Golden Gate National Parks Conservancy

September 30, 2011

Independent Auditors' Report

and

Financial Statements

Golden Gate National Park Conservancy

Independent Auditors' Report and Financial Statements

HOOD & STRONG LLP
CERTIFIED PUBLIC ACCOUNTANTS

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, 2011, 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 2010 financial statements and in our report, dated March 1, 2011; 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, 2011, 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.

Hood & Strong LLP

San Francisco, California
June 25, 2012

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CELEBRATING 1234567890 YEARS AND STILL COUNTING

Golden Gate National Parks Conservancy

Statement of Financial Position

September 30, 2011 (with comparative totals for 2010)	2011	2010
Assets		
Cash and cash equivalents	$ 1,127,988	$ 599,163
Accounts receivable, net	7,457,069	6,821,387
Contributions receivable, net	4,767,811	6,813,330
Investments	28,929,044	30,213,489
Inventories	1,554,945	1,736,917
Furniture, fixtures and equipment, net	718,618	921,391
Prepaid expenses and other assets	2,310,279	395,389
Total Assets	$ 46,865,754	$ 47,501,066
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	$ 4,029,712	$ 3,787,399
Accrued payroll related expenses	1,530,235	1,261,700
Deferred revenue	633,005	631,736
Total liabilities	6,192,952	5,680,835
Net Assets:		
Unrestricted:		
Undesignated	13,476,553	12,243,189
Board-designated for park projects and programs	5,768,116	5,990,283
Total unrestricted net assets	19,244,669	18,233,472
Temporarily restricted	16,371,670	18,848,907
Permanently restricted	5,056,463	4,737,852
Total net assets	40,672,802	41,820,231
Total Liabilities and Net Assets	$ 46,865,754	$ 47,501,066

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, 2011 (with comparative totals for 2010)

	2011				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2010 Total
Support and Revenue:					
Gross program revenue	$ 23,773,580			$ 23,773,580	$ 23,049,980
Cost of goods and services	(5,668,047)			(5,668,047)	(5,591,719)
Program revenue, net	18,105,533			18,105,533	17,458,261
Contributed income	2,059,995	$ 5,173,320	$ 318,611	7,551,926	15,827,469
Investment income	296,967	132,611		429,578	363,099
Net realized and unrealized gain (loss) on investments	(326,603)	(273,950)		(600,553)	1,589,730
Mitigation awards					2,250
State contract-relocation project	211,210			211,210	2,442,048
Other income	39,049			39,049	(764)
Cooperative agreement reimbursements	7,450,441			7,450,441	6,212,523
Net assets released from restrictions	7,509,218	(7,509,218)			
Total support and revenue	35,345,810	(2,477,237)	318,611	33,187,184	43,894,616
Expenses:					
Program services - aid to park projects and programs:					
Interpretation	1,922,964			1,922,964	1,873,222
Park enhancements	13,081,608			13,081,608	8,826,268
Community programs	6,202,031			6,202,031	8,337,214
Total aid to park projects and programs	21,206,603			21,206,603	19,036,704
Visitor program services	6,170,133			6,170,133	5,735,930
Total program services	27,376,736			27,376,736	24,772,634
Fundraising	816,850			816,850	746,061
Management and general	6,141,027			6,141,027	5,397,539
Total expenses	34,334,613			34,334,613	30,916,234
Change in Net Assets	1,011,197	(2,477,237)	318,611	(1,147,429)	12,978,382
Net Assets, beginning of year	18,233,472	18,848,907	4,737,852	41,820,231	28,841,849
Net Assets, end of year	$ 19,244,669	$ 16,371,670	$ 5,056,463	$ 40,672,802	$ 41,820,231

The accompanying notes are an integral part of this statement.

