

SEMPERVIRENS FUND

AUDITED FINANCIAL STATEMENTS

for the year ended June 30, 2014
(with summarized comparative totals for June 30, 2013)

SEMPERVIRENS FUND

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Sempervirens Fund:

We have audited the accompanying financial statements of Sempervirens Fund (the "Fund," a California nonprofit land conservation organization) which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Sempervirens Fund's 2013 financial statements, and our report dated November 14, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information contained in the Schedule of Land Holdings on page 21 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 as a whole.

Burr Puseer Mayer, CPA

San Jose, California
October 20, 2014

SEMPERVIRENS FUND
STATEMENTS OF FINANCIAL POSITION

June 30, 2014 and 2013

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,463,820	\$ 1,513,143
Certificates of deposit	1,932,953	2,083,864
Grants receivable, net	1,053,652	1,187,783
Notes receivable	9,978	80,000
Other assets	28,028	17,777
Total current assets	4,488,431	4,882,567
Long-term assets:		
Certificates of deposit	914,165	811,836
Long-term investments - endowment	247,015	218,754
Long-term investments - capital	821,134	422,847
Grants receivable, net	113,946	113,135
Conservation land and easement holding	22,295,962	21,347,254
Charitable remainder trust, net	186,430	480,719
Notes receivable, less current portion	230,486	248,261
Property and equipment, net	23,354	46,664
Other assets	75,000	75,000
Total long-term assets	24,907,492	23,764,470
Total assets	\$ 29,395,923	\$ 28,647,037
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 55,507	\$ 143,010
Accrued payroll and other liabilities	89,024	112,838
Note payable	2,500,000	-
Total current liabilities	2,644,531	255,848
Long-term liabilities:		
Note payable	-	2,500,000
Total long-term liabilities	-	2,500,000
Total liabilities	2,644,531	2,755,848
Net assets:		
Unrestricted net assets:		
Board designated land reserve fund	14,000,000	14,000,000
Board designated land easement fund	100,000	100,000
Undesignated	10,859,483	9,803,337
Total unrestricted net assets	24,959,483	23,903,337
Temporarily restricted net assets	1,605,453	1,801,396
Permanently restricted net assets	186,456	186,456
Total net assets	26,751,392	25,891,189
Total liabilities and net assets	\$ 29,395,923	\$ 28,647,037

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

SEMPERVIRENS FUND
STATEMENT OF ACTIVITIES
for the year ended June 30, 2014
(with summarized comparative totals for June 30, 2013)

	2014			Total	(For Comparative Purposes Only)
	Unrestricted	Temporarily Restricted	Permanently Restricted		2013 Total
Revenue and other support:					
Contributions and grants	\$ 2,538,834	\$ 604,766	\$ -	\$ 3,143,600	\$ 3,151,616
Land and stewardship income	150,000	-	-	150,000	-
Investment income	25,909	7,713	-	33,622	25,017
Unrealized gain on long-term investments	34,848	63,228	-	98,076	25,589
Net change in value of charitable remainder trusts	-	(25,653)	-	(25,653)	544
Other support	41,813	-	-	41,813	36,809
Total revenue and other support	<u>2,791,404</u>	<u>650,054</u>	<u>-</u>	<u>3,441,458</u>	<u>3,239,575</u>
Net assets released from restrictions	845,997	(845,997)	-	-	-
Total revenue and other support	<u>3,637,401</u>	<u>(195,943)</u>	<u>-</u>	<u>3,441,458</u>	<u>3,239,575</u>
Operating expenses:					
Programs:					
Land	705,704	-	-	705,704	1,009,846
Stewardship	286,396	-	-	286,396	276,518
Education and outreach	142,023	-	-	142,023	-
Trees and groves	133,517	-	-	133,517	161,015
Total program services	<u>1,267,640</u>	<u>-</u>	<u>-</u>	<u>1,267,640</u>	<u>1,447,379</u>
Support services:					
General and administrative	506,204	-	-	506,204	534,901
Fundraising	807,411	-	-	807,411	954,054
Total support services	<u>1,313,615</u>	<u>-</u>	<u>-</u>	<u>1,313,615</u>	<u>1,488,955</u>
Total expenses	<u>2,581,255</u>	<u>-</u>	<u>-</u>	<u>2,581,255</u>	<u>2,936,334</u>
Change in net assets	1,056,146	(195,943)	-	860,203	303,241
Net assets, beginning of year	23,903,337	1,801,396	186,456	25,891,189	25,587,948
Net assets, end of year	<u>\$ 24,959,483</u>	<u>\$ 1,605,453</u>	<u>\$ 186,456</u>	<u>\$ 26,751,392</u>	<u>\$ 25,891,189</u>

