Golden Gate National Parks Conservancy

Financial Statements

September 30, 2023
(With Comparative Totals for 2022)

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2023, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements.

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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Golden Gate National Parks Conservancy and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Conservancy has adopted Financial Accounting Standards Board Topic 842, *Leases*. Our opinion is not modified with respect to that matter.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Golden Gate National Parks Conservancy's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Golden Gate National Parks Conservancy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Golden Gate National Parks Conservancy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Golden Gate National Parks Conservancy's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 31, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Armanino LLP

Armanino LLP
San Francisco, California

April 15, 2024

Golden Gate National Parks Conservancy
Statement of Financial Position
September 30, 2023
(With Comparative Totals for 2022)

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 38,315,006	$ 40,133,266
Accounts receivable, net	4,197,877	5,488,392
Contributions receivable, current portion	3,603,400	2,299,350
Employee retention tax credit receivable	-	4,846,923
Inventories	3,277,392	2,328,070
Prepaid expenses	1,394,989	946,132
Short-term investments	3,317,888	-
Total current assets	54,106,552	56,042,133
Long-term assets		
Contributions receivable, net of current portion and discount	1,569,044	3,535,682
Investments	18,969,928	16,528,956
Deposits and other assets, net	192,226	249,876
Operating lease right-of-use assets	5,178,122	-
Furniture, fixtures and equipment, net	866,036	1,146,931
Total long-term assets	26,775,356	21,461,445
Total assets	$ 80,881,908	$ 77,503,578
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	$ 4,012,671	$ 8,957,270
Agency funds payable, current portion	65,445	4,620
Accrued payroll related expenses	3,651,926	3,985,203
Deferred revenue, current portion	252,710	380,851
Operating lease liability, current portion	674,200	-
Total current liabilities	8,656,952	13,327,944
Long-term liabilities		
Deferred revenue, net of current portion	231,607	231,971
Other long-term liabilities	435,000	590,185
Deferred rent liability	-	509,116
Refundable advances	8,968	8,968
Agency funds payable, net of current portion	647,184	611,514
Operating lease liability, net of current portion	5,037,030	-
Total long-term liabilities	6,359,789	1,951,754
Total liabilities	15,016,741	15,279,698
Net assets		
Without donor restrictions		
Undesignated	16,539,712	11,760,048
Board-designated	12,833,287	12,456,067
Total without donor restrictions	29,372,999	24,216,115
With donor restrictions	36,492,168	38,007,765
Total net assets	65,865,167	62,223,880
Total liabilities and net assets	$ 80,881,908	$ 77,503,578

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, 2023
(With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Support and revenue				
Program revenue	$ 39,721,455	$ -	$ 39,721,455	$ 32,988,933
Contributed income	3,173,473	8,783,521	11,956,994	15,347,486
Employee retention tax credit	-	-	-	4,846,923
Gifts in kind	28,249	-	28,249	17,530
Special events, net of donor benefits	868,389	211,688	1,080,077	2,272,105
Cooperative agreement reimbursements	4,492,473	-	4,492,473	5,801,412
Other income	101,574	-	101,574	510,334
Net assets released from restrictions	14,575,610	(14,575,610)	-	-
Total support and revenue	62,961,223	(5,580,401)	57,380,822	61,784,723
Expenses				
Program services				
Park interpretation and visitor services	21,093,990	-	21,093,990	17,280,057
Park enhancements, restoration and stewardship	16,658,894	-	16,658,894	38,746,506
Youth, volunteer and community programs	7,755,901	-	7,755,901	7,107,139
Total program services	45,508,785	-	45,508,785	63,133,702
Management and general	9,422,769	-	9,422,769	8,866,421
Fundraising	3,504,073	-	3,504,073	3,531,266
Total expenses	58,435,627	-	58,435,627	75,531,389
Change in net assets from operations	4,525,596	(5,580,401)	(1,054,805)	(13,746,666)
Endowment and investment activities				
Contributed income	-	1,384,108	1,384,108	30,925
Net realized and unrealized gain (loss) on investments	(177,905)	2,597,603	2,419,698	(2,837,099)
Interest and dividend income	809,193	83,093	892,286	178,973
Total endowment and investment activities	631,288	4,064,804	4,696,092	(2,627,201)
Non-operating expense	-	-	-	(718,000)
Change in net assets	5,156,884	(1,515,597)	3,641,287	(17,091,867)
Net assets, beginning of year	24,216,115	38,007,765	62,223,880	79,315,747
Net assets, end of year	$ 29,372,999	$ 36,492,168	$ 65,865,167	$ 62,223,880

