

Sempervirens Fund

Financial Statements

June 30, 2025

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, 2025, 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, 2025, 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' 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 9, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, 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 4, 2025

Sempervirens Fund

Statement of Financial Position

June 30, 2025 (with Comparative Financial Information for the Year Ended June 30, 2024)

	<u>2025</u>	<u>2024</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 5,716,567	\$ 3,193,775
Certificates of deposit	984,021	4,887,796
Grants and contributions receivable	1,837,337	631,409
Prepays and other current assets	163,286	176,246
Land held for sale	2,415,000	-
Total current assets	<u>11,116,211</u>	<u>8,889,226</u>
Conservation Land and Easement Holdings, Net	<u>23,119,811</u>	<u>24,754,811</u>
Property and Equipment, Net	<u>22,430</u>	<u>30,974</u>
Other Assets		
Grants and contributions receivable, net of current portion	243,000	5,000
Investments	12,440,062	9,342,952
Artwork	-	10,900
Other assets	6,999	10,977
Total other assets	<u>12,690,061</u>	<u>9,369,829</u>
Total assets	<u>\$ 46,948,513</u>	<u>\$ 43,044,840</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 220,373	\$ 297,498
Accrued payroll and other liabilities	256,932	178,632
Note payable, current	2,415,000	-
Total current liabilities	<u>2,892,305</u>	<u>476,130</u>
Long-Term Liabilities		
Note payable, net of current	-	2,415,000
Total liabilities	<u>2,892,305</u>	<u>2,891,130</u>
Net Assets		
Without donor restrictions:		
Board designated conservation land and easement holdings, net	23,119,811	22,339,811
Other Board designated	8,419,998	6,998,542
Undesignated	753,540	1,695,187
	<u>32,293,349</u>	<u>31,033,540</u>
With donor restrictions:		
Time and purpose restricted	11,533,160	8,909,025
Donor restricted endowment	229,699	211,145
	<u>11,762,859</u>	<u>9,120,170</u>
Total net assets	<u>44,056,208</u>	<u>40,153,710</u>
Total liabilities and net assets	<u>\$ 46,948,513</u>	<u>\$ 43,044,840</u>

See notes to financial statements

Sempervirens Fund

Statement of Activities

Year Ended June 30, 2025 (with Summarized Financial Information for the Year Ended June 30, 2024)

	2025		2024	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue				
Grants and contributions of cash and financial assets	\$ 6,813,011	\$ 5,023,848	\$ 11,836,859	\$ 10,580,750
Grants and contributions of nonfinancial assets	379,738	-	379,738	1,108,586
Investment income, net	805,446	24,148	829,594	715,170
Other income	110,417	-	110,417	87,163
	8,108,612	5,047,996	13,156,608	12,491,669
Net assets released from restrictions	2,405,307	(2,405,307)	-	-
Total support and revenue	10,513,919	2,642,689	13,156,608	12,491,669
Expenses				
Program services:				
Land	1,501,841	-	1,501,841	1,829,949
Stewardship	2,969,358	-	2,969,358	1,650,098
Education and outreach	1,700,252	-	1,700,252	1,419,533
Trees and groves	149,703	-	149,703	133,151
Total program services	6,321,154	-	6,321,154	5,032,731
Support services:				
General and administrative	1,007,876	-	1,007,876	930,858
Fundraising	1,925,080	-	1,925,080	1,902,397
Total support services	2,932,956	-	2,932,956	2,833,255
Total expenses	9,254,110	-	9,254,110	7,865,986
Change in net assets	1,259,809	2,642,689	3,902,498	4,625,683
Net Assets, Beginning	31,033,540	9,120,170	40,153,710	35,528,027
Net Assets, Ending	\$ 32,293,349	\$ 11,762,859	\$ 44,056,208	\$ 40,153,710

See notes to financial statements

Sempervirens Fund

Statement of Functional Expenses

Year Ended June 30, 2025 (with Summarized Financial Information for the Year Ended June 30, 2024)

