



Certified Public Accountants
and Financial Advisors

Sempervirens Funds

Financial Statements

For the year ended June 30, 2018

(with summarized comparative totals for
June 30, 2017)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Sempervirens Fund
Los Altos, California

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, 2018, 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.

Auditor's 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 auditor's 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 Fund'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 Fund'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, 2018, 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

The financial statements and supplemental information as of and for the year ended June 30, 2017 were audited by DZH Phillips LLP, who merged with Squar Milner LLP as of January 1, 2018, and whose report dated October 31, 2017, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Land Holdings on page 23 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.

SQUAR MILNER LLP

San Francisco, California
October 26, 2018

SEMPERVIRENS FUND
STATEMENT OF FINANCIAL POSITION
June 30, 2018
(with summarized comparative totals for June 30, 2017)

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,836,020	\$ 6,323,271
Certificates of deposit	1,464,943	2,121,470
Grants receivable, net	229,263	137,250
Note receivable	-	71,607
Prepays and other current assets	110,139	121,470
Total current assets	5,640,365	8,775,068
Conservation Land and Easement Holdings	21,570,379	17,431,336
Property and Equipment, net	10,569	18,909
Other Assets		
Investments - endowment	187,697	254,427
Investments - capital	1,445,414	833,069
Grants receivable, net	31,279	70,134
Charitable remainder trust, net	163,855	167,516
Note receivable	18,261	18,261
Other non-current assets	52,500	75,000
Total other assets	1,899,006	1,418,407
Total assets	\$ 29,120,319	\$ 27,643,720
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of note payable	\$ 450,000	\$ -
Accounts payable	306,002	115,631
Accrued payroll and other liabilities	107,125	93,762
Total current liabilities	863,127	209,393
Long-Term Liabilities		
Note payable	450,000	-
Net Assets		
Unrestricted		
Board designated land reserve fund	21,570,379	17,431,336
Board designated land easement monitoring	310,252	300,000
Board designated conservation easement defense	50,745	50,000
Undesignated	3,298,091	6,041,384
Total unrestricted	25,229,467	23,822,720
Temporarily restricted	2,391,269	3,425,151
Permanently restricted	186,456	186,456
Total net assets	27,807,192	27,434,327
Total liabilities and net assets	\$ 29,120,319	\$ 27,643,720

SEMPERVIRENS FUND
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018
(with summarized comparative totals for the year ended June 30, 2017)

	2018			2017	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE AND OTHER SUPPORT					
Contributions and grants	\$ 2,890,005	\$ 1,553,711	\$ -	\$ 4,443,716	\$ 4,333,268
Land and stewardship income	37,354	-	-	37,354	99,005
Interest income	60,920	4,785	-	65,705	54,331
Realized and unrealized gain on investments	24,419	2,050	-	26,469	32,692
Net change in value of charitable remainder trusts	-	(3,661)	-	(3,661)	7,368
Other support	432	-	-	432	67,174
Total revenue and other support	3,013,130	1,556,885	-	4,570,015	4,593,838
Net assets released from restrictions	2,590,767	(2,590,767)	-	-	-
Total revenue and other support	5,603,897	(1,033,882)	-	4,570,015	4,593,838
OPERATING EXPENSE					
Programs:					
Land	1,289,374	-	-	1,289,374	785,495
Stewardship	939,801	-	-	939,801	702,002
Education and outreach	409,817	-	-	409,817	333,669
Trees and groves	114,947	-	-	114,947	145,727
Total program services	2,753,939	-	-	2,753,939	1,966,893
Support services:					
General and administrative	427,232	-	-	427,232	362,523
Fundraising	1,015,979	-	-	1,015,979	897,569
Total support services	1,443,211	-	-	1,443,211	1,260,092
Total expenses	4,197,150	-	-	4,197,150	3,226,985
CHANGE IN NET ASSETS	1,406,747	(1,033,882)	-	372,865	1,366,853
Net assets, beginning of year	23,822,720	3,425,151	186,456	27,434,327	26,067,474
Net assets, end of year	\$ 25,229,467	\$ 2,391,269	\$ 186,456	\$ 27,807,192	\$ 27,434,327

