

**Golden Gate National Parks Conservancy**

Financial Statements

September 30, 2014

(With Summarized Comparative Information  
For the Year Ended September 30, 2013)



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## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
Golden Gate National Parks Conservancy  
San Francisco, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Golden Gate National Parks Conservancy (the "Conservancy"), which comprise the statement of financial position as of September 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **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, 2014, 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.

## **Report on Summarized Comparative Information**

We have previously audited Golden Gate National Parks Conservancy's 2013 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 28, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Armanino LLP*  
Armanino<sup>LLP</sup>  
San Ramon, California

February 23, 2015

GOLDEN GATE NATIONAL PARKS CONSERVANCY

Statement of Financial Position

September 30, 2014

(With Comparative Totals for 2013)

ASSETS

	2014	2013
Cash and cash equivalents	\$ 15,099,091	\$ 9,271,445
Accounts receivable, net	5,362,035	6,424,481
Contributions receivable, net	24,339,847	2,021,616
Inventories	3,481,600	3,225,917
Prepaid expenses and deposits	273,581	312,583
Investments	26,924,558	24,798,035
Furniture, fixtures and equipment, net	576,186	711,113
Other assets, net	6,576,955	7,363,460
Total assets	\$ 82,633,853	\$ 54,128,650

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued liabilities	\$ 2,672,551	\$ 3,246,888
Accrued payroll related expenses	1,872,255	2,199,276
Grants payable	4,500,000	
Agency funds payable	509,152	519,201
Deferred revenue	1,807,062	1,578,422
Capital lease obligation		53,857
Total liabilities	11,361,020	7,597,644
Net assets		
Unrestricted		
Undesignated	7,745,154	9,197,607
Board-designated	20,057,374	18,000,000
Total unrestricted net assets	27,802,528	27,197,607
Temporarily restricted	37,413,710	13,276,804
Permanently restricted	6,056,595	6,056,595
Total net assets	71,272,833	46,531,006
Total liabilities and net assets	\$ 82,633,853	\$ 54,128,650

The accompanying notes are an integral part of these financial statements.

GOLDEN GATE NATIONAL PARKS CONSERVANCY

Statement of Activities

For the Year Ended September 30, 2014

(With Comparative Totals for 2013)

	2014			2013 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating support and revenue				
Program revenue	\$ 33,700,466			\$ 33,700,466
Contributed income	2,398,132	\$ 30,508,937		32,907,069
Special events, net of donor benefits of \$99,600	1,033,003	123,450		1,156,453
Cooperative agreement reimbursements	4,975,268			4,975,268
Mitigation awards	49,533			49,533
Other income	143,656			143,656
Net assets released from restrictions	7,200,832	(7,200,832)		
Total operating support and revenue	<u>49,500,890</u>	<u>23,431,555</u>		<u>72,932,445</u>
Expenses				
Program services				
Park interpretation and visitor services	19,567,595			19,567,595
Park enhancements, restoration and stewardship	19,561,770			19,561,770
Youth, volunteer and community programs	4,250,506			4,250,506
Total program services	43,379,871	-		43,379,871
Management and general	5,699,514			5,699,514
Fundraising	1,627,173			1,627,173
Total expenses	<u>50,706,558</u>	<u>-</u>		<u>50,706,558</u>
Change in net assets from operations	(1,205,668)	23,431,555		22,225,887
Endowment and Investment activities				
Contributed income				1,000,000
Net realized and unrealized gain on investments	1,109,011	587,505		1,696,516
Interest and dividend income	235,744	117,846		353,590
Other investment income	465,834			465,834
Recovery from bad debt				63,687
Change in net assets	604,921	24,136,906	\$ -	24,741,827
Net assets, beginning of year	<u>27,197,607</u>	<u>13,276,804</u>	<u>6,056,595</u>	<u>46,531,006</u>
Net assets, end of year	<u>\$ 27,802,528</u>	<u>\$ 37,413,710</u>	<u>\$ 6,056,595</u>	<u>\$ 71,272,833</u>

The accompanying notes are an integral part of these financial statements.

