



Certified Public Accountants
and Financial Advisors

SEMPERVIRENS FUND

Financial Statements
for the year ended June 30, 2020
(with summarized comparative totals for
June 30, 2019)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Sempervirens Fund

Report on the Financial Statements

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, 2020, 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 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, 2020, 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 Fund's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 20, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 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 23, 2020

SEMPERVIRENS FUND
STATEMENT OF FINANCIAL POSITION
June 30, 2020
(with comparative totals for June 30, 2019)

	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,108,805	\$ 1,182,592
Certificates of deposit	1,000,331	1,882,383
Grants and contributions receivable	104,028	88,167
Prepays and other current assets	92,642	103,491
Total current assets	3,305,806	3,256,633
Conservation Land and Easement Holdings, net	28,269,710	26,356,367
Property and Equipment, net	-	2,246
Other Assets		
Investments	1,241,907	1,692,769
Charitable remainder trusts, net	196,887	166,215
Note receivable	18,261	18,261
Artwork	52,500	52,500
Total other assets	1,509,555	1,929,745
Total assets	\$ 33,085,071	\$ 31,544,991
LIABILITIES AND NET ASSETS		
Current Liabilities		
Notes payable, current portion	\$ 330,000	\$ 910,000
Accounts payable	250,575	137,411
Accrued payroll and other liabilities	115,548	136,339
Total current liabilities	696,123	1,183,750
Long-Term Liabilities		
Notes payable, net of current portion	621,092	1,060,000
Net Assets		
Without donor restrictions		
Board designated	30,502,385	27,089,218
Undesignated	-	664,826
	30,502,385	27,754,044
With donor restrictions		
Time and purpose restricted	1,076,161	1,355,398
Donor restricted endowment	189,310	191,799
	1,265,471	1,547,197
Total net assets	31,767,856	29,301,241
Total liabilities and net assets	\$ 33,085,071	\$ 31,544,991

SEMPERVIRENS FUND
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020
(with summarized comparative totals for the year ended June 30, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Grants and contributions	\$ 7,440,713	\$ 415,863	\$ 7,856,576	\$ 6,378,115
Land and stewardship income	9,962	-	9,962	40,244
Investment income, net	65,924	3,505	69,429	132,357
Net change in value of charitable remainder trusts	-	30,672	30,672	2,360
Other income	212	-	212	1,422
Total revenue and other support	7,516,811	450,040	7,966,851	6,554,498
Net assets released from restrictions	731,766	(731,766)	-	-
Total revenue and other support	8,248,577	(281,726)	7,966,851	6,554,498
EXPENSES				
Program services:				
Land	2,148,339	-	2,148,339	1,515,833
Stewardship	869,702	-	869,702	1,428,847
Education and outreach	498,632	-	498,632	386,273
Trees and groves	240,027	-	240,027	97,617
Total program services	3,756,700	-	3,756,700	3,428,570
Support services:				
General and administrative	417,694	-	417,694	358,239
Fundraising	1,325,842	-	1,325,842	1,273,640
Total support services	1,743,536	-	1,743,536	1,631,879
Total expenses	5,500,236	-	5,500,236	5,060,449
CHANGE IN NET ASSETS	2,748,341	(281,726)	2,466,615	1,494,049
Net assets, beginning of year	27,754,044	1,547,197	29,301,241	27,807,192
Net assets, end of year	\$ 30,502,385	\$ 1,265,471	\$ 31,767,856	\$ 29,301,241

SEMPERVIRENS FUND
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020
(with summarized comparative totals for the year ended June 30, 2019)

