

GOLDEN GATE
NATIONAL PARKS CONSERVANCY

SEPTEMBER 30, 2012

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Golden Gate National Parks Conservatory

Independent Auditors' Report and Financial Statements

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Independent Auditors' Report

THE BOARD OF TRUSTEES
GOLDEN GATE NATIONAL PARKS CONSERVANCY
San Francisco, California

We have audited the accompanying statement of financial position of **GOLDEN GATE NATIONAL PARKS CONSERVANCY (the Conservancy)** as of September 30, 2012, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Conservancy's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Conservancy's 2011 financial statements and in our report, dated June 25, 2012; we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Golden Gate National Parks Conservancy as of September 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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San Francisco, California
June 25, 2013

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Golden Gate National Parks Conservancy

Statement of Financial Position

<i>September 30, 2012 (with comparative totals for 2011)</i>	2012	2011
Assets		
Cash and cash equivalents	\$ 1,720,679	\$ 1,127,988
Accounts receivable, net	7,374,898	7,476,532
Contributions receivable, net	2,661,410	4,859,472
Inventories	3,165,942	1,554,945
Prepaid expenses and deposits	252,371	592,166
Investments	24,567,423	28,929,044
Furniture, fixtures and equipment, net	887,981	718,618
Other assets, net	7,373,182	1,606,989
Total Assets	\$ 48,003,886	\$ 46,865,754
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 2,484,949	\$ 3,549,291
Accrued payroll related expenses	1,948,001	1,830,008
Agency funds payable	877,888	21,315
Deferred revenue	502,076	633,005
Capital lease obligation	143,830	159,333
Total liabilities	5,956,744	6,192,952
Net Assets:		
Unrestricted:		
Undesignated	19,811,746	17,244,669
Board-designated for park projects and programs	3,000,000	2,000,000
Total unrestricted net assets	22,811,746	19,244,669
Temporarily restricted	14,242,488	16,371,670
Permanently restricted	4,992,908	5,056,463
Total net assets	42,047,142	40,672,802
Total Liabilities and Net Assets	\$ 48,003,886	\$ 46,865,754

The accompanying notes are an integral part of this statement.

Golden Gate National Parks Conservancy

Statement of Activities and Changes in Net Assets

Year Ended September 30, 2012 (with comparative totals for 2011)

	2012			Total	2011 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and Revenue:					
Gross program revenue	\$ 28,082,489			\$ 28,082,489	\$ 23,813,060
Cost of goods and services	(6,846,907)			(6,846,907)	(5,668,047)
Program revenue, net	21,235,582			21,235,582	18,145,013
Contributed income	1,871,259	\$ 10,279,048	\$ 132	12,150,439	6,308,642
Special events, net of direct event costs of \$418,202	965,338	137,700		1,103,038	693,544
Cooperative agreement reimbursements	7,521,322			7,521,322	7,661,651
Mitigation awards	50,740			50,740	
Investment income	261,226	85,272		346,498	429,578
Net realized and unrealized gain (loss) on investments	2,197,721	913,478		3,111,199	(600,984)
Other income	782,515			782,515	
Net assets released from restrictions	13,544,680	(13,544,680)			
Total support and revenue	48,430,383	(2,129,182)	132	46,301,333	32,637,444
Expenses:					
Program services:					
Park enhancements, restoration and stewardship	19,450,147			19,450,147	16,675,268
Park interpretation and visitor services	10,237,283			10,237,283	7,377,924
Youth, volunteer and community programs	8,202,938			8,202,938	3,012,590
Total program services	37,890,368			37,890,368	27,065,782
Management and general	6,105,448			6,105,448	5,959,821
Fundraising	867,490			867,490	759,270
Total expenses	44,863,306			44,863,306	33,784,873
Change in Net Assets Before Other Changes	3,567,077	(2,129,182)	132	1,438,027	(1,147,429)
Loss from Bad Debt			(63,687)	(63,687)	
Change in Net Assets After Other Changes	3,567,077	(2,129,182)	(63,555)	1,374,340	(1,147,429)
Net Assets, beginning of year	19,244,669	16,371,670	5,056,463	40,672,802	41,820,231
Net Assets, end of year	\$ 22,811,746	\$ 14,242,488	\$ 4,992,908	\$ 42,047,142	\$ 40,672,802

The accompanying notes are an integral part of this statement.

