

# **AUSTIN PARKS FOUNDATION**

## **CONSOLIDATED FINANCIAL STATEMENTS**

*As of and for the Years Ended December 31, 2021 and 2020*

*And Report of Independent Auditor*

**AUSTIN PARKS FOUNDATION**  
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## Report of Independent Auditor

To the Board of Directors  
Austin Parks Foundation  
Austin, Texas

### Opinion

We have audited the accompanying consolidated financial statements of Austin Parks Foundation (the "Foundation") (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated 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 Foundation as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 consolidated 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 consolidated 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 consolidated 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 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

*Cherry Bekaert LLP*

Austin, Texas  
September 6, 2022

**AUSTIN PARKS FOUNDATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,636,780	\$ 4,116,503
Investments	9,426,859	8,802,152
Accounts receivable, net	6,999,688	20,716
Prepaid expenses and other current assets	56,785	16,211
Total Current Assets	<u>18,120,112</u>	<u>12,955,582</u>
Property and equipment, net	<u>513,488</u>	<u>85,993</u>
Total Assets	<u>\$ 18,633,600</u>	<u>\$ 13,041,575</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 1,923,766	\$ 145,240
Accrued expenses	54,572	11,929
Grants payable	763,211	482,640
Paycheck Protection Program deferred revenue	-	262,200
Total Current Liabilities	<u>2,741,549</u>	<u>902,009</u>
Net Assets:		
Without donor restrictions (Note 8)	12,754,514	8,666,303
With donor restrictions (Note7)	<u>3,137,537</u>	<u>3,473,263</u>
Total Net Assets	<u>15,892,051</u>	<u>12,139,566</u>
Total Liabilities and Net Assets	<u>\$ 18,633,600</u>	<u>\$ 13,041,575</u>

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

**AUSTIN PARKS FOUNDATION**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2021

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenue and Support:			
Contributions and grants	\$ 875,009	\$ 1,285,255	\$ 2,160,264
Event revenues and sponsorships	7,227,829	-	7,227,829
Investment returns, net	731,549	-	731,549
Net assets released from restrictions - satisfaction of restrictions	1,620,981	(1,620,981)	-
Total Revenue and Support	<u>10,455,368</u>	<u>(335,726)</u>	<u>10,119,642</u>
Expenses:			
Program services	5,067,052	-	5,067,052
Fundraising	801,673	-	801,673
General and administrative	498,432	-	498,432
Total Expenses	<u>6,367,157</u>	<u>-</u>	<u>6,367,157</u>
Change in net assets	4,088,211	(335,726)	3,752,485
Net assets, beginning of year	<u>8,666,303</u>	<u>3,473,263</u>	<u>12,139,566</u>
Net assets, end of year	<u>\$ 12,754,514</u>	<u>\$ 3,137,537</u>	<u>\$ 15,892,051</u>

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

**AUSTIN PARKS FOUNDATION**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2020

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenue and Support:			
Contributions and grants	\$ 428,726	\$ 1,214,492	\$ 1,643,218
Event revenues and sponsorships	363,419	-	363,419
Investment returns, net	612,614	-	612,614
Net assets released from restrictions - satisfaction of restrictions	1,537,858	(1,537,858)	-
Total Revenue and Support	<u>2,942,617</u>	<u>(323,366)</u>	<u>2,619,251</u>
Expenses:			
Program services	3,453,252	-	3,453,252
Fundraising	620,090	-	620,090
General and administrative	450,156	-	450,156
Total Expenses	<u>4,523,498</u>	<u>-</u>	<u>4,523,498</u>
Change in net assets	(1,580,881)	(323,366)	(1,904,247)
Net assets, beginning of year	10,247,184	3,796,629	14,043,813
Net assets, end of year	<u>\$ 8,666,303</u>	<u>\$ 3,473,263</u>	<u>\$ 12,139,566</u>