	Program Services					Support Services			Total 2020	Total 2019
	Land	Stewardship	Education and Outreach	Trees and Groves	Total Program Services	General and Administrative	Fundraising	Total Support Services		
SALARIES AND RELATED EXPENSES										
Salaries	\$ 154,479	\$ 262,140	\$ 137,608	\$ 169,438	\$ 723,665	\$ 204,046	\$ 484,963	\$ 689,009	\$ 1,412,674	\$ 1,129,652
Payroll taxes and employee benefits	48,205	48,782	21,335	29,939	148,261	53,762	119,400	173,162	321,423	252,695
Total salaries and related expenses	202,684	310,922	158,943	199,377	871,926	257,808	604,363	862,171	1,734,097	1,382,347
OTHER EXPENSES										
Direct mail services	-	-	135	-	135	-	437,902	437,902	438,037	446,330
Stewardship expenses	2,997	400,201	-	3,498	406,696	-	-	-	406,696	989,743
Contractual services	92,886	5,861	85,611	3,246	187,604	52,517	74,395	126,912	314,516	271,228
Space and rental costs	37,219	37,219	24,807	24,807	124,052	52,804	73,936	126,740	250,792	243,802
Special projects	91,099	26,902	-	-	118,001	-	-	-	118,001	1,232,498
Advertising and marketing	-	-	80,662	-	80,662	-	4,743	4,743	85,405	89,956
Land expense	82,171	2,656	-	-	84,827	-	-	-	84,827	78,618
Events	14	-	69,908	-	69,922	-	3,328	3,328	73,250	5,957
Newsletter costs	-	-	64,016	-	64,016	-	-	-	64,016	32,193
Telephone and internet	3,261	7,040	940	1,187	12,428	10,860	37,042	47,902	60,330	50,062
Supplies and materials	2,730	20,443	5,953	114	29,240	9,472	10,454	19,926	49,166	21,779
Insurance	4,309	19,460	2,876	2,876	29,521	5,856	8,631	14,487	44,008	34,671
Contributions expense	5,000	25,000	-	-	30,000	-	-	-	30,000	-
Bank fees	-	-	-	-	-	-	29,556	29,556	29,556	26,661
Interest expense	24,235	-	-	-	24,235	-	216	216	24,451	23,094
Meeting costs	4,236	1,196	459	136	6,027	4,888	12,673	17,561	23,588	32,327
Travel costs	6,302	5,188	984	869	13,343	232	6,573	6,805	20,148	21,047
Printing costs	39	-	1,594	1,840	3,473	2,976	11,412	14,388	17,861	17,650
Utilities	1,349	4,407	898	898	7,552	2,979	2,693	5,672	13,224	11,185
Memberships	9,993	-	-	420	10,413	409	915	1,324	11,737	21,908
Postage	450	652	464	522	2,088	1,063	6,163	7,226	9,314	9,722
Leased equipment	-	-	-	-	-	8,069	-	8,069	8,069	7,155
Bad debt expense	-	-	-	-	-	6,000	-	6,000	6,000	-
Training costs	-	2,215	-	15	2,230	1,085	175	1,260	3,490	1,239
Dues and subscriptions	-	-	158	-	158	175	-	175	333	260
Taxes and fees	-	-	-	-	-	53	-	53	53	695
Total other expenses	368,290	558,440	339,465	40,428	1,306,623	159,438	720,807	880,245	2,186,868	3,669,780
Impairment loss	795,000	-	-	-	795,000	-	-	-	795,000	-
Depreciation and amortization	598,835	340	224	222	599,621	448	672	1,120	600,741	8,322
Loss on disposal of land improvements	183,530	-	-	-	183,530	-	-	-	183,530	-
Total functional expenses	\$ 2,148,339	\$ 869,702	\$ 498,632	\$ 240,027	\$ 3,756,700	\$ 417,694	\$ 1,325,842	\$ 1,743,536	\$ 5,500,236	\$ 5,060,449

