

Sempervirens Fund

Financial Statements and
Supplementary Information

June 30, 2023

Sempervirens Fund

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Independent Auditors' Report

To the Board of Directors of
Sempervirens Fund

Opinion

We have audited the accompanying financial statements of Sempervirens Fund (the Fund), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Fund's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, 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 19 is presented for the purpose 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

Los Angeles, California
November 1, 2023

Sempervirens Fund

Statement of Financial Position

June 30, 2023 (with Summarized Financial Information for the Year Ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,494,054	\$ 11,737,763
Certificates of deposit and treasury bills	4,590,677	1,710,251
Grants and contributions receivable	691,139	849,521
Prepays and other current assets	156,192	200,057
	<u>7,932,062</u>	<u>14,497,592</u>
Total current assets	<u>7,932,062</u>	<u>14,497,592</u>
Conservation Land and Easement Holdings, Net	<u>26,819,810</u>	<u>29,487,720</u>
Property and Equipment, Net	<u>39,518</u>	<u>-</u>
Other Assets		
Investments	3,557,994	830,501
Note receivable	18,261	18,261
Artwork	52,500	52,500
	<u>3,628,755</u>	<u>901,262</u>
Total other assets	<u>3,628,755</u>	<u>901,262</u>
Total assets	<u>\$ 38,420,145</u>	<u>\$ 44,886,574</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 257,015	\$ 447,394
Accrued payroll and other liabilities	220,103	179,700
	<u>477,118</u>	<u>627,094</u>
Total current liabilities	<u>477,118</u>	<u>627,094</u>
Long-Term Liabilities		
Notes payable, net of current portion	<u>2,415,000</u>	<u>2,415,000</u>
Total liabilities	<u>2,892,118</u>	<u>3,042,094</u>
Net Assets		
Without donor restrictions:		
Conservation land and easement holdings, net	24,444,328	27,072,720
Board designated, conservation opportunity fund	1,274,396	970,828
Board designated, board initiative fund	883,059	823,834
Board designated, other	1,032,881	1,245,704
Undesignated	1,655,669	1,429,449
	<u>29,290,333</u>	<u>31,542,535</u>
With donor restrictions:		
Time and purpose restricted	6,040,425	10,112,836
Donor restricted endowment	197,269	189,109
	<u>6,237,694</u>	<u>10,301,945</u>
Total net assets	<u>35,528,027</u>	<u>41,844,480</u>
Total liabilities and net assets	<u>\$ 38,420,145</u>	<u>\$ 44,886,574</u>

See notes to financial statements

Sempervirens Fund

Statement of Activities

Year Ended June 30, 2023 (with Summarized Financial Information for the Year Ended June 30, 2022)

	2023		2022	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue				
Grants and contributions of cash and financial assets	\$ 5,620,395	\$ 7,096,427	\$ 12,716,822	\$ 9,202,906
Grants and contributions of nonfinancial assets	83,288	-	83,288	81,375
Investment income (loss), net	154,892	13,754	168,646	(118,161)
Net change in value of charitable remainder trusts	-	-	-	(4,237)
Other income	-	-	-	303
	<u>5,858,575</u>	<u>7,110,181</u>	<u>12,968,756</u>	<u>9,162,186</u>
Net assets released from restrictions	<u>11,174,432</u>	<u>(11,174,432)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>17,033,007</u>	<u>(4,064,251)</u>	<u>12,968,756</u>	<u>9,162,186</u>
Liabilities and Net Assets				
Program services:				
Land	14,265,715	-	14,265,715	1,721,173
Stewardship	1,390,031	-	1,390,031	1,710,294
Education and outreach	1,105,771	-	1,105,771	680,529
Trees and groves	115,179	-	115,179	128,967
Total program services	<u>16,876,696</u>	<u>-</u>	<u>16,876,696</u>	<u>4,240,963</u>
Support services:				
General and administrative	704,270	-	704,270	551,574
Fundraising	1,704,243	-	1,704,243	1,431,932
Total support services	<u>2,408,513</u>	<u>-</u>	<u>2,408,513</u>	<u>1,983,506</u>
Total expenses	<u>19,285,209</u>	<u>-</u>	<u>19,285,209</u>	<u>6,224,469</u>
Change in net assets	(2,252,202)	(4,064,251)	(6,316,453)	2,937,717
Net Assets, Beginning	<u>31,542,535</u>	<u>10,301,945</u>	<u>41,844,480</u>	<u>38,906,763</u>
Net Assets, Ending	<u>\$ 29,290,333</u>	<u>\$ 6,237,694</u>	<u>\$ 35,528,027</u>	<u>\$ 41,844,480</u>