Golden Gate National Parks Conservancy

Statement of Cash Flows

Year Ended September 30, 2011 (with comparative totals for 2010)	2011	2010
Cash Flows from Operating Activities:		
Change in net assets	$ (1,147,429)	$ 12,978,382
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Permanently restricted contributions	(318,611)	(68,575)
Depreciation and amortization	465,650	439,778
Loss on disposal of furniture, fixtures and equipment		45,554
Net realized and unrealized loss (gain) on investments	600,554	(1,589,730)
Changes in assets and liabilities:		
Accounts receivable	(635,682)	(2,555,919)
Contributions receivable	2,295,555	(5,252,937)
Inventories	181,972	(196,462)
Prepaid expenses and other assets	(1,510,043)	(79,719)
Accounts payable and accrued liabilities	(108,588)	(275,850)
Accrued payroll related expenses	268,535	138,054
Deferred revenue	1,269	(1,403,486)
Net cash provided by operating activities	93,182	2,179,090
Cash Flows from Investing Activities:		
Purchases of investments	(18,449,636)	(20,163,172)
Proceeds from maturities or sales of investments	19,133,527	13,910,780
Purchases of furniture, fixtures and equipment	(262,877)	(295,764)
Net cash provided (used) by investing activities	421,014	(6,548,156)
Cash Flows from Financing Activities:		
Receipt of permanently restricted contributions	68,575	25,657
Payments under capital lease obligations	(53,946)	(48,624)
Net cash used by financing activities	14,629	(22,967)
Change in Cash and Cash Equivalents	528,825	(4,392,033)
Cash and Cash Equivalents, beginning of year	599,163	4,991,196
Cash and Cash Equivalents, end of year	$ 1,127,988	$ 599,163

	2011	2010
Supplemental Data:		
Interest paid	$ 19,685	$ 25,180
Supplemental Disclosure of Non-Cash Activities:		
Permanently restricted amounts in contributions receivable	$ 318,611	$ 68,575
Prepaid expenses representing project costs incurred for the Golden Gate Bridge included in accounts payable at September 30, 2011	$ 404,847	

The accompanying notes are an integral part of this statement.

Note 1 - Organization and Summary of Significant Accounting Policies:

a. Organization

The Golden Gate National Parks Conservancy (the Conservancy) is a not-for-profit organization whose mission is to support the preservation, enhancement and interpretation of the Golden Gate National Parks. The Conservancy is a cooperating association of the National Park Service and the Presidio Trust. The Conservancy is supported through contributions, income earned from interpretive tours on Alcatraz Island, and the sale of educational materials at various visitor centers throughout the Golden Gate National Parks.

b. Basis of Presentation

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

Unrestricted Net Assets – Unrestricted net assets represent both unrestricted resources available to support the Conservancy's activities and temporarily restricted resources, which are released from restriction when they become available for use by the Conservancy in accordance with the intention of donors. Unrestricted net assets designated by the Board of Trustees for park projects and programs are reported as board-designated.

Temporarily Restricted Net Assets – Temporarily restricted net assets represent contributions whose use is limited by donor-imposed stipulations that can be fulfilled and removed by actions of the Conservancy pursuant to those stipulations or by the passage of time.

Permanently Restricted Net Assets – Permanently restricted net assets have been donor-restricted for investment in perpetuity, the earnings from which are available for Crissy Field center-related programs, Presidio restoration efforts, and general operations.

c. Cash and Cash Equivalents

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

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.

Investments received through gifts are recorded at estimated fair value at the date of donation. 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 are accrued when earned.

For cash flow purposes, purchases of investments represent the total additions to the portfolio from revenues received during the year. Proceeds from sale of investments represent the withdrawals used for programs and operations.

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.

The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investments.

f. Accounts Receivable

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

g. Contributions Receivable

Contributions receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are 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 receivables and contributions receivable was $19,463 as of September 30, 2011.

i. Inventories

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

j. Project Costs for the Golden Gate Bridge

During fiscal year 2011, the Conservancy entered into an agreement with the Golden Gate Bridge, Highway and Transportation District (the District) to plan a program for the 75th anniversary of the Golden Gate Bridge and to construct, and subsequently manage, various visitor improvements.

As of September 30, 2011, costs relating to the 75th anniversary event, scheduled for May 2012, in the amount of $361,597 have been recorded as prepaid expenses. Subsequent to September 30, 2011 and through June 25, 2012, revenue of approximately $4,347,000 has been recorded, and costs from inception through June 25, 2012 were approximately $5,831,000.