SEMPERVIRENS FUND
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020
(with summarized comparative totals for the year ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants and contributions	\$ 4,299,394	\$ 6,163,421
Investment income	71,671	71,649
Land and stewardship income	193,492	800,243
Other receipts	11,061	8,070
Payments for land improvements and acquisitions	(90,368)	(5,340,987)
Payments for salaries and related expenses	(1,641,725)	(1,521,724)
Payments for land and related expenses	(84,827)	(84,145)
Payments special projects	(118,001)	(1,170,212)
Payments for stewardship expenses	(406,696)	(268,709)
Payments for interest expense	(24,451)	(23,789)
Payments for other operating expenses	(1,736,422)	(2,122,928)
Net cash provided by (used in) operating activities	<u>473,128</u>	<u>(3,489,111)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,607,118)	(4,689,476)
Proceeds from sale of investments	3,079,111	4,455,159
Net cash provided by (used in) investing activities	<u>1,471,993</u>	<u>(234,317)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan proceeds	281,092	1,520,000
Principal payments on note payable	(1,300,000)	(450,000)
Net cash (used in) provided by financing activities	<u>(1,018,908)</u>	<u>1,070,000</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	926,213	(2,653,428)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,182,592</u>	<u>3,836,020</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,108,805</u>	<u>\$ 1,182,592</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Land donation	<u>\$ 3,400,000</u>	<u>\$ 205,000</u>

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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 collaborative arrangements 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 acted as a fiscal agent for the Amah Mutsun Land Trust, which ended in 2019.

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.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

Basis of Accounting

The Fund prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America for Not-for-Profit Organizations ("GAAP"). 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.

Net Assets

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

Net Assets without Donor Restrictions

Net assets without donor restrictions consist of net assets and activities which represent the portion of expendable funds that are available to support the Fund's operations. A portion of these net assets are designated by the Board of Directors for specific purposes (see Note 13).

Net Assets with Donor Restrictions

Net assets with donor restrictions include a 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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.

Grants and Contributions Receivable

Grants and contributions receivable 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 net assets with donor restrictions. The Fund uses the allowance method to record estimated uncollectable grants and contributions receivable. The allowance is based on prior years' experience and management's analysis of the collectability of grants and contributions receivable. Management has determined that no allowance for uncollectable grants and contributions receivable is necessary as of June 30, 2020.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

Grants and Contributions Receivable (continued)

Conditional grants are recognized at their fair value once conditions associated with the grant have been fulfilled. In 2017, the Fund obtained a conditional grant under a cost reimbursement agreement totaling \$1,141,555. During the year ended June 30, 2020, the Fund recognized revenue under this grant of \$150,271 related to conditions met during the year. At June 30, 2020, the remaining conditional grant totaled \$729,032, which will be recognized as conditions are met.

Grants and contributions receivable that extend beyond one fiscal year is discounted to reflect the 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. At June 30, 2020, the Fund determined that all grants and contributions receivable were collectable within one year. Accordingly, no discounts were recorded.

Conservation Land and Easement Holdings

The intent of the Fund is to sell land or transfer it to public agencies. Under ASC 360, *Property Plant and Equipment*, a long-lived asset to be sold shall be classified as held for sale in the period in which all of the following criteria are met:

- Management has the authority to approve the sale and commits to a plan to sell the asset,
- The asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets;
- An active program to locate a buyer and other actions required to complete the plan to sell have been initiated;
- The sale of the asset is probable and transfer of the asset is expected to qualify for recognition as a completed sale, within one year;
- The asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and,
- Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Land is recorded at the lower of cost or fair market value except when acquired at less than appraised value in a bargain purchase. Easement holdings are recorded at the lower of cost or fair market. 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 impairment loss. 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 about whether a new appraisal is warranted.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

Conservation Land and Easement Holdings (continued)

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 any substantial difference between consideration received from the agency and the revised value as a contribution of land value to the agency.

Land improvements that are not classified as held for sale under ASC 360, *Property Plant and Equipment*, are depreciated using the straight line method over an estimates useful life of 10 years. Land improvements that meet the criteria of being classified as held for sale are not depreciated.

