

# SEMPERVIRENS FUND

JUNE 30, 2010

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INDEPENDENT AUDITORS' REPORT,  
FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

# Sempervirens Fund

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## Independent Auditors' Report

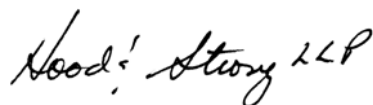
BOARD OF DIRECTORS  
SEMPERVIRENS FUND  
Los Altos, California

We have audited the accompanying statement of financial position of **SEMPERVIRENS FUND (the Fund)** as of June 30, 2010 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Fund'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 Fund's fiscal year ended June 30, 2009 financial statements, and in our report dated October 20, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Sempervirens Fund as of June 30, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The information contained in the Schedule of Land Holdings is presented for purposes of additional analysis and is 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 taken as a whole.



September 16, 2010

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# Sempervirens Fund

## Statement of Financial Position

<i>June 30,</i>	2010	Restated 2009
<b>Assets</b>		
Cash and cash equivalents	\$ 2,307,127	\$ 3,398,267
Certificates of deposit	5,198,720	6,758,467
Grant receivable	70,000	100,000
Notes receivable	323,849	323,849
Conservation land and easement holdings	13,203,904	12,552,904
Investment land holding	670,000	
Land subject to life estate, net		466,599
Charitable remainder trusts, net	409,617	394,677
Long-term investments	183,962	189,545
Property and equipment, net	98,027	22,177
Other assets	105,695	95,186
Total assets	\$ 22,570,901	\$ 24,301,671
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accrued payroll and other liabilities	\$ 51,070	\$ 96,535
Accrued retirement	44,441	50,726
Note payable		39,920
Total liabilities	95,511	187,181
<b>Net Assets:</b>		
Unrestricted:		
Board-designated land reserve fund		1,904,205
Undesignated	21,625,048	20,950,640
Total unrestricted	21,625,048	22,854,845
Temporarily restricted	663,886	1,073,189
Permanently restricted	186,456	186,456
Total net assets	22,475,390	24,114,490
Total liabilities and net assets	\$ 22,570,901	\$ 24,301,671

The accompanying notes are an integral part of this statement. 2

# Sempervirens Fund

## Statement of Activities

Year Ended June 30, 2010 (with comparative totals for the year ended June 30, 2009)

	2010			Total	2009 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Revenues:</b>					
Bequests	\$ 414,025			\$ 414,025	\$ 4,924,281
Contributions and grants	990,945	\$ 193,367		1,184,312	1,326,351
Investment income	150,262	1,693		151,955	135,126
Unrealized loss on long-term investments		(2,369)		(2,369)	
Net change in value of charitable remainder trusts and life estate		14,940		14,940	9,959
Other income	20,654			20,654	3,421
Adjustment to investment land holding	203,401			203,401	
Net assets released from restrictions	616,934	(616,934)			
<b>Total revenue</b>	<b>2,396,221</b>	<b>(409,303)</b>		<b>1,986,918</b>	<b>6,399,138</b>
<b>Operating Expenses:</b>					
Programs:					
Land	2,450,243			2,450,243	1,252,839
Trees	263,550			263,550	218,342
Community services	16,123			16,123	40,328
<b>Total program expenses</b>	<b>2,729,916</b>			<b>2,729,916</b>	<b>1,511,509</b>
Support services:					
General and administrative	448,443			448,443	519,719
Fundraising	447,659			447,659	322,670
<b>Total support services</b>	<b>896,102</b>			<b>896,102</b>	<b>842,389</b>
<b>Total expenses</b>	<b>3,626,018</b>			<b>3,626,018</b>	<b>2,353,898</b>
<b>Change in Net Assets</b>	<b>(1,229,797)</b>	<b>(409,303)</b>		<b>(1,639,100)</b>	<b>4,045,240</b>
<b>Net Assets - beginning of year</b>	<b>22,854,845</b>	<b>1,073,189</b>	<b>\$ 186,456</b>	<b>24,114,490</b>	<b>20,069,250</b>
<b>Net Assets - end of year</b>	<b>\$ 21,625,048</b>	<b>\$ 663,886</b>	<b>\$ 186,456</b>	<b>\$ 22,475,390</b>	<b>\$ 24,114,490</b>