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

**AUSTIN PARKS FOUNDATION**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED DECEMBER 31, 2021*

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	<b>Program Services</b>	<b>Fundraising</b>	<b>General and Administrative</b>	<b>Total</b>
Project expenses	\$ 3,260,309	\$ -	\$ -	\$ 3,260,309
Grants awarded	446,781	-	-	446,781
Salaries and wages	790,768	379,196	281,881	1,451,845
Employee benefits	1,702	-	800	2,502
Professional services	135,805	59,117	174,066	368,988
Program events	246,730	-	-	246,730
Marketing	34,720	13,160	-	47,880
Other supporting expenses	95,123	112,595	19,300	227,018
Occupancy and related	23,393	11,697	11,697	46,787
Insurance	15,442	3,326	6,505	25,273
Meals and entertainment	4,179	2,774	2,433	9,386
Event expenses	12,100	219,808	1,750	233,658
Total Expenses	<u>\$ 5,067,052</u>	<u>\$ 801,673</u>	<u>\$ 498,432</u>	<u>\$ 6,367,157</u>

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



**AUSTIN PARKS FOUNDATION**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED DECEMBER 31, 2020*

	<b>Program Services</b>	<b>Fundraising</b>	<b>General and Administrative</b>	<b>Total</b>
Project expenses	\$ 2,104,910	\$ -	\$ -	\$ 2,104,910
Grants awarded	140,200	-	-	140,200
Salaries and wages	792,734	358,974	344,017	1,495,725
Employee benefits	2,384	997	1,373	4,754
Professional services	70,060	43,304	50,817	164,181
Program events	152,987	-	-	152,987
Marketing	29,979	6,300	-	36,279
Other supporting expenses	77,640	111,975	15,954	205,569
Occupancy and related	63,067	31,534	31,534	126,135
Insurance	12,468	1,400	4,235	18,103
Meals and entertainment	2,173	1,069	766	4,008
Event expenses	4,650	64,537	1,460	70,647
Total Expenses	<u>\$ 3,453,252</u>	<u>\$ 620,090</u>	<u>\$ 450,156</u>	<u>\$ 4,523,498</u>

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

**AUSTIN PARKS FOUNDATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 3,752,485	\$ (1,904,247)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation expense	15,970	32,156
Net realized and unrealized gains on investments	(258,996)	(177,179)
Forgiveness of Paycheck Protection Program loans	(524,400)	-
Changes in assets and liabilities:		
Pledges receivable	-	1,787
Accounts receivable	(6,978,972)	6,260,189
Prepaid expenses and other current assets	(40,574)	6,143
Accounts payable and accrued expenses	1,821,169	(2,576,195)
Grants payable	280,571	(202,041)
Paycheck Protection Program deferred revenue	262,200	262,200
Net cash flows from operating activities	<u>(1,670,547)</u>	<u>1,702,813</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(443,465)	(6,903)
Purchases of investments	(1,518,241)	(2,573,586)
Proceeds from sales of investments	1,152,530	2,609,597
Net cash flows from investing activities	<u>(809,176)</u>	<u>29,108</u>
<b>Cash flows from financing activities:</b>	<u>-</u>	<u>-</u>
Change in cash and cash equivalents	(2,479,723)	1,731,921
Cash and cash equivalents, beginning of year	4,116,503	2,384,582
Cash and cash equivalents, end of year	<u>\$ 1,636,780</u>	<u>\$ 4,116,503</u>

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

# AUSTIN PARKS FOUNDATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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### **Note 1—Principal activity and summary of significant accounting policies**

The Austin Parks Foundation (“Foundation”) is a Texas nonprofit corporation chartered in 1992. The Foundation partners with the community to enhance people’s lives by making the public parks, trails, and green spaces better through volunteerism, innovative programming, advocacy, and financial support.

Zilker Train, LLC (“Zilker Train”), a wholly-owned subsidiary of the Foundation, was formed during March 2021 for the purpose of furthering the Foundation’s mission through the construction and operation of a rideable miniature park railway in Zilker Metropolitan Park in Austin, Texas.