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

SEMPERVIRENS FUND
STATEMENT OF FUNCTIONAL EXPENSES
for the year ended June 30, 2014
(with summarized comparative totals for June 30, 2013)

	2014									(For Comparative Purposes Only) 2013 Total
	Program Services					Support Services				
	Land	Stewardship	Education and Outreach	Trees and Groves	Total Program Services	General and Administrative	Fundraising	Total Support Services	Total	
Salaries and related expenses:										
Salaries	\$ 177,465	\$ 99,223	\$ 19,999	\$ 82,388	\$ 379,075	\$ 219,309	\$ 245,277	\$ 464,586	\$ 843,661	\$ 862,034
Payroll taxes and employee benefits	35,597	20,552	4,021	16,487	76,657	43,097	49,480	92,577	169,234	167,416
Total salaries and related expenses	<u>213,062</u>	<u>119,775</u>	<u>24,020</u>	<u>98,875</u>	<u>455,732</u>	<u>262,406</u>	<u>294,757</u>	<u>557,163</u>	<u>1,012,895</u>	<u>1,029,450</u>
Other expenses:										
Land expenses	57,897	-	-	-	57,897	-	-	-	57,897	63,414
Stewardship expenses	-	44,039	-	-	44,039	-	-	-	44,039	26,795
Other outside services	157,433	86,039	71,994	6,744	322,210	21,957	228,548	250,505	572,715	617,852
IT services	8,098	4,509	10,939	3,443	26,989	11,070	18,887	29,957	56,946	65,899
Office expenses	25,873	5,622	9,562	5,395	46,452	16,823	11,036	27,859	74,311	66,810
Occupancy expenses	27,663	16,037	3,191	12,799	59,690	35,763	40,740	76,503	136,193	142,336
Printing, postage and direct mail	1,849	2,323	21,077	4,714	29,963	12,418	143,082	155,500	185,463	195,000
Grants and aid	-	-	-	-	-	-	-	-	-	2,500
Interest expense	-	-	-	-	-	36,979	-	36,979	36,979	38,021
Contributions	175,000	-	-	-	175,000	-	-	-	175,000	452,000
Legal and accounting	6,445	1,273	-	-	7,718	36,121	4,000	40,121	47,839	44,064
Insurance	-	808	-	-	808	26,381	-	26,381	27,189	27,812
Special events	-	-	1,240	-	1,240	-	41,693	41,693	42,933	56,542
Travel, trainings, meetings and entertainment	18,292	5,788	-	1,547	25,627	16,770	10,585	27,355	52,982	53,000
Government fees	88	183	-	-	271	549	8,732	9,281	9,552	5,665
In-kind expenses	14,004	-	-	-	14,004	-	5,351	5,351	19,355	17,382
Discount on pledges	-	-	-	-	-	5,657	-	5,657	5,657	-
Total other expenses	<u>492,642</u>	<u>166,621</u>	<u>118,003</u>	<u>34,642</u>	<u>811,908</u>	<u>220,488</u>	<u>512,654</u>	<u>733,142</u>	<u>1,545,050</u>	<u>1,875,092</u>
Depreciation and amortization	-	-	-	-	-	23,310	-	23,310	23,310	31,792
Total functional expenses	<u>\$ 705,704</u>	<u>\$ 286,396</u>	<u>\$ 142,023</u>	<u>\$ 133,517</u>	<u>\$ 1,267,640</u>	<u>\$ 506,204</u>	<u>\$ 807,411</u>	<u>\$ 1,313,615</u>	<u>\$ 2,581,255</u>	<u>\$ 2,936,334</u>

