

# **SEMPERVIRENS FUND**

Financial Statements

June 30, 2021 with comparative totals for June 30, 2020

## INDEX TO FINANCIAL STATEMENTS

Independent Auditors' Report .....	1
Statement of Financial Position .....	3
Statement of Activities .....	4
Statement of Functional Expenses .....	5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	7
<b>Supplementary Information</b>	
Schedule of Land Holdings .....	24



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
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, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sempervirens Fund as of June 30, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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 24 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.

**BAKER TILLY US LLP**

*Baker Tilly US, LLP*

San Francisco, California  
October 28, 2021

**SEMPERVIRENS FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2021**  
**(with comparative totals for June 30, 2020)**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 8,642,130	\$ 2,108,805
Certificates of deposit and treasury bills	1,244,856	1,000,331
Grants and contributions receivable	712,379	104,028
Prepays and other current assets	155,716	92,642
Total current assets	10,755,081	3,305,806
<b>Conservation Land and Easement Holdings, net</b>	27,671,215	28,269,710
<b>Other Assets</b>		
Investments	969,607	1,241,907
Charitable remainder trusts, net	231,121	196,887
Note receivable	18,261	18,261
Artwork	52,500	52,500
Total other assets	1,271,489	1,509,555
Total assets	\$ 39,697,785	\$ 33,085,071
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Notes payable, current portion	\$ 340,000	\$ 330,000
Accounts payable	281,554	250,575
Accrued payroll and other liabilities	164,504	115,548
Rental deposits	4,964	-
Total current liabilities	791,022	696,123
<b>Long-Term Liabilities</b>		
Notes payable, net of current portion	-	621,092
Total liabilities	791,022	1,317,215
<b>Net Assets</b>		
Without donor restrictions		
Board designated - land reserve fund	27,331,215	27,599,710
Board designated - conservation initiative fund	841,476	801,958
Board designated - other	3,125,830	2,100,717
Total	31,298,521	30,502,385
With donor restrictions		
Time and purpose restricted	7,392,754	1,076,161
Donor restricted endowment	215,488	189,310
Total	7,608,242	1,265,471
Total net assets	38,906,763	31,767,856
Total liabilities and net assets	\$ 39,697,785	\$ 33,085,071

**SEMPERVIRENS FUND**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2021**  
**(with summarized comparative totals for the year ended June 30, 2020)**

	<b>2021</b>			<b>2020</b>
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>SUPPORT AND REVENUE</b>				
Grants and contributions	\$ 4,158,647	\$ 7,021,881	\$ 11,180,528	\$ 7,856,576
Land and stewardship income	-	-	-	9,962
Investment income, net	126,489	63,542	190,031	69,429
Net change in value of charitable remainder trusts	-	34,234	34,234	30,672
Paycheck Protection Program loan forgiveness income	281,092	-	281,092	-
Fire insurance proceeds	313,837	-	313,837	-
Other income	102	-	102	212
	<u>4,880,167</u>	<u>7,119,657</u>	<u>11,999,824</u>	<u>7,966,851</u>
Net assets released from restrictions	<u>776,886</u>	<u>(776,886)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>5,657,053</u>	<u>6,342,771</u>	<u>11,999,824</u>	<u>7,966,851</u>
<b>EXPENSES</b>				
Program services:				
Land	1,266,758	-	1,266,758	2,148,339
Stewardship	979,410	-	979,410	869,702
Education and outreach	585,679	-	585,679	498,632
Trees and groves	97,350	-	97,350	240,027
Total program services	<u>2,929,197</u>	<u>-</u>	<u>2,929,197</u>	<u>3,756,700</u>
Support services:				
General and administrative	410,980	-	410,980	417,694
Fundraising	1,520,740	-	1,520,740	1,325,842
Total support services	<u>1,931,720</u>	<u>-</u>	<u>1,931,720</u>	<u>1,743,536</u>
Total expenses	<u>4,860,917</u>	<u>-</u>	<u>4,860,917</u>	<u>5,500,236</u>
<b>CHANGE IN NET ASSETS</b>	796,136	6,342,771	7,138,907	2,466,615
Net assets, beginning of year	<u>30,502,385</u>	<u>1,265,471</u>	<u>31,767,856</u>	<u>29,301,241</u>
Net assets, end of year	<u>\$ 31,298,521</u>	<u>\$ 7,608,242</u>	<u>\$ 38,906,763</u>	<u>\$ 31,767,856</u>

