

Golden Gate National Parks Conservancy

Financial Statements

September 30, 2021

(With Summarized Comparative Information
For the Year Ended September 30, 2020)



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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 (a California nonprofit corporation) (the "Conservancy"), which comprise the statement of financial position as of September 30, 2021, 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, 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Golden Gate National Parks Conservancy's 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 24, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino^{LLP}
San Francisco, California

July 12, 2022

GOLDEN GATE NATIONAL PARKS CONSERVANCY
Statement of Financial Position
September 30, 2021
(With Comparative Totals for September 30, 2020)

<u>ASSETS</u>		
	2021	2020
Current Assets:		
Cash and cash equivalents	\$ 49,653,652	\$ 77,552,043
Accounts receivable, net	7,277,805	1,377,236
Grants and contributions receivable	3,325,113	12,725,722
Inventories	2,706,537	3,931,263
Prepaid expenses	926,265	625,333
Short-term investments	4,723,378	1,732,286
Total current assets	68,612,750	97,943,883
Long-Term Assets		
Grants and contributions receivable, net	5,454,092	10,399,435
Investments	24,256,149	22,548,902
Furniture, fixtures and equipment, net	1,422,510	1,764,073
Deposits and other assets, net	281,974	978,036
Total long-term assets	31,414,725	35,690,446
Total assets	\$ 100,027,475	\$ 133,634,329
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 9,711,368	\$ 11,636,436
Accrued payroll related expenses	4,029,690	4,031,232
Deferred revenue	2,218,475	1,790,268
Capital lease obligations	84,819	-
Total current liabilities	16,044,352	17,457,936
Long-Term Liabilities:		
Deferred revenue	401,097	543,971
Deferred rent liability	468,338	95,642
Refundable advances	2,780,725	2,173,687
Agency funds payable	703,066	547,471
Capital lease obligations	164,150	-
Note payable	150,000	150,000
Total long-term liabilities	4,667,376	3,510,771
Total liabilities	20,711,728	20,968,707
Net assets		
Without donor restrictions		
Undesignated	3,250,984	8,688,847
Board-designated	12,484,961	12,541,002
Total net assets without donor restrictions	15,735,945	21,229,849
With donor restrictions		
Total net assets	63,579,802	91,435,773
Total net assets	79,315,747	112,665,622
Total liabilities and net assets	\$ 100,027,475	\$ 133,634,329

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, 2021

(With Comparative Totals for 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue				
Program revenue	\$ 15,843,558		\$ 15,843,558	\$ 17,101,881
Contributed income	4,937,617	\$ 7,020,850	11,958,467	33,244,421
Special events, net of donor benefits	86,950		86,950	729,684
Cooperative agreement reimbursements	5,709,338		5,709,338	10,998,750
Other income	144,989		144,989	41,869
Net assets released from restrictions	<u>37,553,116</u>	<u>(37,553,116)</u>	<u> </u>	<u> </u>
Total support and revenue	<u>64,275,568</u>	<u>(30,532,266)</u>	<u>33,743,302</u>	<u>62,116,605</u>
Expenses				
Program services				
Park interpretation and visitor services	12,432,644		12,432,644	16,610,278
Park enhancements, restoration and stewardship	46,395,111		46,395,111	27,797,884
Youth, volunteer and community programs	<u>3,749,507</u>		<u>3,749,507</u>	<u>5,886,855</u>
Total program services	62,577,262		62,577,262	50,295,017
Management and general	7,590,415		7,590,415	7,996,816
Fundraising	<u>2,740,664</u>		<u>2,740,664</u>	<u>3,825,109</u>
Total expenses	<u>72,908,341</u>	<u>-</u>	<u>72,908,341</u>	<u>62,116,942</u>
Change in net assets from operations	(8,632,773)	(30,532,266)	(39,165,039)	(337)
Endowment and Investment activities				
Contributed income		25,000	25,000	5,200
Net realized and unrealized gain (loss) on investments	2,910,995	2,620,970	5,531,965	(754,272)
Interest and dividend income	<u>227,874</u>	<u>30,325</u>	<u>258,199</u>	<u>718,795</u>
Change in net assets	(5,493,904)	(27,855,971)	(33,349,875)	(30,614)
Net assets, beginning of year	<u>21,229,849</u>	<u>91,435,773</u>	<u>112,665,622</u>	<u>112,696,236</u>
Net assets, end of year	<u>\$ 15,735,945</u>	<u>\$ 63,579,802</u>	<u>\$ 79,315,747</u>	<u>\$ 112,665,622</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, 2021

