

SEMPERVIRENS FUND

AUDITED FINANCIAL STATEMENTS

for the year ended June 30, 2011
(with summarized comparative totals for June 30, 2010)

SEMPERVIRENS FUND

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Building your future

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Sempervirens Fund:

We have audited the accompanying statement of financial position of Sempervirens Fund (the "Fund", a nonprofit organization) as of June 30, 2011, 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 2010 financial statements which were audited by other auditors whose report dated September 16, 2010, 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 the Fund as of June 30, 2011, 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 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 taken as a whole.

Burr Pilger Mayer, Inc.

San Jose, California
November 10, 2011

Member of The Leading Edge Alliance

SEMPERVIRENS FUND
STATEMENTS OF FINANCIAL POSITION
June 30, 2011
(with summarized comparative totals for June 30, 2010)

	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,792,375	\$ 2,407,127
Certificates of deposit	4,252,921	4,048,720
Grants receivable	431,216	70,000
Investment land holding	-	670,000
Other assets	20,104	10,923
Total current assets	6,496,616	7,206,770
Long-term assets:		
Certificates of deposit	3,460,049	1,050,000
Long-term investments	213,954	183,962
Conservation land and easement holding	10,535,003	13,203,904
Charitable remainder trust, net	479,523	409,617
Notes receivable	328,261	323,849
Property and equipment, net	105,089	98,027
Other assets	81,809	94,772
Total long-term assets	15,203,688	15,364,131
Total assets	\$ 21,700,304	\$ 22,570,901
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 110,101	\$ 30,854
Accrued payroll and other liabilities	39,372	20,216
Accrued retirement—full year	43,361	44,441
Total current liabilities	192,834	95,511
Net assets:		
Unrestricted net assets:		
Board designated land reserve fund	14,000,000	-
Board designated land easement fund	100,000	-
Undesignated	5,923,705	21,625,048
Total unrestricted net assets	20,023,705	21,625,048
Temporarily restricted net assets	1,297,309	663,886
Permanently restricted net assets	186,456	186,456
Total net assets	21,507,470	22,475,390
Total liabilities and net assets	\$ 21,700,304	\$ 22,570,901

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

SEMPERVIRENS FUND

STATEMENT OF ACTIVITIES

for the year ended June 30, 2011

(with summarized comparative totals for June 30, 2010)

	2011			Total	(For comparative purposes only)
	Unrestricted	Temporarily Restricted	Permanently Restricted		2010 Total
Revenue and other support:					
Contributions and grants	\$ 1,862,317	\$ 1,619,698	\$ -	\$ 3,482,015	\$ 1,598,337
Land and stewardship income	911,252	-	-	911,252	-
Investment income	73,584	-	-	73,584	151,955
Unrealized gain (loss) on long-term investments	-	27,498	-	27,498	(2,369)
Net change in value of charitable remainder trusts	-	69,906	-	69,906	14,940
Other income	51,020	-	-	51,020	20,654
Adjustment to investment land holding	-	-	-	-	203,401
Total revenue and other support	2,898,173	1,717,102	-	4,615,275	1,986,918
Net assets released from restrictions	1,083,679	(1,083,679)	-	-	-
Total revenue and other support	3,981,852	633,423	-	4,615,275	1,986,918
Operating expenses:					
Programs:					
Land	3,833,265	-	-	3,833,265	2,450,243
Stewardship	337,755	-	-	337,755	-
Trees and groves	165,490	-	-	165,490	279,673
Total program expenses	4,336,510	-	-	4,336,510	2,729,916
Support services:					
General and administrative	396,547	-	-	396,547	448,443
Fundraising	850,138	-	-	850,138	447,659
Total support services	1,246,685	-	-	1,246,685	896,102
Total expenses	5,583,195	-	-	5,583,195	3,626,018
Change in net assets	(1,601,343)	633,423	-	(967,920)	(1,639,100)
Net assets, beginning of year	21,625,048	663,886	186,456	22,475,390	24,114,490
Net assets, end of year	<u>\$ 20,023,705</u>	<u>\$ 1,297,309</u>	<u>\$ 186,456</u>	<u>\$ 21,507,470</u>	<u>\$ 22,475,390</u>