**SEMPERVIRENS FUND**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2021**  
**(with summarized comparative totals for the year ended June 30, 2020)**

	Program Services					Support Services			Total 2021	Total 2020
	Land	Stewardship	Education and Outreach	Trees and Groves	Total Program Services	General and Administrative	Fundraising	Total Support Services		
<b>SALARIES AND RELATED EXPENSES</b>										
Salaries	\$ 181,810	\$ 269,709	\$ 245,573	\$ 42,769	\$ 739,861	\$ 213,539	\$ 612,831	\$ 826,370	\$ 1,566,231	\$ 1,412,674
Payroll taxes and employee benefits	56,164	50,364	35,476	20,907	162,911	52,766	128,805	181,571	344,482	321,423
Total salaries and related expenses	237,974	320,073	281,049	63,676	902,772	266,305	741,636	1,007,941	1,910,713	1,734,097
<b>OTHER EXPENSES</b>										
Special projects	214,380	397,967	-	-	612,347	-	-	-	612,347	118,001
Direct mail services	-	-	2,409	-	2,409	-	522,547	522,547	524,956	438,037
Contractual services	100,725	5,767	135,689	3,837	246,018	48,490	59,448	107,938	353,956	314,516
Space and rental costs	33,708	34,866	22,462	22,462	113,498	56,841	67,466	124,307	237,805	250,792
Stewardship expenses	-	138,332	-	-	138,332	-	-	-	138,332	406,696
Grants and contributions	27,250	60,000	-	-	87,250	-	-	-	87,250	30,000
Advertising and marketing	-	-	78,716	-	78,716	-	2,826	2,826	81,542	85,405
Telephone and internet	2,532	1,157	467	752	4,908	13,879	43,711	57,590	62,498	60,330
Newsletter costs	-	-	59,005	-	59,005	-	341	341	59,346	64,016
Insurance	5,874	7,293	3,926	3,926	21,019	10,587	11,780	22,367	43,386	44,008
Bank fees	-	-	-	-	-	134	41,041	41,175	41,175	29,556
Memberships	14,396	2,500	-	-	16,896	169	4,054	4,223	21,119	11,737
Land expense	20,855	-	-	-	20,855	-	-	-	20,855	84,827
Supplies and materials	1,911	1,692	318	41	3,962	8,946	1,728	10,674	14,636	49,166
Postage	175	201	324	570	1,270	1,503	8,385	9,888	11,158	9,314
Printing costs	-	-	-	454	454	480	8,106	8,586	9,040	17,861
Interest expense	5,171	3,549	-	-	8,720	-	-	-	8,720	24,451
Leased equipment	1,065	1,065	710	710	3,550	1,515	2,129	3,644	7,194	8,069
Travel costs	1,504	4,173	35	472	6,184	128	860	988	7,172	20,148
Utilities	675	675	450	450	2,250	1,615	1,350	2,965	5,215	13,224
Meeting costs	68	100	-	-	168	61	2,437	2,498	2,666	23,588
Dues and subscriptions	-	-	119	-	119	5	560	565	684	333
Training costs	-	-	-	-	-	140	335	475	475	3,490
Taxes and fees	-	-	-	-	-	182	-	182	182	53
Events	-	-	-	-	-	-	-	-	-	73,250
Bad debt expense	-	-	-	-	-	-	-	-	-	6,000
Total other expenses	430,289	659,337	304,630	33,674	1,427,930	144,675	779,104	923,779	2,351,709	2,186,868
Depreciation and amortization	598,495	-	-	-	598,495	-	-	-	598,495	600,741
Impairment loss	-	-	-	-	-	-	-	-	-	795,000
Loss on disposal of land improvements	-	-	-	-	-	-	-	-	-	183,530
Total expenses	\$ 1,266,758	\$ 979,410	\$ 585,679	\$ 97,350	\$ 2,929,197	\$ 410,980	\$ 1,520,740	\$ 1,931,720	\$ 4,860,917	\$ 5,500,236