**Sempervirens Fund**

**Statement of Functional Expenses**

*Year Ended June 30, 2010 (with comparative totals for the year ended June 30, 2009)*

	Program Services				Support Services			2010 Total	2009 Total
	Land	Trees	Community Services	Total Program Services	General and Administrative	Fundraising	Total Support Services		
Salaries and related expenses	\$ 189,677	\$ 169,745	\$ 6,360	\$ 365,782	\$ 226,762	\$ 114,088	\$ 340,850	\$ 706,632	\$ 495,506
Staff training	4,037	1,829		5,866	2,441	3,250	5,691	11,557	8,594
Land expense and appraisals	214,562			214,562				214,562	367,405
Contract services	9,680	847	20	10,547	1,831	54,173	56,004	66,551	135,518
Other outside services	9,435	13,210	451	23,096	6,580	100,705	107,285	130,381	43,837
General office expenses	37,219	10,924	6,377	54,520	38,714	39,849	78,563	133,083	87,314
Rent	21,047	18,563	652	40,262	29,186	12,476	41,662	81,924	63,216
Printing, artwork and graphics	3,566	3,239	113	6,918	4,620	28,132	32,752	39,670	71,119
Grants and aids	325,268	240	8	325,516	322	162	484	326,000	108,557
Retirement expense (see Note 8)	8,456	7,596	267	16,319	16,175	5,105	21,280	37,599	22,801
Legal and accounting	19,796	11,269	396	31,461	87,967	8,948	96,915	128,376	85,273
Postage	2,294	1,369	46	3,709	1,344	27,248	28,592	32,301	86,311
Insurance	9,886	8,225	289	18,400	11,017	5,528	16,545	34,945	38,306
Special events	15,794	1,067	25	16,886	1,355	34,002	35,357	52,243	24,999
Travel and meetings	10,022	6,862	178	17,062	7,542	7,704	15,246	32,308	17,184
Telephone	1,857	1,462	692	4,011	3,077	1,517	4,594	8,605	6,508
Repairs and maintenance	844	93	3	940	120	60	180	1,120	817
Utilities	1,185	1,065	37	2,287	1,426	716	2,142	4,429	3,737
Adjustments to land value									669,500
Write down of assets pledged to public agencies	1,559,000			1,559,000				1,559,000	
<b>Total expenses before depreciation</b>	<b>2,443,625</b>	<b>257,605</b>	<b>15,914</b>	<b>2,717,144</b>	<b>440,479</b>	<b>443,663</b>	<b>884,142</b>	<b>3,601,286</b>	<b>2,336,502</b>
Depreciation	6,618	5,945	209	12,772	7,964	3,996	11,960	24,732	17,396
<b>Total expenses</b>	<b>\$ 2,450,243</b>	<b>\$ 263,550</b>	<b>\$ 16,123</b>	<b>\$ 2,729,916</b>	<b>\$ 448,443</b>	<b>\$ 447,659</b>	<b>\$ 896,102</b>	<b>\$ 3,626,018</b>	<b>\$ 2,353,898</b>

The accompanying notes are an integral part of this statement.

# Sempervirens Fund

## Statement of Cash Flows

<i>Years Ended June 30,</i>	2010	Restated 2009
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (1,639,100)	\$ 4,045,240
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	24,732	17,396
Unrealized loss on long-term investments	2,369	
Net change in charitable remainder trusts	(14,940)	40,918
Net change in land with life estate		(50,877)
Adjustment to investment land holding	(203,401)	
Purchase of land	(2,210,000)	(285,000)
Reduction in carrying value of land	1,559,000	669,500
Change in operating assets and liabilities:		
Pledges receivable	30,000	(100,000)
Other assets	(10,509)	42,968
Accrued payroll, retirement and other liabilities	(51,750)	(148,132)
Net cash (used) provided by operating activities	(2,513,599)	4,232,013
<b>Cash Flows from Investing Activities:</b>		
Issuance of note receivable		(13,365)
Net change in investments	1,562,961	(6,948,012)
Purchase of equipment	(100,582)	
Net cash provided (used) by investing activities	1,462,379	(6,961,377)
<b>Cash Flows from Financing Activities:</b>		
Repayment of note payable	(39,920)	(22,880)
Net cash used by financing activities	(39,920)	(22,880)
<b>Decrease in Cash and Cash Equivalents</b>	<b>(1,091,140)</b>	<b>(2,752,244)</b>
<b>Cash and Cash Equivalents - beginning of year</b>	<b>3,398,267</b>	<b>6,150,511</b>
<b>Cash and Cash Equivalents - end of year</b>	<b>\$ 2,307,127</b>	<b>\$ 3,398,267</b>

