

SEMPERVIRENS FUND

AUDITED FINANCIAL STATEMENTS

for the year ended June 30, 2015
(with summarized comparative totals for June 30, 2014)

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, 2015, 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, 2015, 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 2014 financial statements, and our report dated October 20, 2014, 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, 2014, 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 Pleser Mayer, Inc.

San Jose, California
October 20, 2015

SEMPERVIRENS FUND
STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,147,093	\$ 1,463,820
Certificates of deposit	1,510,017	1,932,953
Grants receivable, net	845,511	1,053,652
Notes receivable	10,584	9,978
Other assets	24,972	28,028
Total current assets	5,538,177	4,488,431
Long-term assets:		
Certificates of deposit	135,040	914,165
Long-term investments - endowment	242,006	247,015
Long-term investments - capital	835,177	821,134
Grants receivable, net	141,103	113,946
Conservation land and easement holding	17,164,427	22,295,962
Charitable remainder trust, net	165,809	186,430
Notes receivable, less current portion	219,955	230,486
Property and equipment, net	11,237	23,354
Other assets	75,000	75,000
Total long-term assets	18,989,754	24,907,492
Total assets	\$ 24,527,931	\$ 29,395,923
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 237,214	\$ 55,507
Accrued payroll and other liabilities	44,883	89,024
Note payable	-	2,500,000
Total current liabilities	282,097	2,644,531
Net assets:		
Unrestricted net assets:		
Board designated land reserve fund	17,164,427	14,000,000
Board designated land easement monitoring	300,000	50,000
Board designated easement defense	50,000	50,000
Undesignated	5,049,515	10,859,483
Total unrestricted net assets	22,563,942	24,959,483
Temporarily restricted net assets	1,495,436	1,605,453
Permanently restricted net assets	186,456	186,456
Total net assets	24,245,834	26,751,392
Total liabilities and net assets	\$ 24,527,931	\$ 29,395,923

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

SEMPERVIRENS FUND

STATEMENT OF ACTIVITIES

for the year ended June 30, 2015
(with summarized comparative totals for June 30, 2014)

	2015			Total	(For Comparative Purposes Only)
	Unrestricted	Temporarily Restricted	Permanently Restricted		2014 Total
Revenue and other support:					
Contributions and grants	\$ 2,372,548	\$ 584,736	\$ -	\$ 2,957,284	\$ 3,143,600
Land and stewardship income	5,460,702	-	-	5,460,702	150,000
Investment income	37,492	-	-	37,492	33,622
Unrealized (loss) gain on long-term investments	(1,479)	(5,009)	-	(6,488)	98,076
Net change in value of charitable remainder trusts	-	(20,621)	-	(20,621)	(25,653)
Other support	69,541	-	-	69,541	41,813
Total revenue and other support	7,938,804	559,106	-	8,497,910	3,441,458
Net assets released from restrictions	669,123	(669,123)	-	-	-
Total revenue and other support	8,607,927	(110,017)	-	8,497,910	3,441,458
Operating expenses:					
Programs:					
Land	8,822,120	-	-	8,822,120	705,704
Stewardship	664,346	-	-	664,346	286,396
Education and outreach	295,711	-	-	295,711	142,023
Trees and groves	155,462	-	-	155,462	133,517
Total program services	9,937,639	-	-	9,937,639	1,267,640
Support services:					
General and administrative	345,942	-	-	345,942	506,204
Fundraising	719,887	-	-	719,887	807,411
Total support services	1,065,829	-	-	1,065,829	1,313,615
Total expenses	11,003,468	-	-	11,003,468	2,581,255
Change in net assets	(2,395,541)	(110,017)	-	(2,505,558)	860,203
Net assets, beginning of year	24,959,483	1,605,453	186,456	26,751,392	25,891,189
Net assets, end of year	\$22,563,942	\$ 1,495,436	\$ 186,456	\$24,245,834	\$ 26,751,392