SEMPERVIRENS FUND
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018
(with summarized comparative totals for the year ended June 30, 2017)

	2018								2017	
	Program Services				Support Services				Total	Total
	Land	Stewardship	Education and Outreach	Trees and Groves	Total Program Services	General and Administrative	Fundraising	Total Support Services		
SALARIES AND RELATED EXPENSE										
Salaries	\$ 168,798	\$ 136,191	\$ 176,320	\$ 53,815	\$ 535,124	\$ 167,279	\$ 282,057	\$ 449,336	\$ 984,460	\$ 903,181
Payroll taxes and employee benefits	48,516	22,249	26,217	15,128	112,110	38,740	75,505	114,245	226,355	205,132
Total salaries and related expenses	217,314	158,440	202,537	68,943	647,234	206,019	357,562	563,581	1,210,815	1,108,313
OTHER EXPENSES										
Special projects	729,420	435,493	5,299	-	1,170,212	-	-	-	1,170,212	620,507
Direct mail services	-	-	-	-	-	-	408,822	408,822	408,822	358,289
Contractual services	47,387	20,463	54,738	8,044	130,632	125,117	59,015	184,132	314,764	244,574
Stewardship expenses	-	268,709	-	-	268,709	-	-	-	268,709	127,281
Space and rental costs	35,213	35,144	23,448	23,448	117,253	49,448	70,478	119,926	237,179	168,133
Contributions	135,000	-	-	-	135,000	-	-	-	135,000	63,977
Land expense	84,145	-	-	-	84,145	-	-	-	84,145	96,923
Communications	2,640	1,307	974	706	5,627	8,134	31,408	39,542	45,169	55,047
Advertising & marketing	180	-	37,830	850	38,860	1,981	2,116	4,097	42,957	53,964
Events	-	-	37,744	-	37,744	-	-	-	37,744	48,149
Banking charges	3,701	-	-	-	3,701	79	32,096	32,175	35,876	24,031
Insurance	4,583	8,220	3,053	3,053	18,909	6,378	9,161	15,539	34,448	33,802
Newsletter costs	-	-	34,448	-	34,448	-	-	-	34,448	29,069
Travel costs	8,810	5,344	1,386	2,504	18,044	1,686	10,965	12,651	30,695	24,415
Meeting costs	5,883	226	494	549	7,152	7,696	8,685	16,381	23,533	27,331
Supplies & materials	913	2,098	3,832	506	7,349	7,409	4,699	12,108	19,457	69,547
Printing costs	138	105	1,348	3,349	4,940	4,173	6,965	11,138	16,078	25,576
Memberships	10,128	250	-	320	10,698	166	1,499	1,665	12,363	12,939
Postage	760	606	458	522	2,346	1,404	5,957	7,361	9,707	11,135
Utilities	1,381	1,378	921	921	4,601	1,849	2,766	4,615	9,216	7,007
Leased equipment	518	512	400	400	1,830	3,562	1,200	4,762	6,592	7,214
Training costs	-	250	-	-	250	140	89	229	479	490
Dues & subscriptions	-	-	75	-	75	221	-	221	296	794
Taxes & fees	-	-	-	-	-	106	-	106	106	138
Total other expenses	1,070,800	780,105	206,448	45,172	2,102,525	219,549	655,921	875,470	2,977,995	2,110,332
Depreciation and amortization	1,260	1,256	832	832	4,180	1,664	2,496	4,160	8,340	8,340
Total functional expenses	\$ 1,289,374	\$ 939,801	\$ 409,817	\$ 114,947	\$ 2,753,939	\$ 427,232	\$ 1,015,979	\$ 1,443,211	\$ 4,197,150	\$ 3,226,985