**SEMPERVIRENS FUND**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2021**  
**(with summarized comparative totals for the year ended June 30, 2020)**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Grants and contributions	\$ 5,555,297	\$ 4,299,394
Investment income	29,386	71,671
Land and stewardship income	-	193,492
Other receipts	313,939	11,061
Payments for land improvements and acquisitions	-	(90,368)
Payments for salaries and related expenses	(1,861,757)	(1,641,725)
Payments for land and related expenses	(20,855)	(84,827)
Payments special projects	(612,347)	(118,001)
Payments for stewardship expenses	(138,332)	(406,696)
Payments for interest expense	(8,860)	(24,451)
Payments for other operating expenses	(1,598,446)	(1,736,422)
<b>Net cash provided by operating activities</b>	<u>1,658,025</u>	<u>473,128</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(4,206,792)	(1,607,118)
Proceeds from sale of investments	4,395,212	3,079,111
<b>Net cash provided by investing activities</b>	<u>188,420</u>	<u>1,471,993</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Paycheck Protection Program loan proceeds	-	281,092
Principal payment on note payable	(330,000)	(1,300,000)
Proceeds from capital campaign contributions	5,016,880	-
<b>Net cash used in financing activities</b>	<u>4,686,880</u>	<u>(1,018,908)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	6,533,325	926,213
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>2,108,805</u>	<u>1,182,592</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 8,642,130</u>	<u>\$ 2,108,805</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Land donation	<u>\$ -</u>	<u>\$ 3,400,000</u>



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**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

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**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.

***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.

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**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

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**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 accrued 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 (refer to Note 11).

***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 (refer to Note 12). Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity (refer to Note 13).

***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, 2021.

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**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

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**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, 2021, the Fund recognized revenue under this grant of \$115,985 related to conditions met during the year. At June 30, 2021, the remaining conditional grant totaled \$613,047, 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, 2021, 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 Accounting Standards Codification ("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 value. 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.

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**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

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**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 estimated 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, 2021, the Fund had one parcel of land with a life estate value of \$313,250.

***Property and Equipment***

Property and equipment consist of leasehold improvements, office furniture, and equipment which are recorded at cost, if purchased, or at fair market value on the date of donation, if donated. Assets costing \$5,000 or more individually will be capitalized and depreciated in accordance with the Fund's depreciation policies. 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 lesser of the lease term or estimated useful life of the improvement.

At June 30, 2021, the Fund's property and equipment with a cost of of \$340,383 were fully depreciated or amortized.

***Investments***

Certificates of deposit and treasury bills with original maturity dates of more than three months are stated at quoted market prices. All investments, other than certificates of deposit and treasury bills, 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 future 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.

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**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

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

***Investments*** (continued)

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 is recorded in the Statement of Activities as income with donor restrictions, until such time as the investment income is appropriated for expenditure. Income earned on board designated endowment investments is recorded in the Statement of Activities as income without donor restrictions.

***Charitable Remainder Trusts***

Charitable remainder trusts are recorded at the fair value of their assets, less a discount to present value (refer to Note 5).

***Fair Value Measurements***

The Fund accounts for 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 maximizes 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.

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**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

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

***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.

Bequests are recognized on an accrual basis 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, 2021, 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, 2021, the Fund received pro bono legal services of \$31,500, which was recorded as revenues and expenses 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, and 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.

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**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

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**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. Actual results could differ from these estimates. Significant estimates include the functional allocation of expenses and the fair value of investments.

***Comparative Financial Information***

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or natural expenses by function. 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, 2020, from which the summarized information was derived.

***Recently Issued Accounting Standards***

During February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842). ASU 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. FASB has issued subsequent standards that deferred the implementation date. Topic 842 (as amended) is effective for annual periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The Fund is currently assessing the effect that Topic 842 (as amended) will have on its results of operations, financial position and cash flows.

During September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021. The Fund is currently assessing the effect that ASU 2020-07 will have on its financial statements.

***Subsequent Events***

The Fund has evaluated subsequent events through October 28, 2021, which represents the date that the financial statements were available to be issued.

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**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

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**2. 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 and conservation easement defense 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 expenditures within one year at June 30, 2021:

Financial assets at June 30, 2021:	
Cash and cash equivalents	\$ 8,642,130
Certificates of deposit and treasury bills	1,244,856
Grants and contributions receivable	712,379
Investments	969,607
Charitable remainder trusts, net	231,121
Note receivable	<u>18,261</u>
Total financial assets	<u>11,818,354</u>
Less amounts not available to be used within one year:	
Donor restricted endowment invested in perpetuity	(186,456)
Unappropriated donor restricted endowment earnings	(29,032)
Time and purpose restricted net assets	(7,392,754)
Board designated land easement monitoring fund	(377,712)
Board designated conservation easement defense fund	(67,524)
Note receivable	<u>(18,261)</u>
	<u>(8,071,739)</u>
Financial assets available to meet general operating expenditures within one year	<u>\$ 3,746,615</u>

**3. CONCENTRATIONS**

***Grants and Contributions Revenue***

For the year ended June 30, 2021, one donor made up approximately 22% of the total grants and contributions revenue. At June 30, 2021, four donors made up approximately 78% of grants and contributions receivable.



