

Town Lake Trail Foundation
dba The Trail Foundation
Financial Statements and
Independent Auditors' Report
December 31, 2019 and 2018

Town Lake Trail Foundation

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	3
Financial Statements	
Statements of Financial Position	5
Statement of Activities - <i>for the year ended December 31, 2019</i>	6
Statement of Activities - <i>for the year ended December 31, 2018</i>	7
Statement of Functional Expenses - <i>for the year ended December 31, 2019</i>	8
Statement of Functional Expenses - <i>for the year ended December 31, 2018</i>	9
Statements of Cash Flows	10
Notes to Financial Statements	12

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Town Lake Trail Foundation

We have audited the accompanying financial statements of Town Lake Trail Foundation (a Texas nonprofit corporation), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, 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.

Auditors' 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 of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Town Lake Trail Foundation as of December 31, 2019 and 2018, 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.

Dunagan Jack LLP

Austin, Texas
September 11, 2020

FINANCIAL STATEMENTS

Town Lake Trail Foundation

STATEMENTS OF FINANCIAL POSITION

December 31,

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 1,168,100	\$ 1,171,700
Certificates of deposit	1,346,445	1,251,505
Prepaid expenses and other assets	35,076	4,644
Grants and contributions receivable	317,292	87,590
Beneficial interest in fund held by ACF	<u>47,060</u>	<u>40,506</u>
Total assets	<u><u>\$ 2,913,973</u></u>	<u><u>\$ 2,555,945</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 275,342	\$ 28,459
Deferred revenue	<u>3,368</u>	<u>-</u>
Total liabilities	<u>278,710</u>	<u>28,459</u>
Net assets		
Without donor restrictions	404,999	213,747
With donor restrictions	<u>2,230,264</u>	<u>2,313,739</u>
Total net assets	<u>2,635,263</u>	<u>2,527,486</u>
Total liabilities and net assets	<u><u>\$ 2,913,973</u></u>	<u><u>\$ 2,555,945</u></u>

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

Town Lake Trail Foundation

STATEMENT OF ACTIVITIES

For the year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Grants and contributions	\$ 931,947	\$ 842,821	\$ 1,774,768
Special events (net of direct expenses of \$344,561)	252,583	-	252,583
Interest income	21,946	-	21,946
Change in value of fund held by ACF	5,293	1,261	6,554
Total revenues	1,211,769	844,082	2,055,851
Net assets released from restrictions	908,364	(908,364)	-
Total revenues and other support	2,120,133	(64,282)	2,055,851
Expenses			
Program services	1,292,743	-	1,292,743
General and administrative	327,252	-	327,252
Fundraising	308,886	-	308,886
Total expenses	1,928,881	-	1,928,881
Bad debt loss	-	19,193	19,193
Total expenses and losses	1,928,881	19,193	1,948,074
Change in net assets	191,252	(83,475)	107,777
Net assets at beginning of year	213,747	2,313,739	2,527,486
Net assets at end of year	\$ 404,999	\$ 2,230,264	\$ 2,635,263

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

Town Lake Trail Foundation

STATEMENT OF ACTIVITIES

For the year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Grants and contributions	\$ 694,215	\$ 2,102,917	\$ 2,797,132
Special events (net of direct expenses of \$376,295)	161,054	196,043	357,097
Lakeshore Brick sales	36,165	-	36,165
Interest income	6,957	-	6,957
Change in value of fund held by ACF	(2,049)	(818)	(2,867)
Total revenues	896,342	2,298,142	3,194,484
Net assets released from restrictions	2,353,534	(2,353,534)	-
Total revenues and other support	3,249,876	(55,392)	3,194,484
Expenses			
Program services	2,700,873	-	2,700,873
General and administrative	289,904	-	289,904
Fundraising	328,954	-	328,954
Total expenses	3,319,731	-	3,319,731
Change in net assets	(69,855)	(55,392)	(125,247)
Net assets at beginning of year	283,602	2,369,131	2,652,733
Net assets at end of year	\$ 213,747	\$ 2,313,739	\$ 2,527,486

