

The Buffalo Bayou Partnership

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2019 and 2018

The Buffalo Bayou Partnership

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Independent Auditors' Report

To the Board of Directors of
The Buffalo Bayou Partnership:

We have audited the accompanying financial statements of The Buffalo Bayou Partnership, which comprise the statements of financial position as of December 31, 2019 and 2018 and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility – Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion – In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Buffalo Bayou Partnership as of December 31, 2019 and 2018 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.



May 29, 2020

The Buffalo Bayou Partnership

Statements of Financial Position as of December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 2,821,943	\$ 1,546,792
Prepaid expenses and other receivables	244,524	230,308
Investments (Note 4)	4,359,428	4,035,487
Contributions receivable	1,962,373	1,014,076
Property, net (Note 6)	<u>18,538,494</u>	<u>18,847,052</u>
TOTAL ASSETS	<u>\$ 27,926,762</u>	<u>\$ 25,673,715</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 152,383	\$ 432,610
Hurricane repairs and construction payables		80,000
Deferred revenue	248,886	230,136
Advanced contributions (Note 10)	1,046,502	250,000
Notes payable (Note 7)	<u>2,753,053</u>	<u>3,068,318</u>
Total liabilities	<u>4,200,824</u>	<u>4,061,064</u>
Net assets:		
Without donor restrictions (Note 8)	20,280,585	20,530,372
With donor restrictions (Note 9)	<u>3,445,353</u>	<u>1,082,279</u>
Total net assets	<u>23,725,938</u>	<u>21,612,651</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 27,926,762</u>	<u>\$ 25,673,715</u>

See accompanying notes to financial statements.

The Buffalo Bayou Partnership

Statement of Activities for the year ended December 31, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Fees and program revenues:			
Contract service fees (Note 5)	\$ 3,358,860		\$ 3,358,860
Park rentals and fees	671,784		671,784
Contributions (Note 10)	911,100	\$ 3,583,146	4,494,246
Special events	137,051		137,051
Cost of direct donor benefits	(32,450)		(32,450)
Other income	178,198		178,198
	<hr/>	<hr/>	<hr/>
Total revenue	5,224,543	3,583,146	8,807,689
Net assets released from restrictions (Note 11)	<hr/>	<hr/>	<hr/>
	1,220,072	(1,220,072)	
	<hr/>	<hr/>	<hr/>
Total	6,444,615	2,363,074	8,807,689
EXPENSES:			
Buffalo Bayou development, maintenance and park programming	5,869,626		5,869,626
Management and general	411,660		411,660
Fundraising	413,116		413,116
	<hr/>		<hr/>
Total expenses	6,694,402		6,694,402
CHANGES IN NET ASSETS	(249,787)	2,363,074	2,113,287
Net assets, beginning of year	<hr/>	<hr/>	<hr/>
	20,530,372	1,082,279	21,612,651
Net assets, end of year	<hr/>	<hr/>	<hr/>
	\$ 20,280,585	\$ 3,445,353	\$ 23,725,938

See accompanying notes to financial statements.

The Buffalo Bayou Partnership

Statement of Activities for the year ended December 31, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Fees and program revenues:			
Contract service fees (Note 5)	\$ 3,316,339		\$ 3,316,339
Park rentals and fees	727,612		727,612
Contributions (Note 10)	538,962	\$ 894,963	1,433,925
Special events	705,567		705,567
Cost of direct donor benefits	(166,372)		(166,372)
Other income	<u>160,638</u>		<u>160,638</u>
Total revenue	5,282,746	894,963	6,177,709
Net assets released from restrictions (Note 11)	<u>4,386,175</u>	<u>(4,386,175)</u>	
Total	<u>9,668,921</u>	<u>(3,491,212)</u>	<u>6,177,709</u>
EXPENSES:			
Buffalo Bayou development, maintenance and park programming	5,781,571		5,781,571
Management and general	319,901		319,901
Fundraising	<u>263,653</u>		<u>263,653</u>
Total expenses	<u>6,365,125</u>		<u>6,365,125</u>
Changes in net assets before involuntary conversion	3,303,796	(3,491,212)	(187,416)
Net results of involuntary conversion (Note 12)	<u>(1,087,784)</u>		<u>(1,087,784)</u>
CHANGES IN NET ASSETS	2,216,012	(3,491,212)	(1,275,200)
Net assets, beginning of year	<u>18,314,360</u>	<u>4,573,491</u>	<u>22,887,851</u>
Net assets, end of year	<u>\$ 20,530,372</u>	<u>\$ 1,082,279</u>	<u>\$ 21,612,651</u>

See accompanying notes to financial statements.