Golden Gate National Parks Conservancy

Statement of Cash Flows

<i>Year Ended September 30, 2012 (with comparative totals for 2011)</i>	2012	2011
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,374,340	\$ (1,147,429)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Permanently restricted contributions	(132)	(318,611)
Depreciation and amortization	762,737	465,650
Net realized and unrealized (gain) loss on investments	(3,111,199)	600,984
Interest and developer fees included in other assets	(782,515)	
Changes in assets and liabilities:		
Accounts receivable	101,634	(624,055)
Contributions receivable	1,921,701	2,292,461
Inventories	(1,610,997)	181,972
Prepaid expenses and deposits	339,795	(316,434)
Accounts payable and accrued liabilities	(1,401,802)	160,705
Accrued payroll related expenses	117,993	6,757
Agency funds payable	856,573	(5,210)
Deferred revenue	(130,929)	(1,036)
Net cash (used) provided by operating activities	(1,562,801)	1,295,754
Cash Flows from Investing Activities:		
Purchases of investments	(4,183,666)	(7,757,504)
Proceeds from maturities or sales of investments	11,656,486	8,440,965
Expenditures for other assets	(4,916,016)	(1,202,142)
Purchases of furniture, fixtures and equipment	(662,302)	(262,877)
Net cash provided (used) by investing activities	1,894,502	(781,558)
Cash Flows from Financing Activities:		
Receipt of permanently restricted contributions	276,493	68,575
Payments under capital lease obligations	(15,503)	(53,946)
Net cash provided by financing activities	260,990	14,629
Change in Cash and Cash Equivalents	592,691	528,825
Cash and Cash Equivalents, beginning of year	1,127,988	599,163
Cash and Cash Equivalents, end of year	\$ 1,720,679	\$ 1,127,988

Supplemental Data:

Interest paid	\$ 15,734	\$ 19,685
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Supplemental Disclosure of Non-Cash Activities:

Permanently restricted amounts in contributions receivable		\$ 318,611
Prepaid expenses representing project costs incurred for the Golden Gate Bridge included in accounts payable at September 30	\$ 337,460	\$ 404,847

The accompanying notes are an integral part of this statement.

Golden Gate National Parks Conservancy

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies:

a. Organization

Golden Gate National Parks Conservancy (the Conservancy) is a not-for-profit cooperating association of the National Park Service and the Presidio Trust whose mission is to preserve the Golden Gate National Parks (the Parks), enhance the park visitor experience, and build a community dedicated to conserving the Parks for the future. The Parks, also known as the Golden Gate National Recreation Area, stretch across 80,000 acres north and south of the Golden Gate Bridge, constituting one of the world's largest national parks in an urban setting. The Conservancy is supported by private contributions, cooperative agreements, and income earned from interpretive tours and the sale of educational materials at visitor centers throughout the Parks. The Conservancy's programs consist of the following:

Park enhancements, restoration and stewardship:

These programs encompass trail-building, maintaining bikeways, restoring sensitive ecosystems, protecting endangered species, growing native plants, rehabilitating historic structures, opening new overlooks, installing new visitor amenities, and creating new park experiences to share with the entire community.

Park interpretation and visitor services:

These programs include tours of Alcatraz Island, Muir Woods and the Golden Gate Bridge; sales of interpretive publications, theme-related sales items and products from interpretive demonstrations; and the production of trail signage and free publications to enhance the park visitor experience.