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, 2023
(With Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities		
Change in net assets	$ 3,641,287	$ (17,091,867)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	417,879	473,513
Amortization of right-of-use assets	836,044	-
Net realized and unrealized (gain) loss on investments	(2,419,698)	2,837,099
Loss on write-off of fixed assets	-	10,100
Change in discount on contributions receivable	32,736	(138,271)
Endowment contributions	(1,384,108)	(30,925)
Changes in operating assets and liabilities		
Accounts receivable, net	1,290,515	1,789,413
Contributions receivable	1,229,852	3,082,444
Employee retention credit receivable	4,846,923	(4,846,923)
Inventories	(949,322)	378,467
Prepaid expenses	(448,857)	(19,867)
Deposits and other assets, net	57,650	32,098
Accounts payable and accrued liabilities	(4,944,599)	(848,442)
Accrued payroll related expenses	(333,277)	(44,487)
Deferred revenue	(128,505)	(2,006,750)
Other long-term liabilities	(155,185)	525,000
Deferred rent liability	(509,116)	40,778
Refundable advances	-	(2,771,757)
Agency funds payable	96,495	(91,552)
Operating lease liability	(302,936)	-
Net cash provided by (used in) operating activities	873,778	(18,721,929)
Cash flows from investing activities		
Purchases of investments	(3,436,406)	(4,529,568)
Proceeds from maturities or sales of investments	97,244	14,143,040
Purchases of furniture, fixtures and equipment	(136,984)	(208,034)
Net cash provided by (used in) investing activities	(3,476,146)	9,405,438
Cash flows from financing activities		
Principal payments on note payable	-	(150,000)
Principal payments on finance lease obligations	-	(84,820)
Cash received for endowment contributions	784,108	30,925
Net cash provided by (used in) financing activities	784,108	(203,895)
Net decrease in cash and cash equivalents	(1,818,260)	(9,520,386)
Cash and cash equivalents, beginning of year	40,133,266	49,653,652
Cash and cash equivalents, end of year	$ 38,315,006	$ 40,133,266

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, 2023
(With Comparative Totals for 2022)

	2023	2022
Supplemental schedule of noncash investing and financing activities		
Operating lease right-of-use assets obtained in exchange for operating lease liability	$ 6,014,166	$ -

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

1. NATURE OF OPERATIONS

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 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 Alcatraz embarkation at Pier 31/Pier 33 which will create a world-class public space and new interpretive center.

Youth volunteer and community programs include programs conducted at the Crissy Field Center (an urban environmental education center) youth leadership programs, and through the Conservancy's other community engagement and volunteer programs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement 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 ("U.S. GAAP"). 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Codification ("ASC") 842, *Leases,* to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

The Conservancy adopted the standard effective October 1, 2022 and recognized and measured leases existing at, or entered into after, October 1, 2022 through cumulative effect adjustment, with certain practical expedients available.

As a result of the adoption of the new lease accounting guidance, the Conservancy recognized on October 1, 2022, an initial lease liability of $4,085,072 which represents the present value of the remaining operating lease payments of $9,038,965 discounted using a risk-free rate of 8.50% and ROU assets of $3,575,956, which represents the lease liability of $4,085,072 reduced by the deferred rent liability of $509,116. During the year ended September 30, 2023, there were operating lease contract modifications totaling $2,438,210, increasing the original lease liability and right-of-use assets that were recorded upon adoption.

The standard had a material impact on the Conservancy's statement of financial position as of September 30, 2023, but did not have a material impact on the Conservancy's statement of activities, nor statement of cash flows for the year then ended. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases on the statement of financial position as of September 30, 2023.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

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 1* - 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 1, includes listed equity and debt securities.
- *Level 2* - 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 1. 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.
- *Level 3* - 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 3 investments as of September 30, 2023.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

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 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, wholesale merchandise sales and amounts due from reimbursable grant agreements.

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 which ranged from 3.25% to 8.50% during the year ended September 30, 2023. 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 is 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.

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 $15,581 as of September 30, 2023. There was no allowance for uncollectible contributions receivable as of September 30, 2023 as all balances are considered collectible.

