

Town Lake Trail Foundation
dba The Trail Foundation
Financial Statements and
Independent Auditors' Report
December 31, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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 13, 2021

FINANCIAL STATEMENTS

Town Lake Trail Foundation
STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 1,825,827	\$ 1,168,100
Certificates of deposit	1,174,253	1,346,445
Prepaid expenses and other assets	1,778	35,076
Grants and contributions receivable	153,004	317,292
Beneficial interest in fund held by ACF	51,665	47,060
Total assets	\$ 3,206,527	\$ 2,913,973
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 70,912	\$ 275,342
Deferred revenue	-	3,368
Total liabilities	70,912	278,710
Net assets		
Without donor restrictions	1,451,886	404,999
With donor restrictions	1,683,729	2,230,264
Total net assets	3,135,615	2,635,263
Total liabilities and net assets	\$ 3,206,527	\$ 2,913,973

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	\$ 1,721,062	\$ 747,184	\$ 2,468,246
Special events (net of direct expenses of \$135,251)	203,719	-	203,719
Paycheck Protection Program grant	138,200	-	138,200
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	<u>1,294,605</u>	<u>(1,294,605)</u>	<u>-</u>
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	<u>356,869</u>	<u>-</u>	<u>356,869</u>
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 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
Net assets released from restrictions	<u>908,364</u>	<u>(908,364)</u>	<u>-</u>
Total revenues	<u>2,120,133</u>	<u>(64,282)</u>	<u>2,055,851</u>
Expenses			
Program services	1,292,743	-	1,292,743
General and administrative	327,252	-	327,252
Fundraising	<u>308,886</u>	<u>-</u>	<u>308,886</u>
Total expenses	1,928,881	-	1,928,881
Bad debt loss	<u>-</u>	<u>19,193</u>	<u>19,193</u>
Total expenses and losses	<u>1,928,881</u>	<u>19,193</u>	<u>1,948,074</u>
Change in net assets	191,252	(83,475)	107,777
Net assets at beginning of year	<u>213,747</u>	<u>2,313,739</u>	<u>2,527,486</u>
Net assets at end of year	<u>\$ 404,999</u>	<u>\$ 2,230,264</u>	<u>\$ 2,635,263</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

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

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 500,352	\$ 107,777
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	-	947
Change in value of fund held by ACF	(4,605)	(6,554)
Loss on disposal of fixed assets	-	1,197
Decrease (increase) in prepaid expenses and other assets	33,298	(32,576)
Decrease (increase) in grants and contributions receivable	164,288	(229,702)
(Decrease) increase in accounts payable and accrued expenses	(204,430)	246,883
(Decrease) increase in deferred revenue	(3,368)	3,368
Net cash provided by operating activities	<u>485,535</u>	<u>91,340</u>
Cash flows from investing activities:		
Purchases of certificates of deposit	(3,527,164)	(5,403,566)
Proceeds from maturities of certificates of deposit	<u>3,699,356</u>	<u>5,308,626</u>
Net cash provided (used) by investing activities	<u>172,192</u>	<u>(94,940)</u>
Cash flows from financing activities:	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	657,727	(3,600)
Cash and cash equivalents at beginning of year	<u>1,168,100</u>	<u>1,171,700</u>
Cash and cash equivalents at end of year	<u>\$ 1,825,827</u>	<u>\$ 1,168,100</u>
Amounts paid during the year for:		
Income taxes	<u>\$ -</u>	<u>\$ 767</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, 2020 and 2019

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, 2020 and 2019

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. As of December 31, 2020, the Foundation had not recognized \$242,658 from a conditional promise to give due to matching requirements established by the donor. The conditional contribution will be recognized as revenue when the conditions are met in future years. 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.

In April 2020, the Foundation received a \$138,200 loan under the Paycheck Protection Program (PPP). The loan was eligible for forgiveness by the U.S. Small Business Administration (SBA) if the Foundation met all necessary criteria as defined by the SBA. Management has determined as of December 31, 2020, the Foundation met the criteria for forgiveness as defined by the SBA. Consistent with the basis for conclusions regarding conditional contributions, the Foundation has recognized the amount expected to be forgiven as revenue in these financial statements. In January 2021, the Foundation received notification from the SBA that the loan had been forgiven in full.

Town Lake Trail Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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). Therefore, 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, 2020 and 2019 were considered fully collectible. Therefore, no allowances for uncollectible amounts have been recorded in these financial statements. At December 31, 2020 and 2019, collections of grants and contributions receivable were expected within one year, therefore 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, 2020 and 2019.

The total value of the fund was \$197,972 and \$178,439 at December 31, 2020 and 2019, respectively. These balances include amounts donated directly to ACF by third parties, which the Foundation does not recognize as assets in its financial statements.

Town Lake Trail Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

NOTE E - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes and periods at December 31, 2020 and 2019:

	2020	2019
Subject to expenditure for specified purposes:		
Corgan Canopy Fund	\$ 968,660	\$ 953,659
Ecological operations	238,308	66,370
Rainey Street Trailhead	98,868	81,371
Butler Shores Exercise Equipment	44,122	-
Festival Beach	38,980	45,118
Butler Shores Brick Project	27,648	-
Campaign for the Trail	20,774	435,858
Holly Point	17,809	26,316
Seaholm Waterfront	12,500	12,500
Art Master Plan	10,000	10,000
Lakeshore Park	-	84,725
Brazos Bluff	-	294,543
Signage	-	511
Other purposes/future periods	185,881	200,000
Total subject to expenditure for specified purposes	<u>1,663,550</u>	<u>2,210,971</u>
Endowment fund:		
The Trail Endowment	<u>20,179</u>	<u>19,293</u>
Total endowment fund	<u>20,179</u>	<u>19,293</u>
Total net assets with donor restrictions	<u>\$ 1,683,729</u>	<u>\$ 2,230,264</u>

NOTE F - 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 \$44,000 for the year ended December 31, 2019. 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. Under the terms of the lease, the Foundation pays \$1,500 monthly for use of the leased premises. The Foundation recognized contributions of \$153,232 for the discounted use of office facilities during the year ended December 31, 2020. The lessor may terminate the lease at any time with 30 days' notice. At December 31, 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, 2020 and 2019

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 for the years ended December 31, 2020 and 2019 totaled \$8,804 and \$5,984, respectively.

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, 2020 and 2019, the Foundation’s uninsured cash and certificates of deposit balances totaled approximately \$1,190,000 and \$732,000, respectively.

NOTE I - 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, 2020 and 2019. 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 current spending policies. The following table sets forth the changes in the Foundation’s Level 3 assets for the years ended December 31, 2020 and 2019:

	2020	2019
Beneficial interest, beginning of year	\$ 47,060	\$ 40,506
Additions	-	-
Change in value	4,605	6,554
Distributions	-	-
Beneficial interest, end of year	<u>\$ 51,665</u>	<u>\$ 47,060</u>

Town Lake Trail Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

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 - 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,825,827	\$ 1,168,100
Certificates of deposit	1,174,253	1,346,445
Grants and contributions receivable, due in less than one year	<u>153,004</u>	<u>317,292</u>
Total financial assets	3,153,084	2,831,837
Donor imposed restrictions:		
Subject to expenditure for specified purpose	<u>(1,555,545)</u>	<u>(2,010,971)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,597,539</u>	<u>\$ 820,866</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 L - SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 13, 2021, the date the financial statements were available to be issued.