Youth, volunteer and community programs:

These programs include programs conducted at Crissy Field Center and by the Park Youth Collaborative, the participation of volunteers in a variety of stewardship programs and internships, Institute at the Golden Gate programs, and program events such as the celebration of the Golden Gate Bridge's 75th anniversary.

b. Basis of Presentation

The Conservancy's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and are presented on the accrual basis of accounting showing unrestricted, temporarily restricted, and permanently restricted net assets.

Golden Gate National Parks Conservancy

Notes to Financial Statements

Unrestricted Net Assets:

The portion of net assets that is neither temporarily restricted nor permanently restricted by donor-imposed stipulations and is available to support any of the Conservancy's activities. The Board of Trustees has designated \$3 million of unrestricted net assets for future improvement and emergency repair of Crissy Field.

Temporarily Restricted Net Assets:

The portion of net assets whose use by the Conservancy is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Conservancy.

Permanently Restricted Net Assets:

The portion of net assets whose use by the Conservancy is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by action of the Conservancy. The balance is comprised of donor-restricted contributions for investment in perpetuity, the earnings from which are available for specific program areas and general operations when appropriated by the Board for expenditure.

c. Cash and Cash Equivalents

Cash and cash equivalents include cash and liquid investments not held for investment purposes with an initial maturity of three months or less.

d. Investments

Investments are reported at fair value. The fair values of mutual funds are based on their quoted market prices. Pooled funds and alternative investments are valued at the net asset value per unit or percentage of ownership as reported by the funds. Due to the inherent uncertainty of valuation of non-marketable and restricted investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

Gains and losses that result from market fluctuations are recognized in the statement of activities in the period such fluctuations occur. Dividend and interest income is recognized when earned. Donated securities are recorded at estimated fair value at the date of donation.

Golden Gate National Parks Conservancy

Notes to Financial Statements

e. Fair Value Measurements

The Conservancy carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Conservancy classifies its financial assets and liabilities according to three levels, and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

f. Accounts Receivable

The Conservancy's accounts receivable consist primarily of amounts due from reimbursable grant agreements, Alcatraz audio tours and wholesale merchandise sales.

g. Contributions Receivable

Contributions receivable consist of unconditional promises to give. Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are recorded at fair value based upon the present value of their estimated future cash flows. Discounts are computed using estimated market rates. Amortization of the discounts is included in contributed income.

h. Allowance for Doubtful Accounts

The Conservancy uses the allowance method to account for uncollectible receivables and contributions. The allowance for doubtful accounts is based on historical experience and an evaluation of the outstanding receivables at the end of the year. The allowance for uncollectible contributions receivable was approximately \$56,200, as of September 30, 2012.

i. Inventories

Inventories are stated at weighted average cost. Inventories generally consist of books and other interpretive merchandise held for retail sale.

Golden Gate National Parks Conservancy

Notes to Financial Statements

j. Furniture, Fixtures and Equipment

Furniture, fixtures and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 5 years.

Contributions of long-lived assets and contributions restricted for their acquisition are recorded at estimated fair value at the date of donation. In the absence of donor stipulations restricting how the assets are to be used, the contribution is treated as unrestricted.

k. Other Assets

During 2011, the Conservancy entered into a 10-year agreement (the Agreement) with the Golden Gate Bridge, Highway and Transportation District to produce a program for the 75th anniversary of the Golden Gate Bridge in May 2012, and to construct, and subsequently manage, various visitor improvements (the Project). The Agreement provides for reimbursement of the Conservancy's Project costs, including interest, developer fees and management fees, from the earnings of the 75th anniversary celebration and future earned revenues generated by the visitor improvements. The Conservancy recognizes income earned on the Project as other income.

Other assets represent the unreimbursed costs of the Project, which are being amortized on a straight-line basis over the remaining life of the Agreement. Amortization expense totaled \$269,798 for 2012.

l. Beneficial Interest in Charitable Trust Assets

The Conservancy's irrevocable interest in trusts is recognized as revenue in the period in which the Conservancy becomes aware of the trust agreement and included in contributions receivable. The fair value of the interest is measured by the estimated present value of the remainder interest using the RP-2000 combined healthy mortality table and a discount rate of 4.6%. Subsequent changes in fair value are recognized in the statement of activities.

m. Deferred Revenue

Deferred revenue consists primarily of mitigation advances, which generally result from court-ordered consent decrees, or settlements reached by parties involved in regulatory actions. Accordingly, support from mitigation advances is recognized as the terms of the specific mitigation awards are met.