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

SEMPERVIRENS FUND
STATEMENT OF FUNCTIONAL EXPENSES
for the year ended June 30, 2011
(with summarized comparative totals for June 30, 2010)

	2011								(For comparative purposes only) 2010 Total
	Program Services				Support Services				
	Land	Stewardship	Trees and Groves	Total Program Services	General and Administrative	Fundraising	Total Support Services	Total	
Salaries and related expenses:									
Salaries	\$ 197,619	\$ 108,563	\$ 94,682	\$ 400,864	\$ 157,860	\$ 254,586	\$ 412,446	\$ 813,310	\$ 575,399
Payroll taxes and employee benefits	41,224	22,554	19,662	83,440	62,155	52,913	115,068	198,508	131,233
Total salaries and related expenses	<u>238,843</u>	<u>131,117</u>	<u>114,344</u>	<u>484,304</u>	<u>220,015</u>	<u>307,499</u>	<u>527,514</u>	<u>1,011,818</u>	<u>706,632</u>
Other expenses:									
Land expenses	792,999	-	-	792,999	-	-	-	792,999	214,562
Stewardship expenses	-	121,645	-	121,645	-	-	-	121,645	55,297
Other outside services	115,439	29,492	19,802	164,733	10,673	156,359	167,032	331,765	141,669
IT services	13,905	5,748	6,317	25,970	25,731	14,925	40,656	66,626	-
Office expenses	17,172	21,938	5,065	44,175	24,212	24,557	48,769	92,944	133,083
Occupancy expenses	31,152	17,328	14,119	62,599	25,246	39,540	64,786	127,385	94,958
Printing, postage and direct mail	6,387	624	1,899	8,910	2,612	197,921	200,533	209,443	71,971
Grants and aid	110,000	-	100	110,100	1,000	1,000	2,000	112,100	126,000
Contributions	300,000	-	-	300,000	-	-	-	300,000	200,000
Retirement expense	-	-	-	-	-	-	-	-	37,599
Legal and accounting	3,522	33	-	3,555	28,887	2,952	31,839	35,394	128,376
Insurance	7,640	5,097	1,799	14,536	21,250	4,908	26,158	40,694	34,945
Special events	12,153	780	-	12,933	-	56,131	56,131	69,064	52,243
Travel, trainings, meetings and entertainment	14,053	3,928	2,045	20,026	8,792	17,688	26,480	46,506	43,831
Government fees	-	25	-	25	225	-	225	250	-
Repairs and maintenance	-	-	-	-	-	-	-	-	1,120
In-kind expenses	-	-	-	-	-	26,658	26,658	26,658	-
Adjustments to land value	2,170,000	-	-	2,170,000	-	-	-	2,170,000	-
Write-down of assets pledged to public agencies	-	-	-	-	-	-	-	-	1,559,000
Total other expenses	<u>3,594,422</u>	<u>206,638</u>	<u>51,146</u>	<u>3,852,206</u>	<u>148,628</u>	<u>542,639</u>	<u>691,267</u>	<u>4,543,473</u>	<u>2,894,654</u>
Depreciation and amortization	-	-	-	-	27,904	-	27,904	27,904	24,732
Total functional expenses	<u>\$ 3,833,265</u>	<u>\$ 337,755</u>	<u>\$ 165,490</u>	<u>\$ 4,336,510</u>	<u>\$ 396,547</u>	<u>\$ 850,138</u>	<u>\$ 1,246,685</u>	<u>\$ 5,583,195</u>	<u>\$ 3,626,018</u>