(With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ (33,349,875)	\$ (30,614)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,156,635	1,769,831
Net realized and unrealized (gain) loss on investments	(5,531,965)	754,272
Loss on write-off of fixed assets	265,454	
Change in discount on contributions receivable	(316,267)	208,862
Permanently restricted contributions	(25,000)	(5,200)
Changes in assets and liabilities		
Accounts receivable, net	(5,900,569)	2,496,741
Grants and contributions receivable	14,662,219	(3,652,361)
Inventories	1,224,726	(442,764)
Prepaid expenses	(300,932)	(83,920)
Deposits and other assets	54,961	(69,464)
Accounts payable and accrued liabilities	(1,925,068)	7,639,921
Accrued payroll related expenses	(1,542)	688,312
Deferred revenue	285,333	(348,147)
Deferred rent liability	372,696	5,173
Refundable advances	607,038	47,731
Agency funds payable	155,595	(29,345)
Net cash provided by (used in) operating activities	(28,566,561)	8,949,028
Cash flows from investing activities		
Purchases of investments	(12,737,666)	(15,731,755)
Proceeds from maturities or sales of investments	13,571,292	31,871,746
Purchases of furniture, fixtures and equipment	(143,034)	(558,893)
Net cash provided by investing activities	690,592	15,581,098
Cash flows provided by financing activities		
Proceeds from issuance of note payable		150,000
Principal payments on capital lease obligations	(47,422)	
Receipt of permanently restricted contributions	25,000	5,200
Net cash provided by (used in) financing activities	(22,422)	155,200
Change in cash and cash equivalents	(27,898,391)	24,685,326
Cash and cash equivalents, beginning of year	77,552,043	52,866,717
Cash and cash equivalents, end of year	\$ 49,653,652	\$ 77,552,043
Supplemental schedule of noncash investing and financing activities		
Acquisition of furniture, fixtures and equipment through capital lease financing	\$ 296,391	

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

GOLDEN GATE NATIONAL PARKS CONSERVANCY

Notes to Financial Statements

September 30, 2021

1. Organization and Summary of Significant Accounting Policies

Organization

Golden Gate National Parks Conservancy (the "Conservancy") is the nonprofit partner of the National Park Service overseeing the Golden Gate National Recreation Area — 84,000 acres of national parkland spanning the San Francisco Bay Area, including Muir Woods, Ocean Beach, Crissy Field, and Alcatraz Island. The Conservancy is a membership organization created to preserve the Golden Gate National Parks, enhance the experiences of park visitors, and build a community dedicated to conserving the parks for the future. With its local and federal partners, the Conservancy is committed to the work of supporting Bay Area national parks as places where the Conservancy can further racial and social justice for our community and climate resilience for these protected lands through the following programs:

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. The most significant project in progress is the Presidio Tunnel Tops project, which will connect Crissy Field and the Presidio's Main Post to create a world-class public space welcoming everyone.

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 on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Conservancy and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* represent resources available to support any of the Conservancy's activities. Net assets without restriction designated by the Board of Trustees for park projects and programs are reported as board-designated.
- *Net Assets With Donor Restrictions* 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, or the portion of net assets held in perpetuity by donor-imposed stipulations, for which the income from these contributions is available to support the activities of the Conservancy as stipulated by the donor.

GOLDEN GATE NATIONAL PARKS CONSERVANCY
Notes to Financial Statements
September 30, 2021

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

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 investments and investments with redemption restrictions, 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.

Investments measured and reported at fair value are classified and disclosed in one of the following categories based on inputs:

- Level I - Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments, which would generally be included in Level I, includes listed equity and debt securities.
- Level II - Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not identical as those used in Level I. These inputs may include quoted prices for identical instruments on an inactive market. Fair value is determined through the use of models or other valuation methodologies.

GOLDEN GATE NATIONAL PARKS CONSERVANCY
Notes to Financial Statements
September 30, 2021

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

Fair value measurements (continued)

- Level III - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant judgment or estimation by management. The types of investments, which would generally be included in this category include debt, asset-backed securities, forward contracts, long-term debt securities, multi-strategy holding company swaps and warrants, real estate, and equity securities issued by private entities. The Conservancy had no Level III investments as of September 30, 2021.

The Conservancy uses the Net Asset Value ("NAV") to determine the fair value of all underlying investments which (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.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement. The Conservancy's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

Accounts receivable

The Conservancy's accounts receivable consists primarily of amounts due from Alcatraz audio tours and wholesale merchandise sales. At September 30, 2021, accounts receivable also include an investment redemption receivable in the amount of \$1,872,736.

Grants and contributions receivable

Grants receivable consist of amounts due from reimbursable grant agreements.

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.

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 3.25%. Subsequent changes in fair value are recognized in the statement of activities.

GOLDEN GATE NATIONAL PARKS CONSERVANCY
Notes to Financial Statements
September 30, 2021

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

Allowance for doubtful accounts

The Conservancy uses the allowance method to account for uncollectible accounts and contributions receivable. 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 potential for recovery is considered remote. The allowance for uncollectible accounts was \$6,806 as of September 30, 2021.

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 \$2,500 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 7 years.

Contributions of long-lived assets 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, such contributions are treated as being without donor restriction.

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.

Deposits and other assets

Deposits and other assets primarily include intangible assets associated with the Conservancy's production of the 75th anniversary of the Golden Gate Bridge, net of amortization, as well as security deposits paid and prepaid Software as a Service (SaaS).

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 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 from the earnings of the 75th 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. As of September 30, 2021, the Project costs were fully amortized.