Golden Gate National Parks Conservancy

Notes to Financial Statements

n. Agency Funds Payable

Agency funds payable represent admission fees to Muir Woods National Monument collected on behalf of and payable to the National Park Service and the California State Department of Parks and Recreation.

o. Revenue Recognition

Contributions are recognized as revenue at fair value when unconditionally promised to the Conservancy. Unconditional promises received with donor stipulations that limit the use of the contribution are recorded as restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Temporarily restricted contributions are reported as temporarily restricted support and net assets released from restrictions when the restriction is met in the same period as the contribution is received. Conditional promises to give are not included as support until the conditions are substantially met.

Program revenue is generated by audio tour rentals, interpretive tours, public programs, and sales of interpretive publications at various book store locations. Program revenue is recognized when the related service has been rendered or when the publication has been shipped.

Cooperative reimbursement agreements consist of federal and non-federal reimbursable grant agreements. Under the terms of the agreements, the grantor reimburses the Conservancy for allowable expenses incurred for the specific program funded. Accordingly, revenue is recognized as the related expenses are incurred.

p. Donated Services

Contributions of services are recognized when received if such services (a) enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. A substantial number of volunteers have donated significant amounts of time in the Conservancy's program services and fundraising activities. The value of donated volunteer services has not been recognized in the accompanying financial statements because such volunteer services do not meet the above-mentioned criteria.

q. Gifts in Kind

The Conservancy receives gifts in kind, such as wine and auction items for its annual special event. Gifts in kind received through donation are valued and recorded as revenue at their fair value at the time the contribution is received. The value of such items received during the year ended September 30, 2012 approximated \$27,000.

Golden Gate National Parks Conservancy

Notes to Financial Statements

r. National Park Service Land and Facilities

Improvements - The Conservancy operates its programs on and offers assistance in the preservation of Golden Gate National Parks land, which is owned by the National Park Service. From time to time, the Conservancy makes improvements to Park property. These improvements are expensed as incurred and have been included in Park enhancements in the Statement of Activities.

Facilities - The Conservancy receives office space at no charge from the National Park Service as part of its agreement as a cooperating association. The space is provided for the mutual benefit of both parties and no value is recorded.

s. Functional Expense Allocations

Expenses, such as depreciation and amortization, supplies, travel, personnel, and occupancy costs, are allocated among program services, management and general and fundraising expenses based on full-time employee equivalent and square footage ratios, and on estimates made by the Conservancy's management.

t. Advertising Costs

The Conservancy expenses advertising costs as they are incurred. Advertising costs are incurred for the purpose of providing the visitor with information about park interpretive experiences and programs. Advertising costs were approximately \$476,000 for 2012.

u. Comparative Information and Reclassifications

The financial statements include certain comparative information for which the prior year information is summarized in total but not by net asset class. Accordingly, such information should be read in conjunction with the Conservancy's financial statements for the year ended September 30, 2011, from which the summarized information is derived.

Certain reclassifications have been made to the prior year financial statements in order for them to conform to current year presentation. These reclassifications had no effect on net assets or change in net assets.

v. Tax-Exempt Status

The Conservancy has been classified as a publicly supported, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code), and is exempt from California franchise taxes under Revenue and Taxation Code Section 23701(d).