*Basis of Presentation* – The Foundation’s consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”), and include the accounts of its wholly-owned subsidiary, Zilker Train. All significant intercompany transactions and balances have been eliminated in consolidation.

For financial statement purposes, the Foundation distinguishes between contributions with donor restrictions and contributions without donor restrictions.

*Net Asset Classifications* – The Foundation classifies its net assets into two categories as follows:

*With Donor Restrictions* – This class represents net assets, the use of which is subject to stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations.

*Without Donor Restrictions* – Net assets that are not subject to stipulations. Net assets without donor stipulations may be used for any purpose or designated for specific purposes by action of the Board of Directors (the “Board”) of the Foundation.

*Use of Estimates* – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

*Cash and Cash Equivalents* – Cash and cash equivalents consist of cash held in bank deposit accounts and short-term, highly-liquid investments with a purchase maturity date of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents.

*Investments* – Investments consist of fixed income securities, equity securities, money market funds, time deposits, and interests in the Austin Community Foundation (“ACF”) “long-term active” investment pool (the “Pool”). Time deposits are carried at amortized cost by summing the principal investment plus accrued interest while all other marketable investments have readily determined fair values based on quoted market values or significant inputs other than quoted market prices.

The Foundation’s assets held in the ACF’s Pool have a long-term investment horizon of greater than 10 years. Realized gains and losses on sales of shares held in the Pool are determined on an average cost basis. Purchases and sales of shares held in the Pool are recorded on a trade-date basis.

Investment income and unrealized gains and losses are reported as changes to net assets without donor restrictions unless a donor restriction is placed on the income’s use. The change in fair value between years is reflected in the consolidated statements of activities in the year of the change as investment returns, net.

**AUSTIN PARKS FOUNDATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*DECEMBER 31, 2021 AND 2020*

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**Note 1—Principal activity and summary of significant accounting policies (continued)**

*Contributions* – Contributions and grants received (including unconditional promises to give, “Pledges”) are recorded as donor-restricted support and without donor-restricted support in the period received depending on the existence and/or nature of any donor restrictions. The Foundation reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Conditional promises to give are recognized as the conditions upon which they depend are substantially met. Pledges are recognized as revenue only if sufficient evidence exists in the form of verifiable documentation that a promise was made and received.

During the years ended December 31, 2021 and 2020, the value of contributed services meeting the requirements for recognition in the consolidated financial statements was not material to the consolidated financial statements. Although individuals volunteer their time and perform a variety of tasks that assist the Foundation, these services typically do not meet the criteria for recognition as contributed services.

The Foundation reports contributions of land, buildings, and equipment and other assets as unrestricted, unless explicit donor stipulations specify how the donated assets must be used. Gifts of assets with explicit restrictions that specify how the assets are to be used are accounted for as restricted support. Contributions of land, buildings, and equipment and other assets are recorded at the fair market value as of the date of the contribution.

*Event Revenue* – The Foundation is the owner and presenter of the Austin City Limits Music Festival (“ACL”), which has been produced by C3 Presents LLC (“C3”) on the Foundation’s behalf since 2002. The arrangement between the Foundation and C3 is conducted in accordance with the January 1, 2014 Service Agreement, which was most recently amended and restated as of January 1, 2020. The term of the amended and restated agreement is five years with subsequent automatic annual renewals. Under the terms of this agreement, the Foundation is entitled to receive a share of the ACL net proceeds. Revenue from ACL is estimated and recognized as information regarding ticket and alcohol sales, as well as clean-up costs, becomes available. Proceeds from ACL are collected by C3, who then subsequently distributes the amounts owed to the Foundation under the terms of the agreement. Collection of these proceeds does not typically occur until after year-end. Historically, the amounts collected have not materially differed from the amounts estimated and, as result, no amounts were allowed for as of December 31, 2021 and 2020, related to event revenue. Event revenue earned is highly dependent upon the success of ACL each year.