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

SEMPERVIRENS FUND
STATEMENTS OF CASH FLOWS
for the years ended June 30, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities:		
Change in net assets	\$ 860,203	\$ 303,241
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	23,310	31,792
Donated securities	(136,867)	(149,263)
(Gain) from sale of fixed asset	-	(1,809)
Realized (gain) on investments	(18,683)	(734)
Unrealized (gain) on long-term investments	(57,865)	(15,056)
Net change in charitable remainder trusts	(14,255)	(29,256)
Changes in land improvement	(78,207)	(258,942)
Purchase of land	(1,370,500)	(500,000)
Purchase of easement holdings	-	(525,000)
(Increase) decrease in operating assets:		
Grants receivable	133,320	(264,928)
Other assets	(10,251)	15,531
Increase (decrease) in operating liabilities:		
Accrued payroll, retirement, and other liabilities	(111,318)	(34,075)
Total adjustments	(1,641,316)	(1,731,740)
Net cash used in operating activities	(781,113)	(1,428,499)
Cash Flows from Investing Activities:		
Proceeds from sale of fixed assets	-	1,809
Sale of land	500,000	-
Net (increase) decrease in investments and certificates of deposit	(164,551)	2,057,680
Proceeds from note receivable	87,797	-
Proceeds from dissolution on charitable remainder trust	308,544	-
Net cash provided by investing activities	731,790	2,059,489
Net increase (decrease) in cash and cash equivalents	(49,323)	630,990
Cash and cash equivalents, beginning of year	1,513,143	882,153
Cash and cash equivalents, end of year	\$ 1,463,820	\$ 1,513,143
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 37,500	\$ 37,500
Donated securities received for reduction of grants receivable	\$ 27,276	\$ 51,097

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

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014

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 four programs:

Land Acquisition and Disposition (“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.

Education and Outreach – the Fund regularly communicates general information about its work, and opportunities to find recreation in the Santa Cruz Mountains. The communication strategies include publications, other printed materials, website, social media and electronic newsletters. The outreach activities include events, speakers, hiking and volunteer opportunities. The focus of this fund is to educate new groups of people about the Fund’s work, introduce them to outdoor recreation opportunities, and cultivate their interest to become new stewards of the redwood habitat.

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.

Continued

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014

2. Summary of Significant Accounting Policies, continued

Basis of Presentation, continued

In 2011, the Board designated funds for the land reserve and easement fund of \$14,100,000.

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.

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.

A capital investment pool was established during fiscal year 2012-2013 to serve as a potential source of funds for large scale land projects in compliance with a revised investment policy. The investments consist of money market funds, mutual funds, exchange-traded funds and certificates of deposit which are stated at fair market value using quoted market prices. Unrealized and realized gains and losses are recorded in the Statement of Activities.

Long-term investments relate to the Fund's permanent endowment. The investments consist of money market funds, mutual funds and exchange-traded 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.

Grants Receivable and Allowance for Uncollectable Grants Receivable

Grants receivable and contributions are recorded when the grant or contribution is unconditional in substance. If the grant or contribution is restricted by the donor, they are reported as increases in temporarily or permanently restricted net assets. The Fund uses the allowance method to determine uncollectable grants receivable. The allowance is based on prior years' experience and management's analysis of grants receivable. Management has determined that no allowance for uncollectable grants receivable is deemed necessary at June 30, 2014 and 2013.

Continued

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014

2. Summary of Significant Accounting Policies, continued

Grants Receivable and Allowance for Uncollectable Grants Receivable, continued

Grants receivable that extend beyond one fiscal year are discounted to reflect their net present value. The discounts on these amounts are computed using a risk-free interest rate applicable to the year in which the promises were received plus an additional risk premium factor. The discount rate at June 30, 2014 was 3.25%. Annual amortization of the discount on long-term promises to give receivable is included in expense. Management has discounted grants receivable for \$5,657 for the year ended June 30, 2014.