See notes to financial statements

Sempervirens Fund

Statement of Functional Expenses

Year Ended June 30, 2023 (with Summarized Financial Information for the Year Ended June 30, 2022)

	Program Services				Total Program Services	Support Services			Total 2023	Total 2022
	Land	Stewardship	Education and Outreach	Trees and Groves		General and Administrative	Fundraising	Total Support Services		
Salaries and Related Expenses										
Salaries	\$ 285,559	\$ 382,715	\$ 381,545	\$ 71,025	\$ 1,120,844	\$ 402,641	\$ 697,266	\$ 1,099,907	\$ 2,220,751	\$ 1,851,636
Payroll taxes and employee benefits	79,754	70,045	60,426	15,529	225,754	84,299	130,629	214,928	440,682	403,235
Total salaries and related expenses	365,313	452,760	441,971	86,554	1,346,598	486,940	827,895	1,314,835	2,661,433	2,254,871
Other Expenses										
Special projects	487,658	289,498	7,500	-	784,656	-	-	-	784,656	1,343,960
Direct mail and direct responses	-	-	82,307	6,309	88,616	-	572,847	572,847	661,463	532,203
Contractual services	111,605	7,040	304,857	4,557	428,059	106,402	82,289	188,691	616,750	539,098
Stewardship expenses	-	333,161	-	210	333,371	-	-	-	333,371	290,641
Other expenses	60,000	254,086	-	-	314,086	-	-	-	314,086	-
Advertising and marketing	-	-	109,872	6,000	115,872	5,508	25,030	30,538	146,410	104,539
Telephone and internet	3,868	4,248	15,808	4,677	28,601	21,826	68,104	89,930	118,531	101,700
Newsletter costs	-	-	104,162	-	104,162	-	-	-	104,162	44,041
Space and rental costs	6,000	18,040	6,106	-	30,146	30,750	6,000	36,750	66,896	194,968
Insurance	5,240	14,368	3,495	3,015	26,118	11,672	10,486	22,158	48,276	44,238
Travel costs	5,418	8,289	6,145	2,943	22,795	4,018	19,649	23,667	46,462	19,581
Bad debt expense	20,000	-	-	-	20,000	-	20,000	20,000	40,000	-
Bank fees	35	-	-	-	35	318	38,646	38,964	38,999	45,379
Meeting costs	2,684	1,424	392	94	4,594	18,253	10,399	28,652	33,246	13,630
Supplies and materials	4,673	2,908	5,062	372	13,015	10,428	6,776	17,204	30,219	11,921
Memberships	18,230	-	-	-	18,230	-	3,938	3,938	22,168	13,872
Printing costs	-	-	11,816	425	12,241	666	938	1,604	13,845	6,365
Dues and subscriptions	-	-	219	-	219	445	7,242	7,687	7,906	22,789
Land expenses	5,488	613	1,665	-	7,766	-	-	-	7,766	16,937
Postage	42	18	656	23	739	1,851	2,317	4,168	4,907	7,259
Leased equipment	-	-	-	-	-	4,333	-	4,333	4,333	6,949
Training costs	-	375	3,738	-	4,113	160	50	210	4,323	2,665
Events expense	-	-	-	-	-	-	1,637	1,637	1,637	-
Taxes and fees	-	-	-	-	-	700	-	700	700	256
Utilities	-	-	-	-	-	-	-	-	-	5,137
Interest expense	-	-	-	-	-	-	-	-	-	2,975
Total other expenses	730,941	934,068	663,800	28,625	2,357,434	217,330	876,348	1,093,678	3,451,112	3,371,103
Depreciation and amortization	598,495	3,203	-	-	601,698	-	-	-	601,698	598,495
Impairment loss	2,945,966	-	-	-	2,945,966	-	-	-	2,945,966	-
Easement Purchase YMCA	9,625,000	-	-	-	9,625,000	-	-	-	9,625,000	-
Total expenses	\$ 14,265,715	\$ 1,390,031	\$ 1,105,771	\$ 115,179	\$ 16,876,696	\$ 704,270	\$ 1,704,243	\$ 2,408,513	\$ 19,285,209	\$ 6,224,469