	Program Services					Support Services			Total 2025	Total 2024
	Land	Stewardship	Education and Outreach	Trees and Groves	Total Program Services	General and Administrative	Fundraising	Total Support Services		
Salaries and Related Expenses										
Salaries	\$ 551,720	\$ 464,780	\$ 549,589	\$ 89,705	\$ 1,655,794	\$ 589,844	\$ 784,684	\$ 1,374,528	\$ 3,030,322	\$2,705,846
Payroll taxes and employee benefits	130,905	83,361	97,922	28,658	340,846	112,806	154,188	266,994	607,840	588,388
Total salaries and related expenses	682,625	548,141	647,511	118,363	1,996,640	702,650	938,872	1,641,522	3,638,162	3,294,234
Other Expenses										
Stewardship projects	-	2,325,320	-	-	2,325,320	-	-	-	2,325,320	905,238
Direct mail and direct responses	-	-	159,225	6,775	166,000	-	668,160	668,160	834,160	755,265
Contractual services	74,611	22,112	234,617	3,869	335,209	127,699	78,085	205,784	540,993	368,320
Land expenses	379,207	99	-	-	379,306	-	-	-	379,306	118,005
Advertising and marketing	625	-	288,418	4,225	293,268	4,542	41,640	46,182	339,450	403,150
Contributed nonfinancial contractual services	280,571	-	-	-	280,571	-	-	-	280,571	300,819
Telephone and internet	5,904	5,865	57,581	5,727	75,077	25,254	74,944	100,198	175,275	134,528
Events expense	-	-	147,472	-	147,472	-	-	-	147,472	25,098
Space and rental costs	-	15,584	-	-	15,584	84,513	-	84,513	100,097	84,656
Contributed nonfinancial advertising	-	-	99,167	-	99,167	-	-	-	99,167	127,531
Travel costs	11,926	17,824	13,355	1,365	44,470	9,161	22,148	31,309	75,779	77,427
Insurance	5,724	8,969	5,724	1,908	22,325	17,014	11,447	28,461	50,786	53,982
Bank fees	-	-	22	-	22	-	42,966	42,966	42,988	43,111
Newsletter costs	-	-	41,760	-	41,760	-	-	-	41,760	63,153
Meeting costs	4,551	4,388	852	45	9,836	17,632	13,132	30,764	40,600	52,075
Memberships	32,129	195	340	-	32,664	1,639	3,146	4,785	37,449	32,036
Training costs	2,832	667	107	-	3,606	12,631	6,106	18,737	22,343	14,901
Office expenses	66	65	3,787	6,871	10,789	1,022	8,700	9,722	20,511	14,048
Supplies and materials	910	11,411	278	555	13,154	3,719	2,978	6,697	19,851	26,593
Dues and subscriptions	160	174	36	-	370	400	12,756	13,156	13,526	14,549
Other expenses	-	-	-	-	-	-	-	-	-	262,163
Taxes and fees	-	-	-	-	-	-	-	-	-	6,325
Total other expenses	799,216	2,412,673	1,052,741	31,340	4,295,970	305,226	986,208	1,291,434	5,587,404	3,882,973
Depreciation	-	8,544	-	-	8,544	-	-	-	8,544	8,544
Impairment loss	20,000	-	-	-	20,000	-	-	-	20,000	-
Donated conservation easement expense	-	-	-	-	-	-	-	-	-	680,235
Total expenses	\$ 1,501,841	\$ 2,969,358	\$ 1,700,252	\$ 149,703	\$ 6,321,154	\$ 1,007,876	\$ 1,925,080	\$ 2,932,956	\$ 9,254,110	\$ 7,865,986

See notes to financial statements

Sempervirens Fund

Statement of Cash Flows

Year Ended June 30, 2025 (with Comparative Financial Information for the Year Ended June 30, 2024)

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 3,902,498	\$ 4,625,683
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	8,544	8,544
Impairment loss	20,000	-
Realized and unrealized gains from investments, net	(191,999)	(337,124)
Gain on sale of artwork	(14,710)	-
Proceeds from capital campaign contributions	(3,131,730)	(4,671,318)
Changes in operating assets and liabilities:		
Grants and contributions receivable	(1,443,928)	54,730
Prepays and other current assets	12,960	(20,054)
Other assets	3,978	(10,977)
Accounts payable	(77,125)	40,483
Accrued payroll and other liabilities	78,300	(41,471)
Net cash used in operating activities	<u>(833,212)</u>	<u>(351,504)</u>
Cash Flows From Investing Activities		
Purchases of land	(800,000)	(2,145,000)
Purchases of investments	(22,909,418)	(17,894,478)
Proceeds from sales of investments	23,908,082	12,149,524
Proceeds from sale of land	-	4,210,000
Proceeds from sale of artwork	25,610	41,600
Proceeds from note receivable	-	18,261
Net cash provided by (used in) investing activities	<u>224,274</u>	<u>(3,620,093)</u>
Cash Flows From Financing Activities		
Proceeds from capital campaign contributions	<u>3,131,730</u>	<u>4,671,318</u>
Net cash provided by financing activities	<u>3,131,730</u>	<u>4,671,318</u>
Net increase in cash and cash equivalents	2,522,792	699,721
Cash and Cash Equivalents, Beginning	<u>3,193,775</u>	<u>2,494,054</u>
Cash and Cash Equivalents, Ending	<u>\$ 5,716,567</u>	<u>\$ 3,193,775</u>

See notes to financial statements

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Notes to Financial Statements
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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 ensure coast redwood forests in the Santa Cruz Mountains thrive for generations to come. Since its founding, Sempervirens has protected more than 36,000 acres of redwood forestlands, and associated wildlife habitat, watersheds, and other important natural and cultural features, most of which have been incorporated into Año Nuevo, Big Basin Redwoods, Butano, Castle Rock, Henry Cowell Redwoods and Portola Redwoods State Parks.

