4,250,000	425,000	1,670,000	6,345,000
Redwood land program support	3,129,423	4,227,318	3,219,423	10,576,164
Education and research grants	202,191	202,279	198,951	603,421
Redwood reforestation grants	65,393	130,993	144,743	341,129
Climate change research grants	790,338	286,398	499,990	1,576,726
Other grants	775,758	328,162	365,806	1,469,726
Total program services	9,213,103	5,600,150	6,098,913	20,912,166
Support services:				
General and administrative	1,284,343	1,198,143	1,369,982	3,852,468
Fund-raising	1,841,501	1,791,774	1,990,335	5,623,610
Total support services	3,125,844	2,989,917	3,360,317	9,476,078
Total expenses	12,338,947	8,590,067	9,459,230	30,388,244
Change in net assets	$ 2,069,173	$ 2,624,622	$ 3,055,402	$ 7,749,197

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