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

SEMPERVIRENS FUND
STATEMENT OF FUNCTIONAL EXPENSES
for the year ended June 30, 2015
(with summarized comparative totals for June 30, 2014)

	2015									(For Comparative Purposes Only) 2014 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	\$ 313,067	\$ 68,062	\$ 95,655	\$ 81,931	\$ 558,715	\$ 159,897	\$ 226,489	\$ 386,386	\$ 945,101	\$ 843,661
Payroll taxes and employee benefits	56,343	17,291	15,823	17,285	106,742	33,566	63,720	97,286	204,028	169,234
Total salaries and related expenses	<u>369,410</u>	<u>85,353</u>	<u>111,478</u>	<u>99,216</u>	<u>665,457</u>	<u>193,463</u>	<u>290,209</u>	<u>483,672</u>	<u>1,149,129</u>	<u>1,012,895</u>
Other expenses:										
Land value adjustments	7,785,247	-	-	-	7,785,247	-	-	-	7,785,247	-
Land expenses	273,413	-	-	-	273,413	-	-	-	273,413	57,897
Stewardship expenses	-	497,243	-	-	497,243	-	-	-	497,243	44,039
Other outside services	67,604	27,544	26,783	11,936	133,867	55,838	67,544	123,382	257,249	572,715
IT services	9,386	6,686	8,824	5,559	30,455	10,444	18,147	28,591	59,046	56,946
Office expenses	24,241	5,969	5,141	4,740	40,091	16,542	10,706	27,248	67,339	74,311
Occupancy expenses	28,097	15,205	18,824	17,669	79,795	26,606	34,053	60,659	140,454	136,193
Printing, postage and direct mail	1,300	2,871	45,143	5,167	54,481	4,121	268,958	273,079	327,560	185,463
Interest expense	15,729	-	-	-	15,729	-	-	-	15,729	36,979
Contributions	175,000	-	-	-	175,000	-	-	-	175,000	175,000
Legal and accounting	6,337	3,485	5,070	3,802	18,694	16,224	7,604	23,828	42,522	47,839
Insurance	5,201	3,125	4,307	3,394	16,027	4,638	6,460	11,098	27,125	27,189
Special events	-	1,410	57,515	220	59,145	238	625	863	60,008	42,933
Travel, trainings, meetings and entertainment	19,992	15,455	12,626	3,759	51,832	4,697	4,974	9,671	61,503	52,982
Government fees	8,555	-	-	-	8,555	1,014	9,157	10,171	18,726	9,552
In-kind expenses	32,608	-	-	-	32,608	-	1,450	1,450	34,058	19,355
Discount on pledges	-	-	-	-	-	-	-	-	-	5,657
Total other expenses	<u>8,452,710</u>	<u>578,993</u>	<u>184,233</u>	<u>56,246</u>	<u>9,272,182</u>	<u>140,362</u>	<u>429,678</u>	<u>570,040</u>	<u>9,842,222</u>	<u>1,545,050</u>
Depreciation and amortization	-	-	-	-	-	12,117	-	12,117	12,117	23,310
Total functional expenses	<u>\$ 8,822,120</u>	<u>\$ 664,346</u>	<u>\$ 295,711</u>	<u>\$ 155,462</u>	<u>\$ 9,937,639</u>	<u>\$ 345,942</u>	<u>\$ 719,887</u>	<u>\$ 1,065,829</u>	<u>\$ 11,003,468</u>	<u>\$ 2,581,255</u>

