

The Trail Conservancy
Financial Statements and
Independent Auditors' Report
December 31, 2023 and 2022

The Trail Conservancy

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Trail Conservancy

Opinion

We have audited the accompanying financial statements of The Trail Conservancy (a Texas nonprofit corporation), which comprise the statements of financial position as of December 31, 2023 and 2022, 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 The Trail Conservancy as of December 31, 2023 and 2022, 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 The Trail Conservancy 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 The Trail Conservancy'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 The Trail Conservancy'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 The Trail Conservancy'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 7, 2024

FINANCIAL STATEMENTS

The Trail Conservancy

STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 5,143,679 | \$ 5,333,192 |
| Prepaid expenses and other assets | 18,319 | 17,134 |
| Grants and contributions receivable | 876,168 | 1,197,645 |
| Property and equipment | 489,355 | 498,012 |
| Operating lease right-of-use asset | 667,276 | 694,721 |
| Beneficial interest in fund held by Austin Community Foundation (ACF) | <u>58,267</u> | <u>51,515</u> |
| Total assets | <u>\$ 7,253,064</u> | <u>\$ 7,792,219</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 359,169 | \$ 264,493 |
| Deferred revenue | 15,085 | 2,500 |
| Refundable grant advance | - | 170,507 |
| Note payable | 32,042 | - |
| Finance lease liabilities | 40,712 | 41,211 |
| Operating lease liability | <u>727,119</u> | <u>732,120</u> |
| Total liabilities | <u>1,174,127</u> | <u>1,210,831</u> |
| Net assets | | |
| Without donor restrictions | 2,386,370 | 2,275,929 |
| With donor restrictions | <u>3,692,567</u> | <u>4,305,459</u> |
| Total net assets | <u>6,078,937</u> | <u>6,581,388</u> |
| Total liabilities and net assets | <u>\$ 7,253,064</u> | <u>\$ 7,792,219</u> |

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

The Trail Conservancy

STATEMENT OF ACTIVITIES

For the year ended December 31, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|---------------------|
| Revenues | | | |
| Grants and contributions | \$ 1,589,522 | \$ 1,427,211 | \$ 3,016,733 |
| Special events (net of direct expenses of \$376,096) | 551,114 | - | 551,114 |
| In-kind contributions | 43,092 | - | 43,092 |
| Interest income | 8,600 | - | 8,600 |
| Change in value of fund held by ACF | 4,054 | 2,698 | 6,752 |
| Other revenues | 79,547 | - | 79,547 |
| Net assets released from restrictions | <u>2,042,801</u> | <u>(2,042,801)</u> | <u>-</u> |
| Total revenues | <u>4,318,730</u> | <u>(612,892)</u> | <u>3,705,838</u> |
| Expenses | | | |
| Program services | 2,749,973 | - | 2,749,973 |
| General and administrative | 779,372 | - | 779,372 |
| Fundraising | <u>678,944</u> | <u>-</u> | <u>678,944</u> |
| Total expenses | <u>4,208,289</u> | <u>-</u> | <u>4,208,289</u> |
| Change in net assets | 110,441 | (612,892) | (502,451) |
| Net assets at beginning of year | <u>2,275,929</u> | <u>4,305,459</u> | <u>6,581,388</u> |
| Net assets at end of year | <u>\$ 2,386,370</u> | <u>\$ 3,692,567</u> | <u>\$ 6,078,937</u> |

