

**Town Lake Trail Foundation**  
**dba The Trail Foundation**  
Financial Statements and  
Independent Auditors' Report  
December 31, 2017 and 2016

Town Lake Trail Foundation

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**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, 2017 and 2016, and the related statements of activities 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, 2017 and 2016, 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  
May 24, 2018

## **FINANCIAL STATEMENTS**

Town Lake Trail Foundation

STATEMENTS OF FINANCIAL POSITION

December 31,

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,559,397	\$ 2,419,075
Certificates of deposit	251,505	249,627
Contributions receivable	184,622	365,315
Prepaid expenses and other assets	18,395	-
Property and equipment	3,466	2,325
Beneficial interest in fund held by ACF	<u>38,373</u>	<u>33,819</u>
Total assets	<u>\$ 3,055,758</u>	<u>\$ 3,070,161</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 46,686	\$ 26,263
Deferred revenue	<u>356,339</u>	<u>577,620</u>
Total liabilities	<u>403,025</u>	<u>603,883</u>
Net assets		
Unrestricted	283,602	445,009
Temporarily restricted	2,356,931	2,009,069
Permanently restricted	<u>12,200</u>	<u>12,200</u>
Total net assets	<u>2,652,733</u>	<u>2,466,278</u>
Total liabilities and net assets	<u>\$ 3,055,758</u>	<u>\$ 3,070,161</u>

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

Town Lake Trail Foundation  
STATEMENTS OF ACTIVITIES

For the years ended December 31,

	2017	2016
Changes in unrestricted net assets		
Revenues		
Contributions	\$ 421,281	\$ 495,595
Membership dues	69,922	57,851
Moonlight Margarita Run (net of direct expenses of \$212,944 and \$167,032, respectively)	57,679	52,928
Interest income	21,938	727
Lakeshore Brick sales	16,750	64,250
Change in value of fund held by ACF	3,678	1,853
Other revenue	-	100
Total unrestricted revenues	591,248	673,304
Net assets released from restrictions	722,971	452,038
Total unrestricted revenues and other support	1,314,219	1,125,342
Expenses		
Program services	996,721	855,664
General and administrative	245,144	124,958
Fundraising	233,761	210,637
Total expenses	1,475,626	1,191,259
Decrease in unrestricted net assets	(161,407)	(65,917)
Changes in temporarily restricted net assets		
Contributions	1,069,957	1,099,032
Change in value of fund held by ACF	876	441
Net assets released from restrictions	(722,971)	(452,038)
Increase in temporarily restricted net assets	347,862	647,435
Changes in permanently restricted net assets		
Contributions	-	1,000
Increase in permanently restricted net assets	-	1,000
Change in net assets	186,455	582,518
Net assets at beginning of year	2,466,278	1,883,760
Net assets at end of year	\$ 2,652,733	\$ 2,466,278

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,

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 186,455	\$ 582,518
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	968	900
Change in value of fund held by ACF	(4,554)	(2,294)
Decrease (increase) in contributions receivable	180,693	(32,950)
Increase in prepaid expenses and other assets	(18,395)	-
Increase in accounts payable and accrued expenses	20,423	26,263
(Decrease) increase in deferred revenue	(221,281)	577,620
Contributions restricted for endowments	-	(1,000)
Net cash provided by operating activities	144,309	1,151,057
Cash flows from investing activities:		
Purchases of certificates of deposit	(253,383)	(250,874)
Proceeds from maturities of certificates of deposit	251,505	250,251
Purchases of property and equipment	(2,109)	-
Cash transferred to fund held by ACF	-	(1,000)
Net cash used by investing activities	(3,987)	(1,623)
Cash flows from financing activities:		
Investments in endowments	-	1,000
Net cash provided by financing activities	-	1,000
Net increase in cash and cash equivalents	140,322	1,150,434
Cash and cash equivalents at beginning of year	2,419,075	1,268,641
Cash and cash equivalents at end of year	\$ 2,559,397	\$ 2,419,075
Amounts paid during the year for:		
Income taxes	\$ -	\$ -
Interest	\$ -	\$ -

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, 2017 and 2016

**NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

1. Organization

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 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

Financial statement presentation follows the guidance of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205, *Not-for-Profit Entities: Presentation of Financial Statements*. Under these standards, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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.

Town Lake Trail Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

**NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Property and Equipment

Acquisitions of property and equipment are capitalized at cost, if purchased, or fair market value on the date of donation, if received as a gift. Depreciation is calculated using the straight-line method over the assets' estimated useful lives, generally five to seven years for furniture and equipment. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expiration of restrictions when the assets are placed into service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

7. Contributions

The Foundation records contributions using the guidance of FASB ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. As time or purpose restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets. The Foundation's policy is to report restricted support that is satisfied in the year of receipt first as temporarily restricted and then reclassified to unrestricted net assets.