GOLDEN GATE NATIONAL PARKS CONSERVANCY

Statement of Cash Flows

For the Year Ended September 30, 2014

(With Comparative Totals for 2013)

	2014	2013
Cash flows from operating activities		
Change in net assets	\$ 24,741,827	\$ 4,483,864
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Permanently restricted contributions		(1,000,000)
Depreciation and amortization	1,582,377	1,453,398
Net realized and unrealized gain on investments	(1,696,516)	(2,306,769)
Interest included in other assets	(465,834)	(1,016,871)
Loss on disposal of furniture, fixtures and equipment	2,590	130,663
Amortization of discount on contributions receivable	646,928	60,869
Changes in assets and liabilities		
Accounts receivable	1,062,446	950,417
Contributions receivable	(22,965,159)	578,925
Inventories	(255,683)	(59,975)
Prepaid expenses and deposits	39,002	(60,212)
Accounts payable and accrued liabilities	(574,337)	761,939
Accrued payroll related expenses	(327,021)	251,275
Grants payable	4,500,000	
Agency funds payable	(10,049)	(358,687)
Deferred revenue	228,640	1,076,346
Net cash provided by operating activities	6,509,211	4,945,182
Cash flows from investing activities		
Purchases of investments	(7,299,568)	(4,384,463)
Proceeds from maturities or sales of investments	6,869,561	6,460,620
Expenditures for other assets	(17,212)	
Purchases of furniture, fixtures and equipment	(180,489)	(380,600)
Net cash (used in) provided by investing activities	(627,708)	1,695,557
Cash flows from financing activities		
Receipt of permanently restricted contributions		1,000,000
Payments made on capital lease obligations	(53,857)	(89,973)
Net cash (used in) provided by financing activities	(53,857)	910,027
Change in cash and cash equivalents	5,827,646	7,550,766
Cash and cash equivalents, beginning of year	9,271,445	1,720,679
Cash and cash equivalents, end of year	\$ 15,099,091	\$ 9,271,445
<u>Supplemental cash flow data</u>		
Interest paid	\$ 5,706	\$ 10,077

The accompanying notes are an integral part of these financial statements.

# GOLDEN GATE NATIONAL PARKS CONSERVANCY

## Notes to Financial Statements

September 30, 2014

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### 1. Organization and Summary of Significant Accounting Policies

#### 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 interpretation and visitor services* include the operation and delivery of tours of Alcatraz Island and Muir Woods; 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.

*Park enhancements, restoration and stewardship* encompass building and maintaining multi-use (pedestrian, bike, equestrian) trails, restoring sensitive ecosystems, protecting endangered species, growing native plants, rehabilitating historic structures, constructing overlooks, installing visitor amenities, and creating new park experiences for the entire community.

*Youth, volunteer and community programs* include programs conducted at the Crissy Field Center (an urban environmental education center) and the Institute at the Golden Gate, through the Conservancy's other various programs, and under the auspices of the Park Youth Collaborative.

#### 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.

- *Unrestricted Net Assets* represent resources available to support any of the Conservancy's activities. Unrestricted net assets designated by the Board of Trustees for park projects and programs are reported as board-designated and included \$15 million designated for park preservation and enhancement, \$3 million designated for the future improvement and emergency repair of Crissy Field, and \$2.057 million for the Preservation of Alcatraz as of September 30, 2014.

GOLDEN GATE NATIONAL PARKS CONSERVANCY  
Notes to Financial Statements  
September 30, 2014

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1. Organization and Summary of Significant Accounting Policies (continued)

Basis of presentation (continued)

- Temporarily Restricted Net Assets represent contributions whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Conservancy pursuant to those stipulations.
- Permanently Restricted Net Assets represent contributions whose use is donor-restricted for investment in perpetuity, the earnings from which are available for specific program areas when appropriated by the Board for expenditure.

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.

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.

Fair value measurements

The Conservancy carries certain assets 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 has characterized the fair value of its financial instruments measured at fair value on a recurring basis, based on the priority of the inputs used to value the instruments, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities [Level 1], and the lowest priority to unobservable inputs [Level 3]. If the inputs used to measure the instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instruments.

GOLDEN GATE NATIONAL PARKS CONSERVANCY

Notes to Financial Statements

September 30, 2014

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1. Organization and Summary of Significant Accounting Policies (continued)

Fair value measurements (continued)

Financial instruments measured at fair value on a recurring basis in the statement of financial position are categorized based on the inputs to valuation techniques as follows:

Level 1. These consist of investments where values are based on unadjusted quoted prices for identical assets in an active market that the Conservancy has the ability to access. These investments consist of exchange-traded investments in equity securities and mutual funds.

Level 2. These consist of investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments. These investments are comprised of certain private investment funds that are comprised solely of actively traded common stock or fixed income securities in which the Conservancy has the ability to redeem its investment with the investee at the net asset value per share (or its equivalent) at the measurement date. This level also includes the beneficial interest in remainder trusts.