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

The Trail Conservancy

STATEMENT OF ACTIVITIES

For the year ended December 31, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|---------------------|
| Revenues | | | |
| Grants and contributions | \$ 1,502,533 | \$ 1,826,104 | \$ 3,328,637 |
| Special events (net of direct expenses of \$361,238) | 446,053 | - | 446,053 |
| In-kind contributions | 166,963 | 266,379 | 433,342 |
| Change in value of fund held by ACF | (4,992) | (3,324) | (8,316) |
| Interest income | 5,778 | - | 5,778 |
| Other revenues | 54,602 | - | 54,602 |
| Net assets released from restrictions | <u>868,694</u> | <u>(868,694)</u> | <u>-</u> |
| Total revenues | <u>3,039,631</u> | <u>1,220,465</u> | <u>4,260,096</u> |
| Expenses | | | |
| Program services | 1,482,408 | - | 1,482,408 |
| General and administrative | 731,935 | - | 731,935 |
| Fundraising | <u>516,640</u> | <u>-</u> | <u>516,640</u> |
| Total expenses | <u>2,730,983</u> | <u>-</u> | <u>2,730,983</u> |
| Change in net assets | 308,648 | 1,220,465 | 1,529,113 |
| Net assets at beginning of year | <u>1,967,281</u> | <u>3,084,994</u> | <u>5,052,275</u> |
| Net assets at end of year | <u>\$ 2,275,929</u> | <u>\$ 4,305,459</u> | <u>\$ 6,581,388</u> |

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

The Trail Conservancy

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2023

| | Program Services | General and Administrative | Fundraising | Total |
|------------------------------------|---------------------|-------------------------------|-------------------|---------------------|
| Personnel | | | | |
| Salaries and wages | \$ 752,767 | \$ 343,827 | \$ 343,308 | \$ 1,439,902 |
| Payroll taxes | 54,520 | 24,902 | 24,864 | 104,286 |
| Employee benefits | 77,759 | 35,517 | 35,463 | 148,739 |
| Trail maintenance and improvements | 1,569,405 | - | - | 1,569,405 |
| Professional and contract services | 9,111 | 164,125 | 52,076 | 225,312 |
| Facilities | 104,428 | 40,743 | 40,682 | 185,853 |
| Trail events | 74,135 | 2,758 | 49,493 | 126,386 |
| Outreach and donor cultivation | 37,065 | 4,318 | 63,586 | 104,969 |
| Information technology | 8,537 | 30,975 | 17,098 | 56,610 |
| Depreciation and amortization | 26,667 | 12,181 | 12,162 | 51,010 |
| Printing and reproduction | 12,450 | 3,266 | 22,122 | 37,838 |
| Credit card fees | - | 33,150 | - | 33,150 |
| Office supplies and postage | 420 | 20,455 | 9,062 | 29,937 |
| Insurance | - | 24,173 | - | 24,173 |
| Travel and entertainment | 4,579 | 6,151 | 717 | 11,447 |
| Training and education | 6,316 | 3,408 | 1,096 | 10,820 |
| Advertising and marketing | 6,788 | 3,175 | - | 9,963 |
| Licenses and permits | 956 | - | 208 | 1,164 |
| Other expenses | 4,070 | 26,248 | 7,007 | 37,325 |
| Total expenses | <u>\$ 2,749,973</u> | <u>\$ 779,372</u> | <u>\$ 678,944</u> | <u>\$ 4,208,289</u> |

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

The Trail Conservancy

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2022

| | Program Services | General and Administrative | Fundraising | Total |
|------------------------------------|---------------------|-------------------------------|-------------------|---------------------|
| Personnel | | | | |
| Salaries and wages | \$ 539,931 | \$ 296,947 | \$ 270,100 | \$ 1,106,978 |
| Payroll taxes | 39,345 | 21,639 | 19,682 | 80,666 |
| Employee benefits | 55,090 | 30,298 | 27,559 | 112,947 |
| Trail maintenance and improvements | 608,356 | - | - | 608,356 |
| Facilities | 104,312 | 54,437 | 48,873 | 207,622 |
| Professional and contract services | 6,460 | 148,881 | 6,602 | 161,943 |
| Outreach and donor cultivation | 33,353 | 7,439 | 50,128 | 90,920 |
| Trail events | 54,345 | 55 | 21,985 | 76,385 |
| Information technology | 8,136 | 30,928 | 19,193 | 58,257 |
| Printing and reproduction | 5,105 | 5,953 | 43,070 | 54,128 |
| Credit card fees | - | 38,154 | - | 38,154 |
| Office supplies and postage | 203 | 16,711 | 2,998 | 19,912 |
| Insurance | - | 17,429 | - | 17,429 |
| Depreciation and amortization | 13,005 | 1,473 | 1,340 | 15,818 |
| Training and education | 3,803 | 7,709 | 1,418 | 12,930 |
| Travel and entertainment | 3,906 | 5,322 | 1,113 | 10,341 |
| Advertising and marketing | 1,063 | 6,608 | 396 | 8,067 |
| Licenses and permits | 4,100 | 32 | 100 | 4,232 |
| Other expenses | 1,895 | 41,920 | 2,083 | 45,898 |
| Total expenses | <u>\$ 1,482,408</u> | <u>\$ 731,935</u> | <u>\$ 516,640</u> | <u>\$ 2,730,983</u> |

