

FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
JUNE 30, 2013 AND 2012**

NATIONAL PARKS CONSERVATION ASSOCIATION

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statements of Financial Position, as of June 30, 2013 and 2012	4 - 5
EXHIBIT B - Statements of Activities and Changes in Net Assets, for the Years Ended June 30, 2013 and 2012	6 - 7
EXHIBIT C - Statement of Functional Expenses, for the Year Ended June 30, 2013	8 - 9
EXHIBIT D - Statement of Functional Expenses, for the Year Ended June 30, 2012	10 - 11
EXHIBIT E - Statements of Cash Flows, for the Years Ended June 30, 2013 and 2012	12
NOTES TO FINANCIAL STATEMENTS	13 - 29



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
National Parks Conservation Association
Washington, D.C.

We have audited the accompanying financial statements of the National Parks Conservation Association (the Association), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRF CPA.COM

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2013 and 2012, 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.

Gelman Rosenberg & Freedman

November 1, 2013

NATIONAL PARKS CONSERVATION ASSOCIATION

**STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2013 AND 2012**

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,720,695	\$ 8,338,357
Short-term investments (Notes 2, 4, 7 and 14)	4,079,824	3,444,618
Grants and contributions receivable, net of allowance for doubtful accounts of \$79,682 and \$55,549 in 2013 and 2012, respectively (Note 3)	3,355,853	4,202,939
Accounts receivable	62,042	291,558
Prepaid expenses	<u>236,204</u>	<u>321,561</u>
Total current assets	<u>13,454,618</u>	<u>16,599,033</u>
FIXED ASSETS		
Equipment	610,398	610,198
Furniture	606,681	606,681
Software	355,405	342,730
Leasehold improvements (Note 11)	<u>2,623,216</u>	<u>2,607,880</u>
	4,195,700	4,167,489
Less: Accumulated depreciation and amortization	<u>(1,774,467)</u>	<u>(1,308,888)</u>
Net fixed assets	<u>2,421,233</u>	<u>2,858,601</u>
OTHER ASSETS		
Deposits	24,745	25,251
Investments (Notes 2, 7 and 14)	32,046,119	29,570,143
Grants and contributions receivable, long-term portion (Note 3)	<u>4,137,350</u>	<u>1,202,273</u>
Total other assets	<u>36,208,214</u>	<u>30,797,667</u>
TOTAL ASSETS	<u>\$ 52,084,065</u>	<u>\$ 50,255,301</u>

LIABILITIES AND NET ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 2,091,359	\$ 3,002,072
Accrued salaries and related benefits	799,837	865,842
Charitable gift annuities, current portion (Note 7)	238,272	238,192
Deferred membership dues	582,173	639,694
Deferred rent, current portion (Note 11)	<u>263,832</u>	<u>263,832</u>
Total current liabilities	<u>3,975,473</u>	<u>5,009,632</u>
LONG-TERM LIABILITIES		
Deposits	-	10,425
Charitable gift annuities, long-term portion (Note 7)	1,711,002	1,726,653
Deferred rent, long-term portion (Note 11)	<u>2,707,974</u>	<u>2,828,242</u>
Total long-term liabilities	<u>4,418,976</u>	<u>4,565,320</u>
Total liabilities	<u>8,394,449</u>	<u>9,574,952</u>
NET ASSETS		
Unrestricted (Note 4)	16,313,778	13,140,485
Temporarily restricted (Note 5)	12,496,331	13,049,282
Permanently restricted (Note 6)	<u>14,879,507</u>	<u>14,490,582</u>
Total net assets	<u>43,689,616</u>	<u>40,680,349</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 52,084,065</u>	<u>\$ 50,255,301</u>

NATIONAL PARKS CONSERVATION ASSOCIATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE				
Contributions (Notes 7 and 9)	\$ 17,743,511	\$ 6,286,108	\$ 388,925	\$ 24,418,544
Grants and contracts	75,000	4,797,025	-	4,872,025
Membership dues	1,165,675	-	-	1,165,675
Bequests	2,305,163	-	-	2,305,163
Investment return (Note 2)	1,340,483	1,280,438	-	2,620,921
Marketing income	821,706	639,000	-	1,460,706
Special events	128,322	480,288	-	608,610
Change in value of charitable gift annuities (Note 7)	(107,692)	-	-	(107,692)
Other revenue (Note 11)	139,909	12,200	-	152,109
Net assets released from donor restrictions (Note 5)	<u>14,048,010</u>	<u>(14,048,010)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>37,660,087</u>	<u>(552,951)</u>	<u>388,925</u>	<u>37,496,061</u>
EXPENSES				
Program Services:				
Protect and Enhance Natural and Cultural Resources	11,898,189	-	-	11,898,189
Engage, Educate and Empower Americans	10,932,616	-	-	10,932,616
Park Funding and Management	<u>3,278,084</u>	<u>-</u>	<u>-</u>	<u>3,278,084</u>
Total program services	<u>26,108,889</u>	<u>-</u>	<u>-</u>	<u>26,108,889</u>
Supporting Services:				
Management and General	507,172	-	-	507,172
Fundraising	<u>7,870,733</u>	<u>-</u>	<u>-</u>	<u>7,870,733</u>
Total supporting services	<u>8,377,905</u>	<u>-</u>	<u>-</u>	<u>8,377,905</u>
Total expenses	<u>34,486,794</u>	<u>-</u>	<u>-</u>	<u>34,486,794</u>
Changes in net assets	3,173,293	(552,951)	388,925	3,009,267
Net assets at beginning of year	<u>13,140,485</u>	<u>13,049,282</u>	<u>14,490,582</u>	<u>40,680,349</u>
NET ASSETS AT END OF YEAR	<u>\$ 16,313,778</u>	<u>\$ 12,496,331</u>	<u>\$ 14,879,507</u>	<u>\$ 43,689,616</u>

See accompanying notes to financial statements.