Inventories

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. There was no impairment loss recognized during the year ended September 30, 2023.

Leases

The Conservancy leases properties and equipment under operating leases. The Conservancy determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets and lease liabilities on the statements of financial position. Finance leases are included in furniture, fixtures and equipment and other liabilities on the statements of financial position. There were no finance leases as of September 30, 2023.

ROU assets represent the Conservancy's right to use an underlying asset for the lease term and lease liabilities represent the Conservancy's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Conservancy's leases do not provide an implicit rate, the Conservancy uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Conservancy's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Conservancy has elected not to recognize right-of-use assets and lease liabilities for short-term leases and instead records them in a manner similar to operating leases under legacy leasing guidelines. A short-term lease is one with a maximum lease term of 12 months or fewer and does not include a purchase option that the lessee is reasonably certain to exercise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred revenue

Deferred revenue consists primarily of advances received on contracts for construction 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 a 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.

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 or right of release, are not recognized until the conditions on which they depend have been met.

At September 30, 2023, there were no conditional contributions that have not been recognized in the accompanying statement of activities. 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 donor-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.

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 deferred revenue in the statement of financial position. The Conservancy received cost-reimbursable grants of $4,678,542 that have not been recognized at September 30, 2023 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2023. 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, 2023 totaled $28,249.

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.

National Park Service land and facilities

- *Improvements* - The Conservancy operates it 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, restorations and stewardship 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 $50,457 for the year ended September 30, 2023.

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 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 2020 and 2019, respectively.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Comparative information

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, 2022, from which the summarized information is derived.

Reclassifications

Certain reclassifications have been made to prior year reported balances to conform to the current year presentation with no changes to net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

The Conservancy has performed an evaluation of subsequent events through April 15, 2024, the date the financial statements were available to be issued. There were no subsequent events that would require adjustments to or disclosures in these financial statements, except for those as disclose in Notes 10, 17, and 19.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable, net at September 30, 2023 are expected to be received as follows:

Year ending September 30,	
2024	$ 3,603,400
2025	735,000
2026	710,000
2027	120,000
	5,168,400
Less: discount on long-term contributions receivable	(112,455)
Subtotal	5,055,945
Receivable from charitable remainder unitrust	116,499
Contributions receivable, net	$ 5,172,444

4. INVESTMENTS

Investments consisted of the following at September 30, 2023:

Equity securities and funds	$ 12,864,553
Fixed income funds	3,749,851
Alternative investments	5,673,412
	$ 22,287,816

Included in the investment balance is the Cash Balance Retirement Plan assets totaling $1,528,023 as of September 30, 2023 (see Note 19).

Investment earnings, net was comprised of the following for the year ended September 30, 2023:

Net realized and unrealized gain on investments	$ 2,590,399
Interest and dividend income	892,286
Advisory fees	(170,701)
	$ 3,311,984

4. INVESTMENTS (continued)

Included in investment earnings, net is $1,118,940 of net realized and unrealized gains and $3,303 of interest and dividend income related to a non-endowment donor restricted fund.

5. 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, 2023, and indicates the fair value hierarchy of the valuation techniques utilized by the Conservancy to determine the fair values:

	Level 1	Level 2	Level 3	Fair Value
Equity Securities and Funds:				
Large/Mid Cap	$ 410,742	$ -	$ -	$ 410,742
Developed International	533,891	-	-	533,891
Small Cap	151,427	-	-	151,427
Fixed Income Funds:				
Intermediate Term Bonds	431,972	-	-	431,972
Fixed Mutual Funds	3,317,879	-	-	3,317,879
Total investments in the fair value hierarchy	4,845,911	-	-	4,845,911
Charitable remainder unitrust	-	116,499	-	116,499
Total assets measured at fair value	$ -	$ 116,499	$ -	4,962,410
Investments measured at NAV*				17,441,905
				$ 22,404,315

* 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 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.