The 2021 ACL Festival was held during the weekends of October 1-3, 2021 and October 8-10, 2021. Total proceeds from the 2021 Festival were \$6,761,556, of which \$1,638,618 relate specifically to the post-festival repair and revitalization of Zilker Park, the location of festival. These expenses are then included in project expenses in the accompanying consolidated statement of functional expenses for the year ended December 31, 2021. As of December 31, 2021, \$6,761,556 was recorded in accounts receivable and was collected subsequent to year-end.

The 2020 ACL Festival was not held due to the COVID-19 pandemic and, as such, there were no related proceeds or expenses for 2020.

In addition to the maintenance and improvement of Zilker Park specifically, funds generated from the Festival also paid for park improvements across the City of Austin.

*Allowance for Doubtful Accounts* – The Foundation evaluates the collectability of its pledges and adequacy of its allowance for doubtful accounts on a periodic basis. The evaluation includes historical loss experience, length of time the pledges are past due, and adverse situations that may affect the donor’s ability to honor its pledge. The Foundation records and adjusts its allowance for bad debt balance as necessary. The allowance for doubtful accounts was nominal for the years ended December 31, 2021 and 2020.

**AUSTIN PARKS FOUNDATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*DECEMBER 31, 2021 AND 2020*

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**Note 1—Principal activity and summary of significant accounting policies (continued)**

*Property and Equipment* – Property and equipment is recorded at cost on date of acquisition or at fair value on date of donation. Property and equipment are depreciated using the straight-line method over the following useful lives: furniture and equipment 3 to 5 years; vehicles 5 years; locomotives and coaches 10 years; train tracks 15 years; and leasehold improvements over the lesser of the useful life of the asset or the lease term.

*Long-Lived Assets* – Long-lived assets held and used by the Foundation are reviewed for impairment whenever events or changes in circumstances indicate their net book value may not be recoverable. When such factors and circumstances exist, the Foundation compares the projected undiscounted, future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets and is recorded in the period in which the determination was made. No indicators of impairment existed at December 31, 2021 or 2020.

*Income Taxes* – The Foundation and Zilker Train are nonprofit organizations exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, they are also exempt from state income taxes, and contributions by the public are deductible for income tax purposes to the extent allowed by federal and state law. The Foundation and Zilker Train have been classified as a publicly-supported organization, which is not a private foundation under Section 509(a) of the Internal Revenue Code.

Unrelated business income, of which the Foundation had no significant amounts for the years ended December 31, 2021 and 2020, is subject to federal income taxes. Accordingly, there is no provision or liability for federal income taxes in the accompanying consolidated financial statements.

The Foundation regularly assesses uncertain tax positions in each of the tax jurisdictions in which it has operations and accounts for the related financial statement implications. Determining the appropriate level of unrecognized tax benefits requires the Foundation to exercise judgment regarding the uncertain application of tax law. The amount of unrecognized tax benefits is adjusted when information becomes available or when an event occurs indicating a change is appropriate. Management evaluated all tax positions and concluded the Foundation has no uncertain tax positions that require recognition in the accompanying consolidated financial statements or further disclosure in the notes to the consolidated financial statements. Future changes in unrecognized tax benefits requirements could have a material impact on the results of operations. The Foundation's management believes it is generally no longer subject to income tax examinations for the previous three tax years.

*Functional Expenses* – The Foundation undertakes a variety of park improvement projects each year. Many of the projects are substantial in size and scope and span a multi-year time period from designation of funds to project completion. The timing of the Foundation's expenditures for those projects can vary greatly from year to year, based upon factors largely outside of the Foundation's control. This variability impacts the total project expense line item and can lead to inconsistent levels of program services expenses as a percentage of total expenses from year to year. The Foundation strives to maintain appropriate spending levels on fundraising and administrative costs, with the oversight of the Board, regardless of the magnitude of the project expenditures from year to year.

The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among program services, fundraising, and general and administrative. Such allocations are determined by management on an equitable basis.