2012			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 16,943,478	\$ 1,650,483	\$ 151,272	\$ 18,745,233
75,000	2,528,541	-	2,603,541
1,246,173	-	-	1,246,173
1,388,542	-	-	1,388,542
258,709	16,891	-	275,600
302,209	550,000	-	852,209
404,989	1,653,627	-	2,058,616
(471,213)	-	-	(471,213)
209,102	-	-	209,102
<u>17,976,324</u>	<u>(17,976,324)</u>	<u>-</u>	<u>-</u>
<u>38,333,313</u>	<u>(11,576,782)</u>	<u>151,272</u>	<u>26,907,803</u>
12,761,321	-	-	12,761,321
11,037,772	-	-	11,037,772
<u>5,059,353</u>	<u>-</u>	<u>-</u>	<u>5,059,353</u>
<u>28,858,446</u>	<u>-</u>	<u>-</u>	<u>28,858,446</u>
542,028	-	-	542,028
<u>8,731,458</u>	<u>-</u>	<u>-</u>	<u>8,731,458</u>
<u>9,273,486</u>	<u>-</u>	<u>-</u>	<u>9,273,486</u>
<u>38,131,932</u>	<u>-</u>	<u>-</u>	<u>38,131,932</u>
201,381	(11,576,782)	151,272	(11,224,129)
<u>12,939,104</u>	<u>24,626,064</u>	<u>14,339,310</u>	<u>51,904,478</u>
<u>\$ 13,140,485</u>	<u>\$ 13,049,282</u>	<u>\$ 14,490,582</u>	<u>\$ 40,680,349</u>

See accompanying notes to financial statements.

NATIONAL PARKS CONSERVATION ASSOCIATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013**

	Program Services			
	Protect and Enhance Natural and Cultural Resources	Engage, Educate and Empower Americans	Park Funding and Management	Total Program Services
Salaries and benefits (Note 8)	\$ 6,435,505	\$ 3,623,922	\$ 1,921,764	\$11,981,191
Professional and outside services (Note 9)	2,642,092	1,127,478	589,771	4,359,341
Grants and awards	113,661	522,974	1,996	638,631
Office supplies and expense	144,473	141,498	72,861	358,832
Telephone	180,892	46,042	34,245	261,179
Postage, shipping, lists and related costs	106,322	2,014,268	74,874	2,195,464
Equipment rental and maintenance	40,990	16,630	7,768	65,388
Printing	266,386	1,679,269	137,982	2,083,637
Publications, subscriptions and membership dues	30,925	44,498	6,797	82,220
Travel	468,881	199,006	150,946	818,833
Meetings and conferences	10,643	6,429	4,780	21,852
Special events	152,207	409,255	7,225	568,687
Building occupancy expense (Note 11)	862,974	370,154	177,936	1,411,064
Depreciation and amortization	219,545	96,485	46,520	362,550
Other	222,693	634,708	42,619	900,020
TOTAL	\$ 11,898,189	\$ 10,932,616	\$ 3,278,084	\$26,108,889

Supporting Services

Management and General	Fundraising	Total Supporting Services	Total Expenses
\$ 159,776	\$ 2,902,249	\$ 3,062,025	\$ 15,043,216
29,293	568,942	598,235	4,957,576
(658)	14,357	13,699	652,330
7,484	18,387	25,871	384,703
9,481	30,892	40,373	301,552
1,441	1,703,843	1,705,284	3,900,748
7,583	12,201	19,784	85,172
2,628	1,437,720	1,440,348	3,523,985
1,724	8,902	10,626	92,846
5,066	154,916	159,982	978,815
56	1,693	1,749	23,601
552	82,708	83,260	651,947
189,500	292,518	482,018	1,893,082
49,544	76,219	125,763	488,313
43,702	565,186	608,888	1,508,908
\$ 507,172	\$ 7,870,733	\$ 8,377,905	\$ 34,486,794

See accompanying notes to financial statements.

NATIONAL PARKS CONSERVATION ASSOCIATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012**

	Program Services			
	Protect and Enhance Natural and Cultural Resources	Engage, Educate and Empower Americans	Park Funding and Management	Total Program Services
Salaries and benefits (Note 8)	\$ 6,694,456	\$ 3,663,237	\$ 2,707,472	\$13,065,165
Professional and outside services (Note 9)	2,695,362	1,544,425	1,199,385	5,439,172
Grants and awards	404,640	453,191	68,854	926,685
Office supplies and expense	163,873	154,685	96,023	414,581
Telephone	185,230	43,115	45,405	273,750
Postage, shipping, lists and related costs	104,797	1,855,770	64,798	2,025,365
Equipment rental and maintenance	54,819	24,565	23,863	103,247
Printing	242,768	1,690,937	71,418	2,005,123
Publications, subscriptions and membership dues	37,787	49,174	7,341	94,302
Travel	676,272	231,821	351,784	1,259,877
Meetings and conferences	15,373	14,493	8,106	37,972
Special events	198,701	254,998	51,938	505,637
Building occupancy expense (Note 11)	886,254	364,586	248,990	1,499,830
Depreciation and amortization	225,551	91,900	64,270	381,721
Other	175,438	600,875	49,706	826,019
TOTAL	\$ 12,761,321	\$ 11,037,772	\$ 5,059,353	\$28,858,446

See accompanying notes to financial statements.