As of September 30, 2011, costs relating to visitor improvements in the amount of $1,245,392 were included in prepaid expenses and other assets on the Statement of Financial Position. As of June 25, 2012 total costs from inception were approximately $7,265,000. As the visitor improvements are placed into service these costs will be amortized over the life of the contract with the District.

The Conservancy will be reimbursed for its costs, plus a management fee, from the earnings of the 75th anniversary celebration and future earned revenues generated from the visitor improvements.

k. Furniture, Fixtures and Equipment

Furniture, fixtures and equipment are stated at cost. Depreciation is computed on the half-year convention method over the estimated useful lives of the assets, ranging from 3 to 7 years. Amortization of leasehold improvements is computed on the straight-line method over the estimated useful lives of the assets.

Contributed equipment is recorded at fair value at the date of donation. In the absence of donor stipulations restricting how the contributed assets are to be used, the contribution is treated as unrestricted.

l. Beneficial Interest in Charitable Trust Assets

Beneficial interest in charitable trust assets includes the fair value of the Conservancy's interest in a charitable remainder trust. The fair value 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%.

The Conservancy recognizes its remainder interest in the assets received as temporarily restricted contribution revenue in the period in which the donor contributes the assets. Subsequent changes in the estimated fair value are recognized in the statement of activities.

m. Deferred Revenue

Deferred revenue consists primarily of mitigation advances. Mitigation advances 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.

n. Revenue Recognition

Contributions are recognized as revenue at their fair value when the donor makes an unconditional promise to give to the Conservancy. Contributions that are restricted by the donor 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.

Contributed income includes gross revenue from special events totaling $1,243,285, net of direct event costs of $549,740.

Program revenue consists of audio tour rental fees, interpretive tours, public programs, and sales of educational publications at various book store locations. Program revenue is recognized when the related service has been rendered or when the publication has been shipped. Program revenue is deferred when cash is received in advance of providing the service or publication.

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.

o. 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.

p. 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.

q. 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 (FTE) and square footage ratios, and on estimates made by the Conservancy's management.

r. 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 $60,000 and $69,000 for 2011 and 2010, respectively.

s. 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, 2010, from which the summarized information is derived.

t. 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 IRC), and is exempt from California franchise taxes under Revenue and Taxation Code Section 23701(d).

The Conservancy follows 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 2008 and 2007, respectively.

u. 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.

v. New Accounting Pronouncement

In January 2010, the FASB issued additional disclosure requirements for fair value measurements. Under this guidance, the fair value hierarchy disclosures are to be further disaggregated by classes (subsets of the line items in the financial statements) and additional disclosures made about transfers between levels 1 and 2. The Conservancy adopted this new guidance for the year ended September 30, 2011. Additional disclosures about level 3 measurements are required for the year ended September 30, 2012.

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.

w. Subsequent Events

The Conservancy has reviewed the changes in its net assets for the period of time from its fiscal year ended September 30, 2011 through June 25, 2012, 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 and no subsequent events have occurred, the nature of which would require disclosure, except as noted in Note 1j and Note 2.

Note 2 - Contributions Receivable:

Contributions receivable at September 30, 2011 are scheduled to be received as follows:

Year Ending September 30,	
2012	$ 4,081,188
2013	700,000
	4,781,188
Less discount on multi-year contributions receivable	(13,377)
Contributions receivable, net	$ 4,767,811

As of September 30, 2011, the Conservancy had conditional grants receivable of $5,415,000, contingent on meeting a certain level of support. Subsequent to year-end, the Conservancy collected $3,000,000 of the conditional grants.