Level 3. These consist of financial instruments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the instruments. These instruments consist of certain private investment funds that invest in other private funds and are measured at the net asset value per share and have certain redemption restrictions. Fair value for the private investment funds is valued at the net asset value of the funds' investment in the underlying assets as reported by the general partner.

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

Accounts receivable

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

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.

GOLDEN GATE NATIONAL PARKS CONSERVANCY

Notes to Financial Statements

September 30, 2014

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1. Organization and Summary of Significant Accounting Policies (continued)

Contributions receivable (continued)

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 at 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.

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. Account balances are charged off against the allowance for doubtful accounts after all means of collection have been exhausted and the potential for recovery is considered remote. The allowance for uncollectible contributions receivable and trade receivables was \$60,477 and \$11,719, respectively, as of September 30, 2014.

Inventories

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

Furniture, fixtures and equipment

Furniture, fixtures and equipment are stated at cost. The Conservancy capitalizes all acquisitions of furniture, fixtures and equipment with a cost or value in excess of \$1,000 and an estimated useful life in excess of one year. 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.

The Conservancy reviews long-lived tangible assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable. Impairment is recognized if the fair value of the asset is less than the carrying value. When an impairment loss is recognized, the asset's carrying value is reduced to its estimated fair value.

GOLDEN GATE NATIONAL PARKS CONSERVANCY  
Notes to Financial Statements  
September 30, 2014

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1. Organization and Summary of Significant Accounting Policies (continued)

Other assets

During the fiscal year ended September 30, 2011, the Conservancy entered into a 10-year agreement (the Agreement) with the Golden Gate Bridge, Highway and Transportation District (the District) to produce a program for the 75<sup>th</sup> 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, from the earnings of the 75<sup>th</sup> anniversary celebration and future earned revenues generated by the visitor improvements. 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.

Deferred revenue

Deferred revenue consists primarily of admission fees to Muir Woods National Monument collected on behalf of the California State Department of Parks and Recreation (the Department) that will fund future project work by agreement with the Department. Deferred revenue also includes mitigation advances, which generally result from court-ordered consent decrees, or settlements reached by parties involved in regulatory actions, to fund environmental remediation projects. Accordingly, revenue from these sources is recognized as expenses for the specified projects are incurred.

Grants payable

Grants payable represent an unconditional promise to give \$4.5 million to the National Park Service to stabilize and repair the exterior walls of the Alcatraz Cellhouse for visitor resource protection. The Conservancy and the National Park Service undertook a joint initiative in 2012 to improve the stewardship and operations of Alcatraz Island (the Initiative). This Initiative aims to respond to critical historic preservation needs on the Island as well as provide the opportunity to leverage federal funds and resources for the Island's betterment.

Agency funds payable

Agency funds payable primarily represent a term endowment held in trust for the benefit of the National Park Service as well as admission fees to Muir Woods National Monument collected on behalf of and payable to the National Park Service.

GOLDEN GATE NATIONAL PARKS CONSERVANCY

Notes to Financial Statements

September 30, 2014

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1. Organization and Summary of Significant Accounting Policies (continued)

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 services, interpretive tours, public programs, and sales of interpretive publications at various bookstore 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.

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.

Gifts in kind

The Conservancy receives gifts in kind, such as wine and auction items for its annual special event and goods for use in its program activities. 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, 2014 approximated \$9,400.

GOLDEN GATE NATIONAL PARKS CONSERVANCY  
Notes to Financial Statements  
September 30, 2014

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1. Organization and Summary of Significant Accounting Policies (continued)

Other investment income

Other investment income represents interest on the Project.

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 equivalents (FTE) and computer node ratios, and on estimates made by the Conservancy's management.

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.

Measure of operations

The Conservancy includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities. Appropriations of endowment assets for expenditure pursuant to a defined spending rate are included in the operating measure and reported as net assets released from restrictions. The operating measure excludes investment return and permanently restricted contributions received.

Advertising costs

The Conservancy expenses advertising costs as incurred. Advertising costs are incurred to provide the visitor with information about park interpretive experiences and programs. Advertising costs were approximately \$62,500 for 2014.

GOLDEN GATE NATIONAL PARKS CONSERVANCY  
Notes to Financial Statements  
September 30, 2014

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1. Organization and Summary of Significant Accounting Policies (continued)

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, 2013, from which the summarized information is derived. Certain 2013 amounts have been reclassified to conform to the 2014 financial statement presentation.