The Buffalo Bayou Partnership

Statement of Functional Expenses for the year ended December 31, 2019

	BUFFALO BAYOU DEVELOPMENT, MAINTENANCE AND PARK PROGRAMMING	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related costs	\$ 2,112,331	\$ 146,871	\$ 241,068	\$ 2,500,270
Park maintenance	1,235,396			1,235,396
Professional fees and contract services	987,639	105,197	13,836	1,106,672
Park equipment and supplies	453,689			453,689
Depreciation	326,938	5,069	5,069	337,076
Insurance	235,844	8,939	8,939	253,722
Supplies	98,165	29,079	43,352	170,596
Rent	96,000			96,000
Graphics and printing	70,227	11,121	14,000	95,348
Conferences and meetings	34,349	4,661	54,899	93,909
Utilities	84,667	3,594	2,506	90,767
Credit card and other fees		74,965		74,965
Interest	51,450	7,499	7,499	66,448
Technology and communication	31,740	2,069	10,019	43,828
Transportation	23,763	191	201	24,155
Marketing and advertising	7,538	3,599	2,262	13,399
Other	19,890	8,806	9,466	38,162
Total expenses	<u>\$ 5,869,626</u>	<u>\$ 411,660</u>	<u>\$ 413,116*</u>	6,694,402
Cost of direct donor benefits				<u>32,450</u>
Total				<u>\$ 6,726,852</u>

*Fundraising expenses for supplies and conferences and meetings include venue and other costs related to the gala for 2019 that was cancelled. In 2018, these were included in the cost of direct donor benefits.

See accompanying notes to financial statements.

The Buffalo Bayou Partnership

Statement of Functional Expenses for the year ended December 31, 2018

	BUFFALO BAYOU DEVELOPMENT, MAINTENANCE AND PARK PROGRAMMING	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related costs	\$ 1,877,071	\$ 157,195	\$ 212,253	\$ 2,246,519
Park maintenance	878,731			878,731
Professional fees and contract services	1,955,513	61,368	1,650	2,018,531
Park equipment and supplies	150,315			150,315
Depreciation	172,495	2,760	2,760	178,015
Insurance	220,834	5,766	5,766	232,366
Supplies	73,862	7,814	7,776	89,452
Rent	96,000			96,000
Graphics and printing	40,405	4,228	11,263	55,896
Conferences and meetings	23,769	1,431	1,713	26,913
Utilities	91,879	2,839	1,914	96,632
Credit card and other fees		56,516		56,516
Interest	31,981	1,875	1,875	35,731
Technology and communication	33,079	2,493	7,092	42,664
Transportation	25,328	53	151	25,532
Marketing and advertising	5,403	9,189	1,686	16,278
Donation of park improvements to City of Houston	93,821			93,821
Other	<u>11,085</u>	<u>6,374</u>	<u>7,754</u>	<u>25,213</u>
Total expenses	<u>\$ 5,781,571</u>	<u>\$ 319,901</u>	<u>\$ 263,653</u>	6,365,125
Cost of direct donor benefits				<u>166,372</u>
Total				<u>\$ 6,531,497</u>

See accompanying notes to financial statements.

The Buffalo Bayou Partnership

Statements of Cash Flows for the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 2,113,287	\$ (1,275,200)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	337,076	178,015
Contributions restricted for capital projects		(26,501)
Unrealized gain on U. S. Treasury securities	(2,150)	(2,191)
Donation of land and park improvements to the City of Houston		93,821
Changes in operating assets and liabilities:		
Prepaid expenses and other receivables	(14,216)	125,610
Contributions receivable	(948,297)	(17,119)
Accounts payable and accrued expenses	(280,227)	(188,260)
Deferred revenue	18,750	(500)
Advanced contributions	<u>796,502</u>	<u>(212,763)</u>
Net cash provided (used) by operating activities	<u>2,020,725</u>	<u>(1,325,088)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from insurance settlements		73,094
Expenditures for purchases of property	(108,518)	(2,846,830)
Purchases of U. S. Treasury securities		(499,684)
Net change in certificates of deposit and money market mutual funds	<u>(321,791)</u>	<u>(655,848)</u>
Net cash used by investing activities	<u>(430,309)</u>	<u>(3,929,268)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for projects		1,371,770
Repayment of notes payable and line of credit	<u>(315,265)</u>	<u>(34,686)</u>
Net cash provided (used) by financing activities	<u>(315,265)</u>	<u>1,337,084</u>
NET CHANGE IN CASH	1,275,151	(3,917,272)
Cash, beginning of year	<u>1,546,792</u>	<u>5,464,064</u>
Cash, end of year	<u>\$ 2,821,943</u>	<u>\$ 1,546,792</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$68,057	\$36,140
Property sale advance converted to loan		\$2,499,765

See accompanying notes to financial statements.