See notes to financial statements

Sempervirens Fund

Statement of Cash Flows

Year Ended June 30, 2023 (with Summarized Financial Information for the Year Ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Grants and contributions	\$ 6,511,233	\$ 5,326,375
Proceeds from charitable remainder trusts	-	226,884
Investment income	89,308	34,671
Other receipts	-	303
Payments for special projects	(661,463)	(1,348,924)
Payments for salaries and related expenses	(2,621,030)	(2,239,675)
Payments for stewardship expenses	(333,371)	(290,641)
Payments for land and related expenses	(7,906)	(16,937)
Payments for interest expense	(33,245)	(2,975)
Payments for other operating expenses	<u>(12,106,557)</u>	<u>(1,513,716)</u>
Net cash (used in) provided by operating activities	<u>(9,163,031)</u>	<u>175,365</u>
Cash Flows From Investing Activities		
Purchase of land	(876,550)	(2,415,000)
Purchase of vehicle	(39,518)	-
Purchase of investments	(8,562,468)	(3,708,516)
Proceeds from sale of investments	<u>3,033,887</u>	<u>3,229,395</u>
Net cash used in investing activities	<u>(6,444,649)</u>	<u>(2,894,121)</u>
Cash Flows From Financing Activities		
Principal payment on note payable	-	(340,000)
Proceeds from note payable	-	2,415,000
Proceeds from capital campaign contributions	<u>6,363,971</u>	<u>3,739,389</u>
Net cash provided by financing activities	<u>6,363,971</u>	<u>5,814,389</u>
Net (decrease) increase in cash and cash equivalents	(9,243,709)	3,095,633
Cash and Cash Equivalents, Beginning	<u>11,737,763</u>	<u>8,642,130</u>
Cash and Cash Equivalents, Ending	<u>\$ 2,494,054</u>	<u>\$ 11,737,763</u>

See notes to financial statements

Sempervirens Fund

Notes to Financial Statements
June 30, 2023

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 36,000 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)

In Fiscal Year 2023, the Fund secured a Conservation Easement in the amount of \$9,625,000 for the 920-acre YMCA Camp Gulch in La Honda, CA., which includes what was the largest unprotected stand of Old-Growth Redwoods in the Santa Cruz Mountains.

The Fund also acquired two land parcels totaling 15.6 acres near Big Basin State Park strengthening the connection between Big Basin Park and the Gateway property acquired in Fiscal Year 2022.

Acre by protected Acre, and with your support, the Fund purchases, restores, and safeguards Redwood Forests in the Santa Cruz Mountains, ensuring they will never be developed, degraded, or destroyed. Much of the remaining Redwoods Forests to protect is privately owned. The Fund works with willing sellers to purchase land at fair market value, often transferring the land to California State Parks or other local Public Agencies.

When transferring land to California State Parks, the Fund may receive payment for the land which is below its book value, this results in a write-off for the impaired value of that land. In Fiscal Year 2024, there will be a sale of six parcels of land to California State Parks at an impaired value, this requires the Fund to record a land impairment write-off of \$2,945,966 in Fiscal Year 2023.

The Fund also owns significant conservation properties, on which the Fund works to restore healthy forests and heal landscapes. The Fund also works with private landowners to establish conservation easements that protect the natural and scenic resources on their forest lands, while keeping the properties in private ownership. The conservation easement protects the land's resources without buying fee title to the property itself.

Stewardship

The Fund owns directly, or through conservation easements, more than 12,000 acres of land. Permanently protecting Redwood Forests ensures that the properties where redwoods thrive are set aside to keep forests intact and preserved for generations to come. The Fund works across Santa Cruz Mountain landscapes, and in collaboration with neighbors and regional partners, to safeguard the health of trees, habitats, waterways, and wildlife.