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.

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).

The Conservancy follows accounting policies for 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 2012 and 2011, respectively.

Subsequent events

The Conservancy has performed an evaluation of subsequent events through February 23, 2015, the date the financial statements were available to be issued.

GOLDEN GATE NATIONAL PARKS CONSERVANCY  
Notes to Financial Statements  
September 30, 2014

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2. Contributions Receivable

Contributions receivable at September 30, 2014 are expected to be received as follows:

<u>Year Ending September 30,</u>	
Less than one year	\$10,142,818
One to five years	<u>14,850,000</u>
	24,992,818
Less allowance for doubtful accounts	(60,477)
Less discount on multi-year contributions receivable	<u>(708,993)</u>
Subtotal	24,223,348
Receivable from charitable remainder unitrust	<u>116,499</u>
Contributions receivable, net	<u>\$24,339,847</u>

As of September 30, 2014, the Conservancy had conditional grants receivable of \$1,000,000 contingent on identifying and receiving final approval to fund specific projects by the granting organization.

3. Investments

Investments consisted of the following at September 30, 2014:

Equity securities and funds	\$ 14,449,082
Fixed income funds	3,653,861
Alternative investments	7,438,305
Cash and cash equivalents	<u>1,383,310</u>
Total	<u>\$ 26,924,558</u>

Investment return consisted of the following for the year ended September 30, 2014:

Net realized and unrealized gain on investments	\$ 1,749,380
Interest and dividend income	353,590
Advisory fees	<u>(52,864)</u>
Investment return, net	<u>\$ 2,050,106</u>

GOLDEN GATE NATIONAL PARKS CONSERVANCY  
Notes to Financial Statements  
September 30, 2014

4. Fair Value Measurements

The following table presents information about the Conservancy's assets measured at fair value on a recurring basis as of September 30, 2014, and indicates the fair value hierarchy of the valuation techniques utilized by the Conservancy to determine the fair values:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Equity Securities and Funds:				
Large/Mid Cap	\$ 5,523,372	\$ 4,515,367		\$ 1,008,005
Developed International	5,306,075		\$ 3,361,574	1,944,501
Emerging Markets	2,442,094	774,718		1,667,376
Small Cap	1,177,541	1,177,541		
Fixed Income:				
Pooled Funds	2,402,313		2,402,313	
Global Fixed Income	1,083,191		1,083,191	
Short-Term Bond Index	168,357	168,357		
Alternative investments:				
Long/Short Hedged Equity	6,321,467		1,093,306	5,228,161
Multi-Strategy Hedged Funds	871,149			871,149
Private Equity	<u>245,689</u>			<u>245,689</u>
Subtotal	25,541,248 *	6,635,983	7,940,384	10,964,881
Charitable remainder unitrust	<u>116,499</u>		<u>116,499</u>	
Total	<u>\$25,657,747</u>	<u>\$ 6,635,983</u>	<u>\$ 8,056,883</u>	<u>\$10,964,881</u>

\* The Conservancy held \$1,383,310 of cash and equivalents for investment purposes as of September 30, 2014 not included in the fair value measurement disclosure.

The table below sets forth a summary of changes in the fair value of the Conservancy's level 3 financial instruments by investment strategy for the year ended September 30, 2014:

	<u>Large/ Mid Cap</u>	<u>Developed International</u>	<u>Emerging Markets</u>	<u>Hedged Long/Short Equity</u>	<u>Multi Strategy Hedged Funds</u>	<u>Private Equity</u>	<u>Total</u>
Beginning balance		\$1,343,295	\$ 538,742	\$2,771,901	\$1,188,457	\$153,659	\$ 5,996,054
Purchases	\$1,000,000	500,000	1,000,000	2,200,000		70,704	4,770,704
Net realized gain (loss)		45,818	23,033		(2,318)	950	67,483
Net unrealized gain	9,047	54,463	89,567	256,260	73,859	24,005	507,201
Interest and dividends		5,638	21,171		7,270	417	34,496
Advisory fees	(1,042)	(4,713)	(5,137)		(2,970)	(884)	(14,746)
Sales					(393,149)	(3,162)	(396,311)
	<u>\$1,008,005</u>	<u>\$1,944,501</u>	<u>\$1,667,376</u>	<u>\$5,228,161</u>	<u>\$ 871,149</u>	<u>\$245,689</u>	<u>\$10,964,881</u>

GOLDEN GATE NATIONAL PARKS CONSERVANCY  
Notes to Financial Statements  
September 30, 2014