The Buffalo Bayou Partnership

Notes to Financial Statements for the years ended December 31, 2019 and 2018

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – The Buffalo Bayou Partnership (the Partnership) was established in 1986 for the purpose of serving as an advisory resource and liaison among the groups that are pursuing development of Buffalo Bayou (the Bayou) amenities and the many private and public sector entities with interest in or jurisdiction over various Bayou functions. The Partnership manages and maintains Buffalo Bayou Park (the Park) and also coordinates integration of major amenities into the Bayou Greenbelt and seeks ways to increase community development in Bayou-related activities. The Partnership is to be administered to benefit the City of Houston (the City) and Harris County, Texas (the County). Significant Partnership programs and projects include: land acquisition, hike and bike trail design and construction, redevelopment of major waterfront destinations, special event coordination, and operation of a specially designed water craft to remove bayou debris.

Federal income tax status – The Partnership is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

Investments in marketable securities are reported at fair value. Investments in certificates of deposit are reported at face value plus accrued interest.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts due in more than one year are discounted, if material, to estimate the present value of future cash flows. At December 31, 2019, all contributions receivable were due within one year.

Property is reported at cost if purchased and at fair value at the date of gift if donated. Depreciation is calculated on a straight-line basis over estimated useful lives of 3 to 20 years. Bayou improvements for collaborative projects with the City or County are the property of the City or County and are expensed as incurred, except as disclosed in Note 5.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service unless the donor also has placed a time restriction on the use of the long-lived asset, in which case the release occurs over the term of the time restriction.

Contract service fees – Revenue from contracts with customers is derived from contract fees for the maintenance and operations of certain parkland and navigable waters of the Bayou. Revenue is recognized over time as the services are provided in an amount that reflects the consideration the Partnership expects to be entitled to in exchange for those services. Payments are due during the contract year and are reported as deferred revenue until the revenue is recognized. Deferred revenue related to contracts with customers total approximately \$230,000 at December 31, 2019 and 2018.

Park rentals and fees – The Park accommodates visitors by offering rentable outdoor and indoor space for private events and other outdoor activities. Additionally, the Park and the Bayou are utilized for special city-wide events. Fees for rentals, permits, and events are based on the specific requirements of the event vendor or visitor. Fees are net of any discounts and are recognized at the point in time the event or activity occurs.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are subject to one or more barriers that must be overcome before the Partnership is entitled to receive or retain the funds. Conditional contributions are recognized in the same manner when the conditions are met. Funding received before the conditions are met is reported as advanced contributions.

In-kind contributions – Donated facilities, materials, and services are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Special events revenue is recognized when the event occurs. Direct donor benefit costs represent the cost of goods and services provided to attendees of the event.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation, interest expense, and occupancy costs are allocated based on square footage. Information technology costs are allocated based on estimates of time and costs of specific technology utilized.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS

Effective January 1, 2019, the Partnership adopted Accounting Standards Update (ASU) 2014-19, *Revenue from Contracts with Customers (Topic 606)*. The core principle of the new guidance is that an entity should recognize revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for transferred goods or services using a 5-step process to determine when performance obligations are satisfied, and revenue is recognized. This ASU has been applied on a retrospective basis to the financial statements for the year ended December 31, 2018. Adoption of this standard had no impact on 2018 beginning or ending net assets or changes in net assets, but did expand disclosures related to revenue recognition.

The Partnership also adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional. The Partnership adopted the new standard effective January 1, 2019. Adoption of this ASU had no impact on the financial statements.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31 comprise the following:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash	\$ 2,821,943	\$ 1,546,792
Receivables	56,700	56,763
Investments	4,359,428	4,035,487
Contributions receivable	<u>1,962,373</u>	<u>1,014,076</u>
Total financial assets	9,200,444	6,653,118
Less financial assets not available for general expenditure:		
Donor-restricted assets subject to satisfaction of restriction and the passage of time	(314,935)	(812,852)
Contractually-restricted assets for park maintenance and capital improvements	<u>(1,475,498)</u>	<u>(1,309,871)</u>
Total financial assets available for general expenditure	<u>\$ 7,410,011</u>	<u>\$ 4,530,395</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Partnership considers all expenditures related to its ongoing activities of the development and stewardship of the Bayou, as well as the conduct of services undertaken to support those activities, to be general expenditures. The Partnership has entered into maintenance contracts with local governmental entities that require amounts paid in excess of amounts used in each given year to be accumulated for future

maintenance and capital improvements (see Note 5). Financial assets include approximately \$3,000,000 in funds to be used in park capital and maintenance, as well as East End planning in 2020.