GOLDEN GATE NATIONAL PARKS CONSERVANCY

Notes to Financial Statements

September 30, 2021

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

Deferred revenue

Deferred revenue consists primarily of advances received on contracts for construction project management and native seed collection and amplification services, as well as 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.

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.

Refundable advances

Refundable advances represent funds received from a conditional grant receivable of \$2.075 million contingent on identifying and receiving final approval to fund specific projects by the granting organization in advance of meeting such condition. The grant agreement requires investment earnings to be redirected to this fund.

Deferred rent liability

For lease agreements that provide for escalating rent payments or free-rent occupancy periods, the Conservancy recognizes rent expense on a straight-line basis over the non-cancelable lease term. The Conservancy includes option renewal periods as part of the lease term where failure to exercise such options would result in an economic penalty in such amount that renewal appears to be reasonably assured.

Revenue recognition

The Conservancy recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Consequently, at September 30, 2021, conditional contributions of \$4,417,593 have not been recognized in the accompanying statement of activities because they are contingent on identifying and receiving final approval to fund specific projects by the donors. Funds received in advance on such conditional gifts are included in refundable advances in the statement of financial position.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Donor-restricted contributions are reported as donor-restricted support and net assets released from restrictions when the restriction is met in the same period as the contribution is received.

GOLDEN GATE NATIONAL PARKS CONSERVANCY

Notes to Financial Statements

September 30, 2021

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

Revenue recognition (continued)

A portion of the Conservancy's revenue is derived from cost-reimbursable federal and non-federal contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as cooperative agreement reimbursements revenue when the Conservancy has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Conservancy received cost-reimbursable grants of \$3,995,344 that have not been recognized at September 30, 2021 because qualifying expenditures have not yet been incurred.

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.

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. No donated professional services were received during the year ended September 30, 2021. In addition, 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 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, 2021 approximated \$38,970 and is included in contributed income on the accompanying statement of activities.

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 on estimates made by the Conservancy's management.

GOLDEN GATE NATIONAL PARKS CONSERVANCY

Notes to Financial Statements

September 30, 2021

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

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 donor restricted endowment 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 \$17,918 for 2021.

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, 2020, from which the summarized information is derived. Certain 2020 amounts have been reclassified to conform to the 2021 presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

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 support, 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).

GOLDEN GATE NATIONAL PARKS CONSERVANCY
Notes to Financial Statements
September 30, 2021

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

Tax-exempt status (continued)

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 2018 and 2017, respectively.

COVID-19 pandemic

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Conservancy has been closely monitoring its investment portfolio and its liquidity and has actively worked to minimize impact of the declines. As a result of the COVID-19 pandemic, in March 2020, the Conservancy was required to close down all of the visitor centers and touring operations that it manages, raising substantial doubt about the Conservancy's ability to continue as a going concern within one year after the date that the financial statements were available to be issued. Since July of 2021, the Conservancy reopened its sites. However, site closures during 2021 resulted in lost revenue of approximately \$25 million, which would have been included in program revenue on the statement of activities for the fiscal year ended September 30, 2021.

In order to mitigate the financial impact of its COVID-19 closure, the Conservancy obtained a \$150,000 Economic Disaster Injury Loan ("EIDL") (see Note 9) as well as Paycheck Protection Program ("PPP") loans of \$6,155,984 in April 2020 and \$2,000,000 in February 2021 (see Note 23). The Conservancy also furloughed 124 employees on June 30, 2020 which were subsequently terminated during the year ended September 30, 2021.

The Conservancy will continue to take the following measures during the year ending September 30, 2022: apply for a \$8,500,000 revolving line-of-credit with a bank (see Note 24); apply for relief through the Employee Retention Credit program for which credits of approximately \$4,800,000 are estimated (see Note 24); and drastically cut expenses guided by a new strategic focus to support Bay Area national parks as places where the Conservancy can further racial and social justice for our community and climate resilience for these protected lands.

As a result of the above, the doubts raised about the Conservancy's ability to continue as a going concern were alleviated as of the date the financial statements were available to be issued.

Subsequent events

The Conservancy has performed an evaluation of subsequent events through July 12, 2022, the date the financial statements were available to be issued (see Note 24).

GOLDEN GATE NATIONAL PARKS CONSERVANCY
Notes to Financial Statements
September 30, 2021

2. Grants and Contributions Receivable

Grants and contributions receivable at September 30, 2021 are expected to be received as follows:

<u>Year Ending September 30,</u>	
2022	\$ 3,325,113
2023	2,802,000
2024	2,603,583
2025	50,000
2026	50,000
Thereafter	<u>50,000</u>
	8,880,696
Less discount on multi-year contributions receivable	<u>(217,990)</u>
Subtotal	8,662,706
Receivable from charitable remainder unitrust	<u>116,499</u>
Contributions receivable, net	<u>\$ 8,779,205</u>

3. Investments

Investments consisted of the following at September 30, 2021:

Equity securities and funds	\$ 15,781,841
Fixed income funds	5,204,494
Alternative investments	7,553,146
Cash and cash equivalents	<u>440,046</u>
Total	<u>\$ 28,979,527</u>

Included in the investment balance is the Cash Balance Retirement Plan assets totaling \$1,790,568 as of September 30, 2021 (see Note 19).