5. FAIR VALUE MEASUREMENTS (continued)

The following table lists investments by major category and investment strategy as of September 30, 2023:

Strategy	NAV in Funds	# of Funds	Amount of Remaining Life	Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions
Large Mid-Cap	$ 3,328,321	2	N/A	N/A	N/A	Quarterly	90 days written notice w/ 25% investor level gate
Large Mid-Cap	2,182,970	1	N/A	N/A	N/A	Quarterly	60 days written notice
Developed International Equity	2,213,501	1	N/A	N/A	N/A	Next liquidity date 12/31/2024	90 days written notice
Developed International Equity	1,832,697	1	N/A	N/A	N/A	Monthly	60 days written notice
Emerging Markets Equity	1,021,079	1	N/A	N/A	N/A	Monthly	30 days written notice
Small Cap	1,189,925	1	N/A	N/A	N/A	Quarterly	90 days written notice w/ 25% investor level gate
Long/Short Hedged Equity	1,697,877	2	N/A	N/A	N/A	Quarterly	60 days written notice
Long/Short Hedged Equity	1,094,110	1	N/A	N/A	N/A	Next liquidity date 10/31/2024; early redemption after 1 year with fees	60 days written notice
Long/Short Hedged Equity	1,237,346	1	N/A	N/A	N/A	Annually	75 days written notice
Multi-Strategy Hedge Funds	1,352,992	1	N/A	N/A	N/A	Quarterly	70 days notice (85 if more than 10% outstanding shared)
Private Equity	291,087	1	N/A	N/A	N/A	Discretion of Fund Manager	Discretion of Fund Manager
	$ 17,441,905						

6. LIQUIDITY AND AVAILABILITY

The table below presents financial assets available for general expenditures within one year at September 30, 2023:

Financial assets at year-end:	
Cash and cash equivalents	$ 38,315,360
Accounts receivable, net	4,197,877
Contributions receivable, net	5,248,353
Investments	22,287,816
	70,049,406
Less amounts not available to be used within one year:	
Restricted by donors for future projects and time	(18,965,495)
Board-designated net assets	(12,833,287)
Portion of donor-restricted endowment to be retained in perpetuity	(8,018,563)
Investments in non-liquid securities	(6,399,861)
Refundable advances	(8,968)
Cash Balance Retirement Plan investments	(1,528,023)
Future expendable donor-restricted endowment earnings	(2,777,528)
Deferred revenue to be earned in future years	(231,607)
Agency funds payable	(712,629)
	(51,475,961)
	$ 18,573,445

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, 2023, restricted contributions of $6,263,796 were included in financial assets available to meet cash needs for general expenditures within one year. The Conservancy also considers $466,786 appropriated from the future expendable donor-restricted endowment to be available to meet cash needs for general expenditures as of September 30, 2023. 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, 2023. 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, 2023, the level of liquidity and reserves was managed within the policy requirements.

7. FURNITURE, FIXTURES AND EQUIPMENT

Furniture, fixtures and equipment, net as of September 30, 2023 consisted of the following:

Equipment	$ 4,284,509
Vehicles	623,426
	4,907,935
Less accumulated depreciation	(4,041,899)
	$ 866,036

Depreciation amounted to $417,879 for the year ended September 30, 2023.

8. LEASES

The Conservancy leases certain office equipment, warehouse facilities, audio tour headsets, office space, vehicles and space at the Port of San Francisco under non-cancelable lease agreements classified as operating leases with monthly lease payments ranging from $293 to $31,310. At September 30, 2023, the operating lease ROU assets and operating lease liability amounted to $5,178,122 and $5,711,230, respectively.

Additional information related to leases is as follows:

Operating lease cost	$ 1,141,627
Operating cash flows from operating leases	$ 1,117,061
ROU assets obtained in exchange for lease liability	$ 6,014,166
Weighted-average remaining lease term	13.27 years
Weighted-average discount rate	8.5 %

Future minimum lease payments under non-cancelable leases as of September 30, 2023 were as follows:

Year ending September 30,	
2024	$ 903,200
2025	875,766
2026	750,421
2027	612,065
2028	528,070
Thereafter	2,634,134
	6,303,656
Less: imputed interest	(592,426)
	$ 5,711,230

9. LINE OF CREDIT

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 $5,000,000 cash collateralized portion bearing interest at the greater of 1.75% or the bank's prime rate less 1.5% with a maturity date of February 1, 2025 and a $3,500,000 unsecured portion bearing interest at the greater of 2.5% or the bank's prime rate with a maturity date of November 1, 2023. The Conservancy elected not to renew the $3,500,000 portion of the line of credit upon its maturity. There was no outstanding balance on the line of credit as of September 30, 2023.

