

Sempervirens Fund

Financial Statements

June 30, 2024

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 (Sempervirens), which comprise the statement of financial position as of June 30, 2024, 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 Sempervirens as of June 30, 2024, 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 Sempervirens 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 Sempervirens' 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 Sempervirens' 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 Sempervirens' 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 Sempervirens' 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 1, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Baker Tilly US, LLP

Los Angeles, California
December 9, 2024

Sempervirens Fund

Statement of Financial Position

June 30, 2024 (with Comparative Financial Information for the Year Ended June 30, 2023)

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,193,775	\$ 2,494,054
Certificates of deposit	4,887,796	4,590,677
Grants and contributions receivable	631,409	691,139
Prepays and other current assets	176,246	156,192
	<u>8,889,226</u>	<u>7,932,062</u>
Total current assets	<u>8,889,226</u>	<u>7,932,062</u>
Conservation Land and Easement Holdings, Net	<u>24,754,811</u>	<u>26,819,810</u>
Property and Equipment, Net	<u>30,974</u>	<u>39,518</u>
Other Assets		
Grants and contributions receivable, net of current portion	5,000	-
Investments	9,342,952	3,557,994
Note receivable	-	18,261
Artwork	10,900	52,500
Other assets	10,977	-
	<u>9,369,829</u>	<u>3,628,755</u>
Total other assets	<u>9,369,829</u>	<u>3,628,755</u>
Total assets	<u>\$ 43,044,840</u>	<u>\$ 38,420,145</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 297,498	\$ 257,015
Accrued payroll and other liabilities	178,632	220,103
	<u>476,130</u>	<u>477,118</u>
Total current liabilities	<u>476,130</u>	<u>477,118</u>
Long-Term Liabilities		
Notes payable	<u>2,415,000</u>	<u>2,415,000</u>
Total liabilities	<u>2,891,130</u>	<u>2,892,118</u>
Net Assets		
Without donor restrictions:		
Conservation land and easement holdings, net	22,339,811	24,444,328
Board designated, conservation opportunity fund	1,582,564	1,274,396
Board designated, board initiative fund	4,324,687	883,059
Board designated, other	1,091,291	1,032,881
Undesignated	1,695,187	1,655,669
	<u>31,033,540</u>	<u>29,290,333</u>
With donor restrictions:		
Time and purpose restricted	8,909,025	6,040,425
Donor restricted endowment	211,145	197,269
	<u>9,120,170</u>	<u>6,237,694</u>
Total net assets	<u>40,153,710</u>	<u>35,528,027</u>
Total liabilities and net assets	<u>\$ 43,044,840</u>	<u>\$ 38,420,145</u>

See notes to financial statements

Sempervirens Fund

Statement of Activities

Year Ended June 30, 2024 (with Summarized Financial Information for the Year Ended June 30, 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue				
Grants and contributions of cash and financial assets	\$ 5,355,455	\$ 5,225,295	\$ 10,580,750	\$ 12,716,822
Grants and contributions of nonfinancial assets	1,108,586	-	1,108,586	83,288
Investment income, net	695,700	19,470	715,170	168,646
Other income	87,163	-	87,163	-
	7,246,904	5,244,765	12,491,669	12,968,756
Net assets released from restrictions	2,362,289	(2,362,289)	-	-
Total support and revenue	9,609,193	2,882,476	12,491,669	12,968,756
Expenses				
Program services:				
Land	1,829,949	-	1,829,949	14,265,715
Stewardship	1,650,098	-	1,650,098	1,390,031
Education and outreach	1,419,533	-	1,419,533	1,105,771
Trees and groves	133,151	-	133,151	115,179
Total program services	5,032,731	-	5,032,731	16,876,696
Support services:				
General and administrative	930,858	-	930,858	704,270
Fundraising	1,902,397	-	1,902,397	1,704,243
Total support services	2,833,255	-	2,833,255	2,408,513
Total expenses	7,865,986	-	7,865,986	19,285,209
Change in net assets	1,743,207	2,882,476	4,625,683	(6,316,453)
Net Assets, Beginning	29,290,333	6,237,694	35,528,027	41,844,480
Net Assets, Ending	\$ 31,033,540	\$ 9,120,170	\$ 40,153,710	\$ 35,528,027