Supporting Services

Management and General	Fundraising	Total Supporting Services	Total Expenses
\$ 179,996	\$ 3,002,220	\$ 3,182,216	\$ 16,247,381
34,892	826,519	861,411	6,300,583
1,214	6,503	7,717	934,402
8,536	33,787	42,323	456,904
8,812	27,048	35,860	309,610
1,521	1,578,834	1,580,355	3,605,720
7,791	15,358	23,149	126,396
914	1,564,909	1,565,823	3,570,946
629	12,880	13,509	107,811
5,636	182,193	187,829	1,447,706
37	5,432	5,469	43,441
10,108	508,385	518,493	1,024,130
194,188	288,862	483,050	1,982,880
50,125	72,597	122,722	504,443
37,629	605,931	643,560	1,469,579
\$ 542,028	\$ 8,731,458	\$ 9,273,486	\$ 38,131,932

See accompanying notes to financial statements.

NATIONAL PARKS CONSERVATION ASSOCIATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 3,009,267	\$ (11,224,129)
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	488,313	504,443
Net (appreciation) depreciation of investments	(1,832,571)	344,646
Change in value of charitable gift annuities	107,692	471,213
Change in allowance for uncollectable pledges	24,133	(118,296)
Change in discount on grants and contributions receivable	301,158	(66,887)
Permanently restricted contributions	(388,925)	(151,272)
(Increase) decrease in:		
Grants and contributions receivable	(2,413,282)	11,804,597
Accounts receivable	229,516	(258,411)
Prepaid expenses	85,357	(105,489)
Deposits	506	14,566
Increase (decrease) in:		
Accounts payable and accrued liabilities	(910,713)	930,202
Accrued salaries and related benefits	(66,005)	165,946
Deferred membership dues	(57,521)	(25,502)
Deferred rent	(120,268)	172,909
Deposits	(10,425)	10,425
Net cash (used) provided by operating activities	<u>(1,553,768)</u>	<u>2,468,961</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(50,945)	(50,218)
Purchase of investments	(12,918,271)	(3,866,118)
Proceeds from sale of investments	<u>11,639,660</u>	<u>1,913,637</u>
Net cash used by investing activities	<u>(1,329,556)</u>	<u>(2,002,699)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	388,925	151,272
Payments made on charitable gift annuities	(210,757)	(201,700)
Proceeds from charitable gift annuities	<u>87,494</u>	<u>216,601</u>
Net cash provided by financing activities	<u>265,662</u>	<u>166,173</u>
Net (decrease) increase in cash and cash equivalents	(2,617,662)	632,435
Cash and cash equivalents at beginning of year	<u>8,338,357</u>	<u>7,705,922</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,720,695</u>	<u>\$ 8,338,357</u>
SUPPLEMENTAL INFORMATION		
Donated Stock Received	<u>\$ 1,253,286</u>	<u>\$ 461,256</u>

See accompanying notes to financial statements.

NATIONAL PARKS CONSERVATION ASSOCIATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The National Parks Conservation Association (the Association) was established in 1919 as a national nonprofit membership organization that focuses on defending, promoting and improving America's National Park System while educating the public about the parks. The Association seeks to protect park visitors, natural and historic resources from the impacts of air pollution and climate change. The Association also seeks to ensure the long-term health of park wildlife populations and habitat for the enjoyment of this and future generations. The Association was incorporated in the District of Columbia.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

The Association considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents, excluding cash and cash equivalents held by investment managers in the amounts of \$1,349,888 and \$1,232,735 for the years ended June 30, 2013 and 2012, respectively.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year the Association maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Unrealized and realized gains and losses are included in investment return in the Statements of Activities and Changes in Net Assets.

Accounts, grants and contributions receivable -

Accounts receivable are recorded at their net realizable value, which approximates fair value. Grants and contributions receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and historical experience.

Fixed assets -

Fixed assets in excess of \$5,000 are capitalized and stated at cost, or if donated, are recorded at the fair market value at the date of donation.

NATIONAL PARKS CONSERVATION ASSOCIATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Fixed assets (continued) -

Equipment, furniture and software are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to ten years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred.

Grants and contributions -

Grants and contributions are recorded as revenue in the year notification is received from the donor.

Temporarily restricted grants and contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Other revenue -

Membership dues are recognized when earned. Membership dues received in advance and not yet earned are deferred to the applicable period.

Bequests are recognized when received.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Association and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by the Association.

Income taxes -

The Association is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Association is not a private foundation.

NATIONAL PARKS CONSERVATION ASSOCIATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Income taxes (continued) -

The Association earns unrelated business income on advertising. The Association did not have income tax expense for the years ended June 30, 2013 and 2012.