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

The Trail Conservancy

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2023 and 2022

| | 2023 | 2022 |
|--|--------------|--------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (502,451) | \$ 1,529,113 |
| Adjustments to reconcile change in net assets to net cash (used) provided by operating activities: | | |
| Depreciation and amortization | 51,010 | 15,818 |
| Amortization of operating lease right-of-use asset | 27,445 | 19,359 |
| Operating lease right-of-use asset obtained | - | (714,081) |
| Donated securities | (647,198) | (517,834) |
| Proceeds from sales of investments | 655,217 | 493,868 |
| Realized (gains) losses on investments | (8,019) | 23,966 |
| Donated property and equipment | (4,140) | (56,679) |
| Change in value of fund held by ACF | (6,752) | 8,316 |
| Increase in prepaid expenses and other assets | (1,185) | (894) |
| Decrease (increase) in grants and contributions receivable | 321,477 | (635,335) |
| Increase in accounts payable and accrued expenses | 94,676 | 117,640 |
| Increase in deferred revenue | 12,585 | 2,500 |
| (Decrease) increase in refundable grant advance | (170,507) | 170,507 |
| (Decrease) increase in operating lease liability | (5,001) | 732,120 |
| Net cash (used) provided by operating activities | (182,843) | 1,188,384 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (38,213) | (326,085) |
| Proceeds from maturities of certificates of deposit | - | 762,940 |
| Net cash (used) provided by investing activities | (38,213) | 436,855 |
| Cash flows from financing activities: | | |
| Proceeds from note payable | 33,570 | - |
| Principal payments on note payable | (1,528) | - |
| Principal payments on finance lease liabilities | (499) | (481) |
| Net cash provided (used) by investing activities | 31,543 | (481) |
| Net (decrease) increase in cash and cash equivalents | (189,513) | 1,624,758 |
| Cash and cash equivalents at beginning of year | 5,333,192 | 3,708,434 |
| Cash and cash equivalents at end of year | \$ 5,143,679 | \$ 5,333,192 |
| Amounts paid during the year for: | | |
| Interest | \$ 515 | \$ 281 |

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

NOTES TO FINANCIAL STATEMENTS

The Trail Conservancy

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Organization and Nature of Activities

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

In 2022, the Organization signed a Parks Operating and Maintenance Agreement (POMA) with PARD granting primary stewardship of the 10-mile Trail and almost 300 acres of parkland that makes up the Town Lake Metropolitan Park (Park) to the Organization. This agreement formalized the shared responsibilities for operations, maintenance, and programming of the Park between the City of Austin and the Organization.

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 Organization 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.

The Trail Conservancy

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Presentation - Continued

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.

4. Cash Equivalents

The Organization considers short-term, highly-liquid investments with maturities of three months or less on the date of acquisition to be cash equivalents.

5. 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 and amortization are calculated using the straight-line method over the assets' estimated useful lives, generally three to five years for website, furniture, and equipment and seventeen years for leasehold improvements. 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 Organization reports expirations of donor restrictions when the donated or acquired assets are placed into service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

6. Leases

The Organization determines whether a contract is a leasing arrangement and the classification of that lease, if applicable, at inception. Right-of-use assets represent the Organization's right to use an underlying asset during the lease term, and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right-of-use assets and liabilities are recognized at the commencement date, based on the net present value of fixed-lease payments over the lease term.