**AUSTIN PARKS FOUNDATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

**Note 1—Principal activity and summary of significant accounting policies (continued)**

Expenses that are allocated include the following:

<b>Expense</b>	<b>Allocation Method</b>
Salaries and wages	Time and effort
Employee benefits	Time and effort and specific identification
Professional services	Specific identification
Marketing	Time and effort
Other supporting expenses	Time and effort and specific identification
Occupancy and related	Number of employees participating
Insurance	Specific identification and number of employees participating
Meals and entertainment	Specific identification
Event expenses	Specific identification

*Concentration of Credit Risk* – Financial instruments which potentially subject the Foundation to concentrations of credit risk consists principally of cash and cash equivalents and investments. The Foundation maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Foundation’s cash and cash equivalent accounts have been placed with high credit-quality financial institutions, and the Foundation has not experienced, nor does it anticipate, any losses with respect to such accounts.

In management’s opinion, the Foundation’s cash, cash equivalents, and investments do not represent a significant concentration of credit risk due to the diversification of the Foundation’s portfolio among institutions, instruments, and issuers.

*Fair Value Measurements* – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity’s assumptions (unobservable inputs). The Foundation groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

*Level 1* – Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

*Level 2* – Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

*Level 3* – Unobservable inputs that cannot be corroborated by observable market data.

**AUSTIN PARKS FOUNDATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

**Note 1—Principal activity and summary of significant accounting policies (continued)**

*Advertising* – The Foundation expenses advertising costs as incurred. The Foundation incurred \$26,660 and \$18,401 in advertising costs during the years ended December 31, 2021 and 2020, respectively, which are included in marketing on the accompanying consolidated statements of functional expenses.

*Future Accounting Pronouncements* – In February 2016, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*. This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. For private companies, the ASU is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Foundation is currently assessing the impact of the new standard on its financial reporting when adopted in 2022.

In September 2020, FASB issued ASU 2020-07, *Not-For-Profit Entities (Topic 958): Presentations and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*, which amends the accounting guidance to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The ASU is effective for annual periods beginning after June 15, 2021, for non-for-profit entities, with early adoption permitted. The Foundation is currently assessing the impact of the new standard on its financial reporting when adopted in 2022.

**Note 2—Liquidity**

The Foundation has provided positive cash from operations for both the years ended December 31, 2021 and 2020, and has \$12.8 million and \$8.7 million, respectively, in net assets without donor restrictions as of December 31, 2021 and 2020. Operations have been primarily funded through contributions and event revenues.

In accordance with the Foundation’s investment and cash management policies, the Foundation’s goal is to accumulate at least six months of operating expenses as without donor restrictions and undesignated funds for an operating reserve. Any cash in excess of the daily requirements are to be invested in primarily short-term investment vehicles. The Foundation’s financial assets available within one year of the December 31, 2021 statement of financial position for general expenditure for operating and capital, are as follows:

Cash and cash equivalents	\$ 1,636,780	\$ 4,116,503
Short-term investments	9,426,859	8,802,152
Accounts receivable	6,999,688	20,716
	<u>\$ 18,063,327</u>	<u>\$ 12,939,371</u>

Of the above financial assets, \$3.1 million are subject to donor or other contractual restrictions that make them unavailable for general expenditure. As noted in Note 8, funds of \$4.8 million are designated by the Board. Additionally, upon the receipt of the ACL proceeds in February 2021, approximately \$3.1 million of net assets were designated by the Board for various park improvements projects.

In response to the COVID-19 pandemic, the Foundation applied for and received Paycheck Protection Program (“PPP”) loans totaling \$524,400, as discussed in Note 11.

Additionally, as discussed further in Note 12, the Foundation is entitled to certain COVID-19 related employment retention tax credits totaling approximately \$435,000, of which \$202,000 was received during 2021.