See notes to financial statements

Sempervirens Fund

Statement of Functional Expenses

Year Ended June 30, 2024 (with Summarized Financial Information for the Year Ended June 30, 2023)

	Program Services				Total Program Services	Support Services			Total 2024	Total 2023
	Land	Stewardship	Education and Outreach	Trees and Groves		General and Administrative	Fundraising	Total Support Services		
Salaries and Related Expenses										
Salaries	\$ 314,323	\$ 490,401	\$ 426,396	\$ 82,450	\$ 1,313,570	\$ 458,491	\$ 933,785	\$ 1,392,276	\$ 2,705,846	\$ 2,220,751
Payroll taxes and employee benefits	99,684	112,389	83,161	26,759	321,993	110,385	156,010	266,395	588,388	440,682
Total salaries and related expenses	414,007	602,790	509,557	109,209	1,635,563	568,876	1,089,795	1,658,671	3,294,234	2,661,433
Other Expenses										
Stewardship expenses	35,182	867,671	-	2,385	905,238	-	-	-	905,238	1,118,027
Direct mail and direct responses	-	-	200,909	-	200,909	-	554,356	554,356	755,265	661,463
Advertising and marketing	-	-	392,211	7,500	399,711	3,079	360	3,439	403,150	146,410
Contractual services	50,498	10,290	74,658	5,343	140,789	182,562	44,969	227,531	368,320	533,462
Contributed nonfinancial contractual services	300,819	-	-	-	300,819	-	-	-	300,819	83,288
Other expenses	175,000	87,163	-	-	262,163	-	-	-	262,163	314,086
Telephone and internet	9,766	4,870	17,915	4,260	36,811	25,943	71,774	97,717	134,528	118,531
Contributed nonfinancial advertising	-	-	127,531	-	127,531	-	-	-	127,531	-
Land expenses	105,466	8,680	1,665	-	115,811	2,194	-	2,194	118,005	7,766
Space and rental costs	1,756	13,826	500	-	16,082	68,056	518	68,574	84,656	66,896
Travel costs	13,016	16,801	9,471	1,101	40,389	12,105	24,933	37,038	77,427	46,462
Newsletter costs	-	-	62,731	-	62,731	-	422	422	63,153	104,162
Insurance	4,994	18,777	3,840	1,660	29,271	14,622	10,089	24,711	53,982	48,276
Meeting costs	8,123	3,454	3,146	162	14,885	25,203	11,987	37,190	52,075	33,246
Bank fees	-	-	-	-	-	-	43,111	43,111	43,111	38,999
Memberships	18,031	240	10,005	320	28,596	1,050	2,390	3,440	32,036	22,168
Supplies and materials	5,153	5,118	2,241	16	12,528	10,187	3,878	14,065	26,593	30,219
Events expense	-	-	1,051	-	1,051	-	24,047	24,047	25,098	1,637
Training costs	7,538	1,862	-	-	9,400	5,128	373	5,501	14,901	4,323
Dues and subscriptions	-	-	215	-	215	560	13,774	14,334	14,549	7,906
Office expenses	365	12	1,887	1,195	3,459	4,968	5,621	10,589	14,048	23,085
Taxes and fees	-	-	-	-	-	6,325	-	6,325	6,325	700
Bad debt expense	-	-	-	-	-	-	-	-	-	40,000
Total other expenses	735,707	1,038,764	909,976	23,942	2,708,389	361,982	812,602	1,174,584	3,882,973	3,451,112
Depreciation and amortization	-	8,544	-	-	8,544	-	-	-	8,544	601,698
Impairment loss	-	-	-	-	-	-	-	-	-	2,945,966
Donated conservation easement expense	680,235	-	-	-	680,235	-	-	-	680,235	9,625,000
Total expenses	\$ 1,829,949	\$ 1,650,098	\$ 1,419,533	\$ 133,151	\$ 5,032,731	\$ 930,858	\$ 1,902,397	\$ 2,833,255	\$ 7,865,986	\$ 19,285,209