As part of the Partnership’s liquidity management, it structures its financial assets to be available as its general expenditures and liabilities become due or as additional funding opportunities are presented by maintaining a significant portion of its assets in cash. Short-term funds are invested in liquid certificates of deposit, money market mutual funds and treasury instruments with staggered maturities based upon expected needs.

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2019 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Money market mutual funds	\$ 3,855,403			\$ 3,855,403
U. S. Treasury securities	<u>504,025</u>			<u>504,025</u>
Total investments	<u>\$ 4,359,428</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,359,428</u>

Assets measured at fair value at December 31, 2018 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Money market mutual funds	\$ 2,524,215			\$ 2,524,215
U. S. Treasury securities	<u>501,875</u>			<u>501,875</u>
Total assets measured at fair value	<u>\$ 3,026,090</u>	<u>\$ 0</u>	<u>\$ 0</u>	3,026,090
Certificates of deposit				<u>1,009,397</u>
Total investments				<u>\$ 4,035,487</u>

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at reported net asset value.
- *U. S. Treasury securities* are valued using prices obtained from active market maker and inter-dealer brokers on a daily basis.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Partnership believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

NOTE 5 – GOVERNMENT AND OTHER RELATED CONTRACTS

In February 2011, the Partnership entered into a tri-party agreement with the Harris County Flood Control District (the District) and the City to delegate responsibilities of the redevelopment of the Bayou from Shepherd to Sabine Buffalo Bayou Park. The agreement gave the Partnership rights to manage development, construction, maintenance, and operations of the parkland in the project area. The park improvements were completed for the Bayou from Shepherd to Sabine project in December 2015, and under this agreement the Partnership transferred ownership to the City at that time. An additional \$94,000 of park improvements were transferred to the City in 2018.

Under this agreement, the City pays the Partnership an annual City maintenance fee of approximately \$2,000,000 adjusted annually for inflation for an initial term of 30 years for ongoing maintenance of Buffalo Bayou Park. During 2019 and 2018, the Partnership earned \$2,382,020 and \$2,343,289, respectively, in annual fees under this maintenance agreement. Additionally, in any year during the operating phase when the City maintenance fee paid for the year exceeds the actual cost of maintenance and operations of the project, the Partnership is required to hold any such excess in a maintenance reserve to be used to cover certain future costs related to the operations of the Park. Concession revenue paid to the Partnership under its agreements with licensees and vendors is required to be held by the Partnership in a capital reserve until used for capital improvements. At December 31, 2019 and 2018, \$1,351,112 and \$1,208,776 was being held as maintenance and capital reserve for the project, respectively.

In July 2011, the Partnership entered into an agreement with the District whereby the Partnership would provide a program for management and removal of floatables, litter and other pollutants from the Bayou and its tributaries. The agreement was renewed for an additional term through July 2021. The District will pay \$343,091 annually under this agreement, which is included in contract service fees.

In March 2016, the Partnership entered into an agreement with a local government corporation, a component unit of the City, whereby the Partnership will manage, operate and maintain the green spaces adjacent to the Bayou in downtown Houston known as Sabine Promenade and Sesquicentennial Park through March 31, 2027. The Partnership recognized \$550,000 in contract service fees in 2019 and 2018 under this agreement. A portion of the fee is to be used for capital projects, improvements and repairs other than routine maintenance and upkeep. At December 31, 2019 and 2018, \$124,386 and \$101,095, respectively, was being held as capital reserve for the project.

NOTE 6 – PROPERTY

Property consists of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 10,761,200	\$ 10,761,200
Buildings and improvements	7,531,013	7,531,013
Park equipment	593,290	569,345
Boats	321,395	321,395
Office equipment and furniture	115,974	116,052
Vehicles	<u>97,357</u>	<u>97,357</u>
Total property, at cost	19,420,229	19,396,362
Accumulated depreciation	<u>(881,735)</u>	<u>(549,310)</u>
Property, net	<u>\$ 18,538,494</u>	<u>\$ 18,847,052</u>

The Partnership has eight right-of-way easements totaling 8.4 acres along the Bayou's east sector. These easements were granted to the Partnership to allow completion of hike and bike trails for public use. The Partnership does not have ownership of the land and improvements related to these easements; therefore, no amounts have been recorded as assets in these financial statements.