### Supplemental Information:

No payments for interest or income taxes were made during 2010 and 2009.

### Note 1 - Nature of Organization:

Sempervirens Fund (the Fund) is a California nonprofit land conservation organization established to preserve and protect the natural character of California's Santa Cruz Mountains and to encourage appropriate public enjoyment of this environment. Historically, its primary activity is the acquisition of land that is then transferred to public agencies, in particular to expand Big Basin Redwoods, Castle Rock and Butano State Parks. The Fund also reforests damaged areas, assists in building and maintaining trails and primitive camps, and dedicates grove sites and standing trees.

The Fund has typically acquired title to land through direct fee-simple purchases. However, the Fund has also adopted alternative strategies, including conservation easements and land purchase assistance, whereby the Fund foregoes title, but still adheres to its mission of protecting precious coastal redwood land. The Fund's easement purchases are strategic in nature and provide the Fund with certain rights, such as trail access linking park boundaries or the prevention of future timber harvesting on privately held parcels of land. Land purchase assistance occurs when the Fund provides cash or other assets to other entities involved in land conservation in joint venture agreements. The Fund's participation appears as a direct expense within land programs expenses.

In instances where the Fund acquires title to property within or adjacent to park boundaries, the Fund generally holds the land for a period of time pending formal approval from the State for funding.

### Note 2 - Summary of Significant Accounting Policies:

#### a. Basis of Accounting

The Fund maintains its books and records on the accrual basis of accounting.

#### b. Description of Net Assets

Unrestricted net assets are the portion of net assets that are neither temporarily nor permanently restricted by donor-imposed stipulations.

The Board had previously designated funds for the acquisition of unspecified properties in the stated service area of the Fund; however during 2010 the Board resolved to undesignate these funds and instead permit the use of its undesignated funds for land acquisitions.

Temporarily restricted net assets, as described in Note 12, are the portion of net assets for which use by the Fund is limited by donor-imposed restrictions that either expire by passage of time or can be fulfilled and removed by certain actions of the Fund.

# Sempervirens Fund

## Notes to Financial Statements

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Permanently restricted net assets, as described in Note 13, are the portion of net assets for which use by the Fund is limited by donor-imposed stipulations that neither expire by passage of time nor can otherwise be removed by actions of the Fund.

c. Investments

Certificates of deposit are stated at fair market value with original maturity dates of more than 90 days. Interest income is recognized in the period that it is earned. In 2009, certificates of deposit with maturity dates of more than 90 days amounting to \$6,758,467 had been included in cash and cash equivalents on the Statement of Financial Position. The 2009 Statement of Financial Position and Statement of Cash Flows has been restated to remove those certificates of deposit from cash and cash equivalents. There is no effect on net assets or changes in net assets due to this change.

Long-term investments relate to the Fund's permanent endowment. During 2010, these investments were converted from certificates of deposit to a portfolio of money market funds and exchange traded mutual funds which are stated at fair market value using quoted market prices. Unrealized and realized gains and losses are recorded in the Statement of Activities.

d. Land and Land Transactions

Land is held for resale or transfer to public agencies and is recorded at the lower of cost or fair market value except when acquired at less than appraised value in a bargain purchase. When fair market value is greater than consideration paid by the Fund, a contribution is recorded from the seller to the Fund for the difference. The Fund performs periodic assessments of land carrying value and records any decreases in value as necessary. Any such decreases are recorded as program expenses on the Statement of Activities as adjustments to land value.