Uncertain tax positions -

For the years ended June 30, 2013 and 2012, the Association has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

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 that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Risks and uncertainties -

The Association invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

The Association adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Association accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

NATIONAL PARKS CONSERVATION ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

2. INVESTMENTS

Investments consisted of the following at June 30, 2013 and 2012:

	Fair Value	
	2013	2012
Cash and money market	\$ 1,349,888	\$ 1,232,735
Certificate of deposit	253,544	-
Equities:		
Emerging markets	2,142,218	1,640,238
International	4,239,910	3,348,268
Domestic	10,971,301	8,535,256
Global Region	844,546	-
Fixed income:		
Corporate bonds	9,873,838	10,289,999
Government obligations	401,023	1,246,738
International mutual funds	258,384	-
Domestic mutual funds	1,401,578	953,901
Real estate funds	1,136,989	1,283,293
Commodities funds	-	1,133,782
Alternatives:		
Hedge fund	1,414,092	1,318,475
Limited Partnerships	1,838,632	2,032,076
	36,125,943	33,014,761
Less: Short-term investments	(4,079,824)	(3,444,618)
TOTAL INVESTMENTS	\$ 32,046,119	\$ 29,570,143

Short-term investments include operating funds and Board Project Funds (see Note 4).

Under the terms of certain agreements for several alternative investments, the Association is obligated to remit additional funding periodically as capital calls are exercised. As of June 30, 2013 and 2012, the Association has uncalled commitments of \$499,200 and \$577,200, respectively.

Alternative investments are comprised of the following:

Investment Type	2013	2012	Liquidity
Northgate IV Limited Partnership	\$ 949,162	\$ 929,990	Long-term limited partnerships with investment period where capital is drawn down and then as investments are sold, capital is returned. Term will continue until assets are sold and proceeds distributed and will expire in approximately 14 years.

NATIONAL PARKS CONSERVATION ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

2. INVESTMENTS (Continued)

<u>Investment Type</u>	<u>2013</u>	<u>2012</u>	<u>Liquidity</u>
Siguler Guff Distressed Opportunities Fund Limited Partnership	\$ 889,470	\$ 1,102,086	Long-term limited partnerships with investment period where capital is drawn down and then as investments are sold, capital is returned. Term will expire on the earlier of December 31, 2019 or the date all assets have been distributed.
J.D. Clark & Company Common Sense Long-Biased Offshore, LTD	<u>1,414,092</u>	<u>1,318,475</u>	One-year lock-up period expired August 1, 2009; liquidity semi-annual with 95 days written notice.
ALTERNATIVE INVESTMENTS	<u>\$3,252,724</u>	<u>\$3,350,551</u>	

Included in the investments balance at June 30, 2013 and 2012 are investments related to certain split interest agreements (see Note 7) as follows:

	<u>2013</u>	<u>2012</u>
Cash and money market	\$ 16,460	\$ 1,513
Equities:		
International	386,180	189,965
Domestic	1,159,171	1,077,410
Fixed income:		
Government obligations	401,023	496,242
International mutual funds	258,384	-
Domestic mutual funds	480,013	953,901
Real estate funds	<u>247,649</u>	<u>188,891</u>
TOTAL INVESTMENTS	<u>\$ 2,948,880</u>	<u>\$ 2,907,922</u>

Included in investment return are the following:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 788,350	\$ 620,246
Net unrealized and realized gains (losses)	<u>1,832,571</u>	<u>(344,646)</u>
TOTAL INVESTMENT RETURN	<u>\$ 2,620,921</u>	<u>\$ 275,600</u>

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable consisted of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Amounts due in:		
Less than one year	\$ 3,435,535	\$ 4,258,488
One to five years	<u>4,532,667</u>	<u>1,296,432</u>
Total amounts due	7,968,202	5,554,920
Less: Present value discount	(395,317)	(94,159)
Allowance for uncollectable pledges	<u>(79,682)</u>	<u>(55,549)</u>
NET GRANTS AND CONTRIBUTIONS RECEIVABLE	<u>\$ 7,493,203</u>	<u>\$ 5,405,212</u>

NATIONAL PARKS CONSERVATION ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

3. GRANTS AND CONTRIBUTIONS RECEIVABLE (Continued)

The present value discount is calculated using a rate of 5% for the years ended June 30, 2013 and 2012. Grants and contributions receivable include \$2,553,183 and \$823,103 from officers, directors and employees of the Association as of June 30, 2013 and 2012, respectively.

4. BOARD DESIGNATED FUNDS

The Board of Trustees has established a Board Reserve Fund to provide financial stability and capital in order to meet the future needs of the Association. Investment income may be used to support programs and operations of the Association up to 4.5% of the rolling average of the fund's market value of the previous twelve quarters. At June 30, 2013 and 2012, the Board Reserve Fund amounted to \$3,401,944 and \$11,741,812, respectively.

The Board of Trustees established a Board Project Fund to meet the expenses occurring as a result of unanticipated activities and multi-year projects funded through temporarily restricted income, improve the return on funds held for expenditure over the next one to five years, and to manage investment risk. Income generated by the Board Project Fund may be used to fund current operating expenses. At June 30, 2013 and 2012, the Board Project Fund amounted to \$3,651,029 and \$3,414,996, respectively.

