

Town Lake Trail Foundation
dba The Trail Foundation
Financial Statements and
Independent Auditors' Report
December 31, 2021 and 2020

Town Lake Trail Foundation

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Town Lake Trail Foundation

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 Town Lake Trail Foundation as of December 31, 2021 and 2020, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Town Lake Trail Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 Town Lake Trail Foundation'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 Town Lake Trail Foundation'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.

Dunagan Jack LLP

Austin, Texas
May 12, 2022

FINANCIAL STATEMENTS

Town Lake Trail Foundation
STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 3,708,434	\$ 1,825,827
Certificates of deposit	762,940	1,174,253
Prepaid expenses and other assets	16,240	1,778
Grants and contributions receivable	562,310	153,004
Property and equipment	89,373	-
Beneficial interest in fund held by ACF	59,831	51,665
Total assets	\$ 5,199,128	\$ 3,206,527
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 146,853	\$ 70,912
Total liabilities	146,853	70,912
Net assets		
Without donor restrictions	1,967,281	1,451,886
With donor restrictions	3,084,994	1,683,729
Total net assets	5,052,275	3,135,615
Total liabilities and net assets	\$ 5,199,128	\$ 3,206,527

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

Town Lake Trail Foundation

STATEMENT OF ACTIVITIES

For the year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Grants and contributions	\$ 1,601,668	\$ 2,343,932	\$ 3,945,600
Special events (net of direct expenses of \$223,537)	330,673	-	330,673
Change in value of fund held by ACF	4,425	3,741	8,166
Interest income	3,749	-	3,749
Other revenues	56,881	-	56,881
Net assets released from restrictions	<u>946,408</u>	<u>(946,408)</u>	<u>-</u>
Total revenues	<u>2,943,804</u>	<u>1,401,265</u>	<u>4,345,069</u>
Expenses			
Program services	1,280,995	-	1,280,995
General and administrative	699,456	-	699,456
Fundraising	<u>447,958</u>	<u>-</u>	<u>447,958</u>
Total expenses	<u>2,428,409</u>	<u>-</u>	<u>2,428,409</u>
Change in net assets	515,395	1,401,265	1,916,660
Net assets at beginning of year	<u>1,451,886</u>	<u>1,683,729</u>	<u>3,135,615</u>
Net assets at end of year	<u>\$ 1,967,281</u>	<u>\$ 3,084,994</u>	<u>\$ 5,052,275</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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Grants and contributions	\$ 1,859,262	\$ 747,184	\$ 2,606,446
Special events (net of direct expenses of \$135,251)	203,719	-	203,719
Interest income	11,474	-	11,474
Change in value of fund held by ACF	3,719	886	4,605
Other revenues	6,834	-	6,834
Net assets released from restrictions	1,294,605	(1,294,605)	-
Total revenues	<u>3,379,613</u>	<u>(546,535)</u>	<u>2,833,078</u>
Expenses			
Program services	1,507,496	-	1,507,496
General and administrative	468,361	-	468,361
Fundraising	356,869	-	356,869
Total expenses	<u>2,332,726</u>	<u>-</u>	<u>2,332,726</u>
Change in net assets	1,046,887	(546,535)	500,352
Net assets at beginning of year	<u>404,999</u>	<u>2,230,264</u>	<u>2,635,263</u>
Net assets at end of year	<u>\$ 1,451,886</u>	<u>\$ 1,683,729</u>	<u>\$ 3,135,615</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, 2021

	Program Services	General and Administrative	Fundraising	Total
Personnel				
Salaries	\$ 293,391	\$ 256,243	\$ 205,268	\$ 754,902
Payroll taxes	22,371	19,540	15,653	57,564
Employee benefits	33,985	29,683	23,778	87,446
Trail maintenance and improvements	462,543	-	-	462,543
Professional and contract services	267,133	122,330	10,000	399,463
Facilities	137,854	120,398	96,447	354,699
Trail events	33,789	14,899	28,351	77,039
Credit card fees	-	47,822	-	47,822
Printing and reproduction	7,512	2,032	32,119	41,663
Outreach and donor cultivation	7,636	7,353	10,331	25,320
Office supplies and postage	4,339	3,789	15,888	24,016
Advertising and marketing	6,030	12,073	541	18,644
Insurance	-	10,366	-	10,366
Travel and entertainment	706	6,831	499	8,036
Training and education	-	1,799	89	1,888
License and permits	190	843	-	1,033
Other expenses	3,516	43,455	8,994	55,965
Total expenses	<u>\$ 1,280,995</u>	<u>\$ 699,456</u>	<u>\$ 447,958</u>	<u>\$ 2,428,409</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, 2020