SEMPERVIRENS FUND
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018
(with summarized comparative totals for the year ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions and grants receipts	\$ 4,315,095	\$ 5,031,129
Investment income receipts	65,705	54,331
Land and stewardship income receipts	37,354	99,005
Other receipts	34,263	67,174
Payments for salaries and related expenses	(1,062,951)	(1,105,251)
Payments for land and related expenses	(84,145)	(96,923)
Payments for land acquisition and improvements	(4,139,043)	(124,961)
Payments special projects	(1,170,212)	(620,507)
Payments for stewardship expenses	(268,709)	(127,281)
Payments for interest expense	(2,478)	(138)
Payments for other operating expenses	(1,396,582)	(1,246,018)
Net cash (used in) provided by operating activities	<u>(3,671,703)</u>	<u>1,930,560</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(758,845)	(118,277)
Sale of investments	315,163	289,760
Net change in certificates of deposit	656,527	(487,946)
Principal payments on note receivable	71,607	88,329
Net cash provided by (used in) investing activities	<u>284,452</u>	<u>(228,134)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	900,000	-
Net cash provided by financing activities	<u>900,000</u>	<u>-</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,487,251)	1,702,426
Cash and cash equivalents, beginning of year	<u>6,323,271</u>	<u>4,620,845</u>
Cash and cash equivalents, end of year	<u>\$ 3,836,020</u>	<u>\$ 6,323,271</u>

SEMPERVIRENS FUND
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018
(with summarized comparative totals for the year ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Change in net assets	\$ 372,865	\$ 1,366,853
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	8,340	8,340
Donated securities	(75,464)	(183,331)
Net realized and unrealized gain on investments	(26,469)	(32,692)
Net change in charitable remainder trusts	3,661	(7,368)
Purchases of land and land improvements	(4,139,043)	(124,961)
Changes in operating assets and liabilities:		
Grants receivable	(53,158)	881,192
Prepays and other assets	33,831	(55,363)
Accounts payable, accrued payroll, and other liabilities	203,734	77,890
Net cash (used in) provided by operating activities	<u>\$ (3,671,703)</u>	<u>\$ 1,930,560</u>

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description 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, 2018, expenses included in the Stewardship Program for the Amah Mutsun Land Trust was \$ 281,083.

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.

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
June 30, 2018

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Net Assets

The net assets of the Fund are reported in three classes as follows:

Unrestricted Net Assets

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

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 (\$21,570,379 at June 30, 2018). The Board also designated additional funds for Conservation Easement Monitoring in the amount of \$310,252 and for Conservation Easement Defense in the amount of \$50,745.

Temporarily Restricted Net Assets

Temporarily restricted net assets are the portion of net assets for which use 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

Permanently restricted net assets, are the portion of net assets for which use 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

For purposes of the statement of cash flows, the Fund considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents.

Financial instruments that potentially subject the Fund to concentrations of credit risk consist principally of cash and cash equivalents. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts (currently \$250,000 per depositor). The Fund has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Investments

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

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Investments (continued)

A capital investment pool was established to serve as a potential source of funds for large scale land projects. The investments consist of 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.

The endowment investments consist of 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 as temporarily restricted, until such time as the earnings are appropriated for expenditure.

All investments, other than certificates of deposit, are classified as long-term as the funds are not expected to be utilized in the next year.

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, it is reported as an increase in temporarily or permanently restricted net assets. The Fund uses the allowance method to record estimated 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 necessary at June 30, 2018.

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.

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 values and records any decreases in value as necessary. Any such decreases are recorded as program expenses in 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.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Land with a Life Estate

Land with a life estate is recorded at the lower of cost or market value, less a discount to present value. For the year ended June 30, 2018, 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 consists 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.

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.

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.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

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 year ended June 30, 2018, 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 year ended June 30, 2018, pro bono legal services of \$14,735 were received by the Fund and recorded in the Statement of Activities as in-kind donations and expenses.

Functional Expense Allocation

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 has been granted tax exempt status under Section 501(c)(3) by the Internal Revenue Service (IRS) and under Section 23701(d) by the California Franchise Tax Board.