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

SEMPERVIRENS FUND
STATEMENTS OF CASH FLOWS
for the year ended June 30, 2011

	2011	2010
Cash flows from operating activities:		
Change in net assets	\$ (967,920)	\$ (1,639,100)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation and amortization	27,905	24,732
Unrealized (gain) loss on long-term investments	(26,465)	2,369
Net change in charitable remainder trusts	(69,907)	(14,940)
Adjustment to investment holding	-	(203,401)
Purchase of land	(2,621,751)	(2,210,000)
Easement holdings	1,652	-
Reduction in carrying value of land	2,170,000	1,559,000
(Increase) decrease in operating assets:		
Grants receivable	(361,216)	30,000
Other assets	3,783	(10,509)
Increase (decrease) in operating liabilities:		
Accrued payroll, retirement, and other liabilities	97,324	(51,750)
Total adjustments	(778,675)	(874,499)
Net cash (used in) operating activities	(1,746,595)	(2,513,599)
Cash flows from investing activities:		
Sale of life estate property	670,000	-
Sale of land	3,119,000	-
Issuance of note receivable	(4,412)	-
Net (increase) decrease in investments and certificates of deposit	(2,617,777)	1,662,961
Purchase of equipment	(34,968)	(100,582)
Net cash provided by investing activities	1,131,843	1,562,379
Cash flows from financing activities:		
Repayments of note payable	-	(39,920)
Net cash used in financing activities	-	(39,920)
Net (decrease) in cash and cash equivalents	(614,752)	(991,140)
Cash and cash equivalents, beginning of year	2,407,127	3,398,267
Cash and cash equivalents, end of year	\$ 1,792,375	\$ 2,407,127
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ -	\$ -

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

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS

1. Nature of Organization

Sempervirens Fund (the “Fund”) is a California nonprofit land conservation organization that has been protecting the coast redwoods of the Santa Cruz Mountains since 1900. Its mission is to preserve redwood forests, wildlife habitats, watersheds, and other important natural features of California’s Santa Cruz Mountains and to encourage people to appreciate and enjoy this environment. Since its founding, the Fund has protected more than 25,000 acres of redwood forestland, most of which have been incorporated into Big Basin Redwoods, Butano, Castle Rock, and Portola Redwoods State Parks.

The Fund currently has three programs:

Land Acquisition and Disposition (the “Land”) – the Fund works closely with California State Parks, other public agencies, and local nonprofits to make strategic land purchases that create, expand, and link redwood forests and parks. In most cases, the Fund acquires fee title to land with the intention of eventually transferring it into public ownership; however, in some cases, it acquires and holds conservation easements that provide certain rights such as trail access or prevent future timber harvesting on privately held parcels of land. When appropriate, the Fund also enters into joint ventures with other land conservation organizations providing cash or other assets to support priority conservation projects. The Fund’s participation appears as direct expenses within land program expenses.

Stewardship – Properties that are held by the Fund require ongoing stewardship to ensure that the land is in good condition and the forests remain healthy. Stewardship activities include removing debris, maintaining trails, monitoring wildlife, clearing invasive plants, and planting new seedlings as needed.

Trees and Groves – the Fund provides the opportunity for its donors to dedicate a tree or grove located within one of the State Parks of the Santa Cruz Mountains. The Fund has entered into an agreement with California State Parks whereby the Fund is permitted to sell the naming rights to the trees.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Fund maintains its books and records on the accrual basis of accounting and accordingly these financial statements reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

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. The Fund established the Board designated land reserve fund of \$14,100,000 for this purpose.

Temporarily restricted net assets, 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.

Continued

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Basis of Presentation, continued

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

Cash and Cash Equivalents

Cash consists of cash on hand and cash in demand deposit accounts. Cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

The Fund maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Fund has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Investments

Certificates of deposit are stated at fair market value with original maturity dates of more than three months. Interest income is recognized in the period that it is earned.

Long-term investments relate to the Fund's permanent endowment. The investments consist 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.

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. The Fund does not appraise all of its land holdings each year. However, when information is obtained concerning the current valuation of a land holding, a determination is made by management whether a new appraisal is warranted.

In years when land is conveyed to a public agency and an updated appraisal, obtained for sales 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.

Land with Life Estate

Land with life estate is recorded at the lower of cost or market value, less a discount to present value. For the years ended June 30, 2011 and 2010, the Fund has one parcel of land with a life estate value of \$200,000.

Charitable Remainder Trusts

Charitable remainder trusts are recorded at the fair value of their assets, less a discount to present value.

Continued

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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. Assets costing \$5,000 or more individually will be capitalized and depreciated in accordance with the Fund's depreciation policies. Improvements to real property and leasehold improvements are capitalized if they cost \$5,000 or more individually.