**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

**3. CONCENTRATIONS** (continued)

***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, 2021, the Fund held investments in excess of the SIPC insurance limits (currently \$500,000 per depositor).

**4. CONSERVATION LAND AND EASEMENT HOLDINGS**

At June 30, 2021, conservation land and easement holdings consists 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	-	(1,196,990)	-	(1,196,990)
	<u>\$ 22,358,257</u>	<u>\$ 4,787,956</u>	<u>\$ 525,002</u>	<u>\$ 27,671,215</u>

At June 30, 2021, none of the Fund's conservation land holdings and related land improvements were classified as held for sale.

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**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

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**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 annuity payments from 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.

During the year ended June 30, 2021, the last remaining beneficiary of one of the remainder trusts passed away. The related trust assets were held with the trustee as of June 30, 2021 pending the final distribution of the remaining trust assets to the Fund. As such, these trust assets are included within charitable remainder trusts on the Statement of Financial Position as of June 30, 2021.

At June 30, 2021, the net fair value of charitable remainder trusts at fair market value (Level 3) amounted to \$231,121.

At June 30, 2021, the net fair value of remainder trust assets are as follows:

Charitable remainder trusts, at fair market value	\$	244,129
Less: present value discount at the applicable federal rate (1.2% at June 30, 2021) and estimated life expectancy published by the IRS		<u>(13,008)</u>
	\$	<u>231,121</u>

During the year ended June 30, 2021, changes in net fair value of charitable remainder trusts are as follows:

Charitable remainder trusts, net, June 30, 2020	\$	196,887
Change in present value of charitable remainder trusts		<u>34,234</u>
Charitable remainder trusts, net, June 30, 2021	\$	<u>231,121</u>

**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

**6. NOTE RECEIVABLE**

Note receivable consists of following at June 30, 2021:

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, 2021 amounted to \$420.

**7. 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, 2021:

	Assets at Fair Value as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 245,000	\$ -	\$ 245,000
Treasury bills	-	999,856	-	999,856
Mutual funds	81,722	-	-	81,722
Exchange-traded and closed-end funds	887,885	-	-	887,885
	<u>\$ 969,607</u>	<u>\$ 1,244,856</u>	<u>\$ -</u>	<u>\$ 2,214,463</u>

The table below presents the fund allocation of investments as of June 30, 2021:

Operating pool fund (certificates of deposit and treasury bills)	\$ 1,244,856
Board designated endowment fund	169,529
Board designated land easement monitoring fund	377,712
Donor restricted endowment fund	215,488
Capital pool fund	206,878
	<u>\$ 2,214,463</u>

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**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

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**8. NOTES PAYABLE**

In May 2019, the Fund entered into a loan agreement for \$1,000,000 with an unrelated party which bears interest at 1% per annum. Annual principal installment payments of \$330,000 are due on or before April 1, 2020 and 2021 and \$340,000 is due on or before April 1, 2022. At June 30, 2021, the outstanding balance of the loan was \$340,000.

In May 2020, the Fund received loan proceeds in the amount of \$281,092 under the Paycheck Protection Program (“PPP”) which was established as part of the Coronavirus Aid, Relief and Economic Security (“CARES”) Act and is administered through the Small Business Administration (“SBA”). The PPP provides loans to qualifying organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying organizations to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a “covered period” (eight to twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. Any unforgiven portion is payable over 2 years at an interest rate of 1% with payments deferred until the SBA remits the borrower’s loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

The Fund believes that it met the PPP’s loan forgiveness requirements, and therefore, applied for forgiveness in April 2021. In April 2021, the Fund received legal release from the SBA, and therefore, recorded the amount forgiven, \$281,092, as forgiveness income in its Statement of Activities for the year ended June 30, 2021.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

**9. 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. Employer contributions to the Plan amounted to \$103,538 for the year ended June 30, 2021.

**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

**10. 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 annual increases in accordance with the consumer price index. In January 2021, the Fund entered into a sublease agreement for the additional suite leased which commenced in February 2021 and expires in April 2022. Minimum monthly sublease payments of \$6,677 are due from February 2021 through February 2022.