The Board of Trustees established a Board Designated Endowment Fund to solidify the success of NPCA's recently completed Capital Campaign and reflect the true financial strength of the organization. Wholly funded by Board Reserve Funds, the Board Designated Endowment Fund combined with Donor Restricted Endowments achieves the targeted goal of more than \$25 million in endowment investments. The Board Designated Endowment Fund was established to enhance the long term financial base of the Association. At June 30, 2013, the Board Designated Endowment Fund amounted to \$9,163,169 and \$0, respectively. See Note 6 for further detail.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2013 and 2012:

	2013	2012
Timing Restrictions	\$ 2,909,863	\$ 4,974,984
Protect and Enhance Natural and Cultural Resources	5,403,373	2,975,426
Engage, Educate and Empower Americans	2,243,696	877,356
Park Funding and Management	969,365	3,264,906
Regional	970,034	956,610
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ 12,496,331	\$ 13,049,282

The following temporarily restricted net assets were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors or the passage of time:

	2013	2012
Passage of Time	\$ 4,708,121	\$ 6,214,630
Protect and Enhance Natural and Cultural Resources	3,441,823	3,351,726
Engage, Educate and Empower Americans	1,400,253	1,597,354
Park Funding and Management	3,219,830	4,886,991
Regional	1,277,983	1,925,623
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ 14,048,010	\$ 17,976,324

NATIONAL PARKS CONSERVATION ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

6. PERMANENTLY RESTRICTED NET ASSETS

The Association's endowment consists of donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. Funds designated by the Board of Trustees are classified as unrestricted funds until those amounts are appropriated for expenditure by the Association.

In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Endowment net asset composition by type of fund as of June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2012	\$ (23,009)	\$ 482,987	\$ 14,490,582	\$ 14,950,560
Investment return:				
Investment income	-	407,614	-	407,614
Net appreciation (realized and unrealized)	<u>-</u>	<u>872,824</u>	<u>-</u>	<u>872,824</u>
Total investment return	<u>-</u>	<u>1,280,438</u>	<u>-</u>	<u>1,280,438</u>
Contributions	-	-	388,925	388,925
Board designated transfer of funds (Note 4)	9,163,169	-	-	9,163,169
Appropriation of endowment assets for expenditure	-	(456,557)	-	(456,557)
Transfer for deficiency of funds	<u>23,009</u>	<u>(23,009)</u>	<u>-</u>	<u>-</u>
ENDOWMENT NET ASSETS, JUNE 30, 2013	<u>\$ 9,163,169</u>	<u>\$ 1,283,859</u>	<u>\$ 14,879,507</u>	<u>\$ 25,326,535</u>

NATIONAL PARKS CONSERVATION ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

6. PERMANENTLY RESTRICTED NET ASSETS (Continued)

Endowment net asset composition by type of fund as of June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2011	\$ -	\$ 1,590,142	\$ 14,339,310	\$ 15,929,452
Investment return:				
Investment income	-	287,135	-	287,135
Net depreciation (realized and unrealized)	<u>-</u>	<u>(270,244)</u>	<u>-</u>	<u>(270,244)</u>
Total investment return	<u>-</u>	<u>16,891</u>	<u>-</u>	<u>16,891</u>
Contributions	-	-	151,272	151,272
Appropriation of endowment assets for expenditure	-	(1,147,055)	-	(1,147,055)
Transfer for deficiency of funds	<u>(23,009)</u>	<u>23,009</u>	<u>-</u>	<u>-</u>
ENDOWMENT NET ASSETS, JUNE 30, 2012	<u>\$ (23,009)</u>	<u>\$ 482,987</u>	<u>\$ 14,490,582</u>	<u>\$ 14,950,560</u>

The income from permanently restricted net assets are restricted for the following programs:

	<u>2013</u>	<u>2012</u>
Park Protection Endowment	\$ 9,999,981	\$ 9,999,981
EDAR Endowment	1,207,942	1,207,942
Frank H. Filley and Family Endowment Fund	440,416	440,416
H. William Walter Endowed Internship Program	305,300	305,300
Stephen Tyng Mather Award Endowed by Booz, Allen, Hamilton	100,000	100,000
Gretchen Long Endowment	286,831	-
General NPCA Endowment Fund	359,807	228,713
Norman G. Cohen Park Education Endowment	51,230	51,230
Yellowstone Conservation Fund Endowment	628,000	657,000
NERO Endowment	<u>1,500,000</u>	<u>1,500,000</u>
	<u>\$ 14,879,507</u>	<u>\$ 14,490,582</u>

Park Protection Endowment:

This endowment is funded through the generosity of an anonymous donor. Its purpose is to enhance the long term financial base of the Association in order to consistently propel the organization towards protecting and enhancing America's National Parks for present and future generations.

EDAR Endowment:

The EDAR Endowment was created and initially funded by Armstrong Chinn, Jr. for the purpose of creating a permanent memorial endowment fund to further the mission of the Association.

NATIONAL PARKS CONSERVATION ASSOCIATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012

6. PERMANENTLY RESTRICTED NET ASSETS (Continued)

Frank H. Filley and Family Endowment Fund:

The Frank H. Filley and Family Endowment Fund was created in December 2001 and was established as an endowment generally supporting the activities of the Association.

H. William Walter Endowed Internship Program:

This endowment is funded by the friends and family of William Walter, to honor him for his years of generous support, leadership and outreach on behalf of the Association and our national parks. The investment income is to support an internship program at the Association, so that college and graduate students can have an opportunity to gain experience, possibly leading to careers in park conservation.