Note 3 - Investments:

Investments at September 30 consisted of the following:

	2011	2010
Equity funds	$ 9,554,008	$ 9,706,339
Fixed income funds	12,751,114	12,156,822
Alternative investments	3,266,994	3,253,312
Exchange traded funds	342,852	444,808
Cash and cash equivalents	3,014,076	4,652,208
Total	$ 28,929,044	$ 30,213,489

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, 2011:

	Total	Level 1	Level 2	Level 3
Investments:				
Equity:				
Mutual funds	$ 5,510,675	$ 5,510,675		
Pooled funds	4,043,333		$ 4,043,333	
Fixed Income:				
Mutual funds	8,614,584	8,614,584		
Pooled funds	4,136,530		4,136,530	
Alternative investments	3,266,994		531,270	$ 2,735,724
Exchange traded funds	342,852	342,852		
Cash and cash equivalents	3,014,076	3,014,076		
Subtotal	28,929,044	17,482,187	8,711,133	2,735,724
Charitable remainder unitrust	111,124		111,124	
Total	$ 29,040,168	$ 17,482,187	$ 8,822,257	$ 2,735,724

The changes in investments classified as level 3 are as follows for the year ended September 30, 2011:

Balance, September 30, 2010	$ 2,750,232
Purchase	20,000
Net realized and unrealized loss	(24,758)
Fees	(9,750)
Balance, September 30, 2011	$ 2,735,724

The Conservancy uses the net asset value (NAV) to determine the fair value of all the underlying investments which do not have readily determinable fair value. The following table lists investments by major category and investment strategy as of September 30, 2011:

Strategies	# of Funds	Valuation	Redemption Frequency	Redemption Notice Period
Pooled Funds:				
Domestic Equities (a)	1	$ 990,498	Monthly	14 Days
International Equities (b)	2	3,052,835	Monthly	5 - 7 Days
Fixed Income (c)	3	4,136,530	Monthly	1 - 30 Days
Alternative Investments:				
Hedged Fund (d)	1	1,408,934	Annually	100 Days
Long/short (e)	2	1,858,060	Monthly to Annually	30-95 Days
Total	9	$ 11,446,857		

a) The domestic equity fund invests in U.S. index funds, actively managed funds with U.S. equity indexes as benchmarks, and investments attempting to meet or exceed the S&P 500 index. The fund is redeemed monthly with a notice requirement of 14 days. The fund does not have an outstanding commitment.

b) The international equity funds invest in diversified portfolios of equity securities of companies located in any other country other than the United States. The Funds are redeemable monthly with a notice requirement of 5-7 days. The funds do not have an outstanding commitment.

c) 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 1 to 30 days. The funds do not have an outstanding commitment.

d) 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 $480,000.

e) Long/short strategies invest in both long and short positions in commodity-related instruments around the world. Of this category, one fund is redeemable annually with 95 days notice after the 3-year lockup period expires August 2012. The second fund is redeemable monthly with 30 days notice without any restrictions. The funds do not have outstanding commitments.

Note 5 - Furniture, Fixtures and Equipment:

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

	2011	2010
Equipment	$ 1,967,810	$ 1,704,933
Leasehold improvements	223,619	223,619
Automobiles	30,928	30,928
Total	2,222,357	1,959,480
Less accumulated depreciation and amortization	(1,503,739)	(1,038,089)
	$ 718,618	$ 921,391

Equipment included leased point of sale software and equipment of $307,047 in 2011 and 2010. Accumulated depreciation on equipment under capital leases was $255,873 and $153,524 in 2011 and 2010, respectively.

Note 6- Deferred Revenue:

Deferred revenue as of September 30 consisted of the following:

	2011	2010
Mitigation advances	$ 552,817	$ 552,816
Other	80,188	78,920
	$ 633,005	$ 631,736

Note 7 - Lease Obligations:

The Conservancy leases certain office equipment, a warehouse facility and a retail store under operating leases through 2018. The Conservancy also leases point of sale software and equipment under a capital lease. The aggregate future minimum annual rental payments under noncancelable operating and capital leases in effect at September 30, 2011, are as follows:

Years Ending September 30	
2012	$ 346,000
2013	352,000
2014	360,000
2015	308,000
2016	300,000
Thereafter	582,000
Total	$ 2,248,000

Rent expense for the year ended September 30, 2011 was approximately $206,000.