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

SEMPERVIRENS FUND

STATEMENTS OF CASH FLOWS

for the years ended June 30, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities:		
Change in net assets	\$ (2,505,558)	\$ 860,203
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	12,117	23,310
Donated securities	(150,516)	(136,867)
(Gain) from sale of easement	(95,001)	-
Realized (gain) on investments	(33,438)	(18,683)
Unrealized (gain) on long-term investments	12,849	(57,865)
Net change in charitable remainder trusts	20,621	(14,255)
Changes in land improvement	(128,963)	(78,207)
Purchase of land	-	(1,370,500)
Donation of land	(2,575,000)	-
Reduction in carrying value of land	2,134,299	-
Adjustment of value of Conservation Easement	2,860,499	-
(Increase) decrease in operating assets:		
Grants receivable	180,984	133,320
Other assets	3,056	(10,251)
Increase (decrease) in operating liabilities:		
Accounts payable, accrued payroll, and other liabilities	137,565	(111,318)
Net cash used in operating activities	(126,486)	(781,113)
Cash Flows from Investing Activities:		
Sale of land and easements	2,935,701	500,000
Net (increase) decrease in investments and certificates of deposit	1,364,134	(164,551)
Proceeds from note receivable	9,924	87,797
Proceeds from dissolution on charitable remainder trust	-	308,544
Net cash provided by investing activities	4,309,759	731,790
Cash Flows from Financing Activities		
Payment of note payable	(2,500,000)	-
Net cash used in financing activities	(2,500,000)	-
Net increase (decrease) in cash and cash equivalents	1,683,273	(49,323)
Cash and cash equivalents, beginning of year	1,463,820	1,513,143
Cash and cash equivalents, end of year	\$ 3,147,093	\$ 1,463,820
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 36,250	\$ 37,500
Donated securities received for reduction of grants receivable	\$ 23,718	\$ 27,276

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

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS

for the year ended June 30, 2015

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 35,000 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 subdivision, development or 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, restoring waterways and controlling erosion, clearing invasive plants, and planting new seedlings as needed.

In addition to regular stewardship of the Fund’s land and easements, the Fund acts as a fiscal agent for the Amah Mutsun Land Trust, which is seeking its own nonprofit status. For the year ended June 30, 2015, expenses included in the Stewardship Program for the Amah Mutsun Land Trust were approximately \$39,000.

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.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2015

2. Summary of Significant Accounting Policies, continued

Basis of Presentation

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

In May 2015, the Board designated funds for the land reserve to be a more flexible amount that represents the value of all land and easement holdings (\$17,164,427 at June 30, 2015). In September, the Board designated additional funds for Conservation Easement Monitoring in the amount of \$250,000, to increase the reserve to \$300,000 and designated funds for Conservation Easement Defense in the amount of \$50,000.

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 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.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2015

2. Summary of Significant Accounting Policies, continued

Grants Receivable, Allowance for Uncollectable Grants Receivable and Net Present Value Discount

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, 2015 and 2014.

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, 2015 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 both the years ended June 30, 2015 and 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, 2015 and 2014, the Fund had 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.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2015

2. Summary of Significant Accounting Policies, continued

Property and Equipment, continued

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 \$304,795 and \$371,604 at June 30, 2015 and 2014, respectively. Depreciation and amortization expense for the years ended June 30, 2015 and 2014 totaled \$12,117 and \$23,310, 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 Assets and Services

Donated equipment, goods and services are recorded at their fair value as of the date of the donation. Contributed services which require specialized skill, and which the Fund would have paid for if not donated, are recorded at the fair value at the time the services are rendered.

During the years ended June 30, 2015 and 2014, 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 the years ended June 30, 2015 and 2014, pro bono legal services of approximately \$17,000 and \$14,000, respectively, were received by the Fund and recorded in the financial statements as In-Kind expenses. During the years ended June 30, 2015 and 2014, donated website development services of approximately \$1,300 and \$5,400, respectively, 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.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2015

2. Summary of Significant Accounting Policies, continued

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 of the California Revenue and Taxation Code. The Fund has also been determined to not be a private foundation by the Internal Revenue Service.

Uncertainty in Income Taxes

The Fund applies this guidance to all tax positions for which the statute of limitations remain open (fiscal years ended since June 30, 2011) 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 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.

Reclassification

Certain reclassification have been made to the 2014 financial statement presentation to correspond to the current year’s Board designations, as stated in the Basis of Presentation. Changes in net assets are unchanged due to these reclassifications.