Learn more about our mission and vision, as well as our strategic plan through 2030 at: <https://sempervirens.org/redwoods-forward>

Sempervirens currently has four programs:

Land Acquisition and Disposition (Land)

In Fiscal Year 2025, Sempervirens acquired one land parcel: Año Nuevo Vista, 41 acres between Butano and Big Basin Redwoods State Park. The property includes a mosaic of habitat types from redwood forest to quickly disappearing maritime chaparral. This diversity of habitat types supports many plants and wildlife within its borders and throughout the watershed. To learn more, visit: sempervirens.org/protect/redwood-forests/ano-nuevo-vista/

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 2025 we did not transfer any properties to State Parks.

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 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 Sempervirens (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, 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, 2025.

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, 2025, Sempervirens determined that \$1,837,337 of grants and contributions receivable are collectible within one year. The remaining balance is expected to be collected with \$218,000 during the year ended June 30, 2027 and \$25,000 during the year ended June 30, 2028. 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, 2025, a \$20,000 impairment loss was recorded.

As of June 30, 2025, Sempervirens held conservation land and easement holdings at cost of \$25,009,802 and \$525,009, respectively. At June 30, 2025, one of Sempervirens' conservation land holdings were classified as held for sale (see Note 3).

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, 2025, 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, 2025, Sempervirens had a vehicle with a cost of \$42,721, accumulated depreciation of \$20,291 and a net book value of \$22,430.

At June 30, 2025, 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. As of June 30, 2025, Sempervirens' Board-designated endowment was fully liquidated.

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.

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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 include 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, 2025, Sempervirens had two grants that were conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. These grants totaled \$648,831, of which approximately \$24,000 has been recognized, and the remaining approximately \$618,500 and \$5,900 is expected to be recognized and received in fiscal year 2026 and 2027, respectively.

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, 2025, Sempervirens received pro bono legal services of \$280,571, 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, 2025, Sempervirens received pro bono advertising of \$99,167 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, 2025, 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, 2025

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, 2024, from which the summarized information was derived.

Subsequent Events

Sempervirens has evaluated subsequent events through December 4, 2025, which represents the date that the financial statements were available to be issued.

In September 2025, Sempervirens entered into a purchase agreement to acquire fee title to a land property for \$14,800,000. The scheduled close date is on or before January 8, 2027, but may be extended to April 8, 2027.

In October 2025, Sempervirens entered into a purchase agreement to acquire both a fee title interest and a conservation easement interest in a land property for \$1,000,000. The scheduled close date is on or before June 9, 2026.

Sempervirens Fund

Notes to Financial Statements
June 30, 2025

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, 2025:

Financial assets at June 30, 2025:	
Cash and cash equivalents	\$ 5,716,567
Certificates of deposit	984,021
Grants and contributions receivable	1,837,337
Investments	<u>12,440,062</u>
	<u>20,977,987</u>
Less amounts not available to be used within one year:	
Donor restricted endowment invested in perpetuity	(186,456)
Unappropriated donor restricted endowment earnings	(43,243)
Time and purpose restricted net assets	(11,533,160)
Easements and fee-owned title defense fund	<u>(93,054)</u>
	<u>(11,855,913)</u>
Financial assets available to meet general operating expenditures within one year	<u>\$ 9,122,074</u>

3. Assets Held for Sale

In June 2025, Sempervirens approved the Gateway to Big Basin land for sale in connection with ongoing discussions with California State Parks in the amount of \$2,415,000. Unlike other land holdings that are maintained for long-term conservation purposes, the Gateway to Big Basin property has a clear and mutual intent for sale within fiscal year 2026. The Fund met the criteria to classify the sale of this asset as held for sale and is presented as such in the accompanying statement of financial position as of June 30, 2025.

The asset has been held at its carrying value and so no gain or loss on sale is to be expected.

Sempervirens Fund

Notes to Financial Statements

June 30, 2025

4. 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, 2025, Sempervirens held investments in excess of the SIPC insurance limits (currently \$500,000 per depositor).

Major Funders

For the year ended June 30, 2025, 28% of grants and contributions revenue were from one funder. At June 30, 2025, 71% of grants and contributions receivable were due from one funder.

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.