Investment return was comprised of the following for the year ended September 30, 2021:

Net realized and unrealized gain on investments	\$ 5,885,775
Interest and dividend income	258,199
Advisory fees	<u>(353,810)</u>
Investment return, net	<u>\$ 5,790,164</u>

GOLDEN GATE NATIONAL PARKS CONSERVANCY
Notes to Financial Statements
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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, 2021, 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				
Cash and cash equivalents	\$ 440,046	\$ 440,046		
Equity Securities and Funds:				
Large/Mid Cap	466,990	466,990		
Developed International	665,196	665,196		
Small Cap	177,266	177,266		
Fixed Income Funds:				
Intermediate Term Bonds	481,126	481,126		
Certificates of Deposit	<u>4,723,368</u>	<u>4,723,368</u>		
Total investments in the fair value hierarchy	6,953,992	6,953,992		
Other investments measured at net asset value*	<u>22,025,535</u>	-		
Total investments measured at fair value	28,979,527	6,953,992		
Charitable remainder unitrust	<u>116,499</u>		\$ 116,499	
Total assets measured at fair value	<u>\$ 29,096,026</u>	<u>\$ 6,953,992</u>	<u>\$ 116,499</u>	<u>\$ -</u>

* In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

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, 2021:

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4. Fair Value Measurements (continued)

<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	\$2,704,114	1	N/A	N/A	N/A	Next liquidity date 12/31/2022	90 days written notice w/ 25% investor level gate
Large Mid-Cap	\$738,483	1	N/A	N/A	N/A	Quarterly	90 days written notice w/ 25% investor level gate
Large Mid-Cap	\$2,349,278	1	N/A	N/A	N/A	Next liquidity date 3/31/2022	60 days written notice
Developed International Equity	\$1,622,384	1	N/A	N/A	N/A	Next liquidity date 6/30/2022; Quarterly (1/12 availability per quarter)	180 days written notice
Developed International Equity	\$2,378,878	1	N/A	N/A	N/A	Next liquidity date 12/31/2023	N/A
Developed International Equity	\$2,072,004	1	N/A	N/A	N/A	Monthly	60 days written notice
Emerging Markets Equity	\$1,009,868	1	N/A	N/A	N/A	Monthly	30 days written notice
Small Cap	\$1,597,381	1	N/A	N/A	N/A	Quarterly	90 days written notice. 25% of capital balance
Long/Short Hedged Equity	\$2,990,296	2	N/A	N/A	N/A	Quarterly	60 days written notice
Long/Short Hedged Equity	\$1,172,471	1	N/A	N/A	N/A	Next liquidity date 10/31/2022; early redemption after 1 year with fees	60 days written notice
Long/Short Hedged Equity	\$1,328,207	1	N/A	N/A	N/A	Next liquidity date 12/31/2022	75 days written notice
Multi-Strategy Hedge Funds	\$1,715,326	1	N/A	N/A	N/A	Quarterly	70 days notice (85 if more than 10% of outstanding shares)
Private Equity	\$346,845	1	N/A	\$62,500	N/A	Discretion of Fund Manager	Discretion of Fund Manager

GOLDEN GATE NATIONAL PARKS CONSERVANCY

Notes to Financial Statements

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5. Liquidity and Availability

The table below presents financial assets available for general expenditures within one year at September 30, 2021:

Financial assets at year-end:	
Cash and cash equivalents	\$ 49,653,652
Accounts receivable, net	7,277,805
Grants and contributions receivable, net	8,779,205
Short-term investments	4,723,378
Long-term investments	<u>24,256,149</u>
Total financial assets at year-end	<u>94,690,189</u>
Less amounts not available to be used within one year:	
Restricted by donors for future projects	(48,576,555)
Board-designated net assets	(12,484,961)
Portion of donor-restricted endowment to be retained in perpetuity	(6,603,530)
Investments in non-liquid securities	(8,110,031)
Refundable advances	(2,780,725)
Cash Balance Retirement Plan investments	(1,790,568)
Future expendable donor-restricted endowment	(3,468,453)
Deferred revenue to be earned in future years	(401,097)
Agency funds payable	(703,066)
Note payable	<u>(150,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,621,203</u>

The Conservancy receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For the year ended September 30, 2021, restricted contributions of \$4,555,547 were included in financial assets available to meet cash needs for general expenditures within one year. The Conservancy also considers \$375,717 appropriated from the future expendable donor-restricted endowment to be available to meet cash needs for general expenditures as of September 30, 2021. In October 2021, the Conservancy obtained a line of credit in the amount of \$8,500,000 that also became available to fund general expenditures. The line of credit is secured by \$5,000,000 which is included in the Conservancy's cash and cash equivalents balance as of September 30, 2021. The Conservancy manages its liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Conservancy has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 90 days operating expenses. The Conservancy has a policy to target a year-end balance of reserves of undesignated net assets without restriction at 90 days of expected expenditures. To achieve these targets, the Conservancy forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves annually. During the year ended September 30, 2021, the level of liquidity and reserves was managed within the policy requirements.