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, 2014, from which the summarized information was derived.

3. Concentrations of Risk

Contribution and Grant Revenue

At June 30, 2015, three donors had receivables that made up 44%, 10% and 10% of the grants receivable balance. There was one donor with approximately 27% of concentrations in contribution and grant revenue for the year ended June 30, 2015.

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.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2015

4. Grants Receivable, net

At June 30, 2015 and 2014, the balance of grants receivable of \$986,614 and \$1,167,598, respectively, are receivable in one to five years. Included in the grants receivable balance is \$141,103 due in two to five years at June 30, 2015.

5. Conditional Grants

In fiscal year June 30, 2010, the Fund received a conditional grant in the amount of \$1,500,000 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 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, 2015.

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, 2015 and 2014, the value of these assets is as follows:

	2015	2014
Charitable remainder trusts, at fair market value	\$ 210,385	\$ 226,437
Less present value discount at the applicable federal rate of 2.2% for both 2015 and 2014	(44,576)	(40,007)
Charitable remainder trusts, net	\$ 165,809	\$ 186,430

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, 2015 and 2014 was \$14,042 and \$25,247, respectively. The balance of the note receivable at June 30, 2015 and 2014 was \$212,278 and \$222,203, respectively.

The Fund 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 paid was \$420 for both years ended June 30, 2015 and 2014. The balance of the note at June 30, 2015 and 2014 was \$18,261.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2015

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.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2015

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, 2015 and 2014:

	Assets at Fair Value as of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Short-term investments:				
Certificates of deposit	\$ -	\$ 1,510,017	\$ -	\$ 1,510,017
Long-term investments:				
Certificates of deposit	-	135,040	-	135,040
Total short/long-term investments	-	1,645,057	-	1,645,057
Other long-term investments:				
Money market funds	73,322	-	-	73,322
Mutual funds	80,720	-	-	80,720
Exchange-traded and closed-end funds	923,141	-	-	923,141
Total other long-term investments	1,077,183	-	-	1,077,183
Charitable remainder trusts	-	165,809	-	165,809
Total investments	<u>\$ 1,077,183</u>	<u>\$ 1,810,866</u>	<u>\$ -</u>	<u>\$ 2,888,049</u>
	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>

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2015

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 \$24,972 and \$28,028 at June 30, 2015 and 2014, respectively.

10. Retirement Plan

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 \$57,495 and \$44,450 at June 30, 2015 and 2014, respectively.

11. Note Payable

In December 2011, the Fund received a secured Program Related Investment 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. The note payable was paid in full on December 2, 2014 at the close of escrow on the easement.

12. Carbon Contract

During fiscal year 2008, a contract was executed with a major public utility to sell Verifiable Emission Reduction 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, 2015 and 2014, revenue was received and recorded in other support in the amount of \$9,655 and \$9,082, 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, 2015 and 2014, total rent expense was \$134,319 and \$130,033, respectively. These amounts include charges for common area costs.

Future minimum payments under the lease are as follows:

<u>Year ending June 30,</u>	
2016	\$ 95,189
2017	81,297
	<u>\$ 176,486</u>

During fiscal years ended June 30, 2015 and 2014, 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 \$573,000 and \$420,000, respectively, with an end date of June 30, 2016.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2015

14. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2015 and 2014 were restricted for the following time and purpose restrictions:

	2015	2014
Time restricted:		
Restricted to future expense	\$ 54,486	\$ 181,638
Interest in remainder trusts, net	165,809	186,430
Total time restricted	220,295	368,068
Program restricted:		
Castle Rock State Park entrance	435,990	435,990
Castle Rock State Park entrance donors	198,300	-
Amah Mutsun Tribe	126,116	74,554
Planted trees	118,237	87,223
National Monument	83,780	100,000
Santa Cruz Mountains Stewardship	82,918	200,000
Carbon Project	69,450	100,000
Endowment Fund Investment Return	55,549	60,559
Lagomarsino/Galloway Stewardship	13,889	50,000
YMCA Easement	-	8,353
Other program services	90,912	120,706
Total program restricted	1,275,141	1,237,385
Total temporarily restricted	\$ 1,495,436	\$ 1,605,453