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, 2020, the Fund had one parcel of land with a life estate value of \$313,250.

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. Repairs and maintenance are expensed as incurred.

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.

Investments

Certificates of deposit with original maturity dates of more than three months are stated at quoted market prices. 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.

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.

The endowment investments consist of mutual funds and exchange-traded funds which are stated at fair market value using quoted market prices. Investment income earned on donor restricted endowment investments are recorded in the Statement of Activities as income with donor restrictions, until such time as the earnings are appropriated for expenditure. Income earned on board designated endowment investments are recorded in the Statement of Activities as income without donor restrictions.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

Charitable Remainder Trusts

Charitable remainder trusts are recorded at the fair value of their assets, less a discount to present value (refer to Note 7).

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* inputs to the valuation methodology include unadjusted quoted prices for identical assets or liabilities in active markets.
- *Level 2* inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- *Level 3* 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.

Revenue Recognition

Unconditional promises to give to the Fund are recorded as revenue at fair value when the promise is made. Contributions are recorded as support with or without donor restrictions based on whether they include donor stipulations that limit the use of the contributions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

Revenue Recognition (continued)

Bequests are recognized when they are irrevocable, unconditional and measurable. 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 and goods 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, 2020, 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, 2020, the Fund received pro bono legal services of \$16,065, which was recorded as revenues and expenses in the Statement of Activities. During the year ended June 30, 2020, the Fund received donated land with a fair value of \$3,400,000, which is included in grants and contributions in the Statement of Activities.

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 expenses 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.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

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. Significant estimates include impairment of long-lived assets, the functional allocation of expenses and the fair value of investments. Actual results could differ from these 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Fund's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Recently Issued Accounting Standards

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) – Effective Dates for Certain Entities* ("ASU 2020-05") to defer the effective dates of the ASU 2014-09 and ASU 2016-02 to provide immediate, near-term relief for certain entities for whom these updates are either currently effective or imminently effective. The deferral of the effective dates of ASU 2014-09 and ASU 2016-02 is reflected in the following paragraphs. The Fund is currently evaluating the impact of the adoption of ASU 2014-09 and ASU 2016-02 on its financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customer (Topic 606)* ("ASU 2014-09"). This guidance supersedes the revenue recognition requirements of Topic 605, including most industry-specific revenue recognition guidance. The core principle is an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will be effective for the Fund for the year ending June 30, 2021.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). This standard modifies the principles that lessees and lessors apply to report information in their financial statements about the amount, timing, and uncertainty of cash flows arising from leases. The standard requires lessees to recognize most leases on their Statement of Financial Position. The new standard will be effective for the Fund for the year ending June 30, 2023, and early adoption is permitted.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

2. NEW ACCOUNTING PRONOUNCEMENT

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The ASU clarified and improved the scope and accounting guidance around contributions of cash and other assets received and made by all entities, including business entities. The ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transaction and (2) determining whether a contribution is conditional or unconditional. The adoption of ASU 2018-08, under a modified prospective method, did not have a material effect on the Fund's financial position or results of operations.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As a land trust, the Fund strives to maintain significant liquid financial assets for operating expenditures, and land and easement acquisitions.

The Fund operates with a balanced budget and an expectation of surplus operating revenues to be accumulated for future land acquisitions. The Board of Directors may designate some surplus operating revenues into a variety of designated funds. With the exception of the land easement monitoring fund, all Board designated funds are available to meet cash needs for general expenditures at the discretion of the Board. Donor restricted funds are maintained to be expensed for specific purposes.