GOLDEN GATE NATIONAL PARKS CONSERVANCY
Notes to Financial Statements
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6. Furniture, Fixtures and Equipment

Furniture, fixtures and equipment as of September 30, 2021 consisted of the following:

Equipment	\$ 4,343,365
Vehicles	<u>558,426</u>
Total	4,901,791
Less accumulated depreciation	<u>(3,479,281)</u>
Furniture, fixtures and equipment, net	<u>\$ 1,422,510</u>

Depreciation amounted to \$515,534 for the year ended September 30, 2021.

7. Deposits and Other Assets

Deposits and other assets as of September 30, 2021 consisted of the following:

Golden Gate Bridge Project costs	\$ 7,028,037
Golden Gate Bridge Project interest	<u>3,264,442</u>
Total	10,292,479
Less accumulated amortization	<u>(10,292,479)</u>
Golden Gate Bridge Project, net	-
Deposits	137,675
Prepaid SaaS	<u>144,299</u>
Total Deposits and Other Assets	<u>\$ 281,974</u>

Amortization of the Project amounted to \$641,101 for the year ended September 30, 2021. The Project was fully amortized as of September 30, 2021.

8. Capital Lease Obligations

In April 2021, the Conservancy entered into capital lease agreements for a new POS system with a combined capitalized cost of \$296,391. As the POS system was not placed into service as of September 30, 2021, there was no depreciation related to the POS system for the year-ended September 30, 2021. The various leases include interest of 15.52% and expire in April 2024.

Future minimum lease payments under the lease terms are as follows:

<u>Year Ending September 30,</u>	
2022	\$ 117,602
2023	117,602
2024	<u>68,602</u>
	303,806
Less imputed interest:	<u>(54,837)</u>
	<u>\$ 248,969</u>

GOLDEN GATE NATIONAL PARKS CONSERVANCY

Notes to Financial Statements

September 30, 2021

9. Note Payable

The Conservancy received an Economic Disaster Injury Loan from the Small Business Administration for \$150,000 on June 24, 2020. The note bears interest at 2.75% from the loan issuance date and requires interest and principal payments of \$641 beginning 12 months from the date of the note. Payments will first be applied to interest and any remaining balance to reduce principal. All remaining principal and accrued interest becomes due and payable thirty years from the date of the note.

Principal payments are due on the note payable at September 30, 2021 as follows:

Year Ending September 30,

2022	\$	135
2023		3,612
2024		3,713
2025		3,816
Thereafter		<u>138,724</u>
	\$	<u>150,000</u>

10. Board-Designated Net Assets

Board-designated net assets for the following park projects and programs as of September 30, 2021:

Park preservation and enhancement	\$	5,765,285
Greg Moore Parks for All fund		5,250,000
Crissy Field enhancement and repair		1,297,168
Alcatraz Preservation and Embarkation		<u>172,508</u>
Total Board-designated net assets	\$	<u>12,484,961</u>

The Alcatraz Preservation and Embarkation Fund was created in connection with the Initiative to improve the stewardship and operations of Alcatraz Island and is funded by a portion of audio tour fees as stipulated by the agreement. Advances may be made from the fund from time to time to leverage federal fund matching opportunities and will be recovered through future audio tour fees.

GOLDEN GATE NATIONAL PARKS CONSERVANCY

Notes to Financial Statements

September 30, 2021

11. Net Assets with Donor Restrictions and Net Assets Released From Restrictions

Net assets with donor restrictions include the following as of September 30, 2021:

Subject to expenditure for specified purpose:	
Presidio Tunnel Tops Project	\$ 33,192,387
Other park improvements and conservation projects	7,733,725
One Tam Initiative	3,035,946
Community engagement, education and outreach	4,924,970
Crissy Field projects and programs	2,699,670
Other Presidio trails and projects	131,195
Youth programs	293,401
National Park Service Projects	53,483
Conservancy programs fund	<u>890,825</u>
	52,955,602
Subject to the passage of time:	
For periods after September 30, 2021	<u>176,500</u>
Subject to Conservancy spending policy and appropriation:	
Investment in perpetuity (including amounts above original gift amounts) which, once appropriated, is expendable to support:	
Other Presidio trails and projects	4,052,084
Crissy Field projects and programs	3,402,400
Other park improvements and conservation projects	2,572,193
Youth programs	<u>421,023</u>
	<u>10,447,700</u>
Total net assets with donor restrictions	<u>\$ 63,579,802</u>

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, 2021 as follows:

Subject to expenditure for specified purpose:	
Presidio Tunnel Tops Project	\$ 30,533,837
One Tam Initiative	2,405,496
Community engagement, education and outreach	1,794,352
Other park improvements and conservation projects	678,527
Youth programs	464,466
Other Presidio trails and projects	417,526
Crissy Field projects and programs	79,992
Institute at the Golden Gate	5,841
National Park Service Projects	123,775
Conservancy programs fund	<u>669,225</u>
	37,173,037
Subject to the passage of time:	
For periods after September 30, 2020	<u>22,000</u>
Endowment earnings appropriated for expenditure	<u>358,079</u>
Total net assets released from restrictions	<u>\$ 37,553,116</u>

GOLDEN GATE NATIONAL PARKS CONSERVANCY
Notes to Financial Statements
September 30, 2021

12. Endowment

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

	<u>Accumulated Gains/(Losses)</u>	<u>Original Gift Amount</u>	<u>Total With Donor Restrictions</u>
James R. Harvey Restoration Fund	\$ 1,628,398	\$ 2,423,686	\$ 4,052,084
Bernard Osher Endowment	1,249,648	2,152,752	3,402,400
Ted Chong Endowment Fund	14,675	25,768	40,443
Anne Kincaid Endowment Fund	63,518	102,888	166,406
Mark Kutnink Endowment	257,694	318,436	576,129
Peabody Endowment	3,586	25,000	28,586
Greg Hind Endowment	<u>626,651</u>	<u>1,555,000</u>	<u>2,181,651</u>
	<u>\$ 3,844,170</u>	<u>\$ 6,603,530</u>	<u>\$ 10,447,700</u>

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 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. The Peabody Endowment was established for the benefit of habitat restoration and conservation activities at Tennessee Hollow and Mountain Lake in the Presidio.

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 the following as donor-restricted endowment to be retained in perpetuity: (1) the original value of gifts donated to the donor-restricted endowment, (2) the original value of subsequent gifts to the donor-restricted endowment, and (3) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The future expendable portion of the donor-restricted endowment assets is classified as net assets with donor restrictions 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.

GOLDEN GATE NATIONAL PARKS CONSERVANCY

Notes to Financial Statements

September 30, 2021

12. Endowment (continued)

Endowment net asset composition by type of fund

	<u>Accumulated Gains/(Losses)</u>	<u>Original Gift Amount</u>	<u>Total With Donor Restrictions</u>
Donor-restricted endowment funds	\$ <u>3,844,170</u>	\$ <u>6,603,530</u>	\$ <u>10,447,700</u>
Total	\$ <u>3,844,170</u>	\$ <u>6,603,530</u>	\$ <u>10,447,700</u>

Changes in endowment net assets

	<u>Accumulated Gains/(Losses)</u>	<u>Original Gift Amount</u>	<u>Total With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 1,550,954	\$ 6,578,530	\$ 8,129,484
Investment return			
Investment income	30,325		30,325
Net appreciation (realized and unrealized)	<u>2,620,970</u>	_____	<u>2,620,970</u>
Total investment return	2,651,295	-	2,651,295
Contributions		25,000	25,000
Appropriations of endowment assets for expenditure	<u>(358,079)</u>	_____	<u>(358,079)</u>
Endowment net assets, end of year	\$ <u>3,844,170</u>	\$ <u>6,603,530</u>	\$ <u>10,447,700</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, 2021, 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
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September 30, 2021

12. 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.

13. 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, 2021:

Gross sales	\$ 7,342,410
Less cost of goods sold	<u>(2,637,052)</u>
Gross profit	<u>\$ 4,705,358</u>

14. 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, 2021:

Total program service expenses	\$ 62,577,262
Less cost of goods sold	(2,637,052)
Less donated services	<u>(38,970)</u>
Aid to the Park	<u>\$ 59,901,240</u>

GOLDEN GATE NATIONAL PARKS CONSERVANCY
Notes to Financial Statements
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15. Functional and Natural Expense Allocations

The table below sets forth the Conservancy's expenses on both a natural and functional basis for the year ended September 30, 2021:

	<u>Program Services</u>			Total Program Services	Management and General	Fund- raising	Total
	Park Interpretation and Visitor Services	Park Enhancements, Restoration and Stewardship	Youth, Volunteer and Community Programs				
Grants made	\$	\$34,103,617	\$ 2,100	\$34,105,717	\$	\$	\$34,105,717
Employee compensation and benefits	6,521,414	6,150,946	2,945,456	15,617,816	4,777,290	1,708,876	22,103,982
Professional fees and contract services	54,767	2,454,774	56,163	2,565,704	1,536,715	482,628	4,585,047
Cost of interpretive goods sold	2,637,052			2,637,052			2,637,052
Occupancy costs	1,290,125	181,522	69,117	1,540,764	259,060	28,612	1,828,436
Information technology	370,361	293,258	147,473	811,092	524,512	149,782	1,485,386
Depreciation and amortization	693,182	93,642	234,910	1,021,734	129,289	5,612	1,156,635
Planning and design	2,500	963,140		965,640		7,875	973,515
Construction services		800,723		800,723	2,000		802,723
Landscaping		778,379		778,379			778,379
Equipment rental	373,105	73,884	30,735	477,724	16,974	22,552	517,250
Materials and supplies	91,293	282,452	38,932	412,677	33,974	62,608	509,259
Office expenses	30,626	75,182	152,467	258,275	81,566	86,550	426,391
Insurance	90,552	111,676	48,123	250,351	111,713	8,493	370,557
Investment advisory fees					353,810		353,810
Bank and merchant fees	218,151		413	218,564	18,369	52,325	289,258
Printing	8,019	7,789	3,105	18,913	63,330	123,870	206,113
Conferences, meetings and travel	51,497	24,127	20,513	96,137	9,138	881	106,156
Interest					26,485		26,485
Total	12,432,644	46,395,111	3,749,507	62,577,262	7,944,225	2,740,664	73,262,151
Less advisory fees netted from investment return					(353,810)		(353,810)
Total expenses per Statement of Activities	<u>\$12,432,644</u>	<u>\$46,395,111</u>	<u>\$3,749,507</u>	<u>\$62,577,262</u>	<u>\$7,590,415</u>	<u>\$2,740,664</u>	<u>\$72,908,341</u>