**AUSTIN PARKS FOUNDATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

**Note 3—Pledges receivable**

The Foundation received pledges to cover the costs to renovate Republic Square Park. Pledges are stated at their realizable value, net of an allowance for uncollectible pledges.

Pledges receivable consist of the following characteristics at December 31:

	<u>2021</u>	<u>2020</u>
Republic Square Park Capital Campaign	\$ -	\$ -
Less allowance for uncollectible pledges	-	-
Pledges receivable, net	<u>\$ -</u>	<u>\$ -</u>

Pledges receivable activity for the years ended December 31 is as follows:

	<u>2021</u>	<u>2020</u>
Balances, January 1	\$ -	\$ 1,787
Payments received	-	-
Write-offs and changes to the allowance	-	(1,787)
Pledges receivable, net	<u>\$ -</u>	<u>\$ -</u>

**Note 4—Investments**

The following is a summary of investments at December 31:

	<u>2021</u>	<u>2020</u>
Money market funds	\$ 475,618	\$ 651,704
Beneficial interest in ACF's long-term Active Pool	1,293,990	1,132,485
Fixed income securities	5,212,665	4,955,214
Equity securities	2,336,104	1,966,431
Real assets	108,482	96,318
	<u>\$ 9,426,859</u>	<u>\$ 8,802,152</u>



**AUSTIN PARKS FOUNDATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

**Note 5—Fair value disclosures**

The following tables present the assets that are measured at fair value on a recurring basis by level within the fair value hierarchy as reported on the consolidated balance sheets at December 31. As required by U.S. GAAP, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

<b>2021</b>					
<b>Asset</b>	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>NAV</b>
Money market funds	\$ 475,618	\$ 475,618	\$ -	\$ -	\$ -
Beneficial interest in ACF	1,293,990	-	-	-	1,293,990
Fixed income securities	5,212,665	5,212,665	-	-	-
Equity securities	2,336,104	2,336,104	-	-	-
Real asset funds	108,482	108,482	-	-	-
Total assets	<u>\$ 9,426,859</u>	<u>\$ 8,132,869</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,293,990</u>
<b>2020</b>					
<b>Asset</b>	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>NAV</b>
Money market funds	\$ 651,704	\$ 651,704	\$ -	\$ -	\$ -
Beneficial interest in ACF	1,132,485	-	-	-	1,132,485
Fixed income	4,955,214	4,955,214	-	-	-
Equity securities	1,966,431	1,966,431	-	-	-
Real asset funds	96,318	96,318	-	-	-
Total assets	<u>\$ 8,802,152</u>	<u>\$ 7,669,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,132,485</u>

Time deposits are valued at amortized cost plus accrued interest income, which approximates fair value, as determined by the investment advisor. Money market funds, fixed income securities, and equity securities are valued based on quoted market prices or comparable market activities.

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**Note 5—Fair value disclosures (continued)**

The Foundation follows guidance on measuring the fair value of alternative investments, which offers investors a practical expedient for measuring the fair value of investments in certain entities that calculate net asset value (“NAV”). Under this practical expedient, entities are permitted to use NAV without adjustment for certain investments which: (a) do not have a readily determinable fair value, and (b) prepare their consolidated financial statements consistent with the measurement principles of an investment foundation or have the attributes of an investment foundation.

The Foundation’s participation in ACF’s Pool is determined based on its pro rata ownership interest of the entire Pool (NAV). The Foundation has no unfunded commitments with regard to its investment into the Pool and has the ability to request a distribution at will and up to the full balance of the accounts. The strategy of the Pool is to maximize growth over a time horizon of 10 years or more through a well-diversified portfolio. During the years ended December 31, 2021 and 2020, the Foundation contributed \$-0- and \$-0- into the ACF Pool, respectively. Additionally, while ACF has variance power over these accounts, due to the beneficiary of these accounts being the Foundation, these transactions are considered reciprocal in nature. In accordance with Accounting Standards Codification 958-605-25, these amounts are considered assets of the Foundation.