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4. Fair Value Measurements (continued)

The Conservancy uses the net asset value (NAV) to determine the fair value of all the underlying investments that (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments by major category and investment strategy as of September 30, 2014:

<u>Strategy</u>	<u>NAV in Funds</u>	<u># of funds</u>	<u>Remaining life</u>	<u>\$ Amount of Unfunded Commitments</u>	<u>Timing to Draw Down Commitments</u>	<u>Redemption Term</u>	<u>Redemption Restrictions</u>
Large Mid-Cap	\$1,008,005	1	N/A	N/A	N/A	Next liquidity date 11/30/2017	90 days written notice with 25% investor level gate
Developed International Equity	\$3,361,574	2	N/A	N/A	N/A	Monthly	4 to 7 days prior to 1st of month
Developed International Equity	\$1,944,501	2	N/A	N/A	N/A	Quarterly	90 days written notice
Emerging Markets Equity	\$630,042	1	N/A	N/A	N/A	Quarterly	45 days written notice
Emerging Markets Equity	\$1,037,334	1	N/A	N/A	N/A	Monthly	10 days written notice
Pooled Fixed Income	\$2,402,313	1	N/A	N/A	N/A	Monthly	5 business days prior to month-end
Global Fixed Income	\$1,083,191	1	N/A	N/A	N/A	Monthly	10 business days
Long/Short Hedged Equity	\$1,377,214	1	N/A	N/A	N/A	Next liquidity date 9/30/2014	N/A - fund is liquidating on 10/1/2014
Long/Short Hedged Equity	\$393,515	1	N/A	N/A	N/A	Next liquidity date 6/30/2016	95 days written notice; prohibited until liquidity date
Long/Short Hedged Equity	\$1,257,432	1	N/A	N/A	N/A	Monthly	90 days written notice
Long/Short Hedged Equity	\$3,293,306	3	N/A	N/A	N/A	Quarterly	60 days written notice
Multi-Strategy Hedge Funds	\$871,149	1	N/A	N/A	N/A	Quarterly limited to 25% each quarter	70 days notice (85 if more than 10% of outstanding shares)
Private Equity	\$245,689	1	N/A	N/A	N/A	Restricted to discretion of fund manager	Restricted to discretion of fund manager

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5. Furniture, Fixtures and Equipment

Furniture, fixtures and equipment as of September 30, 2014 consisted of the following:

Equipment	\$ 2,921,934
Vehicles	<u>79,181</u>
Total	3,001,115
Less accumulated depreciation and amortization	<u>(2,424,929)</u>
Furniture, fixtures and equipment, net	<u>\$ 576,186</u>

Depreciation amounted to \$312,826 for the year ended September 30, 2014.

6. Other Assets

Other assets as of September 30, 2014 consisted of the following:

Golden Gate Bridge Project costs	\$ 6,877,676
Golden Gate Bridge Project interest	<u>2,265,220</u>
Total	9,142,896
Less accumulated amortization	<u>(2,565,941)</u>
Other assets, net	<u>\$ 6,576,955</u>

Amortization amounted to \$1,269,551 for the year ended September 30, 2014.

7. Temporarily Restricted Net Assets and Net Assets Released From Restrictions

Temporarily restricted net assets as of September 30, 2014 are available as follows:

New Presidio Parklands Project	\$ 25,586,503
Other Presidio trails and projects	4,711,514
Crissy Field projects and programs	2,968,502
Other park improvements and conservation projects	2,088,077
Youth programs	1,729,986
National Park Service projects	121,885
For use in ensuing fiscal years	116,499
Community engagement, education and outreach	59,602
Institute at the Golden Gate	<u>31,142</u>
Total temporarily restricted net assets	<u>\$ 37,413,710</u>

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7. Temporarily Restricted Net Assets and Net Assets Released From Restrictions (continued)

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, 2014 as follows:

Other park improvements and conservation projects	\$ 2,785,123
Other Presidio trails and projects	2,059,310
Crissy Field projects and programs	1,054,244
Youth programs	461,179
Community engagement, education and outreach	442,720
Institute at the Golden Gate	322,141
National Park Service projects	75,115
New Presidio Parklands Project	<u>1,000</u>
Total net assets released from restrictions	<u>\$ 7,200,832</u>