GOLDEN GATE NATIONAL PARKS CONSERVANCY
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16. Lease Obligations

The Conservancy leases certain office equipment, warehouse facilities, audio tour headsets, office space and vehicles and space at the Port of San Francisco under operating leases through 2069. The aggregate future minimum annual rental payments under noncancelable operating leases in effect at September 30, 2021, are as follows:

<u>Years Ending September 30,</u>	
2022	\$ 1,062,831
2023	1,025,469
2024	275,146
2025	237,181
2026	209,025
Thereafter	<u>16,056,446</u>
 Total	 <u>\$18,866,098</u>

Rent expense for the year ended September 30, 2021 was \$1,004,468.

The Conservancy entered into a lease with the Port of San Francisco on December 17, 2019 for two portions of the ferry embarkation site for Alcatraz Island (the "Embarkation Site") in connection with a revitalization of the Embarkation Site to significantly enhance the visitor experience. Planned improvements include new visitor amenities such as a new café (Phase I) and interpretive retail space (Phase II) that will allow park visitors to begin their Alcatraz experience before setting foot on Alcatraz Island. The lease expires on June 30, 2049, unless terminated early and contains two 10-year renewal options. The lease provides for Base Rent of \$15,300 and \$20,986 per month for Phases I and II of the Embarkation Site, respectively, to commence 270 days after each Phase is turned over to the Conservancy (the "Rent Commencement Date"). Base Rent will be phased in at 70% and 85% of Base Rent for the first and second year beginning after each Rent Commencement Date, respectively. Percentage Rent is also due beginning on each Rent Commencement Date equal to the difference between 7.5% of monthly gross revenue for each Phase and the Base Rent for such calendar month in any month in which the Percentage Rent exceeds the Base Rent. No rent is due during periods in which Alcatraz Island is closed. The Rent Commencement Date for Phase I began on July 1, 2020; Phase II had not been turned over to the Conservancy as of September 30, 2021.

17. Tax Deferred Annuity Retirement Plan

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. No contributions were made by the Conservancy for the year ended September 30, 2021.

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18. Top Hat Retirement Plan

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. No such deferrals were made by the Conservancy for the year ended September 30, 2021.

19. Cash Balance Retirement Plan

The Conservancy established a noncontributory defined benefit plan (the "Cash Balance Plan") on December 16, 2016 with an effective Plan start date of January 1, 2016. The Plan was subsequently amended to conform to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

All employees who complete one year of service are eligible for employer contributions to the Plan. Participant contributions are disallowed for the Cash Balance Plan. Employer contributions to the Plan vest in accordance with a three-year cliff schedule. An employee's vesting percentage increases to 100% if, while employed with the employer, the employee dies or terminates employment due to becoming disabled.

The amount of a participant's retirement benefit is determined based on the benefit formula under the Plan. The benefit formula provides for a contribution credit plus a guaranteed interest credit, which is credited to participant's account. Generally, the benefit a participant is entitled to upon retirement will equal the amount credited to the participant's account. A contribution credit is received for each year of accrued service.

During 2021, the Conservancy amended the Plan Document for the Cash Balance Plan to reduce the benefits for executive participants in the plan to \$0 for the plan year ended December 31, 2021 and also to allow participants to receive distributions of their plan assets in the same year in which they terminate their employment with the Conservancy.

The funded status of the plan is as follows:

Plan Assets at fair value	\$1,790,568
Accumulated benefits obligation	<u>(1,284,662)</u>
	<u>\$ 505,906</u>

Components of the net periodic pension benefit cost for the plan is as follows:

Service cost	\$ 55,939
Interest cost	42,096
Expected return on plan assets	(67,392)
Prior service amortization	0
Amortization of gains	<u>(3,822)</u>
	<u>\$ 26,821</u>

GOLDEN GATE NATIONAL PARKS CONSERVANCY
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19. Cash Balance Retirement Plan (continued)

Assumptions - Weighted average assumptions used to determine benefit obligations and net periodic benefit cost for the year were as follows:

Discount rate - net periodic benefit cost	5%
Expected long term rate of return on plan assets	5%
Rate of compensation increase	0%
Discount rate - benefit obligation	5%

The overall expected long-term rate of return on plan assets is determined by the plans' historical long-term investment performance, current asset allocation and estimate of future long-term return rates.