Golden Gate National Parks Conservancy

Notes to Financial Statements

The Conservancy follows the Financial Accounting Standards Board (FASB) ASC Topic 740 Income Taxes to account for uncertain tax positions. Management evaluated the Conservancy's tax positions and concluded that the Conservancy had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

The Conservancy is generally no longer subject to income tax examinations by federal and state authorities for years prior to 2010 and 2009, respectively.

w. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

x. New Accounting Pronouncement

In May 2011, the FASB issued amendments to existing guidance for fair value measurements. This guidance includes amendments that clarify the application of existing fair value measurement requirements, in addition to other amendments that change principles or requirements for measuring fair value and for disclosing information about fair value measurements. These additional disclosures are required for the year ended September 30, 2013. The guidance will primarily impact the Conservancy's disclosures, but otherwise is not expected to have a material impact on the Conservancy's financial statements.

In October 2012, the FASB issued amendments to existing guidance for statements of cash flows. This guidance requires cash receipts from the sale of donated financial assets that upon receipt were directed without any Conservancy-imposed limitations for sale and were converted nearly immediately into cash to be classified as cash flows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. This guidance is required for the year ending September 30, 2014 and is not expected to have a material impact on the Conservancy's financial statements.

Golden Gate National Parks Conservancy

Notes to Financial Statements

y. Subsequent Events

The management of the Conservancy has reviewed the change in its net assets for the period of time from its fiscal year ended September 30, 2012 through June 25, 2013, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor subsequent events have occurred, the nature of which would require disclosure, except as follows.

The Conservancy entered into an agreement with the National Park Service in December 2012 to increase the admission fee for the Alcatraz Audio Tour by \$2, and to add an additional boat service to Alcatraz Island to better respond to visitor demand, commencing in March 2013. The increased revenue resulting from these changes will be used to establish and fund an Alcatraz Preservation and Embarkation Fund, after the Conservancy's Alcatraz operating costs and certain other costs, as defined, are met.

Note 2 - Contributions Receivable:

Contributions receivable at September 30, 2012 are expected to be received as follows:

Year Ending September 30,	
2013	\$ 2,552,327
2014	25,000
2015	25,000
	<hr/>
	2,602,327
Less allowance for doubtful accounts	(56,220)
Less discount on multi-year contributions receivable	(1,196)
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Subtotal	2,544,911
Receivable from charitable remainder unitrust	116,499
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Contributions receivable, net	\$ 2,661,410

As of September 30, 2012, the Conservancy had conditional grants receivable of \$2,229,000 contingent on identifying and receiving final approval to fund specific projects by the granting organizations.

Golden Gate National Parks Conservancy

Notes to Financial Statements

Note 3 - Investments:

Investments consisted of the following at September 30, 2012:

Equity funds	\$ 10,653,700
Fixed income funds	7,069,556
Alternative investments	3,673,053
Domestic equities	1,234,102
Exchange traded funds	421,000
Cash and cash equivalents	1,516,012
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Total	\$ 24,567,423

Note 4 - Fair Value Measurements:

The table below presents the balances of assets measured at fair value on a recurring basis as of September 30, 2012:

	Total	Level 1	Level 2	Level 3
Investments:				
Equity funds:				
Mutual funds	\$ 6,890,861	\$ 6,890,861		
Pooled funds	3,762,839		\$ 3,087,019	\$ 675,820
Fixed Income funds:				
Mutual funds	2,501,339	2,501,339		
Pooled funds	4,568,217		4,568,217	
Alternative investments	3,673,053		568,510	3,104,543
Domestic equities	1,234,102	1,234,102		
Exchange traded funds	421,000	421,000		
Cash and cash equivalents	1,516,012	1,516,012		
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Subtotal	24,567,423	12,563,314	8,223,746	3,780,363
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Charitable remainder unitrust	116,499		116,499	
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Total	\$ 24,683,922	\$ 12,563,314	\$ 8,340,245	\$ 3,780,363

Golden Gate National Parks Conservancy

Notes to Financial Statements

The changes in investments classified as level 3 are as follows for the year ended September 30, 2012:

Balance, September 30, 2011	\$ 2,735,724
Purchases	575,000
Net realized gain	1,508
Net unrealized gain	471,222
Fees	(3,091)
Balance, September 30, 2012	
	\$ 3,780,363