8. Endowment

The Conservancy's endowment consists of seven individual donor-restricted funds established for a variety of purposes, as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
James R. Harvey Restoration Fund	\$ 716,383	\$ 2,387,869	\$ 3,104,252
Bernard Osher Endowment	504,383	2,152,752	2,657,135
Ted Chong Endowment Fund	5,785	25,768	31,553
Anne Kincaid Endowment Fund	26,541	102,888	129,429
Madeleine Tang Fund	16,333	68,882	85,215
Mark Kutnink Endowment	82,116	318,436	400,552
Greg Hind Endowment	<u>114,562</u>	<u>1,000,000</u>	<u>1,114,562</u>
	<u>\$ 1,466,103</u>	<u>\$ 6,056,595</u>	<u>\$ 7,522,698</u>

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8. Endowment (continued)

The James R. Harvey Restoration Fund was established as an endowment to benefit the ongoing preservation and restoration of the Presidio. The Bernard 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 (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 Greg Hind Endowment was established for the benefit of the Golden Gate Raptor Observatory.

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.

Endowment net asset composition by type of fund

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 1,466,103	\$ 6,056,595	\$ 7,522,698
Total	<u>\$ 1,466,103</u>	<u>\$ 6,056,595</u>	<u>\$ 7,522,698</u>

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8. Endowment (continued)

Changes in endowment net assets

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,116,282	\$ 6,056,595	\$ 7,172,877
Investment return			
Investment income	102,293		102,293
Net appreciation (realized and unrealized)	<u>510,041</u>	<u>                    </u>	<u>510,041</u>
Total investment return	612,334		612,334
Appropriations of endowment assets for expenditure	<u>(262,513)</u>	<u>                    </u>	<u>(262,513)</u>
Endowment net assets, end of year	<u>\$ 1,466,103</u>	<u>\$ 6,056,595</u>	<u>\$ 7,522,698</u>

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, 2014, there were no such deficiencies.

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.

GOLDEN GATE NATIONAL PARKS CONSERVANCY

Notes to Financial Statements

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8. Endowment (continued)

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.

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 trailing 12-quarter average estimated fair value of the endowment investments. 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.

9. Cost of Goods Sold

A significant portion of the Conservancy's program service activities consist of sales of interpretive publications, theme-related sales items and products from interpretive demonstrations. The cost of goods sold for these items is included in total expenses for park interpretation and visitor services on the accompanying statement of activities. The following table summarizes cost of goods sold and gross profit from such sales for the year ended September 30, 2014:

Gross sales	\$ 17,201,935
Less cost of goods sold	<u>(5,831,706)</u>
Gross profit	<u>\$ 11,370,229</u>

10. Aid to the Park

The National Park service defines Aid to the Park as all program service expenses, excluding cost of goods sold and donated services. The following table reconciles total program service expenses to Aid to the Park for the year ended September 30, 2014:

Total program service expenses	\$ 43,379,871
Less cost of goods sold	<u>(5,831,706)</u>
Aid to the Park	<u>\$ 37,548,165</u>

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11. Lease Obligations

The Conservancy leases certain office equipment, warehouse facilities, audio tour headsets and vehicles under operating leases through 2018. The aggregate future minimum annual rental payments under noncancelable operating leases in effect at September 30, 2014, are as follows:

<u>Years Ending September 30</u>	
2015	\$ 447,353
2016	439,073
2017	315,148
2018	<u>274,037</u>
Total	<u>\$ 1,475,611</u>

Rent expense for the year ended September 30, 2014 was approximately \$1,437,500.

12. 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, 2014 approximated \$519,000.

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 a portion of their current 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, 2014 totaled \$52,500.

The Conservancy operates an unfunded Supplemental Employee Retirement Plan (SERP) under Section 457(f) of the Code 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. \$444,000 has been accrued for benefits owed to employees participating in the SERP as of September 30, 2014, and included in accrued payroll related liabilities.

## GOLDEN GATE NATIONAL PARKS CONSERVANCY

### Notes to Financial Statements

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#### 13. 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.

#### 14. 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 and interpretive tour fees, and sales of educational publications and interpretive merchandise, totaled approximately 62% of program revenue for fiscal 2014.

Approximately 2% of contributed income for the year ended September 30, 2014, including the net proceeds from special events, was attributable to various members of the Board of Trustees.

#### 15. Commitments

The Conservancy has entered into various construction contracts for trail enhancement and conservation projects totaling approximately \$3.4 million. As of September 30, 2014, the remaining balances on these contracts for work to be completed, was approximately \$1.4 million. The Conservancy also had outstanding purchase commitments for publications and other interpretive merchandise approximating \$365,000 at September 30, 2014.