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

Town Lake Trail Foundation

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2019

	Program Services	General and Administrative	Fundraising	Total
Personnel				
Salaries	\$ 168,581	\$ 152,442	\$ 187,929	\$ 508,952
Payroll taxes	12,656	11,444	14,108	38,208
Employee benefits	20,887	18,887	23,284	63,058
Trail maintenance and improvements	920,400	-	-	920,400
Professional and contract services	93,851	46,304	19,970	160,125
Facilities	16,873	15,258	18,810	50,941
Outreach and donor cultivation	23,922	6,400	18,573	48,895
Advertising and marketing	18,913	20,016	-	38,929
Travel and entertainment	9,514	8,604	10,606	28,724
Credit card fees	-	22,437	-	22,437
Printing and reproduction	-	2,856	10,744	13,600
Office supplies and postage	3,491	3,157	3,892	10,540
Training and education	2,944	5,561	-	8,505
Insurance	-	3,868	-	3,868
Depreciation	314	283	350	947
License and permits	-	307	178	485
Other expenses	397	9,428	442	10,267
Total expenses	<u>\$ 1,292,743</u>	<u>\$ 327,252</u>	<u>\$ 308,886</u>	<u>\$ 1,928,881</u>

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

Town Lake Trail Foundation

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2018

	Program Services	General and Administrative	Fundraising	Total
Personnel				
Salaries	\$ 106,814	\$ 141,186	\$ 178,893	\$ 426,893
Payroll taxes	7,989	10,559	13,379	31,927
Employee benefits	15,264	20,176	25,566	61,006
Trail maintenance and improvements	2,487,233	-	-	2,487,233
Professional and contract services	24,148	67,911	-	92,059
Membership and fundraising	22,128	-	29,613	51,741
Membership development	-	-	45,859	45,859
Office supplies and expenses	7,159	9,463	11,991	28,613
Facilities	4,903	6,481	8,212	19,596
Advertising and marketing	8,442	-	8,442	16,884
Credit card fees	-	16,323	-	16,323
Insurance	-	4,896	-	4,896
Postage and delivery	1,023	1,352	1,713	4,088
Depreciation	331	437	554	1,322
Printing and reproduction	188	249	315	752
License and permits	-	484	-	484
Other expenses	15,251	10,387	4,417	30,055
Total expenses	<u>\$ 2,700,873</u>	<u>\$ 289,904</u>	<u>\$ 328,954</u>	<u>\$ 3,319,731</u>

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

Town Lake Trail Foundation

STATEMENTS OF CASH FLOWS

For the years ended December 31,

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 107,777	\$ (125,247)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	947	1,322
Change in value of fund held by ACF	(6,554)	2,867
Loss on disposal of fixed assets	1,197	-
(Increase) decrease in prepaid expenses and other assets	(32,576)	15,895
(Increase) decrease in grants and contributions receivable	(229,702)	97,032
Increase (decrease) in accounts payable and accrued expenses	246,883	(18,227)
Increase (decrease) in deferred revenue	3,368	(356,339)
Contributions restricted for endowments	-	(5,000)
Net cash provided (used) by operating activities	<u>91,340</u>	<u>(387,697)</u>
Cash flows from investing activities:		
Purchases of certificates of deposit	(5,403,566)	(1,000,000)
Proceeds from maturities of certificates of deposit	5,308,626	-
Cash transferred to fund held by ACF	-	(5,000)
Net cash used by investing activities	<u>(94,940)</u>	<u>(1,005,000)</u>
Cash flows from financing activities:		
Investments in endowments	-	5,000
Net cash provided by financing activities	<u>-</u>	<u>5,000</u>
Net decrease in cash and cash equivalents	(3,600)	(1,387,697)
Cash and cash equivalents at beginning of year	<u>1,171,700</u>	<u>2,559,397</u>
Cash and cash equivalents at end of year	<u>\$ 1,168,100</u>	<u>\$ 1,171,700</u>
Amounts paid during the year for:		
Income taxes	<u>\$ 767</u>	<u>\$ -</u>
Interest	<u>\$ -</u>	<u>\$ -</u>

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

NOTES TO FINANCIAL STATEMENTS

Town Lake Trail Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Organization and Nature of Activities

Town Lake Trail Foundation dba The Trail Foundation (Foundation) was incorporated in the State of Texas on May 21, 2003. The Foundation's mission is to protect, enhance and connect the Butler Trail for the benefit of all. Since its formation in 2003, the Foundation has fulfilled its mission through careful improvements to the Butler Trail's infrastructure and environment, while honoring the original vision of the Trail's founders. In a distinctively collaborative effort, the Foundation works in cooperation with the Austin Parks and Recreation Department to close the gap between what the government provides and what the Butler Trail requires. The Foundation relies upon donations from concerned individuals, organizations and corporations to work to ensure that the Butler Trail remains one of the most natural and well-maintained trails in the United States.

2. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

3. Basis of Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets that are not subject to or are no longer subject to donor-imposed stipulations. These net assets generally result from revenues generated by receiving contributions that have no donor restrictions or providing services, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions. These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the stipulated time restriction ends or the purpose of the restriction is accomplished.

Town Lake Trail Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Cash and Cash Equivalents

The Foundation considers all checking accounts, savings accounts, money market funds, and certificates of deposit purchased with initial maturities of three months or less to be cash and cash equivalents.

5. Certificates of Deposit

Certificates of deposit are stated at cost.

6. Grants and Contributions

Unconditional grants and contributions received are recorded as increases in net assets without donor restrictions or as increases in net assets with donor restrictions, depending on the existence or nature of any donor restrictions. As donor or time restrictions are satisfied, net assets are reclassified to net assets without donor restrictions. The Foundation's policy is to report unconditional restricted support that is satisfied in the year of receipt as restricted and then released in the same year.

Revenue from grants that are considered to be conditional contributions are recognized as conditions are met or reimbursable expenses are incurred. The Foundation has adopted the simultaneous release option for donor restricted conditional grants that are recognized and satisfied within the same reporting period, therefore, these amounts are reported as support without donor restrictions.

7. Functional Expenses

Expenses are categorized by function as either (1) program services, (2) general and administrative, or (3) fundraising expenses. Expenses that are specifically identifiable to a function are allocated entirely to that function. Expenses that are not specifically identifiable to a function are allocated based upon management's estimate of time and resources devoted to each function.

Town Lake Trail Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

9. Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

10. Recently Adopted Accounting Guidance

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Foundation adopted the provisions of this new standard during the year ended December 31, 2019 applied on a modified prospective basis. The update provides criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. It also provides a framework for determining whether a contribution is conditional or unconditional which will impact the timing of revenue recognition. Prior year balances have not been restated in accordance with adoption provisions and there was no material impact to the financial statements as a result of the adoption.

NOTE B - TAX EXEMPT STATUS

The Foundation is generally exempt from federal income taxes under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3). Furthermore, the Foundation is classified as a publicly supported organization described in sections 509(a)(1) and 170(b)(1)(A)(vi). Therefore, no provision for income taxes has been included in these financial statements.

Town Lake Trail Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE C - GRANTS AND CONTRIBUTIONS RECEIVABLE

The grants and contributions receivable balance comprised the following at December 31,

	2019	2018
Grants and contributions receivable, gross	\$ 317,292	\$ 102,590
Less allowance for uncollectible amounts	-	(15,000)
Less discount to present value	-	-
Grants and contributions receivable, net	<u>\$ 317,292</u>	<u>\$ 87,590</u>

The discount rate used on long-term grants and contributions receivable was 2.56% as of December 31, 2018. Because the December 31, 2019 balance was due within one year and due to the immaterial amount of discount calculated as of December 31, 2018, no discounts to present value are reflected in these financial statements. Grants and contributions receivable have been analyzed and reasonable allowances for uncollectible amounts have been made. At December 31, 2019, collections of grants and contributions receivable were expected within one year.

NOTE D - BENEFICIAL INTEREST IN FUND HELD BY ACF

The Foundation established an endowment fund with Austin Community Foundation (ACF), specifying itself as beneficiary of this fund. The Foundation has recorded investments in this fund using the guidance of FASB ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*. Therefore, the beneficial interest in this fund has been recorded as an asset in these financial statements.

The total value of the fund was \$178,439 and \$150,414 at December 31, 2019 and 2018, respectively. These balances include amounts donated directly to ACF by third parties, which the Foundation does not recognize as assets in its financial statements.

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques that measure fair value. The Foundation's beneficial interest in the fund held by ACF is carried at fair value using Level 2 measurements, which are based on observable inputs other than quoted prices in active markets for identical assets or liabilities.