In years when land is conveyed to a public agency and an updated appraisal, obtained for sale purposes, is higher than the carrying value, the Fund will record the increase in value as an adjustment to land value and record any difference between consideration received from the agency and the revised value as a contribution of land value to the agency.

e. Land with Life Estate

Land with life estate is recorded at the lower of cost or market value, less a discount to present value.

f. Charitable Remainder Trusts

Charitable remainder trusts are recorded at the fair value of their assets, less a discount to present value (see also Note 5).

# Sempervirens Fund

## Notes to Financial Statements

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g. Property and Equipment

Property and equipment consist of leasehold improvements, office furniture and equipment which are recorded at cost, if purchased or at fair market value on the date of donation, if donated.

The Fund computes depreciation for office furniture and equipment using the straight-line method over estimated useful lives, ranging from 3 to 10 years. Leasehold improvements are amortized over the lease term.

h. Revenue Recognition

Unconditional promises to give to the Fund are recorded as revenue at their fair value when the promise is made. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support based on whether they include donor stipulations that limit the use of the contributions. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Receivables for State matching funds are not recorded in the Fund's financial statements until formal approval is received from the State. This approval establishes the amount of the receivable and the certainty of collection.

Bequests are recorded as receivables when the collection of the bequest becomes certain.

i. Donated Services

During fiscal year 2010, volunteers contributed their time to the Fund, primarily for the building and maintenance of trails and the restoration program in the Santa Cruz Mountains State Parks. The value of this contributed time is not reflected in the financial statements.

j. Functional Allocation of Expenses

Costs that are directly attributed to a program are charged to that program. Other costs and support services are allocated to programs, fundraising, general and administrative services based on the amount of time spent on the programs or support services by the Fund's employees.

k. Income Taxes

The Fund is a nonprofit public charity organization and is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the California Revenue and Taxation Code. The Fund has also been determined to not be a private foundation by the Internal Revenue Service.

# Sempervirens Fund

## Notes to Financial Statements

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The Financial Accounting Standards Board issued new guidance on accounting for uncertainty in income taxes. The Fund adopted this new guidance for the year ended June 30, 2010. Management evaluated the Fund's tax positions and concluded that the Fund had maintained its tax exempt status and had taken no uncertain tax position that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

l. Statement of Cash Flows

For purposes of the Statement of Cash Flows, cash and cash equivalents consist of short-term, highly liquid investments with original maturity dates of three months or less.

m. Estimates Included in the Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

n. Prior Year Information

The financial information shown for the year ended June 30, 2009 is included to provide a basis for comparison and presents summarized totals only. The information is not intended to include all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Fund's financial statements for the year ended June 30, 2009 from which the summarized information was derived.

o. Reclassification

Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications have no effect on net assets or changes in net assets.

p. Subsequent Events

The Fund has reviewed the changes in net assets for the period of time from June 30, 2010 through September 16, 2010, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements; however, subsequent events have occurred, the nature of which are described in Notes 4 and 16.

# Sempervirens Fund

## Notes to Financial Statements

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### Note 3 - Note Receivable:

The Fund issued a note receivable in October 2002 in connection with the sale of land for \$320,000. Interest accrues at the rate of 7% per annum. Interest only payments are due the first of the month and the principal was due on November 1, 2007 at which time it was extended an additional five years with principal due on November 1, 2012. The balance of the note at June 30, 2010 was \$310,000.

The Fund has also loaned a potential land donor \$13,849 to bring delinquent property taxes current. The loan is secured by the land.

### Note 4 - Land Subject to Life Estate and Investment Land Holdings:

Land subject to life estate is a land purchase which is encumbered by the seller's right to remain on a portion of the land for the seller's lifetime. The seller passed away in November 2009 at which point the life estate was reclassified as an investment land holding. The land was revalued according to an independent appraisal and a gain of \$203,401 is included on the Statement of Activities as "Adjustment to investment land holding". In September 2010, the land was sold for \$700,000.

### Note 5 - Charitable Remainder Trusts:

The Fund is the beneficiary of certain irrevocable charitable remainder trusts. The Fund will not have the use of these assets until the remainder benefits are realized. Under the terms of these remainder trusts, the donors receive annuities out of the trust assets. The Fund has determined that the liability related to beneficiary interests is equivalent to the principal and income growth of the trust assets and is not recorded in the financial statements. The Fund has determined the fair market value of these trusts assets, which consist wholly of marketable securities and/or tradable mutual funds, by using quoted prices for identical assets in active markets and applying an appropriate present value discount.