	Program Services	General and Administrative	Fundraising	Total
Personnel				
Salaries	\$ 248,418	\$ 176,535	\$ 189,774	\$ 614,727
Payroll taxes	19,355	13,755	14,786	47,896
Employee benefits	23,294	16,554	17,795	57,643
Trail maintenance and improvements	859,514	-	-	859,514
Professional and contract services	238,654	154,021	5,905	398,580
Facilities	72,696	51,661	55,535	179,892
Outreach and donor cultivation	2,460	-	47,594	50,054
Advertising and marketing	13,003	14,600	5,703	33,306
Office supplies and postage	9,681	6,880	7,395	23,956
Printing and reproduction	8,940	1,233	7,582	17,755
Credit card fees	-	16,690	-	16,690
Training and education	4,678	-	-	4,678
Travel and entertainment	1,874	1,332	1,432	4,638
Insurance	-	4,456	-	4,456
License and permits	910	90	300	1,300
Other expenses	4,019	10,554	3,068	17,641
Total expenses	<u>\$ 1,507,496</u>	<u>\$ 468,361</u>	<u>\$ 356,869</u>	<u>\$ 2,332,726</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,916,660	\$ 500,352
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in value of fund held by ACF	(8,166)	(4,605)
Donated property and equipment	(89,198)	-
(Increase) decrease in prepaid expenses and other assets	(14,462)	33,298
(Increase) decrease in grants and contributions receivable	(409,306)	164,288
Increase (decrease) in accounts payable and accrued expenses	75,941	(204,430)
Decrease in deferred revenue	-	(3,368)
Net cash provided by operating activities	<u>1,471,469</u>	<u>485,535</u>
Cash flows from investing activities:		
Purchase of property and equipment	(175)	-
Purchases of certificates of deposit	(3,529,178)	(3,527,164)
Proceeds from maturities of certificates of deposit	3,940,491	3,699,356
Net cash provided by investing activities	<u>411,138</u>	<u>172,192</u>
Cash flows from financing activities:	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	1,882,607	657,727
Cash and cash equivalents at beginning of year	<u>1,825,827</u>	<u>1,168,100</u>
Cash and cash equivalents at end of year	<u>\$ 3,708,434</u>	<u>\$ 1,825,827</u>
Amounts paid during the year for:		
Income taxes	<u>\$ -</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, 2021 and 2020

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.

Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of donor restrictions on the net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Town Lake Trail Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

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 and contributions that are recognized and satisfied within the same reporting period, therefore, these amounts are reported as support without donor restrictions.

The Foundation considers the forgivable loan it received under the Small Business Administration's Paycheck Protection Program (PPP) to be a conditional grant. The Foundation met the conditions of the PPP grant during the year ended December 31, 2020 and recognized grant revenue during the year.

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, 2021 and 2020

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 certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE B - TAX EXEMPT STATUS

The Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3). The Foundation is further classified as a public charity described in Sections 509(a)(1) and 170(b)(1)(A)(vi). No provision for income taxes has been included in these financial statements.

NOTE C - GRANTS AND CONTRIBUTIONS RECEIVABLE

The grants and contributions receivable balances at December 31, 2021 and 2020 were considered fully collectible. Therefore, no allowances for uncollectible amounts have been recorded in these financial statements. At December 31, 2021, collections of grants and contributions receivable were expected within one year, except for \$150,000 expected to be collected in one to five years. Because the December 31, 2020 balance was due within one year and due to the immaterial amount of discount calculated as of December 31, 2021, no discounts to present value have been recorded in these financial statements.

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. Therefore, the Foundation's contributions to this fund and related earnings have been recorded as assets at December 31, 2021 and 2020. The total value of the fund was \$232,617 and \$197,972 at December 31, 2021 and 2020, respectively. These balances include amounts donated directly to ACF by third parties, which the Foundation does not recognize as assets in its financial statements.