The line of credit agreement contains various covenants and restrictions. As of September 30, 2023, the Conservancy was in compliance with all covenants.

10. BOARD-DESIGNATED NET ASSETS

Board-designated net assets for park projects and programs as of September 30, 2023 consisted of the following designations:

Park Preservation and Enhancement Fund	$ 5,736,390
Greg Moore Parks for All Fund	5,250,000
Crissy Field Enhancement and Repair Fund	1,297,168
Alcatraz Preservation and Embarkation Fund	549,729
	$ 12,833,287

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.

The Board of Trustees passed a resolution on October 5, 2023 to redesignate $1,000,000 from the Greg Moore Parks for All Fund to the Park Preservation and Enhancement Fund and further approved the Park Preservation and Enhancement Fund to be allocated to the Alcatraz Preservation and Embarkation project beginning in fiscal year 2024.

11. NET ASSETS WITH DONOR RESTRICTIONS AND NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions include the following as of September 30, 2023:

Subject to expenditure for specified purpose:	
Crissy Field projects and programs	$ 9,046,990
Other park improvements and conservation projects	8,278,889
One Tam initiative	2,890,084
Community engagement, education and outreach	837,928
Youth programs	281,894
Other Presidio trails and projects	292,327
National Park Service projects	58,882
Presidio Tunnel Tops project	1,754
Conservancy programs fund	3,409,743
	25,098,491
Subject to the passage of time:	
For periods after September 30, 2023	130,800
	130,800
Subject to Conservancy spending policy and appropriation:	
Other Presidio trails and projects	3,791,739
Crissy Field projects and programs	3,186,491
Other park improvements and conservation projects	2,441,630
Youth programs	823,230
Conservancy programs fund	1,019,787
	11,262,877
	$ 36,492,168

11. NET ASSETS WITH DONOR RESTRICTIONS 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, 2023 as follows:

Subject to expenditure for specified purpose:	
Presidio Tunnel Tops project	$ 8,702,603
One Tam initiative	1,416,920
Community engagement, education and outreach	1,292,650
Other park improvements and conservation projects	586,752
Crissy Field projects and programs	314,515
Youth programs	125,274
National Park Service projects	101,938
Other Presidio trails and projects	54,350
Conservancy programs fund	1,698,362
	14,293,364
Subject to the passage of time:	
For periods after September 30, 2022	20,250
	20,250
Endowment earnings appropriated for expenditure	261,996
	$ 14,575,610

The appropriations of endowment assets for expenditure in 2023 totaled $505,945 of which $261,996 was spent on project expenditures in 2023. The 2023 unspent appropriations of $243,949 will be released from restriction with the incurrence of future project expenditures.

12. ENDOWMENT

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

	Accumulated Gains	Original Gift Amount	Total With Donor Restrictions
James R. Harvey Restoration Fund	$ 1,368,052	$ 2,423,686	$ 3,791,738
Bernard Osher Endowment	1,033,739	2,152,752	3,186,491
Ted Chong Endowment Fund	12,031	25,768	37,799
Anne Kincaid Endowment Fund	52,638	102,888	155,526
Mark Kutnink Endowment	193,555	318,436	511,991
Peabody Endowment	8,573	80,925	89,498
Greg Hind Endowment	496,022	1,555,000	2,051,022
The Wendell Family Endowment Fund	50,141	969,646	1,019,787
Josephine M. Kennedy Endowment Fund	29,563	389,462	419,025
	$ 3,244,314	$ 8,018,563	$ 11,262,877

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. The Josephine M. Kennedy Endowment Fund was established to provide funding for scholarships, stipends or wages for youth participants and interns in Park Conservancy's workforce development initiatives, programs and partnerships. The Wendell Family Endowment Fund was established to provide discretionary support of Park Conservancy's initiative, programs and partnerships that engage youth, families and communities in the Bay Area through the People in Parks Fund.

12. ENDOWMENT (continued)

Interpretation of relevant law

The Conservancy's Board of Trustees 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.