At June 30, 2010, the value of these assets is as follows:

Charitable remainder trusts, at fair market value	\$ 517,922
Less the present value discount at the applicable federal rate of 3.2%	(108,305)
<u>Charitable remainder trusts, net</u>	<u>\$ 409,617</u>

# Sempervirens Fund

## Notes to Financial Statements

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### Note 6 - Fair Value Measurements:

The Fund accounts for all its financial instruments which are required to be measured at fair value on a recurring basis according to Financial Accounting Standards Board ASC Topic 820, Fair Value Measurements and Disclosures. This standard requires the Fund to classify its financial assets and liabilities based on a valuation method using three levels:

Level 1 Quoted market prices unadjusted in active markets for identical instruments that the organization has the ability to access as of the measurement date.

Level 2 Observable market inputs, such as quoted prices for similar instruments and quoted prices in inactive markets.

Level 3 Unobservable inputs when little or no market data is available and that reflect the Fund's determination of assumptions that market participants might reasonably use in valuing the instruments. The Fund does not currently have any instruments measured using level 3 inputs.

The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investments.

The table below presents the level hierarchy of assets measured at fair value on a recurring basis as of June 30, 2010:

	Level 1	Level 2
Short-term investments:		
Certificates of deposit		\$ 5,198,720
Long-term investments		
Money market funds	\$ 14,754	
Mutual funds	169,208	
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Subtotal	183,962	
Charitable remainder trust		409,617
Investment land holding		670,000
	<hr/>	
Total	\$ 183,962	\$ 6,278,337

# Sempervirens Fund

## Notes to Financial Statements

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### **Note 7 - Other Assets:**

Included in other assets is a portfolio of artwork, at its original appraised value of \$75,000 and other miscellaneous assets.

### **Note 8 - Retirement Plans:**

The Fund has a retirement income account plan for its employees. The Fund makes contributions on an annual basis of 6% of each participant's base salary for the previous calendar year. The contributions to the plan amounted to \$31,885 for fiscal 2010.

Additionally, the Fund provides retirement benefits for a former executive director's surviving spouse. The present value of the accrued retirement liability at the applicable federal rate of 3.20% at June 30, 2010 was \$44,441.

### **Note 9 - Note Payable:**

During fiscal year 2008, the Fund received an unsecured, no-interest loan from a Director, in the amount of \$62,800, to be used to assist in covering expenses to be incurred related to an assessment of the commercial fair market value of Verifiable Emission Reduction (VER) units, commonly referred to as carbon credits, on certain land and conservation easements owned by the Fund and for pursuing the qualification process needed to become a seller of such units. The note has a maturity date of July 12, 2012 and is only payable to the extent that there are revenues received from sales of the VER units. During 2010, although no revenues were received, the note was paid in full. (See also Note 10.)

### **Note 10 - Carbon Contract:**

During the fiscal year 2008 a contract was executed with a major public utility to sell (VER) units, related to land and conservation easements owned by the Fund. The contract has a total potential value of \$152,532, receipt of which is contingent upon a number of approvals, verifications and methodologies to be performed periodically. Future realization is currently not predictable with any certainty so was not recognized as revenue. During the year ended June 30, 2010, no revenue was received under the contract.

# Sempervirens Fund

## Notes to Financial Statements

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### Note 11 - Commitments and Contingencies:

During 2010, the fund moved to a new office and entered into a 7 year lease. Minimum monthly rent is \$6,809 with gradual increases according to the consumer price index. The Fund also leases storage space on a month-to-month basis. In the year ended June 30, 2010, total rent expense was \$81,925.

Future minimum payments under the lease are approximately are as follows:

2011	\$ 81,907
2012	84,366
2013	86,893
2014	89,503
2015	92,186
Thereafter	184,379
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Total	\$ 619,234

### Note 12 - Temporarily Restricted Net Assets:

Temporarily restricted net assets at June 30, 2010 were available for the following purposes:

Interest in remainder trusts	\$ 409,617
Planted trees	53,130
Other program services	201,139
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	\$ 663,886

# Sempervirens Fund

## Notes to Financial Statements

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### Note 13 - Endowment Fund:

Permanently restricted net assets represent endowment funds, for which the principal is to remain intact and earnings are available for use by the Fund.