If determinable, the Organization uses the rate implicit in the lease. When the rate implicit in the lease is not determinable, the Organization uses its incremental borrowing rate at the commencement date of the lease to determine the present value of the lease payments. Operating lease payments are expensed on a straight-line basis over the term of the lease while finance lease payments are segregated between amortization of the right-to-use asset and the interest on the lease liability. The Organization's lease terms include options to extend or terminate the lease when it is reasonably certain that the option will be exercised.

The Trail Conservancy

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Leases - Continued

Leases with an initial term of twelve months or less are not recorded on the statements of financial position and are expensed on a straight-line basis. To the extent a lease arrangement includes both lease and non-lease components, the components are accounted for separately.

7. 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 Organization'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, 2023, the Organization had not recognized approximately \$1.7 million in conditional promises to give by two donors. The grants and contributions are conditional based on external barriers or reimbursable expenses being incurred and will be recognized as revenue when the conditions are met in future years. The Organization 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.

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

10. Reclassifications

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

The Trail Conservancy

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE B - TAX-EXEMPT STATUS

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3). The Organization is 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

Grants and contributions receivable comprised the following at December 31, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|--|-------------------|---------------------|
| Promises to give cash | \$ 640,406 | \$ 931,266 |
| Promises to give discounted facilities | <u>323,591</u> | <u>367,094</u> |
| Grants and contributions receivable, gross | 963,997 | 1,298,360 |
| Less allowance for uncollectible amounts | - | - |
| Less discount to present value | <u>(87,829)</u> | <u>(100,715)</u> |
| Grants and contributions receivable, net | <u>\$ 876,168</u> | <u>\$ 1,197,645</u> |

The grants and contributions receivable balances at December 31, 2023 and 2022 have been analyzed and no allowances for uncollectible balances were considered necessary. At December 31, 2023, collections of grants and contributions receivable, except for \$105,000 expected to be collected in one to five years, and exclusive of promises to give discounted facilities, were expected within one year.

On May 16, 2022, the Organization signed a noncancelable seven-year agreement for the discounted use of office facilities in Austin, Texas. The lease granted an initial renewal option at below-market rates for an additional five years, which the Organization is reasonably certain to exercise. According to generally accepted accounting principles, if a not-for-profit organization receives the use of facilities at below-market rates, the organization should record a contribution and incremental rent expense equal to the fair rental value of the facilities less any contractual lease obligations. The \$352,569 value that management assigned to the value of the donated facilities over the twelve-year period was recognized as a promise to give and as net assets with donor restrictions. The promise to give discounted facilities is being amortized on a straight-line basis over the twelve-year period beginning in January 2023. The promise to give discounted facilities balance was discounted to present value assuming an interest rate of 5%.

The Trail Conservancy

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment comprised the following at December 31, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|--|--------------------------|--------------------------|
| Leasehold improvements | \$ 395,862 | \$ 395,862 |
| Finance leases right-of-use assets | 61,613 | 61,613 |
| Equipment | 41,410 | - |
| Website | 30,000 | 30,000 |
| Office furniture | <u>27,298</u> | <u>26,355</u> |
| | 556,183 | 513,830 |
| Less accumulated depreciation and amortization | <u>(66,828)</u> | <u>(15,818)</u> |
| | <u><u>\$ 489,355</u></u> | <u><u>\$ 498,012</u></u> |

Depreciation and amortization expense totaled \$51,010 and \$15,818 for the years ended December 31, 2023 and 2022, respectively.

NOTE E - OPERATING LEASE

During 2022, the Organization entered into an operating lease for a new office facility. The initial noncancelable lease expires in 2030 with two five-year renewal options, which the Organization is reasonably certain to exercise. The lease requires the Organization to pay separate amounts for common area maintenance, taxes, and insurance.