Each year, management considers whether any material tax position the Fund has taken is more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions the Fund has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in these financial statements.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Reclassifications

Certain reclassifications have been made to the summarized comparative totals for June 30, 2017 presentation to correspond to the current year's financial statement presentation. The reclassifications had no impact on the change in net assets.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Fund's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Recently Issued Accounting Standards

In August 2016, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). ASU 2016-14 changes how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. ASU 2016-14 requires expanded presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Fund is currently assessing the potential impact of this guidance on its financial statements.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements are available to be issued October 26, 2018.

2. CONCENTRATIONS

Contribution and Grant Revenue

At June 30, 2018, three donors had receivables that made up a total of 81% of the grants receivable balance. There was one donor that made up approximately 16% of contribution and grant revenue for the year ended June 30, 2018.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

3. GRANTS RECEIVABLE

Grants receivable at June 30, 2018 consists of the following:

Receivables due in one year or less	\$	229,263
Receivables due in two to five years		33,184
Less: discount to present value		<u>(1,905)</u>
	\$	<u>260,542</u>

These receivables have been discounted using interest rate of 3.4%.

4. PROPERTY AND EQUIPMENT

At June 30, 2018, property and equipment consisted of the following:

Office equipment	\$	153,467
Leasehold improvements		96,792
Furniture and fixtures		<u>90,124</u>
		340,383
Less: accumulated depreciation		<u>(329,814)</u>
	\$	<u>10,569</u>

Depreciation and amortization expense for the year ended June 30, 2018 totaled \$8,340.

5. CHARITABLE REMAINDER TRUSTS

The Fund is the beneficiary of certain irrevocable charitable remainder trusts. The Fund will not have the use of these assets until the remainder benefits are realized. Under the terms of these remainder trusts, the donors receive annuities out of the trust assets. The Fund has determined that the liability related to the beneficiary interests is equivalent to the future income growth of the trust assets and therefore, it 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.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

5. CHARITABLE REMAINDER TRUSTS (continued)

At June 30, 2018, the value of these assets is as follows:

Charitable remainder trusts, at fair market value	\$ 210,642
Less present value discount at the applicable federal rate of 3.4% for 2018 and estimated life expectancy published by IRS.	<u>(46,787)</u>
Charitable remainder trusts, net	<u>\$ 163,855</u>

6. NOTE RECEIVABLE

Note receivable consists of following at June 30, 2018:

Note receivable from an unrelated party issued in June 2011, which bears interest at 3% with interest only payments due annually. The note is secured by land and has no stated maturity date. The note has been classified as noncurrent as management does not anticipate repayment within the next year.

\$ 18,261

7. INVESTMENTS / 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*- quoted prices in active markets for identical investments. Investments in Level 1 include listed equities held in the name of the Fund, and exclude listed equities and other securities held indirectly through commingled funds.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

7. INVESTMENTS / FAIR VALUE MEASUREMENTS (continued)

- *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 2 assets are based on estimated current market inputs for similar financial instruments with comparable terms and credit quality.
- *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.

The table below presents the level hierarchy of assets measured at fair value on a recurring basis as of June 30, 2018:

	Assets at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 1,464,943	\$ -	\$ 1,464,943
Mutual funds	414,140	-	-	414,140
Exchange-traded and closed-end funds	1,218,971	-	-	1,218,971
Charitable remainder trusts	-	163,855	-	163,855
Total investments	\$ 1,633,111	\$ 1,628,798	\$ -	\$ 3,261,909

Long-term investments are presented in the statement of financial position as follows:

Endowment	\$ 187,697
Capital	1,445,414
	\$ 1,633,111

8. OTHER ASSETS

Included in other non-current assets is a portfolio of artwork, at its original appraised value of \$52,500 at June 30, 2018.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

9. NOTE PAYABLE

Note payable consists of the following at June 30, 2018:

Note payable to an unrelated party with annual principal installments of \$450,000 due on or before March 1, 2019 and 2020, respectively, plus interest at 1% per annum due on or before the principal payment date.	\$ 900,000
Less: current maturity	<u>(450,000)</u>
	<u>\$ 450,000</u>

The annual maturity of the note payable is as follows:

<u>Year ending June 30,</u>	
2019	\$ 450,000
2020	<u>450,000</u>
	<u>\$ 900,000</u>

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 \$66,017 for the year ended June 30, 2018.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

11. COMMITMENTS

The Fund entered into a seven year office lease agreement in 2010. In 2017, the Fund renewed and modified terms of the agreement to include the leasing of an additional suite, which expires in April 2022. Minimum monthly rent for the lease is \$13,689, with increases in accordance with the consumer price index. The Fund also leases storage space on a month-to-month basis. During the year ended June 30, 2018, total office rent expense was \$228,510. This amount includes charges for common area costs. Additionally, the Fund entered into a five year copier machine lease in 2015 with monthly payments of \$179.

Future minimum payments under the leases are as follows:

<u>Year ending June 30,</u>	<u>Facilities</u>	<u>Equipment</u>	<u>Total</u>
2019	171,971	2,148	174,119
2020	178,850	-	178,850
2021	186,004	-	186,004
2022	160,136	-	160,136
	<u>\$ 696,961</u>	<u>\$ 2,148</u>	<u>\$ 699,109</u>

12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2018 were restricted for the following time and purpose restrictions:

Time restricted:

Interest in charitable remainder trusts, net	<u>\$ 163,855</u>
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Program restricted:

Castle Rock	1,104,799
Land acquisition	661,626
Cemex cement plant	165,806
Planted trees	145,515
Santa Cruz Mountain Stewardship	11,443
Carbon project	67,879
Amah Mutsun Tribe	43,000
National Monument	20,000
Other program services	6,105
Endowment fund investment return	<u>1,241</u>
Total program restricted	<u>2,227,414</u>
Total temporarily restricted	<u>\$ 2,391,269</u>

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

12. TEMPORARILY RESTRICTED NET ASSETS (continued)

For the year ended June 30, 2018, temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restriction specified by donors as follows:

Program purpose:	
Land acquisition	\$ 1,335,822
Castle Rock	390,596
Other program services	286,382
Carbon project	158,459
Santa Cruz Mountain Stewardship	212,968
Conservation Initiative Fund	82,586
Cemex cement plant	69,544
Planted trees	<u>54,410</u>
Total temporarily restricted net assets released from restriction	<u>\$ 2,590,767</u>

13. 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 operations. The endowment is recorded on the Statement of Financial Position as a long-term investment. All income earned on endowment fund investments is treated as temporarily restricted until appropriated by the Fund's Board. The endowment fund interest income and net realized and unrealized gain for the year ended June 30, 2018 was \$6,835.

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 year ended June 30, 2018.

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.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

13. ENDOWMENT FUND (continued)

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 endowment funds;
- (2) The purposes of 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.

3% of the fair value of the endowment assets is appropriated for spending, and any additional return of the endowment assets is retained to grow the endowment fund.

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.

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. No deficiencies were noted at June 30, 2018.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

13. ENDOWMENT FUND (continued)

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2017	\$ -	\$ 76,992	\$ 186,456	\$ 263,448
Investment return:				
Interest income	-	4,785	-	4,785
Net realized and unrealized gain on investment	-	2,050	-	2,050
Total investment return	-	6,835	-	6,835
Appropriations		(82,586)		(82,586)
Endowment net assets, June 30, 2018	<u>-</u>	<u>1,241</u>	<u>186,456</u>	<u>187,697</u>

SUPPLEMENTARY INFORMATION

SEMPERVIRENS FUND
SCHEDULE OF LAND HOLDINGS
For the Year Ended June 30, 2018

Conservation land and easement holding activity:	
Beginning of year, June 30, 2017	\$ 17,431,336
Improvements to land holdings	<u>4,139,043</u>
End of year, June 30, 2018	<u>\$ 21,570,379</u>