The Board of the Fund has interpreted California's adoption of UPMIFA which became effective January 1, 2009 as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowments absent explicit donor stipulations to the contrary. As a result of this interpretation, the Fund classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the permanent endowment made in accordance with the direction of an applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Fund in a manner consistent with the standard of prudence prescribed by California's enacted version of UPMIFA.

The Fund's endowment currently consists of one fund created as the result of a bequest of \$186,456 received with the stipulation that it be used for endowment purposes with income therefrom to be used for the Fund's operations. All income earned on endowment fund investments is treated as temporarily restricted until appropriated by the Board of the Fund.

From time to time, the fair value of assets associated with the donor-restricted endowment funds may fall below the level required by the Fund. Deficiencies of this nature, that are reported in unrestricted net assets, were \$2,494 as of June 30, 2010. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs was deemed prudent by the Board.

Effective beginning with fiscal year 2010 the Board of the Fund, will consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Fund and the donor restrictions.
- General economic conditions.
- The possible effects of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Fund.
- The investment policies of the Fund.

# Sempervirens Fund

## Notes to Financial Statements

Changes in endowment net assets for the year ended June 30, 2010 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year		\$ 3,089	\$ 186,456	\$ 189,545
Investment return:				
Interest income		1,693		1,693
Net realized and unrealized loss on investment		(2,369)		(2,369)
Total investment return		(676)		(676)
Amounts appropriated for expenditure		(4,907)		(4,907)
Endowments underwater	\$ (2,494)	2,494		
Endowment net assets, end of year	\$ (2,494)	\$ 0	\$ 186,456	\$ 183,962

### Note 14 - Joint Ownership Land Holdings:

Conservation land holdings at June 30, 2010 include a 535 acre parcel purchased jointly with another land conservation organization. The Fund's 50% ownership interest is valued at \$3,878,000 and both organizations have agreed to share equally in any related transaction, holding and management costs during their joint ownership. During fiscal 2010 the Fund's share of such costs was \$69,946. The property contains numerous cabins, developed camp sites and recreational facilities and the intended future goal for the property is for conveyance into state ownership for use as a public park. Day-to-day management has been contracted out to an independent contractor.

As of June 30, 2010 the land value of this parcel was adjusted downward by \$1,559,000 to reflect the net realizable value of an anticipated sale of the land subsequent to year end and a pledge donation of land value to provide a public benefit to a public agency of \$1,559,000. The transaction was recorded as an expense.

# Sempervirens Fund

## Notes to Financial Statements

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### **Note 15 - Concentrations of Risk:**

The primary concentrations of market risk exist with cash and investments. The Fund maintains cash deposits in financial institutions in excess of federally insured limits. The investments are diversified into various funds in order to limit the concentration of market risk.

### **Note 16 - Land Acquisitions Subsequent to Year End:**

In August, 2010, the Fund purchased 33 acres of land adjacent to Castle Rock State Park for \$1,550,000, in part with a \$775,000 donation from and pursuant to a grant agreement with Peninsula Open Space Trust (POST) and the Kirkwood Family Fund.

In September, 2010, the Fund signed a purchase agreement to obtain 31 acres of land for \$1,030,000 in San Mateo County.

# Sempervirens Fund

## Supplementary Information - Schedule of Land Holdings (See Auditors' Report)

*Year Ended June 30, 2010*

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**Conservation Land and Easement Holdings Activity:**

Beginning of year	\$	12,552,904
Land purchased		2,210,000
Adjustments to land value		(1,559,000)
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End of year	\$	13,203,904

**Land Subject to Life Estate, net:**

Beginning of year	\$	466,599
Transfer to investment land holding		(466,599)
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End of year	\$	0

**Investment Land Holding:**

Beginning of year	\$	0
Transfer from land subject to life estate, net		466,599
Net change in value		203,401
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End of year	\$	670,000