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2015

14. Temporarily Restricted Net Assets, continued

For the years ended June 30, 2015 and 2014, temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restriction specified by donors as follows:

	2015	2014
Time restricted:		
Bequest	\$ 127,152	\$ 70,562
Charitable Remainder Trusts	-	308,544
Total time restricted accomplished	127,152	379,106
Program purpose:		
Santa Cruz Mountain Stewardship	117,082	-
National Monument	113,270	-
Stewardship operating	87,611	-
Amah Mutsun Tribe	40,663	19,546
Castle Rock State Park entrance	35,500	12,447
Organizational planning	35,000	-
Castle Rock State Park operating	34,582	40,461
Carbon Project	30,910	-
CEMEX planning	25,000	-
Planted trees	9,906	23,545
Other program services	12,447	18,645
Total program purpose accomplished	541,971	114,644
Land acquisition:		
YMCA Easement	-	41,647
Bureau of Land Management Parcel	-	310,600
Total land acquisitions	-	352,247
Total temporarily restricted net assets released from restriction	\$ 669,123	\$ 845,997

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 (loss) and net realized and unrealized gain (loss) at June 30, 2015 and 2014 was a loss of \$5,009 and a gain of \$28,261, respectively.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2015

15. Endowment Fund, continued

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, 2015 and 2014, 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; 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.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2015

15. Endowment Fund, continued

Investment Policy, Strategies, and Objectives, continued

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, no deficiencies were noted at June 30, 2015 or 2014.

Changes in endowment net assets for the years ended June 30, 2015 and 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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
Investment return:				
Interest income	-	7,483	-	7,483
Net realized and unrealized gain on investment	-	(12,492)	-	(12,492)
Total investment return	-	(5,009)	-	(5,009)
Endowment net assets, June 30, 2015	\$ -	\$ 55,550	\$ 186,456	\$ 242,006

16. Land and Land Transactions

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 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.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2015

16. Land and Land Transactions, continued

In July 2014, the Fund sold a deed restriction on the Fall Creek #1 property for \$145,000 to the California Department of Transportation. The Fund purchased this land in October 2000 for \$50,000 and upon the sale of the deed the Fund reduced the value of the property down to \$1 which earned a gain on the sale of the deed of approximately \$95,000.

In December 2014, the Fund sold a conservation easement on the San Vicente Redwoods property, in which it is a co-owner with the Peninsula Open Space Trust, for \$2,790,701 to Save the Redwoods League. After an appraisal of the property, the land value was reduced by \$4,925,000. Additionally, Peninsula Open Space Trust gifted an additional 25% ownership in the land to Sempervirens Fund, resulting in a gain of \$2,575,000. Sempervirens Fund and Peninsula Open Space Trust are now each 50% owners of the land.

In March 2012 the Fund purchased an easement for \$2,860,000 on land owned by the Girl Scouts of Northern California. In June 2015, the Fund wrote down this easement to \$1 in respect to their easement accounting policies as it was determined that the easement has no future commercial or obtainable value.

17. Subsequent Events

The Fund's management has evaluated subsequent events for recognition and disclosure through October 20, 2015, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2015 that require recognition or disclosure in such financial statements.

SUPPLEMENTARY INFORMATION

SEMPERVIRENS FUND
SCHEDULE OF LAND HOLDINGS
for the year ended June 30, 2015

Conservation Land and Easement Holding Activity:	
Beginning of year, June 30, 2014	\$ 22,295,962
Easements sold	(2,935,701)
Improvements to land holdings	128,963
Adjustments in land value	(4,994,798)
Donation of land	2,575,000
Gain on sale of land	95,001
End of year, June 30, 2015	<u>\$ 17,164,427</u>