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. Accumulated depreciation and amortization was \$293,101 at June 30, 2011 and \$265,196 at June 30, 2010. Depreciation and amortization expense for the years ending June 30, 2011 and 2010 totaled \$27,905 and \$24,732, respectively.

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 restriction.

The Fund is occasionally notified by donors or the trustees of their estates that they have been named as a beneficiary in their will. The Fund will not immediately recognize these gifts as receivables and contributions unless they are irrevocable, unconditional and measurable. If a gift does not meet these criteria it is not recognized as contribution revenue until the will is declared valid and subject to final distribution. At that time, the Fund recognizes the contribution at fair value, net of a discount for likely fees and taxes, based on historical experience.

Donated Services

During fiscal year June 30, 2011 and 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.

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.

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.

Continued

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Income Taxes and Uncertainty in Income Taxes

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

The Fund'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 Fund, 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 Fund.

At July 1, 2009, the Fund applied this guidance to all tax positions for which the statute of limitations remained open (fiscal years ended since June 30, 2008) and determined there were no material unrecognized tax benefits as of that date. In addition, there have been no material changes in unrecognized benefits since July 1, 2009. There have been no related tax penalties or interest, which would be classified as tax expense in the statement of activities. As the Fund is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701 (d) of the California Revenue and Taxation Code it generally not subject to federal or state income taxes, the adoption of this guidance did not have a material effect on the Fund's financial statements.

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.

Reclassification

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

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 Fund's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS

3. Concentrations of Risk

Contribution and Grant Revenue

At June 30, 2011, approximately 34% of the contribution and grant revenue was comprised of donations from one donor. At June 30, 2011, approximately 93% of the grants receivable balance was receivable from this donor. At June 30, 2010, there were no concentrations of risks from donors in contributions or receivables.

4. Grants Receivable

At June 30, 2011 and 2010, the balance of grants receivable of \$431,216 and \$70,000, respectively are receivable in less than one year.

5. Conditional Grants

At June 30, 2010, the Fund had one conditional grant in the amount of \$300,000 pursuant to a grant agreement with Peninsula Open Space Trust (POST) and the Kirkwood Family Foundation for the purchase of property adjacent to Castle Rock State Park. The grant was not recognized as income during fiscal year June 30, 2011 since the conditions were not met as of the end of the fiscal year.

6. Investment Land Holdings

Investment land holding is a land purchase which was 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 land was revalued according to an independent appraisal and a gain of \$203,401 was included on the Statement of Activities as "adjustment to investment land holding". In September 2010, the land was sold for \$700,000.

7. 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 the 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 trust 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, 2011 and 2010, the value of these assets is as follows:

	2011	2010
Charitable remainder trusts, at fair market value	\$ 570,988	\$ 517,922
Less present value discount at the applicable federal rate of 2.8% and 3.2%, respectively	(91,465)	(108,305)
Charitable remainder trusts, net	\$ 479,523	\$ 409,617

Continued

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS

8. Notes 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. Interest accrued and paid during year ended June 30, 2011 was \$20,532. The balance of the note at June 30, 2011 and 2010 was \$310,000. The loan is secured by the land.

The Fund has also loaned a potential land donor \$18,261 at June 30, 2011 and \$13,849 at June 30, 2010 to bring delinquent property taxes current. The loan has interest accruing at the rate of 3% per annum. The loan is secured by the land.

9. Fair Value Measurements

The Fund accounts for all its financial instruments which are required to be measured at fair value on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Fund uses various valuation approaches. A hierarchy has been established for inputs used in measuring fair value that maximize 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 Fund. Unobservable inputs are inputs that reflect the Fund's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

- Level 1: quote prices in active markets for identical investments. Investments in Level 1 include listed equities held in the name of the Funds, and exclude listed equities and other securities held indirectly through commingled funds.
- Level 2: pricing inputs, including broker quotes, are those other than exchange quoted prices in active markets, are either directly or indirectly observable as of the reporting date which the fair value is determined through the use of models or other valuation methodologies.
- Level 3: pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investments and may require a high level of judgment to determine the fair value.

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS

9. Fair Value Measurements, continued

The table below presents the level hierarchy of assets measured at fair value on a recurring basis as of June 30, 2011 and June 30, 2010.

