

**Town Lake Trail Foundation**  
**dba The Trail Foundation**  
Financial Statements and  
Independent Auditors' Report  
December 31, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, 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.

**Change in Accounting Principle**

As discussed in Note A11 to the financial statements, Town Lake Trail Foundation has adopted ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Dunagan Jack LLP

Austin, Texas  
May 31, 2019

## **FINANCIAL STATEMENTS**

Town Lake Trail Foundation  
STATEMENTS OF FINANCIAL POSITION

December 31,

	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,171,700	\$ 2,559,397
Certificates of deposit	1,251,505	251,505
Accounts receivable	15,988	-
Prepaid expenses and other assets	2,500	18,395
Contributions receivable	71,602	184,622
Property and equipment	2,144	3,466
Beneficial interest in fund held by ACF	40,506	38,373
	\$ 2,555,945	\$ 3,055,758
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 28,459	\$ 46,686
Deferred revenue	-	356,339
	28,459	403,025
<b>Net assets</b>		
Net assets without restrictions	213,747	283,602
Net assets with restrictions	2,313,739	2,369,131
	2,527,486	2,652,733
	\$ 2,555,945	\$ 3,055,758

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

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues			
Contributions	\$ 633,914	\$ 2,102,917	\$ 2,736,831
Special events (net of direct expenses of \$376,295)	161,054	196,043	357,097
Government grants	60,301	-	60,301
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 ACTIVITIES

For the year ended December 31, 2017

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues			
Contributions	\$ 491,203	\$ 1,069,957	\$ 1,561,160
Special events (net of direct expenses of \$212,944)	57,679	-	57,679
Interest income	21,938	-	21,938
Lakeshore Brick sales	16,750	-	16,750
Change in value of fund held by ACF	3,678	876	4,554
Total revenues	591,248	1,070,833	1,662,081
Net assets released from restrictions	722,971	(722,971)	-
Total revenues and other support	1,314,219	347,862	1,662,081
Expenses			
Program services	996,721	-	996,721
General and administrative	245,144	-	245,144
Fundraising	233,761	-	233,761
Total expenses	1,475,626	-	1,475,626
Change in net assets	(161,407)	347,862	186,455
Net assets at beginning of year	445,009	2,021,269	2,466,278
Net assets at end of year	\$ 283,602	\$ 2,369,131	\$ 2,652,733

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 improvement projects	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

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2017

	Program Services	General and Administrative	Fundraising	Total
Personnel				
Salaries	\$ 168,035	\$ 108,338	\$ 131,827	\$ 408,200
Payroll taxes	10,239	9,419	11,569	31,227
Employee benefits	14,322	13,175	16,181	43,678
Trail improvement projects	720,513	-	-	720,513
Professional and contract services	20,000	57,764	-	77,764
Membership and fundraising	33,625	-	36,625	70,250
Membership development	-	-	18,600	18,600
Facilities	5,552	5,108	6,273	16,933
Office supplies and expenses	1,400	13,873	1,582	16,855
Credit card fees	-	15,172	-	15,172
License and permits	-	7,418	-	7,418
Printing and reproduction	2,429	2,234	2,744	7,407
Postage and delivery	1,503	1,383	1,698	4,584
Insurance	-	4,432	-	4,432
Depreciation	317	292	359	968
Other expenses	18,786	6,536	6,303	31,625
Total expenses	<u>\$ 996,721</u>	<u>\$ 245,144</u>	<u>\$ 233,761</u>	<u>\$ 1,475,626</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,

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (125,247)	\$ 186,455
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	1,322	968
Change in value of fund held by ACF	2,867	(4,554)
Increase in accounts receivable	(15,988)	-
Decrease (increase) in prepaid expenses and other assets	15,895	(18,395)
Decrease in contributions receivable	113,020	180,693
(Decrease) increase in accounts payable and accrued expenses	(18,227)	20,423
Decrease in deferred revenue	(356,339)	(221,281)
Contributions restricted for endowments	(5,000)	-
Net cash (used) provided by operating activities	(387,697)	144,309
Cash flows from investing activities:		
Purchases of certificates of deposit	(1,000,000)	(253,383)
Proceeds from maturities of certificates of deposit	-	251,505
Purchases of property and equipment	-	(2,109)
Cash transferred to fund held by ACF	(5,000)	-
Net cash used by investing activities	(1,005,000)	(3,987)
Cash flows from financing activities:		
Investments in endowments	5,000	-
Net cash provided by financing activities	5,000	-
Net (decrease) increase in cash and cash equivalents	(1,387,697)	140,322
Cash and cash equivalents at beginning of year	2,559,397	2,419,075
Cash and cash equivalents at end of year	\$ 1,171,700	\$ 2,559,397
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, 2018 and 2017

**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, 2018 and 2017

**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. 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 net assets with donor restrictions to net assets without donor restrictions at that time.