Note 8 - Temporarily Restricted Net Assets and Net Assets Released From Restrictions:

Temporarily restricted net assets as of September 30 are available for the following specific program services:

	2011	2010
Crissy Field Center Support	$ 2,755,332	$ 2,877,629
Crissy Field Capital Assets	234,888	234,888
Campaign for the Golden Gate	6,457,487	7,093,789
Robert D. Haas Fund	730,280	719,254
Presidio Visitor Center	160,685	249,586
Trails Forever Initiative	4,942,944	6,498,652
Fort Baker	91,451	94,517
Education Outreach Program	80,004	154,809
Charitable Remainder Trust	111,124	119,657
National Park Service projects	97,255	81,321
Other	710,220	724,805
Total	$ 16,371,670	$ 18,848,907

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 as follows:

	2011	2010
Crissy Field Center Support	$ 891,492	$ 631,240
Campaign for the Golden Gate	3,015,123	1,182,886
Robert D. Haas Fund	2,766	4,632
Presidio Visitor Center	85,146	
Trails Forever Initiative	3,102,977	1,458,989
Fort Baker	60,542	420,274
Education Outreach Program	84,804	31,296
National Park Service projects	43,896	43,182
Other	222,472	270,654
Total net assets released from restrictions	$ 7,509,218	$ 4,043,153

Note 9 - Endowment:

The Conservancy's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. The Conservancy's endowment consists of six individual funds established for a variety of purposes, as follows:

Donor restricted:	
James R. Harvey fund	$ 2,387,869
Crissy Field - Osher	2,152,752
Ted Chong fund	25,768
Kincaid memorial fund	102,888
Madeleine Tang Youth Leadership and Education Endowment	68,750
Mark Kutnink Endowment	318,436
	$ 5,056,463

Board designated:	
Crissy quasi endowment	$ 2,604,356

The James R. Harvey Restoration Fund was established as an endowment to benefit the ongoing preservation and restoration of the Presidio. The Osher gift 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 Youth Leadership and Education Endowment was established for the benefit of the Watersheds Inspiring Student Education (WISE) 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.

The Conservancy's Board of Trustees approved the establishment of a quasi-endowment for the annual support of the Crissy 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;

(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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds			$ 5,056,463	$ 5,056,463
Board-designated endowment funds	$ 2,604,356			2,604,356
Total	$ 2,604,356		$ 5,056,463	$ 7,660,819

c. Changes in endowment net assets

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 2,654,391	$ 131,112	$ 4,737,852	$ 7,523,355
Investment return:				
Investment income	48,081	87,004		135,085
Net appreciation (realized and unrealized)	(98,116)	(180,140)		(278,256)
Total investment return	(50,035)	(93,136)		(143,171)
Contributions			318,611	318,611
Appropriations of endowment assets for expenditure		(37,976)		(37,976)
Endowment net assets, end of year	$ 2,604,356		$ 5,056,463	$ 7,660,819

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, 2011, 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 a donor-specified period(s) as well as board-designated funds. 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.

Note 10 - Board Designated Net Assets:

At September 30, the board had designated net assets for the following projects and programs:

	2011	2010
Operating Reserves and Projects	$ 3,054,635	$ 3,204,635
Crissy Quasi-Endowment	2,604,356	2,654,391
New Ventures	33,828	55,960
Presidio Interpretation	75,297	75,297
	$ 5,768,116	$ 5,990,283

Note 11 - Retirement Plan:

The Conservancy operates a Tax Deferred Annuity Plan (the "Plan") under Section 403(b) of the IRC. All employees are eligible to make voluntary contributions into the 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 IRC limitations. The Conservancy matches the amount contributed by each participant up to a maximum of 3% of the participant's annual salary. During 2011, the Conservancy made an additional contribution of 2.5% of the eligible participant's annual salary. Contributions made by the Conservancy for the year ended September 30, 2011 were $534,355.

Note 12 - 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 13 - Concentrations:

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.

Revenues

Revenues from programs on Alcatraz Island, including audio tour rental fees, interpretive fees for the after hours program and educational publications, totaled approximately 77% of gross program revenue for fiscal 2011.

Contributions

Approximately 9% of contributed income for the year ended September 30, 2011 was attributable to various Board Trustees.

Note 14 - Commitments:

The Conservancy has entered into various construction contracts for Lands End Trailhead and other trail enhancement projects totaling approximately $14 million. As of September 30, 2011, the remaining balances on these contracts, for work to be completed, was approximately $7 million.