	Assets at Fair Value as of June 30, 2011		
	Level 1	Level 2	Total
Short-term investments:			
Certificates of deposit	\$ -	\$ 4,252,921	\$ 4,252,921
Long-term investments:			
Certificates of deposit	-	3,460,049	3,460,049
Other long-term investments:			
Money market funds	16,820	-	16,820
Mutual funds	197,134	-	197,134
Total other long-term investments	213,954	-	213,954
Charitable remainder trusts	-	479,523	479,523
Total	<u>\$ 213,954</u>	<u>\$ 8,192,493</u>	<u>\$ 8,406,447</u>

	Assets at Fair Value as of June 30, 2010		
	Level 1	Level 2	Total
Short-term investments:			
Certificates of deposit	\$ -	\$ 4,048,720	\$ 4,048,720
Investment land holding	-	670,000	670,000
Total short-term investments	-	4,718,720	4,718,720
Long-term investments:			
Certificates of deposit	-	1,050,000	1,050,000
Other long-term investments:			
Money market funds	14,754	-	14,754
Mutual funds	169,208	-	169,208
Total other long-term investments	183,962	-	183,962
Charitable remainder trusts	-	409,617	409,617
Total	<u>\$ 183,962</u>	<u>\$ 6,178,337</u>	<u>\$ 6,362,299</u>

The Fund did not have any Level 3 assets at June 30, 2011 and 2010.

10. Other Assets

Included in other assets is a portfolio of artwork, at its original appraised value of \$75,000 and other miscellaneous assets totaling \$81,809 and \$94,772 for years ending June 30, 2011 and 2010, respectively.

11. 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 current base salary. The contributions to the plan amounted to \$46,305 at June 30, 2011 and \$31,885 at June 30, 2010.

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SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS

11. Retirement Plans, continued

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 4.00% at June 30, 2011 was \$43,361 and 3.20% at June 30, 2010 was \$44,441.

12. Note Payable

During fiscal year 2008, the Fund received an unsecured, interest free 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. In fiscal year June 30, 2010, although no revenue was received, the note was paid in full. The note had no balance at fiscal year end June 30, 2011.

13. Carbon Contract

During 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 fiscal year ended June 30, 2011, revenue was received in the amount of \$55,251. During the fiscal year ended June 30, 2010, no revenue was received under the contract.

14. Commitments and Contingencies

During fiscal year 2010, the Fund moved to a new office and entered into a seven year lease. Minimum monthly rent is \$6,809 with increases according to the consumer price index. The Fund also leases storage space on a month-to-month basis. In the fiscal year ended June 30, 2011 and 2010, total rent expense was \$111,327 and \$81,925, respectively. These amounts include charges for common area costs.

Future minimum payments under the lease are as follows:

2012	\$	84,574
2013		87,111
2014		89,724
2015		92,416
2016		95,189
Thereafter		81,297
Total	<u>\$</u>	<u>530,311</u>

Continued

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS

15. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2011 and 2010 were restricted for the following time and purpose restrictions:

	2011	2010
Time restricted:		
Restricted to future expense	\$ 10,000	\$ -
Total time restricted	10,000	-
Program restricted:		
Interest in remainder trusts, net	479,524	409,617
Castle Rock/Whalen	-	92,114
Castle Rock State Park Entrance	416,362	-
Conceptual Area Protection	99,079	-
Coastal Watershed Pre-acquisition grant	54,250	-
Living Landscape Initiative	18,050	-
Planted trees	51,039	53,130
Endowment Fund Investment Return	27,498	-
Wildlife Conservation	26,933	15,831
Other program services	114,655	93,194
Total program restricted	1,287,390	663,886
Total temporarily restricted	\$ 1,297,390	\$ 663,886

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by donors as follows:

	2011	2010
Program purpose:		
Interest in remainder trusts, net	\$ -	\$ 466,599
Castle Rock/Whalen	93,114	-
Castle Rock State Park Entrance	33,638	-
Conceptual Area Protection	921	-
Coastal Watershed Pre-acquisition grant	46,250	-
Planted trees	58,636	18,847
Wildlife Conservation	13,898	-
Other program services	62,222	131,488
Total program purpose accomplished	308,679	616,934
Land acquisition:		
Castle Rock/Whalen	775,000	-
Total land acquisition	775,000	-
Total temporarily restricted net assets released from restriction	\$ 1,083,679	\$ 616,934