The following provides quantitative information concerning the Organization's operating lease as of and for the years ended December 31, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|--|-------------|-------------|
| Operating lease costs (facilities expense) | \$ 64,112 | \$ 37,399 |
| Other information: | | |
| Right-of-use asset obtained in exchange for new operating lease liability | \$ - | \$ 714,081 |
| Cash paid for amounts included in the measurement of operating lease liability | \$ 41,667 | \$ - |
| Weighted-average remaining lease term | 16.2 Years | 17.2 Years |
| Weighted-average discount rate | 5.00% | 5.00% |

The Trail Conservancy

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE E - OPERATING LEASE - CONTINUED

Total rent expense was \$126,365 and \$174,805 for the years ended December 31, 2023 and 2022, respectively, which includes lease costs and operating expenses.

The aggregate future lease payments for this operating lease as of December 31, 2023 were as follows:

| Years ending December 31, | Payments |
|------------------------------|-------------------|
| 2024 | \$ 52,083 |
| 2025 | 54,583 |
| 2026 | 57,083 |
| 2027 | 59,583 |
| 2028 | 62,083 |
| Thereafter | <u>810,905</u> |
| Total lease payments | 1,096,320 |
| Less interest | <u>(369,201)</u> |
| Lease liability | <u>\$ 727,119</u> |

NOTE F - BOARD-DESIGNATED NET ASSETS

During the year ended December 31, 2021, the Board of Directors established an Operating Reserve Fund. The policy requires the Organization to designate unrestricted cash equal to three months of average operating costs for future operations. The Board has designated \$555,080 and \$487,412 for this Fund as of December 31, 2023 and 2022, respectively.

The Trail Conservancy

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes and periods at December 31, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Subject to expenditure for specified purposes: | | |
| Corgan Canopy Fund | \$ 867,620 | \$ 913,695 |
| Holly Project | 703,450 | 907,472 |
| Rainey Street Trailhead | 679,956 | 1,247,709 |
| Donated facilities | 235,762 | 266,379 |
| Arts & Culture programs | 212,948 | - |
| Capital projects maintenance | 200,604 | 34,625 |
| Ecological operations | 123,785 | 143,215 |
| Big Cy | 99,318 | - |
| Comprehensive Signage Plan | 82,854 | - |
| Interns | 63,297 | 75,000 |
| Butler Shores Exercise Equipment | 52,850 | 262,107 |
| 2024 Music on the Trail sponsorship | 50,000 | - |
| Campaign for a Home | - | 230,532 |
| 2023 Music on the Trail sponsorship | - | 50,000 |
| Other purposes/future periods | 296,829 | 154,129 |
| Total subject to expenditure for specified purposes | <u>3,669,273</u> | <u>4,284,863</u> |
| Endowment fund: | | |
| The Trail Endowment | <u>23,294</u> | <u>20,596</u> |
| Total endowment fund | <u>23,294</u> | <u>20,596</u> |
| Total net assets with donor restrictions | <u>\$ 3,692,567</u> | <u>\$ 4,305,459</u> |

NOTE H - GRANTOR AUDITS

The Organization 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 Organization's management, such disallowances, if any, will not be significant.

The Trail Conservancy

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE I - CONTRIBUTED NONFINANCIAL ASSETS

For the years ended December 31, 2023 and 2022, contributed nonfinancial assets recognized within the statements of activities included the following:

| | <u>2023</u> | <u>2022</u> |
|---|-------------------|-------------------|
| In-kind contributions for operations and programs: | | |
| Discounted office facilities | \$ 12,885 | \$ 374,036 |
| Architecture, engineering, and design services | - | 43,739 |
| Other goods and services | <u>30,207</u> | <u>15,567</u> |
| Total in-kind contributions for operations and programs | <u>43,092</u> | <u>433,342</u> |
| In-kind contributions received for special events: | | |
| Items for auction, raffle, and gift packages | 88,610 | 34,765 |
| Catering and facilities | 61,640 | 62,300 |
| Advertising | <u>-</u> | <u>5,250</u> |
| Total in-kind contributions received for special events | <u>150,250</u> | <u>102,315</u> |
| Total in-kind contributions | <u>\$ 193,342</u> | <u>\$ 535,657</u> |

Contributions of nonfinancial assets are reported at fair value at the date of contribution which was determined as follows:

- Discounted office facilities are valued at the difference between the fair value of the facilities less the Organization’s contractual lease obligations. The fair value of in-kind facilities is determined based on the rate for similar office space in similar areas in Austin, Texas. The use of facilities for a specified period are recognized as promises to give and are included in net assets with donor restrictions.
- Architecture, engineering, and design services are valued at the estimated fair value based upon current rates for similar specialized services.
- Equipment and items received for special events are valued at the price the Organization would have paid if it had purchased similar quantities of the same items from vendors.