7. Revenue Recognition

The Foundation records contributions using the guidance of FASB ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*. 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 restricted support that is satisfied in the year of receipt as restricted and then released in the same year.

The Foundation considers all of its government grants to be exchange transactions and not contributions. Revenue is recognized from these transactions as services are rendered and reimbursable expenses are incurred.

Town Lake Trail Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2018 and 2017

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

8. 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.

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.

10. Reclassifications

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

11. Recently Adopted Accounting Guidance

In 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Foundation adopted the provisions of this new standard during the year ended December 31, 2018, with retroactive application to the prior year. In addition to changes in terminology used to describe net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources.

**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, 2018 and 2017

**NOTE C - CONTRIBUTIONS RECEIVABLE**

The contributions receivable balances comprised the following at December 31,

	2018	2017
Contributions receivable, gross	\$ 86,602	\$ 198,678
Less allowance for uncollectible amounts	(15,000)	(14,056)
Less discount to present value	-	-
	\$ 71,602	\$ 184,622

Contributions receivable have been analyzed and reasonable allowances for uncollectible amounts have been made. The discount rates used on long-term contributions receivable were 2.56% and 1.88% as of December 31, 2018 and 2017, respectively; however, due to the immaterial amounts of discounts calculated, no discounts to present value are reflected in these financial statements.

At December 31, 2018, collections of contributions receivable were expected as follows:

Less than one year	\$ 81,602
One to five years	5,000
More than five years	-
	\$ 86,602

**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 \$150,414 and \$157,377 at December 31, 2018 and 2017, 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, 2018 and 2017

**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. The deferred revenue balance at December 31, 2017 was the unrecognized balance remaining on the challenge grant. During the year ended December 31, 2018, the donor removed the conditions of the challenge grant and the balance remaining was recognized in full.

**NOTE F - NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Corgan Canopy Fund	\$ 1,126,770	\$ 75,000
Campaign for the Trail	437,182	501,292
Brazos Bluff	326,901	-
Lakeshore Park	90,163	90,163
Holly Point	76,831	-
Trail Bridge at Congress Avenue	62,862	1,515,890
Forestry Ecological Restoration	58,935	111,879
Drake Bridge Commons	50,000	-
Seaholm Waterfront	12,500	12,500
Trail maintenance	10,998	-
Signage	4,151	27,243
Other purposes/future periods	<u>38,681</u>	<u>21,581</u>
 Total subject to expenditure for specified purpose	 <u>2,295,974</u>	 <u>2,355,548</u>
 Endowment fund:		
The Trail Endowment	<u>17,765</u>	<u>13,583</u>
 Total endowment fund	 <u>17,765</u>	 <u>13,583</u>
 Total net assets with donor restrictions	 <u><u>\$ 2,313,739</u></u>	 <u><u>\$ 2,369,131</u></u>

Town Lake Trail Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2018 and 2017

**NOTE G - 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,

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,171,700	\$ 2,559,397
Certificates of deposit	1,251,505	251,505
Accounts receivable, due in less than one year	15,988	-
Contributions receivable, due in less than one year	<u>66,602</u>	<u>174,622</u>
Total financial assets	2,505,795	2,985,524
Donor imposed restrictions:		
Subject to expenditure for specified purpose	<u>(2,295,974)</u>	<u>(2,355,548)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 209,821</u>	<u>\$ 629,976</u>

**NOTE H - DONATED SERVICES**

The Foundation receives in-kind contributions of advertising and services. The Foundation estimates the fair values of donated advertising and services were \$40,248 and \$138,336 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017

**NOTE I - 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 J - 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, 2018 and 2017, the Foundation's uninsured cash balances totaled approximately \$230,000 and \$241,000, respectively.

During the year ended December 31, 2018, the Foundation received a \$1.1 million contribution from one donor.

**NOTE K - COMMITMENTS**

In December 2018, the Foundation executed an agreement with an architecture firm in the amount of \$230,000 for architecture and landscape architecture services for the conceptual design of Drake Bridge Commons.

**NOTE L - 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 \$4,227 and \$3,609, for the years ended December 31, 2018 and 2017, respectively.

**NOTE M - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 31, 2019, the date the financial statements were available to be issued.