The Conservancy uses the net asset value (NAV) to determine the fair value of all the underlying investments that do not have readily determinable fair value. The following table lists investments by major category and investment strategy as of September 30, 2012:

Strategies	# of Funds	Valuation	Redemption Frequency	Redemption Notice Period
Pooled Funds:				
International Equities (a)	3	\$ 3,762,839	Monthly to Annually	3 - 90 Days
Fixed Income (b)	3	4,568,217	Monthly	2 - 30 Days
Alternative Investments:				
Hedged Fund (c)	1	1,628,151	Annually	100 Days
Long/short (d)	2	2,044,902	Monthly to Annually	30-95 Days
Total				
	9	\$ 12,004,109		

- a) The international equity funds invest in diversified portfolios of equity securities of companies located in any other country other than the United States. Two of the Funds are redeemable monthly with a notice requirement of 3-6 days. Annual redemptions may be permitted for the third fund on the day after the initial 3-year lock up expires in September 2014, after which a new 3-year lock up period commences on a rolling basis. The funds do not have an outstanding commitment.
- b) The fixed income strategies are actively managed diversified portfolios of U.S. investment grade and below investment grade fixed income, international fixed income, and corporate fixed income instruments. The funds are redeemable monthly with a notice requirement of 2 to 30 days. The funds do not have an outstanding commitment.

Golden Gate National Parks Conservancy

Notes to Financial Statements

- c) The hedge fund was organized for the purpose of providing 501(c)(3) organizations or affiliated or related entities the opportunity to invest in private investments, primarily via pooled vehicles offered by professional investment managers. Annual redemptions with 100 days' notice may be permitted once the initial 3-year lock up expires, subject to a 20% gate; the lock-up period expires December 2012. The fund has an outstanding commitment of \$405,000.
- d) Long/short strategies invest in both long and short positions in commodity-related instruments around the world. Of this category, one fund of \$568,510 is redeemable annually with 95 days notice without any restrictions. Annual redemptions of the second fund are permitted with 95 days' notice once the initial 3-year lock up expires. The funds do not have outstanding commitments.

Note 5 - Furniture, Fixtures and Equipment:

Furniture, fixtures and equipment as of September 30, 2012 consisted of the following:

Equipment	\$ 2,630,112
Leasehold improvements	223,619
Vehicles	30,928
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Total	2,884,659
Less accumulated depreciation and amortization	(1,996,678)
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Furniture, fixtures and equipment, net	\$ 887,981

Equipment included leased point of sale software and equipment as of September 30, 2012 of \$361,402 with accumulated depreciation of \$325,166.

Depreciation and amortization expense totaled \$492,939 for 2012.

Golden Gate National Parks Conservancy

Notes to Financial Statements

Note 6 - Temporarily Restricted Net Assets and Net Assets Released From Restrictions:

Temporarily restricted net assets as of September 30, 2012 are available for the following:

Presidio trails and projects	\$ 4,820,658
Other park improvements and conservation projects	4,805,844
Crissy Field projects and programs	3,089,847
Youth programs	658,954
Institute at the Golden Gate	343,945
Community engagement, education and outreach	210,199
National Park Service projects	110,959
For use in ensuing fiscal years	190,303
Other	11,779
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Total temporarily restricted net assets	\$ 14,242,488

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the year ended September 30, 2012 as follows:

Presidio trails and projects	\$ 5,187,345
Golden Gate Bridge 75th Anniversary event	4,705,645
Other park improvements and conservation projects	1,861,175
Crissy Field projects and programs	1,067,045
Youth programs	450,999
Community engagement, education and outreach	119,720
National Park Service projects	51,680
Institute at the Golden Gate	47,506
Other	53,565
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Total net assets released from restrictions	\$ 13,544,680

Golden Gate National Parks Conservancy

Notes to Financial Statements

Note 7 - Endowment:

The Conservancy's endowments consist of the following endowment funds:

	Permanently Restricted	Temporarily Restricted	Total
James R. Harvey Restoration Fund	\$ 2,387,869	\$ 376,893	\$ 2,764,762
Bernard Osher Endowment	2,152,752	249,883	2,402,635
Ted Chong Endowment Fund	25,768	2,918	28,686
Anne Kincaid Endowment Fund	102,888	12,646	115,534
Madeleine Tang Fund	68,882	5,551	74,433
Mark Kutnink Endowment	254,749	26,764	281,513
	<u>\$ 4,992,908</u>	<u>\$ 674,655</u>	<u>\$ 5,667,563</u>

The James R. Harvey Restoration Fund was established as an endowment to benefit the ongoing preservation and restoration of the Presidio. The Osher Endowment was established for environmental education at Crissy Field. The Ted Chong Endowment fund was established to benefit the Conservancy's native plant nursery programs. The DeSha family created an endowment fund in memory of Anne Kincaid to restore, protect and conserve the natural assets and features of the Golden Gate National Parks. The Madeleine Tang Fund was established for the benefit of the Watersheds Inspiring Student Education Program in the Golden Gate National Parks. The Mark Kutnink Endowment was established for the benefit of the Trails Forever program and the Crissy Field Center.

a. Interpretation of relevant law

The Board of Trustees of the Conservancy has interpreted California's enacted version of the Uniform Prudent Management of Institutional Funds Act (the Act) as requiring the preservation of the fair value of the original gift as of the date of the gift absent explicit donor stipulations to the contrary. As a result of this interpretation, the Conservancy classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The portion of the donor-restricted endowment assets that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until appropriated by the Board for expenditure. In accordance with the Act, the Conservancy considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) the duration and preservation of the fund;

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- (2) the purposes of the Conservancy and the donor-restricted endowment fund;
- (3) general economic conditions;
- (4) the possible effect of inflation and deflation;
- (5) the expected total return from income and the appreciation of investments;
- (6) other resources of the Conservancy; and
- (7) the investment policies of the Conservancy.

b. Endowment net asset composition by type of fund

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 674,655	\$ 4,992,908	\$ 5,667,563
Total	\$ 674,655	\$ 4,992,908	\$ 5,667,563

c. Changes in endowment net assets

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year		\$ 5,056,463	\$ 5,056,463
Investment return:			
Investment income	\$ 73,202		73,202
Net appreciation (realized and unrealized)	782,076		782,076
Total investment return	855,278		855,278
Contributions		132	132
Loss from bad debt		(63,687)	(63,687)
Appropriations of endowment assets for expenditure	(180,623)		(180,623)
Endowment net assets, end of year	\$ 674,655	\$ 4,992,908	\$ 5,667,563

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d. 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 the Act requires the Conservancy to retain as a fund of perpetual duration. As of September 30, 2012, there were no such deficiencies.

e. Return objectives and risk parameters

The Conservancy has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Conservancy must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield while assuming a moderate level of investment risk. The Conservancy expects its endowment funds, over time, to provide an average rate of return of approximately 4.5 percent annually. Actual returns in any given year may vary from this amount.

f. Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Conservancy relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Conservancy targets a diversified asset allocation that places a greater emphasis on mutual equity and bond fund investments to achieve its long-term return objectives within prudent risk constraints.

g. Spending policy and how the investment objectives relate to spending policy

The Conservancy has a policy of appropriating for distribution each year up to 4.5 percent of the endowment earnings. Appropriations in excess of 4.5 percent can be made with board approval and if deemed prudent in accordance with the Act. This is consistent with the Conservancy's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

h. Reclassification on quasi-endowment fund

In 2012, the Conservancy undertook a comprehensive review of its board and donor-restricted endowment funds to reaffirm the restrictions and purposes of its funds. As a result of this review, a fund previously identified as board designated quasi-endowment of approximately \$2.6 million was reclassified from board designated quasi-endowment to unrestricted. The reclassification is reflected retrospectively in the Statement of Financial Position.