Sempervirens Fund

Notes to Financial Statements

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For each property in our care, the Fund generates a stewardship plan which gives us, our partners, and our neighbors clarity and guidance about the resources we are preserving and the natural features we are restoring. Active land management activities include wildfire resiliency projects such as establishing shaded fuel breaks and prescribed burning programs; forest health projects, including removing debris, maintaining trails, clearing invasive plants, and planting new seedlings; and research projects such as wildlife monitoring, endangered species reclamation, traditional indigenous cultural surveys, and much more. After significant disturbances, such as wildfire or flooding, restoration efforts include debris clean up, culvert replacement, hazard tree removal, waterway restoration, and fuel reduction. In recent years, our stewardship work has included milestone projects like the removal of a dam on mill creek in San Vicente Redwoods restoring stream flow that led to the return of coho salmon to the watershed for the first time in generations to forest restoration projects on multiple properties that prioritize supporting second-growth redwoods the best opportunities to grow larger, more quickly, and to establish old-growth characteristics that ensure redwood resiliency.

Now more than ever the Fund depends on funding from our donors to help us care for Redwood Forests, to monitor their health, conserve wildlife, and improve waterways, keeping them healthy, thriving, and resilient, for generations to come.

Learn more: sempervirens.org/stewardship

Education and Outreach

The Fund regularly communicates general information about its work, the vital role redwoods play in a healthy, thriving, and rich regional ecosystem, and opportunities to find recreation in the Santa Cruz Mountains. The Fund's community is invited to learn, volunteer, take action, and donate to our work through digital, print, and in-person communications and events, including through publications and other printed materials, a website, social media, email newsletters; outreach activities such as webinars, events, speakers, and hiking and volunteer opportunities.

The focus of the Fund's outreach is to introduce new groups of people about its work; introduce them to outdoor recreation opportunities learn together about the marvels of redwoods and cultivate their interest to become new stewards of the Santa Cruz Mountains habitat. At the Fund, believe that celebrating diversity, fostering inclusion, advancing equity, and realizing justice is not only essential to our mission, but vital to our humanity, as people working for and serving on the Board for the Fund and as part of a community dedicated to protecting, caring for, and exploring Redwood Forests in the Santa Cruz Mountains.

In recent years, the Fund has produced a series of webinars under the redwoods in which the Fund host experts and thinkers to explore our magnificent Redwood Forests, what makes redwoods so special, why they thrive here and nowhere else in the world, and what they mean to us in our lives. The Fund also regularly engages in California and local policy to ensure resources are being directed to conservation and stewardship of redwoods and other habitats in the Santa Cruz Mountains and invite our community to take action with us.

Learn more: sempervirens.org/take-action

Trees and Groves

The Fund provides the opportunity for its supporters to dedicate a tree or grove located within one of the State Parks of the Santa Cruz Mountains. Making a lasting tribute or celebrating a special occasion can also make an important contribution to protecting the Redwoods Forest.

The Fund has entered into an agreement with California State Parks whereby the Fund is permitted to offer the naming rights of the trees. The Fund takes care of all the details and can send a gift card to the person you are honoring.

Sempervirens Fund

Notes to Financial Statements

June 30, 2023

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 9).

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 10). Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity (refer to Note 11).

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, 2023.

Conditional grants are recognized at their fair value once conditions associated with the grant have been fulfilled. The Fund obtained conditional grants under cost reimbursement agreements totaling \$1,166,555, of which \$751,072 was recognized in prior years. During the year ended June 30, 2023, the Fund recognized revenue under these grants of \$19,500 related to conditions met during the year. At June 30, 2023, the remaining conditional grant totaled \$370,983, which will be recognized as conditions are met.

Grants and contributions receivable that extend beyond one fiscal year are 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, 2023, the Fund determined that all grants and contributions receivable were collectable within one year. Accordingly, no discounts were recorded.

Sempervirens Fund

Notes to Financial Statements
June 30, 2023

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) No. 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 at the date of acquisition 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. Subsequent to year end, the Fund sold part of its land holdings with a net book value of \$7,155,966 for a sale price of \$4,210,000. This resulted in an impairment loss of \$2,945,966 which was included in the statement of activities for the year ended June 30, 2023.

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 No. 360, *Property Plant and Equipment*, are depreciated using the straight-line method over an estimated useful life of ten 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, 2023, 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.

Sempervirens Fund

Notes to Financial Statements

June 30, 2023

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, 2023, the Fund has a vehicle with a cost of \$42,721, accumulated depreciation of \$3,203 and a net book value of \$39,518.