Catering and facilities provided direct benefits to donors attending the Organization’s annual Moonlight Margarita Run and gala. Items donated for auction, raffles, and gift packages were monetized during the annual gala.

The Organization 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.

The Trail Conservancy

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE J - CONCENTRATIONS

Six donors comprised the following percentages of gross grants and contributions receivable and total revenue as of and for the years ended December 31, 2023 and 2022:

| | 2023 | | 2022 | |
|---------|-------------------------------------|---------------|-------------------------------------|---------------|
| | Grants and Contributions Receivable | Total Revenue | Grants and Contributions Receivable | Total Revenue |
| Donor A | 34% | 0% | 27% | 6% |
| Donor B | 16% | 13% | 1% | 2% |
| Donor C | 12% | 0% | 10% | 4% |
| Donor D | 0% | 11% | 0% | 2% |
| Donor E | 0% | 0% | 40% | 24% |
| Donor F | 0% | 0% | 12% | 0% |

NOTE K - PARKLAND IMPROVEMENTS

In February 2023, the Organization launched a \$15 million capital campaign to fund Phase 2 of the Seaholm Waterfront project which includes costs for design, engagement, construction and future maintenance and operations of the public space. This phase includes finishing out the interior of the main building, including a café and community space; adding additional restrooms and office/storage space; revitalizing the main lawn; and creating a platform for viewing the lake and south shore.

In April 2023, the Organization executed a Parkland Improvement Agreement with the City of Austin for the Rainey Street Trailhead project. Under terms of the agreement, the City has agreed to reimburse costs incurred on this project up to \$778,865 of Parkland Dedication Fee funds. In October 2023, the Organization signed a \$1.1 million construction contract for this project. As of December 31, 2023, reimbursed costs incurred under this contract totaled \$316,130. Construction is expected to be completed in 2024.

In March 2024, the Organization executed a second Parkland Improvement Agreement with the City of Austin for the Holly Project. Under the terms of the agreement, the City has agreed to reimburse costs incurred on this project up to \$889,000 of Parkland Dedication Fee funds.

The Trail Conservancy

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE L - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization'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 Organization's contribution revenue has significant annual variations depending on the approval and timing of trail improvement projects. The Organization 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 Organization's financial assets, reduced by amounts not available for general use within one year because of Board designations, contractual obligations, and donor-imposed restrictions, as of December 31, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 5,143,679 | \$ 5,333,192 |
| Promises to give cash, due in less than one year | <u>535,406</u> | <u>796,266</u> |
| Total financial assets | 5,679,085 | 6,129,458 |
| Board designations: | | |
| Operating Reserve Fund | (555,080) | (487,412) |
| Contractual obligations: | | |
| POMA Reserve Fund | (150,000) | (150,000) |
| Donor-imposed restrictions: | | |
| Subject to expenditure for specified purposes | <u>(3,150,512)</u> | <u>(3,758,484)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,823,493</u> | <u>\$ 1,733,562</u> |

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

The Trail Conservancy

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE M - RETIREMENT PLAN

The Organization maintains a 401(k) defined contribution plan (Plan) for the benefit of its employees. Employees who are at least 21 years of age are eligible to participate. The Organization makes matching contributions of 100% of the first 2% of eligible compensation. Participants are immediately vested in their contributions, including any rollover contributions to the plan. Participants vest in any Organization matching contributions and any nonelective 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, 2023 and 2022 totaled \$25,880 and \$19,004, respectively.

NOTE N - SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 7, 2024, the date the financial statements were available to be issued.