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Note 8 - Lease Obligations:

The Conservancy has entered into several lease agreements for warehouse facilities in addition to capital lease agreements for its point of sale software and office equipment. Future aggregate lease payments are as follows:

Years Ending September 30	Operating Leases	Capital Leases
2013	\$ 478,000	\$ 91,967
2014	486,000	53,857
2015	423,000	
2016	425,000	
2017	311,000	
Thereafter	274,000	
Total future minimum lease commitments	\$ 2,397,000	145,824
Less amount representing interest		(1,994)
Present value of net minimum lease payments		\$ 143,830

Rent expense for the year ended September 30, 2012 was approximately \$513,000.

Note 9 - Retirement Plans:

The Conservancy operates a Tax Deferred Annuity Plan under Section 403(b) of the Code (the 403(b) Plan). All employees are eligible to make voluntary contributions into the 403(b) Plan via payroll deduction upon hire, and become eligible to receive matching employer contributions upon completing one year of service with at least 1,000 hours completed in that year. Participants may contribute any percentage of their annual compensation, not to exceed Code limitations. The Conservancy matches the amount contributed by each participant up to a maximum of 5% of the participant's annual salary. Contributions made by the Conservancy for the year ended September 30, 2012 were approximately \$450,000.

The Conservancy provides a Top Hat Plan under Section 457(b) of the Code (the 457(b) Plan) to permit a select group of management or highly compensated employees of the Conservancy to defer compensation in accordance with the provisions of the Code. The Conservancy's Board of Trustees determines the 457(b) Plan participants from time to time. The Conservancy may make annual deferrals to the account balance of a participant on a non-elective basis, subject to the participant's contribution limitations. Contributions made by the Conservancy for the year ended September 30, 2012 totaled \$35,000.

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The Conservancy operates an unfunded Supplemental Employee Retirement Plan (SERP) to provide deferred compensation benefits to a select group of management or highly compensated employees. Participation in this Plan is open only to employees of the Conservancy who are managers and who are selected for participation in the Plan by the Board of Trustees. Annual amounts are credited to the accounts of the individual participants at the discretion of the Board of Trustees on an annual basis, and each participant's account is adjusted annually based on the performance of the Conservancy's investments. \$275,000 has been accrued for benefits owed to employees participating in the SERP as of September 30, 2012, and included in accrued payroll related liabilities on the accompanying statement of financial position.

Note 10 - Contingencies:

The Conservancy is contingently liable in connection with claims and contracts arising in the normal course of its activities. In addition, the Conservancy receives funds from various federal and state government funded programs, which are subject to audit by cognizant governmental agencies. The Conservancy's management believes that the outcome of such matters will not have a significant effect on the Conservancy's financial position.

Note 11 - Concentrations:

a. Credit Risk

Financial instruments, which potentially subject the Conservancy to credit risk, consist primarily of cash and cash equivalents, accounts and contributions receivable, and investments. The Conservancy maintains cash and cash equivalents with various financial institutions. At times, such amounts might exceed Federal Deposit Insurance Corporation limits. The Conservancy manages credit risk by establishing minimum credit standards for financial institutions and limiting the amount of credit exposure with any one institution. Accounts and contributions receivable are due from various individuals, companies and governmental agencies. The Conservancy's investments have been placed with major financial institutions and counterparties. The Conservancy closely monitors these financial instruments.

b. Revenues

Revenues from programs on Alcatraz Island, including audio tour rental fees, interpretive fees for the after hours program and educational publications, totaled approximately 68% of gross program revenue for fiscal 2012.

c. Contributions

Approximately 5% of contributed income for the year ended September 30, 2012, including the net from special events, was attributable to various Board Trustees.

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Note 12 - Commitments:

The Conservancy has entered into various construction contracts for trail enhancement and conservation projects totaling approximately \$1.7 million. As of September 30, 2012, the remaining balances on these contracts for work to be completed, was approximately \$915,000. The Conservancy also had outstanding purchase commitments for publications and other interpretive merchandise approximating \$226,000 at September 30, 2012.