Endowment net asset composition by type of fund

	Accumulated Gains	Original Gift Amount	Total
Donor-restricted endowment funds	$ 3,244,314	$ 8,018,563	$ 11,262,877

12. ENDOWMENT (continued)

Changes in endowment net assets

	Accumulated Gains	Original Gift Amount	Total
Endowment net assets, beginning of year	$ 2,191,806	$ 6,634,455	$ 8,826,261
Investment return			
Interest and dividend income	79,790	-	79,790
Net realized and unrealized gains on investments	1,478,663	-	1,478,663
Total investment return	1,558,453	-	1,558,453
Contributions	-	1,384,108	1,384,108
Appropriations of endowment assets for expenditure	(505,945)	-	(505,945)
	1,052,508	1,384,108	2,436,616
Endowment net assets, end of year	$ 3,244,314	$ 8,018,563	$ 11,262,877

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, 2023, there were no such funds with 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% annually. Actual returns in any given year may vary from this amount.

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.

12. ENDOWMENT (continued)

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% of the trailing 12-quarter average estimated fair value of the endowment investments. Appropriations in excess of 4.5% 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. GIFTS IN KIND

Gifts in kind consisted of the following for the year ended September 30, 2023:

Office supplies	$ 23,369
Donated beer	4,880
	$ 28,249

Gifts in kind valuation techniques

Office supplies consist of disposable surgical masks. Office supplies and donated beer are valued using the wholesale purchase price.

Donor restrictions and gifts in kind use

All gifts are unrestricted. The Conservancy uses donated surgical masks at various locations for COVID-19 safety protocols. Donated beer was used during the Trails Forever event during the year ended September 30, 2023.

14. 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, 2023:

Gross sales	$ 17,855,988
Less cost of goods sold	(6,495,046)
	$ 11,360,942

15. 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, 2023:

Total program service expenses	$ 45,508,785
Less cost of goods sold	(6,495,046)
Less donated supplies	(28,249)
	$ 38,985,490

16. 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, 2023:

	Park Interpretation and Visitor Services	Park Enhancements, Restoration and Stewardship	Youth, Volunteer and Community Programs	Total Program Services	Management and General	Fundraising	Total
Grants made	$ -	$ 10,902,517	$ 11,000	$ 10,913,517	$ -	$ -	$ 10,913,517
Employee compensation and benefits	11,346,137	2,417,243	5,795,790	19,559,170	5,081,878	1,811,080	26,452,128
Professional fees and contract services	179,206	672,779	353,562	1,205,547	2,612,305	605,743	4,423,595
Cost of interpretive goods sold	6,495,046	-	-	6,495,046	-	-	6,495,046
Occupancy costs	1,380,361	134,909	152,554	1,667,824	297,056	72,823	2,037,703
Information technology	364,208	99,823	222,543	686,574	625,484	171,230	1,483,288
Depreciation	137,246	26,609	109,404	273,259	138,289	6,331	417,879
Planning and design	5,872	483,040	45,955	534,867	-	14,300	549,167
Landscaping	-	1,706,724	33,448	1,740,172	-	-	1,740,172
Equipment rental	50,169	26,799	86,009	162,977	23,858	184,048	370,883
Materials and supplies	296,243	53,791	328,905	678,939	65,592	51,207	795,738
Office expenses	64,460	24,591	325,468	414,519	168,141	446,497	1,029,157
Insurance	164,646	34,198	92,913	291,757	142,967	14,304	449,028
Investment advisory fees	-	-	-	-	170,701	-	170,701
Bank merchant fees	549,479	-	360	549,839	71,403	40,151	661,393
Printing	4,848	11,768	21,471	38,087	69,967	206,545	314,599
Advertising and promotion	-	-	-	-	50,457	-	50,457
Conferences, meetings and travel	53,976	64,103	176,519	294,598	58,763	4,714	358,075
Bad debt expense	2,093	-	-	2,093	-	20,000	22,093
Interest	-	-	-	-	16,609	-	16,609
Special event donor benefits	-	-	-	-	-	(144,900)	(144,900)
Total	21,093,990	16,658,894	7,755,901	45,508,785	9,593,470	3,504,073	58,606,328
Less advisory fees netted from investment return	-	-	-	-	(170,701)	-	(170,701)
Total expenses per statement of activities	$ 21,093,990	$ 16,658,894	$ 7,755,901	$ 45,508,785	$ 9,422,769	$ 3,504,073	$ 58,435,627

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. The employer contributions were frozen as of July 2020 and remained frozen in fiscal year 2023. The Board of Trustees approved in October 2023 to reinstate employer contributions effective January 1, 2024 as a non-elective contribution of 3% of the participant's annual salary. No contributions were made by the Conservancy for the year ended September 30, 2023.