Town Lake Trail Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE E - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes at December 31,

	2019	2018
Subject to expenditure for specified purposes:		
Corgan Canopy Fund	\$ 953,659	\$ 1,126,770
Campaign for the Trail	435,858	437,182
Brazos Bluff	294,543	326,901
Lakeshore Park	84,725	90,163
Rainey Street Trailhead	81,371	-
Ecological operations	66,370	83,614
Festival Beach	45,118	-
Holly Point	26,316	76,831
Seaholm Waterfront	12,500	12,500
Art Master Plan	10,000	-
Signage	511	4,151
Drake Bridge Commons	-	50,000
Trail Bridge at Congress Avenue	-	62,862
Other purposes/future periods	200,000	25,000
	<u>2,210,971</u>	<u>2,295,974</u>
Total subject to expenditure for specified purposes	<u>2,210,971</u>	<u>2,295,974</u>
Endowment fund:		
The Trail Endowment	19,293	17,765
	<u>19,293</u>	<u>17,765</u>
Total endowment fund	<u>19,293</u>	<u>17,765</u>
Total net assets with donor restrictions	<u>\$ 2,230,264</u>	<u>\$ 2,313,739</u>

NOTE F - DONATED SERVICES

The Foundation receives in-kind contributions of advertising and services. The Foundation estimates the fair values of donated advertising and services were \$44,000 and \$40,248 for the years ended December 31, 2019 and 2018, respectively.

The Foundation also receives substantial volunteer assistance for the Moonlight Margarita Run and maintenance of the Trail; however, these services do not meet the requirements for revenue recognition in the financial statements as set forth in FASB ASC 958-605.

Town Lake Trail Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE G - RETIREMENT PLAN

Effective January 1, 2017, the Foundation established The Trail Foundation 401(k) Plan. Employees who are at least 21 years of age are eligible to participate. The Foundation makes matching contributions of 100% of the first 1% of eligible compensation. Participants are immediately vested in their contributions, including any rollover contributions to the plan, and employer matching contributions. Participants vest in any Foundation's discretionary contributions at 20% per year, beginning after the completion of two years of credited service and are 100% vested after six years of credited service. Retirement plan expense totaled \$5,984 and \$4,227, for the years ended December 31, 2019 and 2018, respectively.

NOTE H - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation's primary sources of revenue are contributions and grants from individuals and foundations, a significant portion of which are required to be used in accordance with the purpose restrictions imposed by the donors. The Foundation's contribution revenue has significant annual variations depending on the approval and timing of trail improvement projects. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The following reflects the Foundation's financial assets, reduced by amounts not available for general use within one year because of donor-imposed restrictions, as of December 31,

	2019	2018
Cash and cash equivalents	\$ 1,168,100	\$ 1,171,700
Certificates of deposit	1,346,445	1,251,505
Grants and contributions receivable, due in less than one year	317,292	82,590
Total financial assets	2,831,837	2,505,795
Donor imposed restrictions:		
Subject to expenditure for specified purpose	(2,210,971)	(2,295,974)
Financial assets available to meet cash needs for general expenditures within one year	\$ 620,866	\$ 209,821

Town Lake Trail Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE I - CONCENTRATIONS

All of a depositor's accounts at an insured depository institution, including noninterest-bearing transaction accounts, are insured by the Federal Deposit Insurance Corporation (FDIC) up to the maximum deposit insurance amount (\$250,000). As of December 31, 2019 and 2018, the Foundation's uninsured cash balances totaled approximately \$732,000 and \$230,000, respectively.

During the year ended December 31, 2018, the Foundation received a \$1.1 million contribution from one donor. As of December 31, 2019, two donors comprised 63% and 32%, respectively, of gross grants and contributions receivable.

NOTE J - GRANTOR AUDITS

The Foundation receives grants from foundations and governments for specific purposes that are subject to review and audit by grantor agencies. Such audits could result in requests for reimbursement by the grantor agency for expenditures and services disallowed under terms and conditions of the appropriate agency. In the opinion of the Foundation's management, such disallowances, if any, will not be significant.

NOTE K - SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States has caused significant disruption of Foundation operations, including suspension of volunteer activities and outreach events. The Foundation's Moonlight Margarita Run was canceled and instead held as a virtual running event during June and July 2020. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The extent of the impact of COVID-19 on the Foundation will depend on certain developments, including the duration and spread of the outbreak and the impact on its donors, staff and volunteers, all of which are uncertain and cannot be reasonably estimated at this time. In April 2020, the Foundation received a \$138,200 loan under the Paycheck Protection Program. The loan has a fixed interest rate of 1%, matures in two years, and payments are deferred for six months. The loan is eligible for forgiveness by the U.S. Small Business Administration (SBA) if the Foundation meets all necessary criteria as defined by the SBA.

Subsequent events have been evaluated through September 11, 2020, the date the financial statements were available to be issued.