See notes to financial statements

Sempervirens Fund

Statement of Cash Flows

Year Ended June 30, 2024 (with Comparative Financial Information for the Year Ended June 30, 2023)

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities		
Grants and contributions	\$ 5,964,162	\$ 6,511,233
Investment income	367,070	89,308
Other receipts	87,163	-
Payments for salaries and related expenses	(3,335,705)	(2,621,030)
Payments for stewardship expenses	(905,238)	(994,834)
Payments for land and related expenses	(118,005)	(7,906)
Payments for interest expense	-	(33,245)
Payments for other operating expenses	(2,410,951)	(12,106,557)
	<u>(351,504)</u>	<u>(9,163,031)</u>
Net cash used in operating activities		
Cash Flows From Investing Activities		
Purchases of land	(2,145,000)	(876,550)
Purchases of vehicles	-	(39,518)
Purchases of investments	(17,894,478)	(8,562,468)
Proceeds from sales of land	4,210,000	-
Proceeds from sales of investments	12,149,524	3,033,887
Proceeds from sale of artwork	41,600	-
Proceeds from note receivable	18,261	-
	<u>(3,620,093)</u>	<u>(6,444,649)</u>
Net cash used in investing activities		
Cash Flows From Financing Activities		
Proceeds from capital campaign contributions	4,671,318	6,363,971
	<u>4,671,318</u>	<u>6,363,971</u>
Net cash provided by financing activities		
Net increase (decrease) in cash and cash equivalents	699,721	(9,243,709)
Cash and Cash Equivalents, Beginning	<u>2,494,054</u>	<u>11,737,763</u>
Cash and Cash Equivalents, Ending	<u>\$ 3,193,775</u>	<u>\$ 2,494,054</u>

See notes to financial statements

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Notes to Financial Statements

June 30, 2024

1. Description of Organization and Summary of Significant Accounting Policies

Description of Organization

Sempervirens Fund (Sempervirens) 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, Sempervirens has protected more than 36,000 acres of redwood forestland, most of which have been incorporated into Año Nuevo, Big Basin Redwoods, Butano, Castle Rock, Henry Cowell Redwoods and Portola Redwoods State Parks.

Sempervirens currently has four programs:

Land Acquisition and Disposition (Land)

In Fiscal Year 2024, Sempervirens secured a Conservation Easement in the amount of \$680,235 for Isabel Upani, 120-acres of redwood forests, woodlands, and rare maritime chaparral and the largest critical riparian habitat in the region—the San Lorenzo River—where threatened steelhead trout and endangered coho salmon re-enter the freshwaters to return to the forest where they were born in hopes of spawning the next generation.

Sempervirens also acquired two land parcels totaling 10 acres near Big Basin State Park strengthening the connection between Big Basin Park and the Gateway property acquired in Fiscal Year 2022. Sempervirens also acquired a 51-acre parcel surrounded on three sides by Castle Rock State Park along the Skyline-to-the-sea trail.

Acre by protected acre, and with your support, Sempervirens 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. Sempervirens 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, Sempervirens may receive payment for the land which is below its book value, which results in a write-off for the impaired value of that land. In Fiscal Year 2024, there was a sale of six parcels of land to California State Parks at a value of \$4,210,000, which required Sempervirens to record a land impairment write-off of \$2,945,966 in Fiscal Year 2023.

Sempervirens also owns significant conservation properties, on which Sempervirens works to restore healthy forests and heal landscapes. Sempervirens 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

Sempervirens 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. Sempervirens works across Santa Cruz mountain landscapes, and in collaboration with neighbors and regional partners, to safeguard the health of trees, habitats, waterways, and wildlife.