NOTE E - BOARD DESIGNATED NET ASSETS

During the year ended December 31, 2021, the Board of Directors established an Operating Reserve Fund. The policy requires the Foundation to designate unrestricted cash equal to three months of average operating costs for future operations. The Board has designated \$376,234 for this fund as of December 31, 2021.

Town Lake Trail Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes and periods at December 31, 2021 and 2020:

	2021	2020
Subject to expenditure for specified purposes:		
Rainey Street Trailhead	\$ 1,135,384	\$ 98,868
Corgan Canopy Fund	927,309	968,660
Butler Shores Exercise Equipment	302,477	44,122
Ecological operations	267,226	238,308
Art Master Plan	120,192	10,000
Capacity building	59,684	-
2022 Music on the Trail sponsorship	50,000	-
Festival Beach	34,625	38,980
Campaign for the Trail	-	20,774
Holly Point	-	17,809
Other purposes/future periods	164,177	226,029
Total subject to expenditure for specified purposes	3,061,074	1,663,550
Endowment fund:		
The Trail Endowment	23,920	20,179
Total endowment fund	23,920	20,179
Total net assets with donor restrictions	\$ 3,084,994	\$ 1,683,729

NOTE G - DONATED FACILITIES AND SERVICES

The Foundation receives in-kind contributions of advertising and services. The Foundation estimates the fair values of donated advertising and services were \$122,191 and \$44,000 for the years ended December 31, 2021 and 2020, 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.

In June 2020, the Foundation signed a 21-month lease for office facilities. The lessor may terminate the lease at any time with 30 days' notice. Under the terms of the lease, the Foundation pays \$1,500 monthly for use of the leased premises. The Foundation recognized contributions of \$302,995 and \$153,232 for the discounted use of office facilities during the years ended December 31, 2021 and 2020, respectively, with the corresponding facilities expense being recognized as well. At December 31, 2021 and 2020, no notice was given to terminate the lease; therefore, grants and contributions receivable includes one month of the promised use of facilities.

Town Lake Trail Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

NOTE H - 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 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 for the years ended December 31, 2021 and 2020 totaled \$12,114 and \$8,804, respectively.

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, 2021 and 2020, the Foundation's uninsured cash and certificates of deposit balances totaled approximately \$2,800,000 and \$1,190,000, respectively.

Five donors comprised the following percentages of gross grants and contributions receivable and grants and contributions revenue as of and for the years ended December 31, 2021 and 2020:

	2021		2020	
	Grants and Contributions Receivable	Grants and Contributions Revenue	Grants and Contributions Receivable	Grants and Contributions Revenue
Donor A	44%	6%	0%	0%
Donor B	27%	13%	0%	0%
Donor C	0%	13%	0%	1%
Donor D	0%	0%	29%	2%
Donor E	0%	1%	16%	18%

Town Lake Trail Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

NOTE J - FAIR VALUE MEASUREMENTS

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 at ACF is reported at fair value based on “significant unobservable inputs,” which are Level 3 inputs in the fair value hierarchy. The fair value of the beneficial interest in ACF is measured using the value of the assets as reported by Austin Community Foundation as of December 31, 2021 and 2020. The Foundation categorizes this as a Level 3 measurement because the endowment agreement does not allow for full redemption of the Foundation’s interest. The Foundation can only request distributions from ACF, subject to ACF’s current spending policies. The following table sets forth the changes in the Foundation’s Level 3 assets for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Beneficial interest, beginning of year	\$ 51,665	\$ 47,060
Additions	-	-
Change in value	8,166	4,605
Distributions	-	-
Beneficial interest, end of year	<u>\$ 59,831</u>	<u>\$ 51,665</u>

NOTE K - 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.

Town Lake Trail Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

NOTE L - 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 Board designations and donor-imposed restrictions, as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,708,434	\$ 1,825,827
Certificates of deposit	762,940	1,174,253
Grants and contributions receivable, due in less than one year	<u>412,310</u>	<u>153,004</u>
Total financial assets	4,883,684	3,153,084
Board designations:		
Operating Reserve Fund	(376,234)	-
Donor-imposed restrictions:		
Subject to expenditure for specified purposes	<u>(2,883,764)</u>	<u>(1,555,545)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,623,686</u>	<u>\$ 1,597,539</u>

The beneficial interest has been excluded from the above table because it is not available to pay for general expenditures within one year.

NOTE M - SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 12, 2022, the date the financial statements were available to be issued.