The table below presents financial assets available to fund general operating expenses within one-year at June 30, 2020:

Financial assets at June 30, 2020:	
Cash and cash equivalents	\$ 2,108,805
Certificates of deposit	1,000,331
Grants and contributions receivable	104,028
Investments	1,241,907
Charitable remainder trusts, net	196,887
Note receivable	<u>18,261</u>
Total financial assets	<u>4,670,219</u>
Less amounts not available to be used within one year:	
Donor restricted endowment invested in perpetuity	(186,456)
Time and purpose restricted net assets	(1,076,161)
Board designated land easement monitoring fund	(330,056)
Note receivable	<u>(18,261)</u>
	<u>(1,610,934)</u>
Financial assets available to meet general expenses within one year	<u>\$ 3,059,285</u>

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
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4. CONCENTRATIONS

Grant and Contribution Revenue

For the year ended June 30, 2020, two donors made up approximately 60% of the total grants and contribution revenue.

Credit Risk

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.

Investment Risk

Investments in general are exposed to various risks, such as interest rate, credit and overall market volatility. Investments are insured up to the limit set by the Securities Investor Protection Corporation ("SIPC"). As of June 30, 2020, the Fund held investments in excess of the SIPC insurance limits (currently \$500,000 per depositor).

5. PROPERTY AND EQUIPMENT

At June 30, 2020, 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>(340,383)</u>
	<u>\$</u>	<u>-</u>

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
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6. CONSERVATION LAND AND EASEMENT HOLDINGS

At June 30, 2020, conservation land and easement holdings consisted of the following:

	<u>Conservation Land Holdings</u>	<u>Conservation Land Improvements</u>	<u>Easement Holdings</u>	<u>Total</u>
Cost	\$ 23,153,257	\$ 5,984,946	\$ 525,002	\$ 29,663,205
Less: accumulated impairment loss	(795,000)	-	-	(795,000)
Less: accumulated depreciation	-	(598,495)	-	(598,495)
	<u>\$ 22,358,257</u>	<u>\$ 5,386,451</u>	<u>\$ 525,002</u>	<u>\$ 28,269,710</u>

During the year ended June 30, 2020, the Fund recognized impairment losses on certain conservation land holdings totaling \$795,000.

At June 30, 2020, none of the Fund's conservation land holdings and related land improvements were classified as held for sale.

7. CHARITABLE REMAINDER TRUSTS

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

At June 30, 2020, the value of these assets is as follows:

Charitable remainder trusts, at fair market value (Level 1)	\$ 197,025
Less: present value discount at the applicable federal rate of 0.52% for 2020 and estimated life expectancy published by the IRS	<u>(138)</u>
	<u>\$ 196,887</u>

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
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8. NOTE RECEIVABLE

Note receivable consists of following at June 30, 2020:

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

Interest income on the note for the year ended June 30, 2020 amounted to \$500.

9. INVESTMENTS

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 investments measured at fair value on a recurring basis as of June 30, 2020:

	Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 1,000,331	\$ -	\$ 1,000,331
Exchange-traded and closed-end funds	<u>1,241,907</u>	<u>-</u>	<u>-</u>	<u>1,241,907</u>
	<u>\$ 1,241,907</u>	<u>\$ 1,000,331</u>	<u>\$ -</u>	<u>\$ 2,242,238</u>

The table below presents the fund allocation of investments as of June 30, 2020:

Operating pool fund (certificates of deposit)	\$ 1,000,331
Board designated endowment fund	537,070
Board designated land easement monitoring fund	330,056
Donor restricted endowment fund	189,310
Capital pool fund	<u>185,471</u>
	<u>\$ 2,242,238</u>

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
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10. NOTES PAYABLE

Notes payable consists of the following at June 30, 2020:

Note payable to an unrelated party with annual principal installments of \$330,000 due on or before April 1 2020 and 2021 and \$340,000 due on or before April 1, 2022, plus interest at 1% per annum due on or before the principal payment dates.	\$ 670,000
Note payable to bank under the CARES Act which is forgivable partially or in total based on meeting eligibility requirements. No portion of the loan has been forgiven as of June 30, 2020. The unforgiven portion of the loans bears interest at 1% per annum. The loan is due on or before May 22, 2022. Monthly payments of principal and interest are deferred until November 22, 2020. Interest accrues during the deferment period.	<u>281,092</u>
	951,092
Less: current maturities	<u>(330,000)</u>
	<u><u>\$ 621,092</u></u>