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, 2021, total office and equipment rent expense, net of sublease income \$33,383, was \$231,572. This amount includes charges for common area costs totaling \$69,381.

Future minimum payments under the leases are as follows:

Year ending June 30,	Facilities	Equipment	Total
2022	\$ 113,400	\$ 2,616	\$ 116,016
2023	-	2,616	2,616
2024	-	1,526	1,526
	<u>\$ 113,400</u>	<u>\$ 6,758</u>	<u>\$ 120,158</u>

Future minimum receipts under the sublease are as follows:

Year ending June 30,	
2022	<u>\$ 113,400</u>

**11. BOARD DESIGNATED NET ASSETS**

At June 30, 2021, board designated net assets were designated for the following purposes:

Land reserve fund	\$ 27,331,215
Board designated endowment fund	1,199,521
Operating reserve fund	981,262
Conservation initiative fund	841,476
Land easement monitoring fund	377,712
Minton insurance proceeds	313,837
Stewardship reserve fund	100,000
Land emergency fund	82,476
Conservation easement defense fund	67,524
Land acquisition fund	3,498
	<u>\$ 31,298,521</u>

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**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

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**12. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions as of June 30, 2021 consists of the following:

**Subject to purpose and time restrictions:**

Time restricted:	
Interest in charitable remainder trusts, net	\$ 231,121
Other time restrictions	<u>75,307</u>
	<u>306,428</u>
Program restricted:	
Capital campaign: Redwoods Now, For All, Forever	5,282,560
Mill Creek	662,841
Big Basin recovery	433,131
Land acquisition	299,569
Santa Cruz mountain stewardship	152,705
Planted trees	149,835
Cemex cement plant	49,028
National Monument	20,000
Carbon project	13,407
Fire prevention	17,144
Other program services	<u>6,106</u>
	<u>7,086,326</u>
Total subject to purpose and time restrictions	<u>7,392,754</u>
<b>Donor restricted endowment:</b>	
Amounts to be maintained in perpetuity	186,456
Unappropriated endowment earnings	<u>29,032</u>
	<u>215,488</u>
	<u>\$ 7,608,242</u>

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**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

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**12. NET ASSETS WITH DONOR RESTRICTIONS** (continued)

For the year ended June 30, 2021, net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restriction specified by donors as follows:

Program purpose:		
Big Basin recovery	\$	132,811
Land acquisition		125,121
Clematis Vitalba control project		115,985
Santa Cruz mountain stewardship		107,361
Amah Mutsun Tribe		47,984
Mill Creek		47,403
Capital campaign: Redwoods Now, For All, Forever		43,758
Castle Rock		38,000
Endowment fund investment return (appropriated earnings)		37,364
Other program services		7,500
Fire prevention		6,227
Planted trees		196
Time restriction		<u>67,176</u>
	<u>\$</u>	<u>776,886</u>

**13. 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, 2021.

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**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

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**13. 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 held in perpetuity (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 attempt 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, 2021**

**13. 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, 2021.

Endowment net asset composition by type of fund as of June 30, 2021 was as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Earnings	Perpetual in Nature	
Board designated endowment funds	\$ 1,199,521	\$ -	\$ -	\$ 1,199,521
Donor restricted endowment funds	-	29,032	186,456	215,488
Endowment net assets	<u>\$ 1,199,521</u>	<u>\$ 29,032</u>	<u>\$ 186,456</u>	<u>\$ 1,415,009</u>

Changes in endowment net assets during the year ended June 30, 2021 were as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Earnings	Perpetual in Nature	
Endowment net assets, June 30, 2020	\$ 550,094	\$ 2,854	\$ 186,456	\$ 739,404
Investment income - net	79,427	63,542	-	142,969
Board designations	900,000	-	-	900,000
Appropriations	(330,000)	(37,364)	-	(367,364)
Endowment net assets, June 30, 2021	<u>\$ 1,199,521</u>	<u>\$ 29,032</u>	<u>\$ 186,456</u>	<u>\$ 1,415,009</u>

**14. RISKS AND UNCERTAINTIES**

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.

**SUPPLEMENTARY INFORMATION**

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**SEMPERVIRENS FUND**  
**SCHEDULE OF LAND HOLDINGS**  
**For the Year Ended June 30, 2021**

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Conservation land and easement holding and land improvements activity:	
Balance, beginning of year, June 30, 2020	\$ 28,269,710
Depreciation expense on land improvements	<u>(598,495)</u>
Balance, end of year, June 30, 2021	<u>\$ 27,671,215</u>