Continued

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS

16. Endowment Fund

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 henceforth to be used for the Fund's operation. The balance of the endowment is recorded on the Statement of Financial Position as long-term investments. All income earned on endowment fund investments is treated as temporarily restricted until appropriated by the Fund's Board. Income earned on the endowment fund as of June 30, 2011 was \$29,992. At June 30, 2010 the endowment fund was in a deficiency position of \$2,494.

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. Net asset classifications of donor-restricted endowment funds subject to an enacted version of UPMIFA have been accounted for appropriately in these financial statements. Additional disclosures about the Fund's endowment funds subject to UPMIFA have been included for the years ending June 30, 2011 and 2010, respectively.

Interpretation of Relevant Law

The Fund's Board has interpreted 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 fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Fund 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 Fund in a manner consistent with the standard of prudence prescribed by the enacted version of UPMIFA.

Spending Policy

In accordance with the State of California's enacted version of UPMIFA, the Fund 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 Fund and the endowment funds
- (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 Fund
- (7) The investment policies of the Fund

The Fund does not have a policy for appropriating for distribution each year. This is consistent with the Fund's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Continued

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS

16. Endowment Fund, continued

Investment Policy, Strategies, and Objectives

The Fund has adopted investment and spending policies for endowment assets that attempts to maximize total return consistent with an acceptable level of risk, and to provide a predictable stream of funding to programs supported by its endowment. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results while assuming a moderate level of investment risk. The Fund expects its endowment funds, over time, to provide an average rate of return of approximately 4% percent annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Fund relies on a total return in which investment returns are achieved through both capital appreciation and current yield. The Fund targets a diversified asset allocation that helps to achieve its long-term objectives within prudent risk constraints.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Fund to retain as a fund of perpetual duration. In accordance with GAAP, 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 that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board.

Changes in endowment net assets for the years ended June 30, 2011 and June 30, 2010 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2009	\$ -	\$ 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, June 30, 2010	(2,494)	-	186,456	183,962
Investment return:				
Interest income	2,494	-	-	2,494
Net realized and unrealized gain on investment	-	27,498	-	27,498
Total investment return	2,494	27,498	-	29,992
Endowment net assets, June 30, 2011	\$ -	\$ 27,498	\$ 186,456	\$ 213,954

Continued

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS

17. Land and Land Transactions

Conservation land holdings at June 30, 2011 include the 455 acre Lompico property. A Restrictive Covenant and Project Implementation Agreement between Sempervirens and the Climate Action Reserve were recorded on the Lompico property as part of Sempervirens' Lompico Carbon Project. The agreement strips the Lompico property of its timber value by prohibiting any commercial timber harvests for the next one hundred years. This reduced the book value of the property by \$2,170,000. The adjustment to fair market value was recorded as a land expense as of June 30, 2011.

18. Subsequent Events

The Fund's Management has evaluated events for recognition and disclosure through November 10, 2011, the date which these financial statements were available to be issued. Management concluded that the following material subsequent event occurred since June 30, 2011 and required recognition or disclosure in the financial statements.

On August 3, 2011 the Fund received notification that it is the beneficiary of a bequest for approximately \$650,000. It is anticipated that these funds will be received by the Fund in fiscal year June 30, 2012.

SUPPLEMENTARY INFORMATION

SEMPERVIRENS FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF LAND HOLDINGS
for the year ended June 30, 2011

Conservation Land and Easement Holding Activity:

Beginning of year, June 30, 2010	\$ 13,203,904
Land purchased	2,621,751
Land conveyed	(3,119,000)
Easement holdings adjustment	(1,652)
Adjustments to land value	(2,170,000)
End of year, June 30, 2011	\$ 10,535,003

Investment Land Holding:

Beginning of year, June 30, 2010	\$ 670,000
Sale of investment land holding	(670,000)
End of year, June 30, 2011	\$ -