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For each property in our care, Sempervirens 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 Sempervirens 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

Sempervirens 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. Sempervirens' 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 Sempervirens' outreach is to introduce new groups of people to 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 Sempervirens, we 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 Sempervirens and as part of a community dedicated to protecting, caring for, and exploring Redwood Forests in the Santa Cruz Mountains.

In recent years, Sempervirens has produced a series of webinars under the redwoods in which Sempervirens 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. Sempervirens 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

Sempervirens 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.

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

Basis of Accounting

Sempervirens prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America for Not-for-Profit Organizations (GAAP). Sempervirens 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 Sempervirens 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 Sempervirens' operations. A portion of these net assets are designated by the Board of Directors for specific purposes (refer to Note 8).

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 Sempervirens (refer to Note 9). Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity (refer to Note 10).

Cash and Cash Equivalents

For purposes of the statement of cash flows, Sempervirens 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. Sempervirens 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, 2024.

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, 2024, Sempervirens determined that \$631,409 of grants and contributions receivable are collectible within one year, and the remaining \$5,000 will be collected during the year ended June 30, 2026. The discount, computed using a risk-free interest rate, was determined to be immaterial to Sempervirens' financial statements taken as a whole. Accordingly, no discount was recorded.

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Conservation Land and Easement Holdings

The intent of Sempervirens 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 the consideration paid by Sempervirens, a contribution is recorded from the seller to Sempervirens for the difference. Sempervirens 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. Sempervirens 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. During the year ended June 30, 2024, there were no events or conditions that indicated that Sempervirens' land may have been impaired and therefore there was no impairment loss recorded.

As of June 30, 2024, Sempervirens held conservation land and easement holdings at cost of \$24,229,802 and \$525,009, respectively. At June 30, 2024, none of Sempervirens' conservation land holdings were classified as held for sale.

In years when land is conveyed to a public agency and an updated appraisal, obtained for sales purposes, is higher than the carrying value, Sempervirens 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. As of June 30, 2024, Sempervirens had one parcel of land with a life estate value of \$313,250.

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Property and Equipment

Property and equipment consist of a vehicle and furniture and fixtures, which are recorded at cost, if purchased, or at fair market value on the date of donation, if donated. Individual assets costing \$5,000 or more are capitalized and depreciated in accordance with Sempervirens' depreciation policies. Repair and maintenance expenditures are expensed as incurred.

Sempervirens computes depreciation for office furniture and equipment using the straight-line method over their estimated useful lives, which range from four to ten years.

At June 30, 2024, Sempervirens had a vehicle with a cost of \$42,721, accumulated depreciation of \$11,747 and a net book value of \$30,974.

At June 30, 2024, Sempervirens' furniture and fixtures with a cost of \$40,000 were fully depreciated.

Investments

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, government securities, 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, government securities, and exchange-traded and closed-end 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

Sempervirens 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, Sempervirens 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 Sempervirens. Unobservable inputs are inputs that reflect Sempervirens' 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.

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Notes to Financial Statements

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Level 3 - inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investments and may require a high level of judgment to determine the fair value.

Revenue Recognition

Unconditional promises to give to Sempervirens 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.

Conditional contributions or grants, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. At June 30, 2024, Sempervirens does not have any conditional contributions or grants.

Bequests are recognized on an accrual basis when they are irrevocable, unconditional and measurable. At that time, Sempervirens 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, 2024, Sempervirens received a contributed land conservation easement valued at \$680,236. In valuing the contributed land easement, Sempervirens estimated the fair value using third-party appraisals of the land and timber production completed during the fiscal year.

During the year ended June 30, 2024, Sempervirens received pro bono legal services of \$300,819, which were recorded as grants and contributions of nonfinancial assets on the Statement of Activities. Pro bono legal services recognized comprise professional services from attorneys advising Sempervirens on various administrative legal matters. Pro bono legal services are valued and reported at the estimated fair value based on current rates for legal services.