At June 30, 2023, the Fund's property and equipment with a cost of \$40,000 were fully depreciated or amortized.

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 future potential source of funds for large scale land projects. The investments consist of mutual funds, and exchange-traded and closed-end 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 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.

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.

Sempervirens Fund

Notes to Financial Statements

June 30, 2023

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.

Contributed Nonfinancial Assets

During the year ended June 30, 2023, the Fund received pro bono legal services of \$83,288, which was recorded as grants and contributions of nonfinancial assets on the Statement of Activities. Pro bono legal services recognized comprise professional services from attorneys advising the Fund on various administrative legal matters. Pro bono legal services are valued and reported at its estimated fair value based on current rates for legal services.

During the year ended June 30, 2023, 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 as these contributed services did not require specialized skill.

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.

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.

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, 2022, from which the summarized information was derived.

Sempervirens Fund

Notes to Financial Statements

June 30, 2023

Subsequent Events

The Fund has evaluated subsequent events through November 1, 2023, which represents the date that the financial statements were available to be issued.

In August 2023, the Fund sold part of its land holdings with a net book value of \$7,155,966 for a sale price of \$4,210,000. This resulted in an impairment loss of \$2,945,966 which was included in the statement of activities for the year ended June 30, 2023.

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, 2023:

Financial assets at June 30, 2023:	
Cash and cash equivalents	\$ 2,494,054
Certificates of deposit	4,590,677
Grants and contributions receivable	691,139
Investments	3,557,994
Note receivable	18,261
	<u>11,352,125</u>
Less amounts not available to be used within one year:	
Donor restricted endowment invested in perpetuity	(186,456)
Unappropriated donor restricted endowment earnings	(10,813)
Purpose restricted net assets	(6,040,425)
Board designated land easement monitoring fund	(347,757)
Board designated conservation easement defense fund	(67,524)
Note receivable	(18,261)
	<u>(6,671,236)</u>
Financial assets available to meet general operating expenditures within one year	<u>\$ 4,680,889</u>

Sempervirens Fund

Notes to Financial Statements

June 30, 2023

3. Concentrations

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, 2023, the Fund held investments in excess of the SIPC insurance limits (currently \$500,000 per depositor).

Major Funders

For the year ended June 30, 2023, 31% of grants and contributions revenue were from two funders. At June 30, 2023, 80% of grants and contributions receivable was due from three funders.

Geographic

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.

4. Conservation Land and Easement Holdings

At June 30, 2023, 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	\$ 26,444,802	\$ 5,984,946	\$ 525,008	\$ 32,954,756
Less:				
Accumulated impairment loss	(150,000)	(3,590,966)	-	(3,740,966)
Accumulated depreciation	-	(2,393,980)	-	(2,393,980)
Total	<u>\$ 26,294,802</u>	<u>\$ -</u>	<u>\$ 525,008</u>	<u>\$ 26,819,810</u>

During the year ended June 30, 2023, the Fund recognized impairment losses on certain conservation land holdings and improvements totaling \$2,945,966.

At June 30, 2023, \$4,210,000 of the Fund's conservation land holdings and related land improvements were classified as held for sale.

Sempervirens Fund

Notes to Financial Statements

June 30, 2023

5. 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, 2023:

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 4,590,677	\$ -	\$ 4,590,677
Mutual funds	80,721	-	-	80,721
Exchange-traded and closed-end funds	3,477,273	-	-	3,477,273
Total	<u>\$ 3,557,994</u>	<u>\$ 4,590,677</u>	<u>\$ -</u>	<u>\$ 8,148,671</u>

The table below presents the fund allocation of investments as of June 30, 2023:

Operating pool fund (certificates of deposit)	\$ 4,590,677
Board designated endowment fund	3,189,288
Donor restricted endowment fund	197,269
Capital pool fund	<u>171,437</u>
Total	<u>\$ 8,148,671</u>

6. Notes Payable

In January 2022, the Fund entered into a loan agreement for \$2,415,000 with an unrelated party. The loan is noninterest bearing and is due on or before January 21, 2026, with option to extend through January 21, 2030. If the option to extend is exercised, the loan will bear interest at a rate of 1% per annum, payable on January 31 and July 31 of each calendar year, effective as of the date of extension through the date that the entire principal amount of the loan has been repaid. A discount and related contribution revenue should be recorded in connection with loans of cash that are noninterest bearing or that have below-market interest rates. The discount, as computed using a risk-free interest rate, was determined to be immaterial to the Fund's financial statements taken as a whole. Accordingly, no discount was recorded.