The annual maturity of the note payable is as follows:

Year ending June 30,	
2021	\$ 330,000
2022	<u>621,092</u>
	<u><u>\$ 951,092</u></u>

11. RETIREMENT PLAN

The Fund has a 403(b) retirement income account plan (the "Plan") for its employees. Starting from the first day of hire, employees may defer a portion of their salaries to the Plan. 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 \$93,080 for the year ended June 30, 2020.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
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12. 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. Additionally, the Fund entered into a five year copier machine lease in February 2019 with monthly payments of \$218. The Fund also leases storage space on a month-to-month basis. During the year ended June 30, 2020, total office and equipment rent expense was \$247,792. This amount includes charges for common area costs totaling \$65,861.

Future minimum payments under the leases are as follows:

<u>Year ending June 30,</u>	<u>Facilities</u>	<u>Equipment</u>	<u>Total</u>
2021	\$ 186,004	\$ 2,616	\$ 188,620
2022	160,136	2,616	162,752
2023	-	2,616	2,616
2024	-	1,526	1,526
	<u>\$ 346,140</u>	<u>\$ 9,374</u>	<u>\$ 355,514</u>

13. BOARD DESIGNATED NET ASSETS

At June 30, 2020, board designated net assets were designated for the following purposes:

Land reserve fund	\$ 27,599,710
Operating reserve fund	936,655
Conservation initiative fund	801,958
Board designated endowment fund	550,094
Land easement monitoring fund	330,056
Land emergency fund	112,957
Stewardship reserve fund	112,957
Conservation easement defense fund	55,688
Land acquisition fund	2,310
	<u>\$ 30,502,385</u>

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

14. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2020 consisted of the following:

Subject to purpose and time restrictions:

Time restricted:	
Interest in charitable remainder trusts, net	<u>\$ 196,887</u>
Program restricted:	
Land acquisition	347,955
Mill Creek	160,244
Planted trees	131,560
Santa Cruz mountain stewardship	52,508
Cemex cement plant	49,028
Amah Mutsun Tribe	43,000
Castle Rock	38,000
Fire prevention	23,371
National Monument	20,000
Other program services	<u>13,608</u>
	<u>879,274</u>
Total subject to purpose and time restrictions	<u>1,076,161</u>
Donor restricted endowment:	
Amounts to be maintained in perpetuity	186,456
Unappropriated endowment earnings	<u>2,854</u>
Total donor restricted endowment	<u>189,310</u>
	<u>\$ 1,265,471</u>

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

14. NET ASSETS WITH DONOR RESTRICTIONS (continued)

For the year ended June 30, 2020, 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	\$	530,154
Clematis Vitalba control project		150,271
Castle Rock		12,500
Santa Cruz mountain stewardship		8,440
Planted trees		6,089
Endowment fund investment return (appropriated earnings)		5,994
Carbon project		3,652
Fire prevention		2,373
Cemex cement plant		2,293
Other		<u>10,000</u>
	<u>\$</u>	<u>731,766</u>

15. ENDOWMENT FUND

The Fund's endowment consists of a donor restricted endowment 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 Fund's endowment also consists of funds designated by the Board of Directors to function as endowments. All investment income earned on the donor restricted endowment fund is treated as income with donor restrictions until appropriated by the Fund's Board. All investment income earned on the board designated endowment fund is treated as income without donor restrictions.

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, 2020.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

15. ENDOWMENT FUND (continued)

Interpretation of Relevant Law

The Fund's Board has interpreted California's 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 net assets with donor restrictions (1) the original value of gifts donated to the donor-restricted endowment, (2) the original value of subsequent gifts donated to the donor-restricted endowment, and (3) additions to the donor-restricted endowment in accordance with donor directions. The remaining portion of the donor-restricted endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Fund in a manner consistent with the standard of prudence prescribed by UPMIFA.