Plan assets - Weighted average asset allocation of the Conservancy's pension plans was as follows:

	Policy Allocation <u>Target</u>	Allocation of <u>Plan Assets</u>
Intermediate-Term Bonds	30.0%	26.9%
Large Cap Stocks	25.0%	26.1%
Small Cap Stocks	10.0%	9.9%
Foreign Stocks	35.0%	37.1%
Cash	0.0%	0.0%

The Conservancy's Investment Policy for the Cash Balance Plan outlines the governance structure for decision making, set investment objectives and restrictions, and establishes criteria for selecting and evaluating investment managers. The Finance Committee, consisting of members of the Board, both supported by independent consultants, are responsible for monitoring compliance with the investment policies noted above.

Benefits paid - The Conservancy paid benefits of \$694,691 for the year ended September 30, 2021.

Contributions - The Conservancy made no contributions to the Cash Balance Plan during the year ended September 30, 2021.

Cash flows - Based on the Company's forecast at September 30, 2021, the Company does not expect to contribute to the Cash Balance Plan during the year ending September 30, 2022.

GOLDEN GATE NATIONAL PARKS CONSERVANCY

Notes to Financial Statements

September 30, 2021

19. Cash Balance Retirement Plan (continued)

The Conservancy anticipates future benefit payments, which reflect future service, to be paid from the pension plans as follows:

<u>Years Ending September 30</u>	
2022	\$ 885,470
2023	2,513
2024	19,545
2025	40,227
2026	161,258
Thereafter	<u>138,978</u>
Total	<u>\$ 1,247,991</u>

20. 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.

21. Concentrations

Credit risk

Financial instruments, which potentially subject the Conservancy to credit risk, consist primarily of cash and cash equivalents, accounts receivable, grants 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 receivable and grants 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 57% of program revenue for fiscal 2021.

Approximately 31% of contributed income for the year ended September 30, 2021, including the net proceeds from special events, was attributable to various members of the Board of Trustees.

GOLDEN GATE NATIONAL PARKS CONSERVANCY
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22. Commitments

The Conservancy has entered into various construction contracts for trail enhancement and conservation projects totaling approximately \$5.3 million. As of September 30, 2021, the total remaining balances on these contracts for work to be completed, was approximately \$2.3 million. The Conservancy also had outstanding purchase commitments for publications and other interpretive merchandise approximating \$7,992 at September 30, 2021.

23. Paycheck Protection Program

On April 24, 2020, the Conservancy received loan proceeds of \$6,155,984 from a promissory note issued by City National Bank under the PPP which was established under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and is administered by the U.S. Small Business Administration. The term of the loan was two years and the annual interest rate was 1%. Payments of principal and interest were deferred for the first ten months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations. The Conservancy recognized substantially all of the loan proceeds as grant revenue during the year ended September 30, 2020 based on qualifying expenditures made under the PPP that are expected to be forgiven. In December 2021, the Conservancy received notification that its principal loan balance of \$6,155,984 and all related accrued interest on the loan had been forgiven by the SBA.

On February 3, 2021, the Conservancy received loan proceeds of \$2,000,000 from a promissory note issued by City National Bank under the PPP. The term of the loan is five years and the annual interest rate is 1%. Payments of principal and interest are deferred for the first ten months of the loan. The Conservancy believes it has met the PPP's eligibility criteria for forgiveness of the loan and has concluded that the PPP loan represents, in substance, a grant that is expected to be forgiven, and accordingly has accounted for the PPP loan in accordance with contribution revenue recognition guidance. Proceeds received under the PPP loan are recognized as revenue when the Conservancy has incurred expenditures in compliance with the promissory note provisions and when the barrier and right of return have been overcome. The Conservancy recognized the full \$2,000,000 of the loan proceeds as contributed income during the year ended September 30, 2021 based on qualifying expenditures made under the PPP that are expected to be forgiven. In March 2022, the Conservancy received notification from the SBA that its PPP loan was forgiven (see Note 24).

24. Subsequent Events

In October 2021, the Conservancy entered into an agreement with a bank to secure a line of credit in the amount of \$8,500,000. The line has two components including a \$5 million cash collateralized portion bearing interest at the greater of 1.75% or the bank's prime rate plus 1.5% and a \$3.5 million unsecured portion bearing interest at the greater of 2.5% or the bank's prime rate. There have been no draws on the line as of the date the financial statements were available to be issued.

In December 2021, the Conservancy applied for approximately \$4,800,000 in Employee Retention Tax Credits. The Conservancy is still awaiting the decision on its application.

GOLDEN GATE NATIONAL PARKS CONSERVANCY
Notes to Financial Statements
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24. Subsequent Events (continued)

On March 15, 2022, the Conservancy received notification from the SBA that the principal balance of its PPP loan in the amount of \$2,000,000 and related accrued interest had been forgiven.