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, 2023.

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.

19. CASH BALANCE RETIREMENT PLAN (continued)

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 end 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. Benefits for executive participants remained at $0 for plan years ending December 31, 2022 and December 31, 2023. The Board of Trustees approved in January 2024 to terminate the cash balance plan effective April 30, 2024. Participants were formally notified of the plan termination on February 23, 2024.

The funded status of the plan is as follows:

Plan Assets at fair value	$ 1,528,023
Accumulated benefits obligation	(1,511,852)
	$ 16,171

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

Service cost	$ 93,076
Interest cost	69,423
Expected return on plan assets	(72,732)
Prior service amortization	-
Amortization of gains	-
	$ 89,767

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	5.00 %
Expected long term rate of return on plan assets	5.00 %
Rate of compensation increase	- %
Discount rate - benefit obligation	5.00 %

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.

19. CASH BALANCE RETIREMENT PLAN (continued)

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

	Policy Allocation Target	Allocation of Plan Assets
Intermediate-Term Bonds	30.0 %	34.0 %
Large Cap Stocks	25.0 %	24.0 %
Small Cap Stocks	10.0 %	10.0 %
Foreign Stocks	35.0 %	32.0 %

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 $121,390 for the year ended September 30, 2023.

Contributions - The Conservancy made no contributions to the Cash Balance Plan during the year ended September 30, 2023.

Cash flows - Based on the action taken in January 2024 to terminate the cash balance plan effective April 30, 2024, the Conservancy will be expected to make a contribution to achieve full funding of the cash balance plan if the plan assets are insufficient upon termination.

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

Year ending September 30,	
2024	$ 1,397,612
	$ 1,397,612

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 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 and receivables

Revenues from programs on Alcatraz Island, including audio and interpretive tour fees, and sales of educational publications and interpretive merchandise, totaled approximately 54% of program revenue for September 30, 2023.

Approximately 14% of contributed income for the year ended September 30, 2023, including the net proceeds from special events, was attributable to various members of the Board of Trustees.

Approximately 23% of contributed income during the year ended September 30, 2023 was received from one donor. Approximately 86% of contributions receivable were comprised of amounts due from 5 donors.

22. COMMITMENTS

The Conservancy has entered into various construction contracts for trail enhancement and conservation projects totaling approximately $3.0 million. As of September 30, 2023, the total remaining balances on these contracts for work to be completed, was approximately $753,000 The Conservancy also had outstanding purchase commitments for publications and other interpretive merchandise approximating $1,153,000 at September 30, 2023.

23. EMPLOYEE RETENTION CREDIT

The Coronavirus Aid Relief and Economic Security ("CARES") Act, as modified by the Consolidated Appropriations Act of 2021 ("CAA"), contains a relief provision for businesses know as the Employee Retention Tax Credit ("ERC"). This provision provides a refundable payroll tax credit for "qualified wages" paid to employees after March 12, 2020, and before January 1, 2022. The ERC provides a refundable payroll tax credit to employers who contributed to pay employees despite COVID-19 business difficulties and interruptions that either render certain non-essential employees unproductive or cause a significant decline in receipts. The Conservancy, has estimated that it qualifies for ERC for the first, second and third quarters in 2021 totaling $4,846,923 based on a decline in gross receipts. The ERC was recognized as revenue during the year ended September 30, 2022 in accordance with the conditional contribution guidance under FASB ASC 958-605, *Not-For-Profit Entities Revenue Recognition*. As of September 30, 2022, no ERC funds had been collected and therefore the balance was recorded as a receivable in the statement of financial position. In April 2023, the Conservancy received its first and second ERC payments (including credit interest allowed) in the amounts $1,653,582 and $1,671,919, respectively. In August 2023, the Conservancy received its third ERC payment (including credit interest allowed) in the amount $1,699,986. All ERC payments had been received at September 30, 2023.

The ERC program is subject to inspection and audit by the IRS. The purpose of such audits is to determine whether entities met eligibility requirements under the program and that funds were used in accordance with guidelines and regulations. While management believes the Conservancy met the ERC requirements, it is possible that ERC funds recognized could ultimately be disallowed. The ultimate liability, if any, which may result from a governmental audit cannot be reasonable estimated and, accordingly, no provision for the possible disallowance of ERC credits has been recorded on the Conservancy's financial statements.