8. Functional Expenses

Expenses are categorized by function in the statements of activities 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.

9. 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.

Town Lake Trail Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

**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 Internal Revenue Service has determined that the Foundation is 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.

**NOTE C - CONTRIBUTIONS RECEIVABLE**

The contributions receivable balances comprised the following at December 31,

	<u>2017</u>	<u>2016</u>
Contributions receivable, gross	\$ 198,678	\$ 400,315
Less allowance for uncollectible amounts	(14,056)	(35,000)
Less discount to present value	<u>-</u>	<u>-</u>
Contributions receivable, net	<u>\$ 184,622</u>	<u>\$ 365,315</u>

Contributions receivable have been analyzed and reasonable allowances for uncollectible contributions have been made. The discount rates used on long-term contributions receivable were 1.88% and 1.17% as of December 31, 2017 and 2016, respectively; however, due to the immaterial amounts of discounts calculated, no discounts to present value are reflected in these financial statements.

At December 31, 2017, collections of contributions receivable were expected as follows:

Less than one year	\$ 188,678
One to five years	10,000
More than five years	<u>-</u>
Contributions receivable, gross	<u>\$ 198,678</u>

Town Lake Trail Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

**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, this fund has been recorded as an asset in these financial statements.

The total value of the fund was \$157,377 and \$138,316 at December 31, 2017 and 2016, 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.

**NOTE E - DEFERRED REVENUE**

During the year ended December 31, 2015, the Foundation received a conditional promise to give totaling \$1.25 million. The donor promised a \$1.25 million challenge grant conditioned upon the Foundation raising an additional \$1.25 million of contributions for the Trail Bridge at Congress Avenue. As of December 31, 2016 the donor had paid the Foundation the full \$1.25 million with the understanding that the Foundation will continue to raise the matching funds needed to complete the challenge grant. Through December 31, 2017, the Foundation recognized \$893,661 due to the satisfaction of conditions established by the donor. The deferred revenue balances at December 31, 2017 and 2016, respectively, are the unrecognized balances remaining on the challenge grant. The balance as of December 31, 2017 will be recognized as revenue when the conditions are met in future years.

Town Lake Trail Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

**NOTE F - TEMPORARILY RESTRICTED NET ASSETS**

Net assets were temporarily restricted for the following purposes at December 31,

	<u>2017</u>	<u>2016</u>
Trail Bridge at Congress Avenue	\$ 1,515,890	\$ 1,010,935
Campaign for the Trail	501,292	786,164
Forestry Ecological Restoration	111,879	109,000
Lakeshore Park	90,163	88,163
Canopy Fund	75,000	-
Signage	27,243	-
Seaholm Waterfront	12,500	-
Other purposes/future periods	<u>22,964</u>	<u>14,807</u>
	<u>\$ 2,356,931</u>	<u>\$ 2,009,069</u>

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes, by occurrence of events specified by the donors, or by the passage of time. Restrictions on temporarily restricted net assets totaling \$722,971 and \$452,038 were satisfied during the years ended December 31, 2017 and 2016, respectively.

**NOTE G - DONATED SERVICES**

The Foundation receives in-kind contributions of advertising and services. The Foundation estimates the fair values of donated advertising and services were \$138,336 and \$212,321 for the years ended December 31, 2017 and 2016, 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, 2017 and 2016

**NOTE H - 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, 2017 and 2016, the Foundation's uninsured cash balances totaled approximately \$241,000 and \$455,000, respectively.

The Foundation recognized contributions from one donor that represented approximately 15% and 26% of total contributions revenue during the years ended December 31, 2017 and 2016, respectively. During the year ended December 31, 2017, the Foundation recognized contributions from a second donor that represented approximately 14% of total contributions revenue.

As of December 31, 2017, one donor comprised 50% of the gross contributions receivable balance.

**NOTE I - COMMITMENTS**

In October 2017, the Foundation executed an agreement with a construction company in the amount of \$1,850,000 for the Trail Bridge at Congress Avenue project. Construction commenced in January 2018 and is expected to be completed in the summer of 2018.

**NOTE J - 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 \$3,609 for the year ended December 31, 2017.

**NOTE K - SUBSEQUENT EVENTS**

In May 2018, the Foundation executed an agreement with an architecture firm in the amount of \$300,000 for the design and construction of a new public restroom at Festival Beach. Construction is expected to be completed in the summer of 2019.

Subsequent events have been evaluated through May 24, 2018, the date the financial statements were available to be issued.