7. 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 may make discretionary matching contributions on an annual basis ranging from 6% to 8% of each participant's eligible salary for employer contribution. Employer contributions to the Plan amounted to \$140,415 for the year ended June 30, 2023.

Sempervirens Fund

Notes to Financial Statements

June 30, 2023

8. Commitments

Effective March 2022, the Fund entered into a six-month office lease agreement for a new office which was subject to automatic renewals periods of six months. Minimum monthly rent for the lease was \$3,579 from March 2022 through September 2022. Effective October 2022, the Fund renewed the lease which extended the expiration date to March 2023 and increased the minimum monthly rent to \$3,975. The Fund did not renew the lease after this date.

During the year ended June 30, 2023, total office and equipment rent expense was \$52,689.

9. Board Designated Net Assets

At June 30, 2023, Board designated net assets were designated for the following purposes:

Conservation land and easement holdings, net	\$ 24,444,328
Conservation opportunity fund	1,274,396
Board initiative fund	883,059
Board designated endowment fund	617,600
Land easement monitoring fund	347,757
Conservation easement defense fund	67,524
	<hr/>
Total	\$ 27,634,664

10. Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2023 consists of the following:

Subject to purpose and time restrictions:	
Time restriction	\$ 178,374
Purpose restricted:	
Capital campaign: Redwoods Now, For All, Forever	4,753,020
Land acquisition	413,345
Mill Creek	232,233
Santa Cruz mountain stewardship	230,755
Planted trees	74,346
Big Basin Recovery	75,917
Cemex cement plant	49,028
National Monument	20,000
Carbon project	13,407
	<hr/>
Total subject to purpose and time restrictions	6,040,425
Donor restricted endowment:	
Amounts to be maintained in perpetuity	186,456
Unappropriated endowment earnings	10,813
	<hr/>
Total donor restricted endowment	197,269
	<hr/>
	\$ 6,237,694

Sempervirens Fund

Notes to Financial Statements

June 30, 2023

For the year ended June 30, 2023, net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restriction specified by donors as follows:

Time restricted:	
Other time restrictions	\$ 719,072
Purpose restricted:	
Land acquisition	801,821
Capital campaign: Redwoods Now, For All, Forever	9,625,000
Santa Cruz mountain stewardship	16,839
Other program services	6,106
	<u>10,449,766</u>
Donor restricted endowment, appropriated earnings	<u>5,594</u>
Total subject to purpose and time restrictions	<u>\$ 11,174,432</u>

11. 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, 2023.

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.

Sempervirens Fund

Notes to Financial Statements

June 30, 2023

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.

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, 2023.

Sempervirens Fund

Notes to Financial Statements
June 30, 2023

Endowment net asset composition by type of fund as of June 30, 2023 was as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Earnings	Perpetual in Nature	
Board designated endowment funds	\$ 617,600	\$ -	\$ -	\$ 617,600
Donor restricted endowment funds	-	10,813	186,456	197,269
Endowment net assets	<u>\$ 617,600</u>	<u>\$ 10,813</u>	<u>\$ 186,456</u>	<u>\$ 814,869</u>

Changes in endowment net assets during the year ended June 30, 2023 were as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Earnings	Perpetual in Nature	
Endowment net assets, June 30, 2022	\$ 598,344	\$ 2,653	\$ 186,456	\$ 787,453
Investment income, net	19,256	13,754	-	33,010
Appropriation	-	(5,594)	-	(5,594)
Endowment net assets, June 30, 2023	<u>\$ 617,600</u>	<u>\$ 10,813</u>	<u>\$ 186,456</u>	<u>\$ 814,869</u>

Sempervirens Fund

Schedule of Land Holdings

Year Ended June 30, 2023

Conservation Land and Easement Holding and Land Improvements Activity

Balance, Beginning	\$ 29,487,720
Purchase of Potter property	376,550
Purchase of Mortensen property	500,000
Impairment loss on land holdings	(2,945,966)
Depreciation expense on land improvements	<u>(598,494)</u>
Balance, Ending	<u><u>\$ 26,819,810</u></u>