Stephen Tyng Mather Award (Endowed by Booz, Allen, Hamilton):

The Stephen Tyng Mather Award Endowed by Booz Allen Hamilton Fund was set up in the Winter of 2007. The investment income of the fund is specifically directed to be used to offset the cost of the award, given each year to a deserving National Park Service employee who has exhibited exemplary and distinguished performance in park protection and enhancement.

Gretchen Long Endowment:

The Gretchen Long Endowment was created by and initially funded by the friends of Gretchen Long to honor her service to the Association. Funding by Gretchen Long and friends was endowed to support the mission of the Association.

General National Parks Conservation Association Endowment Fund:

The General National Parks Conservation Association Endowment was established for the purpose of supporting the Association's activities. This endowment was initiated through the generosity of John and Jane Strandberg who indicated a desire to fund a general endowment for the Association.

Norman G. Cohen Park Education Endowment:

The Norman G. Cohen Park Education Endowment established by Norman G. Cohen in 1992, with the purpose to provide youth from the Washington, D.C. area with educational activities that help them appreciate and understand the national parks.

Yellowstone Conservation Fund Endowment:

The Yellowstone Conservation Endowment Fund was established for the purpose of protecting the greater Yellowstone ecosystem. Individuals from the Midwest and Northern Rockies Regions area are supporting the fund. Income from the fund may be used to support any type of strategy or project to protect the national park and its surroundings.

Northeast Regional Office (NERO) Endowment:

The Northeast Regional Office (NERO) Endowment fund was established to produce income designated for the Association's work through its Northeast Regional Office (NERO) or in direct support of it. Income from this fund may be used for Association work that directly supports NERO, for NERO staff salaries and/or benefits, consultants, direct operating expenses, office space, or other reasonable and necessary expenses to maintain an effective presence in the Northeast region.

NATIONAL PARKS CONSERVATION ASSOCIATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012

6. PERMANENTLY RESTRICTED NET ASSETS (Continued)

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 UPMIFA requires the Association to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets totaled \$23,009 at June 30, 2012. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and continued appropriations for certain programs that was deemed prudent by the Board of Directors. There were no deficiencies at June 30, 2013.

Return Objectives and Risk Parameters:

The Association 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 Association must hold in-perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to provide real (inflation adjusted) growth of capital, without undue risk.

Strategies Employed for Achieving Objectives:

To satisfy its long-term rate-of-return objectives, the Association will utilize a strategy of fixed income, equities and cash equivalents in a mix which is conducive to participation in rising markets while allowing for protection in falling markets. The assets will be invested with the care, skill, prudence and diligence under the circumstances then prevailing. The greatest concern should be long-term appreciation of the assets and consistency of total portfolio returns. The criteria utilized to determine the target investment allocation include the total return against CPI, Treasury Bill Index and a standard deviation based on acceptable risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy:

The Association has a policy of appropriating for distribution each year up to 5% of its endowment fund's average fair value over the prior 12 quarters, unless explicitly directed otherwise by the donor. In establishing this policy, the Association considered the long-term expected return on its endowment. Accordingly, over the long-term, the Association expects the current spending policy to allow its endowment to grow at an average of at least 4.5% annually. This is consistent with the Association'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.

7. CHARITABLE GIFT ANNUITIES

The Association administers various charitable gift annuity agreements that allow a donor to contribute assets to the Association in exchange for a promise to pay a fixed amount to the donor or to other designated beneficiaries over the agreements' term, usually the designated beneficiary's lifetime. At the end of the agreements' term, the remaining assets are available for the Association's use.

NATIONAL PARKS CONSERVATION ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

7. CHARITABLE GIFT ANNUITIES (Continued)

The portion of the agreement attributable to the future interest of the Association is recorded in the Statements of Activities and Changes in Net Assets as unrestricted contributions in the period the agreement is established. Assets are recorded at readily determinable fair value in the Statements of Financial Position. On an annual basis, the Association revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using a discount rate ranging from 1.2% to 8.2% and applicable mortality tables.

The following liabilities have been recorded in the Statements of Financial Position at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Current liability to the beneficiaries	\$ 238,272	\$ 238,192
Long-term liability to the beneficiaries	<u>1,711,002</u>	<u>1,726,653</u>
TOTAL LIABILITY TO THE BENEFICIARIES	<u>\$ 1,949,274</u>	<u>\$ 1,964,845</u>

Unrestricted contribution revenue from these agreements of \$72,506 and \$149,668 was recorded in the Statements of Activities and Changes in Net Assets for the years ended June 30, 2013 and 2012, respectively.

8. PENSION PLANS

The Association has a defined contribution plan for employer only contributions to all eligible employees. Employer contributions are based upon each eligible employee's annual compensation. Total pension expense for the years ended June 30, 2013 and 2012 was \$757,561 and \$958,464, respectively.

Additionally, the Association has a 403(b) plan covering all of its employees. Employee only contributions are discretionary and are made through salary deferral arrangements, up to the maximum allowable amount.

9. DONATED SERVICES AND MATERIALS

A substantial number of volunteers have donated significant amounts of time to the Association's program services and to its fundraising campaigns. No amounts have been recognized in the Statements of Activities and Changes in Net Assets since services performed by the Association's volunteers do not fall into the criteria established by the Financial Accounting Standards Board in this area.