Spending Policy

In accordance with the State of California's 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.

Up to 3% of the fair value of the assets held under the donor-restricted endowment is appropriated for spending from the donor restricted endowment fund, and any additional return of the endowment assets is retained to grow the endowment fund. All income earned from the board designated endowment assets is to be retained to grow the endowment fund, but can be utilized at the discretion of the Board.

Investment Policy, Strategies, and Objectives

The Fund has adopted investment and spending policies for the 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 approximating inflation plus the annual spending rate. Actual returns in any given year may vary from this amount.

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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. No deficiencies were noted at June 30, 2020.

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Earnings	Perpetual in Nature	
Board designated endowment funds	\$ 550,094	\$ -	\$ -	\$ 550,094
Donor restricted endowment funds	-	2,854	186,456	189,310
Total funds	\$ 550,094	\$ 2,854	\$ 186,456	\$ 739,404

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Earnings	Perpetual in Nature	
Endowment net assets, June 30, 2019	\$ 541,330	\$ 5,343	\$ 186,456	\$ 733,129
Investment income - net	8,764	3,505	-	12,269
Appropriations	-	(5,994)	-	(5,994)
Endowment net assets, June 30, 2020	\$ 550,094	\$ 2,854	\$ 186,456	\$ 739,404

SEMPERVIRENS FUND
NOTES TO FINANCIAL STATEMENTS
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16. RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization declared the coronavirus outbreak ("COVID-19") a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The COVID-19 outbreak in 2020 has led to severe disruptions and uncertainty in the global supply chain, capital markets and economies, and those disruptions have since intensified and will likely continue for some time. Concern about the potential effects of COVID-19 and the effectiveness of measures being put in place by global governmental bodies and reserve banks at various levels as well as by private organizations to contain or mitigate its spread have adversely affected economic conditions and capital markets globally, and have led to unprecedented volatility in the financial markets. The disruption is expected to be temporary; however there is uncertainty around the duration. While the Fund expects this matter to negatively impact its results of operations and financial position, the related impact cannot be reasonably estimated at this time. During the year ended June 30, 2020, the Fund obtained a Paycheck Protection Program (PPP) loan in the amount of \$281,092 (refer to Note 10). Management will continue to closely monitor the development of COVID-19 and the effect to the Fund's operations and financial position and adjust its plans as deemed necessary.

The Fund's land holdings are concentrated in the Santa Cruz Mountains. Accordingly, there is a concentrated risk related to fires and other natural disasters that may impact the area.

17. SUBSEQUENT EVENTS

The Fund has evaluated subsequent events through October 23, 2020, which represents the date that the financial statements were available to be issued.

In August 2020, over 90% of the Fund's conservation land holdings in the Santa Cruz Mountains were burned-over due to an outbreak of wildfires in Northern California. Only one of the properties that sustained fire damage resulted in unrecoverable damage to a building on the property. The loss sustained by this damage to the building is covered by the Fund's insurance policy less the deductible of \$1,000. The Fund does not expect the fires to impair the land value of the affected properties as the impairment of the land value is not deemed to be permanent due to the ability for regrowth on the properties.

SUPPLEMENTARY INFORMATION

SEMPERVIRENS FUND
SCHEDULE OF LAND HOLDINGS
For the Year Ended June 30, 2020

Conservation land and easement holding and land improvements activity:	
Balance, beginning of year, June 30, 2019	\$ 26,356,367
Donated land holdings	3,400,000
Improvements to land holdings	90,368
Disposal of land improvements	(183,530)
Depreciation expense on land improvements	(598,495)
Impairment loss on land holdings	<u>(795,000)</u>
Balance, end of year, June 30, 2020	<u>\$ 28,269,710</u>