During the year ended June 30, 2024, Sempervirens received pro bono advertising of \$127,531, which were recorded as grants and contributions of nonfinancial assets on the Statement of Activities. Pro bono advertising recognized comprise online advertising for Sempervirens. Pro bono advertising is valued and reported at its estimated fair value based on current rates for advertisements.

During the year ended June 30, 2024, volunteers contributed their time to Sempervirens, primarily providing experience on a variety of issues for the organization and acting as ambassadors informing the public about critical redwood protection work. 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 Sempervirens' employees.

Sempervirens Fund

Notes to Financial Statements

June 30, 2024

Income Taxes

Sempervirens 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 Sempervirens has taken is more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions Sempervirens has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in these financial statements.

Leases

At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the noncancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method.

Sempervirens has made the following accounting policy elections with regard to its lease accounting:

- Sempervirens does not separate lease and nonlease components for all asset classes.
- Sempervirens does not to apply the recognition requirements to all leases with an original term of 12 months or less, for which Sempervirens is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

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.

Summarized 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 Sempervirens' financial statements for the year ended June 30, 2023, from which the summarized information was derived.

Subsequent Events

Sempervirens has evaluated subsequent events through December 9, 2024, which represents the date that the financial statements were available to be issued.

On August 30, 2024, Sempervirens acquired a 41-acre parcel of land for \$800,000 near Big Basin State Park.

Sempervirens Fund

Notes to Financial Statements

June 30, 2024

2. Liquidity and Availability of Financial Assets

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

Sempervirens 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, 2024:

Financial assets at June 30, 2024:	
Cash and cash equivalents	\$ 3,193,775
Certificates of deposit	4,887,796
Grants and contributions receivable	631,409
Investments	<u>9,342,952</u>
	<u>18,055,932</u>
Less amounts not available to be used within one year:	
Donor restricted endowment invested in perpetuity	(186,456)
Unappropriated donor restricted endowment earnings	(24,689)
Time and purpose restricted net assets	(8,909,025)
Board designated land easement monitoring fund	(378,909)
Board designated conservation easement defense fund	<u>(67,524)</u>
	<u>(9,566,603)</u>
Financial assets available to meet general operating expenditures within one year	<u><u>\$ 8,489,329</u></u>

3. Concentrations

Credit Risk

Financial instruments that potentially subject Sempervirens 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). Sempervirens 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, 2024, Sempervirens held investments in excess of the SIPC insurance limits (currently \$500,000 per depositor).

Sempervirens Fund

Notes to Financial Statements

June 30, 2024

Major Funders

For the year ended June 30, 2024, 19% of grants and contributions revenue were from one funder. At June 30, 2024, 82% of grants and contributions receivable were due from two funders.

Geographic

Sempervirens' 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. 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, 2024:

	Assets at Fair Value			Total
	Level 1	Level 2	Level 3	
Certificates of deposit	\$ -	\$ 4,887,796	\$ -	\$ 4,887,796
Mutual funds	86,611	-	-	86,611
Exchange-traded and closed-end funds	823,385	-	-	823,385
Government securities	-	8,432,956	-	8,432,956
Total	<u>\$ 909,996</u>	<u>\$ 13,320,752</u>	<u>\$ -</u>	<u>\$ 14,230,748</u>

The table below presents Sempervirens allocation of investments as of June 30, 2024:

Board designated funds	\$ 5,506,030
Donor restricted funds	8,288,048
Donor restricted endowment fund	211,145
Capital pool fund	<u>225,525</u>
Total	<u>\$ 14,230,748</u>

5. Notes Payable

In January 2022, Sempervirens 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 Sempervirens' financial statements taken as a whole. Accordingly, no discount was recorded.

Sempervirens Fund

Notes to Financial Statements
June 30, 2024

6. Retirement Plan

Sempervirens 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. Sempervirens 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 \$172,177 for the year ended June 30, 2024.

7. Commitments

On February 1, 2024, Sempervirens entered into a 12-month single office space lease agreement. The monthly rent for the lease was \$6,576.

During the year ended June 30, 2024, total office and equipment rent expense was \$68,255.