The Association records donated legal services at the fair market values of the services rendered. For the years ended June 30, 2013 and 2012, the amount of legal services recorded was \$1,621,017 and \$1,650,455, respectively. All donated legal services benefited the Protect and Enhance Natural and Cultural Resources program.

NATIONAL PARKS CONSERVATION ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

10. ALLOCATION OF JOINT COSTS

Joint costs incurred for mailings were \$5,306,759 and \$5,413,674 for the years ended June 30, 2013 and 2012, respectively. Joint costs incurred for special events were \$421,268 and \$682,576 for the years ended June 30, 2013 and 2012, respectively. Mailings consisted of program strategies and activities that included fundraising appeals. These costs include the costs of keeping the members of the Association informed of park issues through letters, the annual report and implementation materials relating to specific programs. Fundraising is that component of joint costs associated with asking the Association's current members for contributions.

Joint costs were allocated as follows at June 30, 2013:

	<u>Mailings</u>	<u>Special Events</u>	<u>Total</u>
Program Services:			
Engage, Educate and Empower Americans	\$ 2,705,386	\$ 379,141	\$ 3,084,527
Supporting Services:			
Fundraising - Membership Development	1,453,686	-	1,453,686
Fundraising - Other	<u>1,147,687</u>	<u>42,127</u>	<u>1,189,814</u>
TOTAL EXPENSES	<u>\$ 5,306,759</u>	<u>\$ 421,268</u>	<u>\$ 5,728,027</u>

Joint costs were allocated as follows at June 30, 2012:

	<u>Mailings</u>	<u>Special Events</u>	<u>Total</u>
Program Services:			
Engage, Educate and Empower Americans	\$ 2,805,172	\$ 353,266	\$ 3,158,438
Supporting Services:			
Fundraising - Membership Development	1,431,900	-	1,431,900
Fundraising - Other	<u>1,176,602</u>	<u>329,310</u>	<u>1,505,912</u>
TOTAL EXPENSES	<u>\$ 5,413,674</u>	<u>\$ 682,576</u>	<u>\$ 6,096,250</u>

11. COMMITMENTS

The Association has commitments under several operating leases for office space expiring at various times. Some leases have scheduled rental increases and some contain options to renew. During fiscal year 2010, the Association signed a new lease for their headquarters which began in fiscal year 2011 and expires in the year ending June 30, 2021. The Association delivered to landlord a letter of credit in the amount of \$500,000 as a lease security deposit. The lease security deposit may be reduced on the first and second anniversaries of the rent commencement date. No draws had been made on the letter of credit as of June 30, 2013.

The landlord provided \$2,638,320 of leasehold improvements, which was recorded as deferred rent and is being amortized over the life of the lease. Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is being deferred.

NATIONAL PARKS CONSERVATION ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

11. COMMITMENTS (Continued)

Future minimum rental payments, by year and in aggregate, under the operating leases are as follows:

<u>Year Ending June 30,</u>	
2014	\$ 1,903,220
2015	1,844,330
2016	1,790,165
2017	1,750,825
2018	1,782,845
Thereafter	<u>5,592,744</u>
	<u>\$ 14,664,129</u>

Rent expense, which is included in building occupancy expense in the Statements of Functional Expenses, for the years ended June 30, 2013 and 2012 was \$1,853,219 and \$1,924,809, respectively.

The Association sublets space to a third party. The lease operates on a month to month basis. Rental income is included in other revenue in the Statements of Activities and Changes in Net Assets. Rental income received for the years ended June 30, 2013 and 2012 was \$5,940 and \$9,340, respectively.

12. PROGRAM AND SUPPORTING SERVICES DESCRIPTIONS

Since 1919, the nonpartisan National Parks Conservation Association has been the leading voice of the American people in protecting and enhancing our National Park System. The Association, its members and partners work together to protect the park system and preserve our nation's natural, historical and cultural heritage for America's tomorrow. A brief description of the Association programs and supporting services follows:

Protect and Enhance Natural and Cultural Resources:

These programs protect parks from external threats that negatively impact, degrade, or destroy park resources or values, and serve to protect, restore, and maintain park, natural, and cultural resources unimpaired for future generations. The Association has offices across the nation to ensure that threats to resources at our parks are detected early and solutions to these threats implemented quickly. These offices also work to seize opportunities to measure the health of and improve the condition of these resources.

Engage, Educate, and Empower Americans:

The long-term viability and vibrancy of the national parks depend on a broader, more diverse, committed, and engaged constituency that values the national park idea. To gain broader support for the parks, the Association will seek through this strategic priority to create a larger national park community that is engaged, educated, and empowered to protect and enhance our national parks and monuments. This broader community will include non-traditional allies and a broader constituency that more closely represents the changing demographics of America.

NATIONAL PARKS CONSERVATION ASSOCIATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012

12. PROGRAM AND SUPPORTING SERVICES DESCRIPTIONS (Continued)

Park Funding and Management:

The Association's research indicates that the National Park Service faces an operating funding deficit of approximately \$600 million, a maintenance backlog of over \$10 billion, and a backlog of land acquisition needs within park boundaries of over \$2 billion. The Association is working to minimize this gap in a challenging budgetary climate. A better managed national park system is a better protected national park system. Through its Center for Park Management the Association works with the National Park Service to promote and enhance the management capacity within the National Park Service.