Because of the inherent uncertainty of these valuations, the estimated values may differ from the actual fair values that may or may not be ultimately realized.

**Note 6—Property and equipment**

Property and equipment as of December 31 consisted of the following:

	<u>2021</u>	<u>2020</u>
Furniture and fixtures	\$ 18,266	\$ 64,531
Computers and equipment	52,337	45,401
Vehicles	54,583	54,583
Leasehold improvements	-	23,675
Construction in progress	474,997	-
	600,183	188,190
Accumulated depreciation	(86,695)	(102,197)
Total property and equipment	<u>\$ 513,488</u>	<u>\$ 85,993</u>

Depreciation expense was \$15,970 and \$32,156 for the years ended December 31, 2021 and 2020, respectively, and is included in other supporting expenses on the accompanying consolidated statements of functional expenses.

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**Note 7—Net assets with donor restrictions**

Net assets of a not-for-profit foundation resulting from contributions whose use by the Foundation is limited by donor-imposed restrictions, the purpose of which is fulfilled, are considered net assets with donor restrictions.

Net assets released from those with donor restrictions due to the satisfaction of requirements were as follows for the years ended December 31:

<i>Funds Sponsored by the Foundation</i>	<u>2021</u>	<u>2020</u>
Other sponsored funds	\$ 239,227	\$ 294,124
	<u>239,227</u>	<u>294,124</u>
<i>Foundation Projects:</i>		
Republic Square	319,496	275,097
Zilker Train	252,653	-
Houston School	191,800	-
Urban Forestry	124,769	-
Park Projects	200,000	210,634
Auditorium Shores	-	350,000
Other donor restricted	293,036	408,003
	<u>1,381,754</u>	<u>1,243,734</u>
Total net assets released from donor restrictions	<u>\$ 1,620,981</u>	<u>\$ 1,537,858</u>

Net assets with donor restrictions consisted of the following at December 31:

<i>Funds Sponsored by the Foundation</i>	<u>2021</u>	<u>2020</u>
Hancock Concordia	\$ 383,007	\$ 434,199
Eastwoods Concordia	77,533	77,633
Galindo Elementary	23,761	68,990
NWACA	5,778	5,828
Georgian Acres	26,169	26,219
Other sponsored funds	503,724	479,042
	<u>1,019,972</u>	<u>1,091,911</u>
<i>Foundation Projects:</i>		
Republic Square	82,752	332,150
Alsup Project Fund	100,000	100,000
RSP-Endowment ACF	786,492	592,669
Old Bakery	82,847	78,623
Houston School	-	184,944
Park Projects	586,992	786,992
Other donor restricted	478,482	305,974
	<u>2,117,565</u>	<u>2,381,352</u>
Total net assets with donor restrictions	<u>\$ 3,137,537</u>	<u>\$ 3,473,263</u>

**AUSTIN PARKS FOUNDATION**  
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**Note 8—Net assets without donor restrictions**

Limitations or designations have been placed on certain net assets without donor restrictions of the Foundation by the Board of Directors. These funds retain the characteristics of funds without donor restrictions and can be utilized as deemed appropriate by the Board; however, they have been segregated from the general pool of assets in order to fund specific programs or to serve a specific purpose.

Net assets without donor restrictions with Board designations as well as their respective uses consisted of the following for the years ended December 31, 2021 and 2020:

	Community Initiated					Springdale			Total
	Grants	Little Walnut	Eastlink Trail	Zilker Train	Govalle Park	All Abilities	Park	Other	
January 1, 2020	\$ 260,792	\$ -	\$ 696,837	\$ -	\$ 550,000	\$ -	\$ 200,000	\$ 2,920,711	\$ 4,628,340
Designations	570,701	50,000	100,000	400,000	100,000	750,000	50,000	2,371,503	4,392,204
Uses	(288,804)	(16,852)	(81,062)	(272,834)	(25,245)	-	(16,429)	(1,428,585)	(2,129,811)
December 31, 2020	542,689	33,148	715,775	127,166	624,755	750,000	233,571	3,863,629	6,890,733
Designations	-	325,000	-	648,418	-	-	-	105,716	1,079,134
Uses	(476,108)	(96,408)	(150,544)	(583,614)	(176,398)	-	(233,571)	(1,458,408)	(3,175,051)
December 31, 2021	\$ 66,581	\$ 261,740	\$ 565,231	\$ 191,970	\$ 448,357	\$ 750,000	\$ -	\$ 2,510,937	\$ 4,794,816