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, 2014 and 2013, 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.

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 four to ten years. Leasehold improvements are amortized over the lease term. Accumulated depreciation and amortization was \$371,604 and \$348,294 at June 30, 2014 and 2013, respectively. Depreciation and amortization expense for the years ended June 30, 2014 and 2013 totaled \$23,310 and \$31,792, respectively.

Continued

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014

2. Summary of Significant Accounting Policies, continued

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, 2014 and 2013, 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.

During fiscal year June 30, 2014 and 2013, pro bono legal services of approximately \$14,000 and \$17,000, respectively, were received by the Fund and recorded in the financial statements as In-Kind expenses. During fiscal year June 30, 2014, donated website development services of approximately \$5,400 were received by the Fund and recorded in the financial statements as In-Kind expenses.

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.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014

2. Summary of Significant Accounting Policies, continued

Uncertainty in Income Taxes

The Fund reviews and assesses 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.

The Fund applies this guidance to all tax positions for which the statute of limitations remain open (fiscal years ended since June 30, 2010) and determined there were no material unrecognized tax benefits. 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 is not subject to federal or state income taxes.

Estimates Included in the Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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.

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 GAAP. Accordingly, such information should be read in conjunction with the Fund's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

3. Concentrations of Risk

Contribution and Grant Revenue

At June 30, 2014, approximately 37% of the grants receivable balance was receivable from one donor. There were no concentrations in contribution and grant revenue for the year ended June 30, 2014.

At June 30, 2013, approximately 13% of the contribution and grant revenue was comprised of donations from one donor. At June 30, 2013, approximately 68% of the grants receivable balance was receivable from three donors.

Continued

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014

4. Grants Receivable, net

At June 30, 2014 and 2013, the balance of grants receivable of \$1,167,598 and \$1,300,918, respectively, are receivable in one to five years. Included in the grants receivable balance is \$113,946 due in two to five years at June 30, 2014.

5. Conditional Grants

In fiscal year June 30, 2010, the Fund received a conditional grant in the amount of \$435,990 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 recognized as income during fiscal years June 30, 2011 and June 30, 2012, as the conditions were met. The balance of \$435,990 remains in grants receivables at June 30, 2014.

6. 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, 2014 and 2013, the value of these assets is as follows:

	2014	2013
Charitable remainder trusts, at fair market value	\$ 226,437	\$ 507,077
Less present value discount at the applicable federal rate of 2.2% and 1.2%, for 2014 and 2013, respectively	(40,007)	(26,358)
Charitable remainder trusts, net	\$ 186,430	\$ 480,719

7. Notes Receivable

The Fund issued a note receivable in October 2002 in connection with the sale of land for \$320,000. The note was amended in September 2013 with principal and interest at an interest rate of 6.45% due the first of the month through April 1, 2018, secured by the land. Interest accrued and paid during the year ended June 30, 2014 was \$25,247. The balance of the note receivable at June 30, 2014 and 2013 was \$222,203 and \$310,000, respectively.

The Fund has also loaned a potential land donor \$18,261 during fiscal year June 30, 2011 to bring delinquent property taxes current. The note calls for interest only payments due annually at the rate of 3% per annum secured by the land. Interest accrued and paid during the years ended June 30, 2014 and 2013 was \$420. The balance of the note at June 30, 2014 and 2013 was \$18,261.

Continued

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014

8. 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.