Management and General:

Expenses include the functions necessary to provide the coordination and articulation of the Association's program strategy through the executive offices; to secure proper administrative functioning of the Board of Trustees; to manage the financial and budgetary responsibilities of the Association; and to maintain an equitable employment program and ensure an adequate work environment.

Fundraising:

Activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; soliciting for prospective members and conducting other activities involved in soliciting contributions from individuals, foundations, corporations and others.

13. CONTINGENCIES

Various lawsuits and other contingent liabilities arise in the ordinary course of the Association's activities. Based upon information currently available, management believes that any liability resulting there from will not materially affect the financial position or the operations of the Association.

14. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Association has categorized its financial instruments, based on the priority of the inputs to the valuation technique, 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 financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Association has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

NATIONAL PARKS CONSERVATION ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

14. FAIR VALUE MEASUREMENT (Continued)

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2013 and 2012.

- *Cash and cash equivalents* - Fair value is equal to the reported net asset value of the funds.
- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.
- *Common stock, mutual funds, and equities* - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.
- *Fixed income funds, bonds, real estate funds and commodities* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.
- *Alternative investments* - These instruments do not have a readily determinable fair value. The fair values used are generally determined by the general partner or management of the entity and are based on appraisals or other estimates that require varying degrees of judgment. Inputs used in determining fair value may include the cost and recent activity concerning the underlying investments in the funds or partnerships.

The table below summarizes, by level within the fair value hierarchy, the Association's investments as of June 30, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total June 30, 2013</u>
Asset Class:				
Cash and money market	\$ 1,349,888	\$ -	\$ -	\$ 1,349,888
Certificate of deposit	-	253,544	-	253,544
Equities:				
Emerging markets	2,142,218	-	-	2,142,218
International	4,239,910	-	-	4,239,910
Domestic	10,971,301	-	-	10,971,301
Global Region	844,546	-	-	844,546
Fixed income:				
Corporate bonds	-	9,873,838	-	9,873,838
Government obligations	-	401,023	-	401,023
International mutual funds	258,384	-	-	258,384
Domestic mutual funds	1,401,578	-	-	1,401,578
Real estate funds	-	1,136,989	-	1,136,989
Alternatives:				
Hedge fund	-	-	1,414,092	1,414,092
Limited Partnerships	-	-	1,838,632	1,838,632
TOTAL	<u>\$ 21,207,825</u>	<u>\$ 11,665,394</u>	<u>\$ 3,252,724</u>	<u>\$ 36,125,943</u>

NATIONAL PARKS CONSERVATION ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

14. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, the Association's investments as of June 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total June 30, 2012</u>
Asset Class:				
Cash and money market	\$ 1,232,735	\$ -	\$ -	\$ 1,232,735
Equities:				
Emerging markets	1,640,238	-	-	1,640,238
International	3,348,268	-	-	3,348,268
Domestic	8,535,256	-	-	8,535,256
Fixed income:				
Corporate bonds	-	10,289,999	-	10,289,999
Government obligations	-	1,246,738	-	1,246,738
Domestic mutual funds	953,901	-	-	953,901
Real estate funds	-	1,283,293	-	1,283,293
Commodities funds	-	1,133,782	-	1,133,782
Alternatives:				
Hedge fund	-	-	1,318,475	1,318,475
Limited Partnerships	-	-	2,032,076	2,032,076
TOTAL	<u>\$ 15,710,398</u>	<u>\$ 13,953,812</u>	<u>\$ 3,350,551</u>	<u>\$ 33,014,761</u>

Level 3 Financial Assets

The following table provides a summary of changes in fair value of the Association's Level 3 financial assets for the years ended June 30, 2012 and 2013:

	<u>JD Clark</u>	<u>Sigular Guff</u>	<u>Northgate</u>	<u>Total</u>
Beginning balance as of July 1, 2011	\$ 1,295,565	\$ 975,292	\$ 728,152	\$ 2,999,009
Purchases	-	-	188,749	188,749
Distributions	-	(8,286)	-	(8,286)
Unrealized and realized gains	<u>22,910</u>	<u>135,080</u>	<u>13,089</u>	<u>171,079</u>
Balance as of June 30, 2012	1,318,475	1,102,086	929,990	3,350,551
Purchases	-	1,997	-	1,997
Distributions	-	(309,096)	(63,240)	(372,336)
Unrealized and realized gains	<u>95,617</u>	<u>94,483</u>	<u>82,412</u>	<u>272,512</u>
BALANCE AS OF JUNE 30, 2013	<u>\$ 1,414,092</u>	<u>\$ 889,470</u>	<u>\$ 949,162</u>	<u>\$ 3,252,724</u>

NATIONAL PARKS CONSERVATION ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

14. FAIR VALUE MEASUREMENT (Continued)

	<u>JD Clark</u>	<u>Sigular Guff</u>	<u>Northgate</u>	<u>Total</u>
The amount of total gains or losses for the year ended June 30, 2013 included in net unrestricted net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	\$ <u>95,617</u>	\$ <u>7,438</u>	\$ <u>(7,339)</u>	\$ <u>95,716</u>
The amount of total gains or losses for the year ended June 30, 2012 included in net unrestricted net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	\$ <u>22,910</u>	\$ <u>66,794</u>	\$ <u>9,487</u>	\$ <u>99,191</u>

15. SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through November 1, 2013, the date the financial statements were issued.