Upon the receipt of the ACL proceeds in February 2021, approximately \$3.1 million of net assets were designated by the Board for various park improvements projects.

**Note 9—Related party transactions**

Total contributions from Board members to the Foundation during the years ended December 31, 2021 and 2020 totaled \$125,358 and \$56,936, respectively.

A member of the Board of the Foundation provided general legal counsel on a pro bono basis during the years ended December 31, 2021 and 2020. Costs for the services provided were nominal for the years ended December 31, 2021 and 2020.

Companies affiliated with certain members of the Board provide services to the Foundation. During the years ended December 31, 2021 and 2020, total fees paid to such companies were \$48,476 and \$49,500, respectively.

**Note 10—Commitments and contingencies**

The Foundation entered into a lease in 2018 that was originally set to mature in May 2023. In December 2020, the Foundation elected to terminate the lease early. Total costs incurred to terminate the lease early were approximately \$22,000.

Rent expense was \$27,318 and \$107,778 for the years end December 31, 2021 and 2020, respectively, and is included in occupancy and related expenses in the accompanying consolidated statements of functional expenses.

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**Note 11—Paycheck Protection Program loan**

During 2020 and 2021, the Foundation received loans under the Paycheck Protection Program (“PPP”), which was established under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) and administered by the Small Business Administration (“SBA”). The application for the PPP loan requires the Foundation to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operation of the Foundation. This certification further requires the Foundation to take into account its current business activity and its ability to access other sources of liquidity sufficient to support the ongoing operations in a manner that is not significantly detrimental to the business. The receipt of the funds from the PPP loan and the forgiveness of the PPP loan is dependent on the Foundation having initially qualified for the PPP loan and qualifying for the forgiveness of such PPP loan based on funds being used for certain expenditures such as payroll costs and rent, as required by the terms of the PPP loan. There is no assurance the Foundation’s obligation under the PPP loan will be forgiven. If the PPP loan is not forgiven, the Foundation will need to repay the PPP loan over the applicable repayment period, commencing after the applicable deferral period.

Amounts received under separate PPP loans dated April 2020 and March 2021 totaled \$262,200 and \$262,200, respectively, and were recorded as Paycheck Protection Program deferred revenue on the accompanying consolidated statements of financial position in accordance with ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. During 2021 both loans were forgiven in full. Accordingly, \$524,400 was recorded as income and is included in contributions and grants on the accompanying consolidated statements of activities.

**Note 12—Payroll Tax Credits**

The Company is eligible for the Employee Retention Credit (“ERC”) under the CARES Act totaling approximately \$435,000. During 2021, approximately \$202,000 was received in Form 941 Employer Quarterly Federal Tax Return (“Form 941”) refund payments. Such amounts are recognized as grant income on the accompanying consolidated statements of activities. Corresponding receivables for the ERC at December 31, 2021 and 2020 were approximately \$233,000 and \$-0-, respectively, which represents refunds due on the respective Form 941s. As of September 6, 2022, during 2022, approximately \$118,000 in additional Form 941 refund payments were received.

**Note 13—Concentration**

During the years ended December 31, 2021 and 2020, the Foundation recognized approximately \$6,761,556 and \$-0-, respectively, from the Austin City Limits Music Festival, which represents approximately 67% and 0% of total revenue and support, respectively.

**Note 14—Subsequent events**

The Foundation’s management has evaluated subsequent events through September 6, 2022, the date the consolidated financial statements were available for issuance.