Level 1 assets are based on quoted marked prices. Level 2 assets are based on estimated current market inputs for similar financial instruments with comparable terms and credit quality. The Fund had no Level 3 assets at June 30, 2014 and 2013.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014

8. 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, 2014 and 2013:

	Assets at Fair Value as of June 30, 2014			
	Level 1	Level 2	Level 3	Total
Short-term investments:				
Certificates of deposit	\$ -	\$ 1,932,953	\$ -	\$ 1,932,953
Long-term investments:				
Certificates of deposit	-	914,165	-	914,165
Total short/long-term investments	-	2,847,118	-	2,847,118
Other long-term investments:				
Money market funds	62,614	-	-	62,614
Mutual funds	83,696	-	-	83,696
Exchange-traded and closed-end funds	921,839	-	-	921,839
Total other long-term investments	1,068,149	-	-	1,068,149
Charitable remainder trusts	-	186,430	-	186,430
Total investments	<u>\$ 1,068,149</u>	<u>\$ 3,033,548</u>	<u>\$ -</u>	<u>\$ 4,101,697</u>
	Assets at Fair Value as of June 30, 2013			
	Level 1	Level 2	Level 3	Total
Short-term investments:				
Certificates of deposit	\$ -	\$ 2,083,864	\$ -	\$ 2,083,864
Long-term investments:				
Certificates of deposit	-	811,836	-	811,836
Total short/long-term investments	-	2,895,700	-	2,895,700
Other long-term investments:				
Money market funds	21,099	-	-	21,099
Mutual funds	70,966	-	-	70,966
Exchange-traded bonds	341,225	-	-	341,225
Exchange-traded foreign, emerging markets, REIT, and others	208,311	-	-	208,311
Total other long-term investments	641,601	-	-	641,601
Charitable remainder trusts	-	480,719	-	480,719
Total investments	<u>\$ 641,601</u>	<u>\$ 3,376,419</u>	<u>\$ -</u>	<u>\$ 4,018,020</u>

Continued

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014

9. Other Assets

Included in other assets is a portfolio of artwork, at its original appraised value of \$75,000 and other miscellaneous assets, totaling \$103,028 and \$92,777 at June 30, 2014 and 2013, respectively.

10. Retirement Plans

The Fund has a retirement income account plan for its employees. The Fund makes matching contributions on an annual basis of 6% of each participant's current base salary. The contributions to the plan amounted to \$44,450 and \$47,296 at June 30, 2014 and 2013, respectively.

11. Note Payable

In December 2011, the Fund received a secured Program Related Investment (PRI) from the Packard Foundation in the amount of \$2,500,000 to be used to purchase the CEMEX property. The note has a maturity date as of the close of escrow on a conservation easement or December 16, 2014, whichever occurs first. The annual interest rate on the note payable is 1.5% payable annually.

12. Carbon Contract

During fiscal year 2008, a contract was executed with a major public utility to sell Verifiable Emission Reduction (VER) units, commonly referred to as carbon credits, 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 therefore is not recognized as revenue until received by the fund. During the fiscal years ended June 30, 2014 and 2013, revenue was received and recorded in other support in the amount of \$9,082 and \$8,912, respectively.

13. Commitments

The Fund entered into a seven year office lease agreement in 2010. 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 years ended June 30, 2014 and 2013, total rent expense was \$130,033 and \$125,554, respectively. These amounts include charges for common area costs.

Future minimum payments under the lease are as follows:

<u>Year ending June 30,</u>	
2015	\$ 92,416
2016	95,189
2017	81,297
	<u>\$ 268,902</u>

During fiscal years ended June 30, 2014 and 2013, the Fund entered into various contracts or agreements for services related to the construction of the Castle Rock State Park Entrance, maintenance of properties, and consulting for approximately \$420,000 and \$407,000, respectively, with end date of June 30, 2015.

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SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014

14. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2014 and 2013 were restricted for the following time and purpose restrictions:

	2014	2013
Time restricted:		
Restricted to future expense	\$ 181,638	\$ 252,200
Total time restricted	181,638	252,200
Program restricted:		
Interest in remainder trusts, net	186,430	480,719
Castle Rock State Park Entrance	435,990	435,990
Bureau of Land Management Parcel Purchase	-	250,000
Planted trees	87,223	70,513
Amah Mutsun Tribe	74,554	50,000
YMCA Easement	8,353	50,000
Lagomarsino/Gallaway Stewardship	50,000	50,000
Endowment Fund Investment Return	60,559	34,845
Santa Cruz Mountains Stewardship	200,000	-
Carbon Project	100,000	-
National Monument	100,000	-
Other program services	120,706	127,129
Total program restricted	1,423,815	1,549,196
Total temporarily restricted	\$ 1,605,453	\$ 1,801,396