5. Investments and Fair Value Measurements

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 certificates of deposit and investments measured at fair value on a recurring basis as of June 30, 2025:

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 984,021	\$ -	\$ 984,021
Mutual funds	106,201	-	-	106,201
Exchange-traded and closed-end funds	760,265	-	-	760,265
Government securities	-	11,573,596	-	11,573,596
Total	<u>\$ 866,466</u>	<u>\$ 12,557,617</u>	<u>\$ -</u>	<u>\$ 13,424,083</u>

The table below presents Sempervirens allocation of investments as of June 30, 2025:

Board designated funds	\$ 3,748,560
Donor restricted funds	9,445,824
Donor restricted endowment fund	229,699
Total	<u>\$ 13,424,083</u>

Sempervirens Fund

Notes to Financial Statements
June 30, 2025

6. Note 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. The agreement included an option to extend the maturity date through January 21, 2030, at which point the loan would have begun accruing interest at a rate of 1% per annum, payable semiannually. Sempervirens has elected not to exercise the extension option, and accordingly, the loan will mature on its original maturity date. A discount and related contribution revenue should be recorded in connection with loans of cash that are noninterest bearing or 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.

7. 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 \$192,565 for the year ended June 30, 2025.

8. Commitments

Office Lease

On February 1, 2024, Sempervirens entered into a 12-month single office space lease agreement. The monthly rent for the lease was \$6,576. This service lease was extended for one year and will expire July 31, 2026.

During the year ended June 30, 2025, total office rent expense was \$81,237.

Tenancy-In-Common

Sempervirens entered into a tenancy-in-common agreement with Peninsula Open Space Trust (POST) related to the equally owned undivided interest in the real property, San Vicente Redwoods. As stipulated in the agreement, POST manages the project funds and a reconciliation is completed quarterly. Sempervirens funds their share of the joint costs to POST accordingly.

9. Board Designated Net Assets

At June 30, 2025, Board designated net assets were designated for the following purposes:

Conservation land and easement holdings, net	\$ 23,119,811
Board designated project fund	3,185,622
Conservation operating reserve	2,865,797
Board designated advocacy fund	2,275,525
Easement and fee-owned title defense fund	<u>93,054</u>
Total	<u>\$ 31,539,809</u>

Sempervirens Fund

Notes to Financial Statements
June 30, 2025

10. Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2025, consisted of the following:

Subject to time and purpose restrictions:	
Time restricted	\$ 373,057
Purpose restricted:	
Gazos Creek Watershed Protection/Restoration Campaign	6,475,249
Land acquisition	2,702,694
Stewardship	1,565,372
Easement monitoring	361,754
Education, outreach, and business strategy	35,034
Friends of Cotoni Coast Dairies National Monument	20,000
Total subject to time and purpose restrictions	<u>11,533,160</u>
Donor restricted endowment:	
Amounts to be maintained in perpetuity	186,456
Unappropriated endowment earnings	<u>43,243</u>
Total donor restricted endowment	<u>229,699</u>
	<u>\$ 11,762,859</u>

For the year ended June 30, 2025, 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	\$ 404,919
Purpose restricted:	
Gazos Creek Watershed Protection/Restoration Campaign	1,071,156
Land acquisition	79,160
Stewardship	630,009
Easement monitoring	1,724
Education, outreach, and business strategy	212,745
Total subject to time and purpose restrictions	<u>2,399,713</u>
Donor restricted endowment:	
Unappropriated endowment earnings	<u>5,594</u>
Total donor restricted endowment	<u>5,594</u>
	<u>\$ 2,405,307</u>

Sempervirens Fund

Notes to Financial Statements
June 30, 2025

11. 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. As of June 30, 2025, Sempervirens' Board-designated endowment was fully liquidated. 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, 2025.

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

June 30, 2025

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, 2025.

Endowment net asset composition by fund type as of June 30, 2025, was as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Earnings	Perpetual in Nature	
Board designated endowment funds	\$ -	\$ -	\$ -	\$ -
Donor restricted endowment funds	-	43,243	186,456	229,699
Endowment net assets	<u>\$ -</u>	<u>\$ 43,243</u>	<u>\$ 186,456</u>	<u>\$ 229,699</u>

Changes in endowment net assets for the year ended June 30, 2025, were as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Earnings	Perpetual in Nature	
Endowment net assets, June 30, 2024	\$ 644,858	\$ 24,689	\$ 186,456	\$ 856,003
Investment income, net	-	24,148	-	24,148
Appropriation	(644,858)	(5,594)	-	(650,452)
Endowment net assets, June 30, 2025	<u>\$ -</u>	<u>\$ 43,243</u>	<u>\$ 186,456</u>	<u>\$ 229,699</u>