8. Board Designated Net Assets

At June 30, 2024, Board designated net assets were designated for the following purposes:

Conservation land and easement holdings, net	\$ 22,339,811
Board initiative fund	4,324,687
Conservation opportunity fund	1,582,564
Board designated endowment fund	644,858
Land easement monitoring fund	378,909
Conservation easement defense fund	<u>67,524</u>
Total	<u>\$ 29,338,353</u>

Sempervirens Fund

Notes to Financial Statements

June 30, 2024

9. Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2024, consisted of the following:

Subject to time and purpose restrictions:	
Time restricted	\$ 60,977
Purpose restricted:	
Gazos Creek Watershed Protection/Restoration Campaign	3,643,179
Big Basin land and stewardship	2,862,666
Redwoods stewardship fund	1,272,194
YMCA easement monitoring and stewardship	593,130
Land purchases	168,103
Wildlife enhancements and monitoring	115,764
Mill Creek Dam	113,009
Intel Fellowship	25,000
Filice Ponds	20,003
Friends of Cotoni Coast Dairies National Monument	20,000
Isabel Upani conservation easement monitoring	15,000
Total subject to time and purpose restrictions	<u>8,909,025</u>
Donor restricted endowment:	
Amounts to be maintained in perpetuity	186,456
Unappropriated endowment earnings	24,689
Total donor restricted endowment	<u>211,145</u>
	<u>\$ 9,120,170</u>

For the year ended June 30, 2024, net assets released from donor restrictions by incurring expenses satisfying the purpose or time restriction specified by the respective donors were as follows:

Time restricted:	
Other time restrictions	\$ 567,453
Purpose restricted:	
Land purchases	910,000
Redwoods stewardship fund	231,138
Big Basin land and stewardship	175,501
Mill Creek Dam	119,224
Wildlife enhancements and monitoring	113,252
Planted trees	74,346
Other stewardship program services	58,443
Gazos Creek Watershed Protection/Restoration Campaign	54,047
Filice Ponds	41,736
Carbon project	13,407
YMCA easement monitoring and stewardship	3,742
Total	<u>\$ 2,362,289</u>

Sempervirens Fund

Notes to Financial Statements

June 30, 2024

10. Endowment Fund

Sempervirens' 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 Sempervirens' operations. Sempervirens' 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 Sempervirens' 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 Sempervirens' endowment funds subject to UPMIFA have been included for the year ended June 30, 2024.

Interpretation of Relevant Law

Sempervirens' 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, Sempervirens 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 Sempervirens in a manner consistent with the standard of prudence prescribed by UPMIFA.

Spending Policy

In accordance with the State of California's UPMIFA, Sempervirens 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 Sempervirens; and
- (7) The investment policies of Sempervirens.

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.

Sempervirens Fund

Notes to Financial Statements
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Investment Policy, Strategies and Objectives

Sempervirens 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. Sempervirens 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, Sempervirens relies on a total return in which investment returns are achieved through both capital appreciation and current yield. Sempervirens 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 Sempervirens to retain as a fund of perpetual duration. No deficiencies were noted at June 30, 2024.

Endowment net asset composition by fund type as of June 30, 2024, was as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Earnings	Perpetual in Nature	
Board designated endowment funds	\$ 644,858	\$ -	\$ -	\$ 644,858
Donor restricted endowment funds	-	24,689	186,456	211,145
Endowment net assets	<u>\$ 644,858</u>	<u>\$ 24,689</u>	<u>\$ 186,456</u>	<u>\$ 856,003</u>

Changes in endowment net assets for the year ended June 30, 2024, were as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Earnings	Perpetual in Nature	
Endowment net assets, June 30, 2023	\$ 617,600	\$ 10,813	\$ 186,456	\$ 814,869
Investment income, net	27,258	19,470	-	46,728
Appropriation	-	(5,594)	-	(5,594)
Endowment net assets, June 30, 2024	<u>\$ 644,858</u>	<u>\$ 24,689</u>	<u>\$ 186,456</u>	<u>\$ 856,003</u>