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SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014

14. Temporarily Restricted Net Assets, continued

For the years ended June 30, 2014 and 2013, temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restriction specified by donors as follows:

	2014	2013
Time restricted:		
Bequest	\$ 70,562	\$ 100,000
Charitable Remainder Trusts	308,544	-
Total program purpose accomplished	379,106	100,000
Program purpose:		
Castle Rock State Park Entrance	12,447	194,248
Castle Rock State Park Operating	40,461	50,000
Cemex Stewardship	-	45,479
Planted trees	23,545	18,372
Wildlife Conservation	-	15,706
Amah Mutsun Tribe	19,546	-
Other program services	18,645	58,528
Total program purpose accomplished	114,644	382,333
Land acquisition:		
Lagomarsino/Gallaway	-	375,000
Redwood Meadows Easement	-	250,200
Lachenbrauch	-	125,000
Cemex	-	68,257
YMCA Easement	41,647	-
Bureau of Land Management Parcel	310,600	-
Total land acquisitions	352,247	818,457
Total temporarily restricted net assets released from restriction	\$ 845,997	\$ 1,300,790

15. 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. The endowment fund investment income and net realized and unrealized gain at June 30, 2014 and 2013 was \$28,261 and \$16,802, respectively.

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 ended June 30, 2014 and 2013, respectively.

Continued

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014

15. Endowment Fund, continued

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; and
- (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.

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's funds 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.

Continued

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014

15. Endowment Fund, continued

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, no deficiencies were noted at June 30, 2014 or 2013.

Changes in endowment net assets for the years ended June 30, 2014 and 2013 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2012	\$ -	\$ 15,496	\$ 186,456	\$ 201,952
Investment return:				
Interest income	-	4,892	-	4,892
Net realized and unrealized gain on investment	-	11,910	-	11,910
Total investment return	-	16,802	-	16,802
Endowment net assets, June 30, 2013	-	32,298	186,456	218,754
Investment return:				
Interest income	-	5,973	-	5,973
Net realized and unrealized gain on investment	-	22,288	-	22,288
Total investment return	-	28,261	-	28,261
Endowment net assets, June 30, 2014	\$ -	\$ 60,559	\$ 186,456	\$ 247,015

16. Land and Land Transactions

On September 10, 2012, the Fund successfully facilitated the purchase of the 58 acre Gallaway property by Midpeninsula Regional Open Space District for which the temporarily restricted net assets from Resources Legacy fund of \$375,000 were released at June 30, 2013.

In May 2013, the Fund purchased an easement on the Redwood Meadows property for \$525,000. The easement grants the Fund all timber rights, while home owners on the property retain rights to the property.

In April 2013, the Fund purchased the Lachnbrauch property for \$500,000, of which the funding of \$125,000 was contributed by Resources Legacy Fund.

In September 2013, the Fund purchased the Butano Creek and Waterman Creek properties for \$870,000 from the Bureau of Land Management of which funding of \$250,000 was contributed by the Resource Legacy Fund.

In March of 2014, the Fund purchased the Van Kempen property for \$500,000 and then sold the property in May 2014 to Save the Redwoods League for \$650,000.

Continued

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2014

17. Subsequent Events

The Fund's management has evaluated subsequent events for recognition and disclosure through October 20, 2014, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2014 that require recognition or disclosure in such financial statements.

SUPPLEMENTARY INFORMATION

SEMPERVIRENS FUND
SCHEDULE OF LAND HOLDINGS
for the year ended June 30, 2014

Conservation Land and Easement Holding Activity:

Beginning of year, June 30, 2013	\$ 21,347,254
Land purchased	1,370,500
Land sold	(500,000)
Improvements to land holdings	78,208
End of year, June 30, 2014	<u>\$ 22,295,962</u>