NOTE 7 – NOTES PAYABLE

Notes payable consist of the following:

	<u>2019</u>	<u>2018</u>
Note payable to a local governmental corporation with payments due monthly starting in 2020, maturing on September 17, 2058, secured by deed of trust at property at 1019 Commerce Street; interest rate of 2%.	\$ 2,499,765	\$ 2,499,765
Note payable to a bank with payments due on a quarterly basis based on a 20-year amortization, maturing April 28, 2021, secured by land; interest rate of 3.95% at December 31, 2019.	<u>253,288</u>	<u>568,553</u>
Total notes payable	<u>\$ 2,753,053</u>	<u>\$ 3,068,318</u>

Principal payments at December 31, 2019 are due as follows:

2020	\$ 44,724
2021	260,427
2022	45,426
2023	46,343
2024	47,279
Thereafter	<u>2,308,854</u>
Total	<u>\$ 2,753,053</u>

The Partnership recognized interest expense of approximately \$66,448 in 2019 and \$35,730 in 2018.

NOTE 8 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	<u>2019</u>	<u>2018</u>
Property, net of notes payable	\$ 15,785,441	\$ 15,778,734
Park maintenance and capital improvements under operating agreements	1,475,498	1,309,871
Undesignated	<u>3,369,646</u>	<u>3,441,767</u>
Total net assets without donor restrictions	<u>\$ 20,630,585</u>	<u>\$ 20,530,372</u>

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Hike and bike trail projects	\$ 2,328,045	\$ 570,282
East End implementation project	415,000	
Water Works improvements	350,000	
Land acquisition	312,690	470,683
Other	<u>2,245</u>	<u>2,447</u>
Total subject to expenditure for specified purpose	<u>3,407,980</u>	<u>1,043,412</u>
Subject to passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditures until due	<u>37,373</u>	<u>38,867</u>
Total net assets with donor restrictions	<u>\$ 3,445,353</u>	<u>\$ 1,082,279</u>

NOTE 10 – CONTRIBUTIONS

Concentration

The Partnership has raised significant funds for land and building improvements, and funding is often concentrated in a small number of donors. In 2019, approximately \$2,000,000 or 45% of contributions were from two donors.

At December 31, 2019, approximately 91% of contributions receivable were due from three donors. At December 31, 2018, approximately 89% of contributions receivable were due from four donors.

Conditional contributions

The Partnership has received conditional contributions of approximately \$2,800,000 that are conditioned upon a completed design and award of a contract to begin construction on a trail link along the south side

of the Bayou, entering agreements to construct a trail paralleling Commerce Street in downtown, and the performance of defined project goals and incurring qualified expenses on a fluvial geomorphic survey assessment. These gifts will be recognized as contribution revenue when the conditions the donor has established are met. The Partnership has received advanced payments on these conditional contributions. At December 31, 2019 and 2018, \$1,046,502 and \$250,000 is included in advanced contributions, respectively.

In 2019, the Partnership received a commitment of \$2,000,000 from Downtown Redevelopment Authority and Reinvestment Zone Number Three, City of Houston to construct a trail paralleling Commerce Street in downtown Houston. The commitment is conditioned upon approval of specific components of the project and completion of construction of those components. The commitment will be recognized as contribution revenue when the conditions are met.

In-kind contributions

The Partnership recognized the fair value of services and materials as contributed capital assets and program expenses, as follows:

	<u>2019</u>	<u>2018</u>
Facility rent from the City	\$ 96,000	\$ 96,000
Other goods and services	<u>10,000</u>	<u>12,750</u>
Total in-kind contributions	<u>\$ 106,000</u>	<u>\$ 108,750</u>

NOTE 11 – NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Donor restrictions on contributions were satisfied for the following purposes:

	<u>2019</u>	<u>2018</u>
Buffalo Bayou Park operations	\$ 220,919	\$ 510,869
Trail repairs	300,000	
Hike and bike trail projects	295,857	332,095
Clean and Green program	164,330	108,473
Land acquisition	158,063	2,394,216
Cistern operations and programming	32,067	100,195
Disaster relief and clean-up	10,000	284,149
East End master plan project		611,868
Other	<u>38,836</u>	<u>44,310</u>
Total net assets released from donor restrictions	<u>\$ 1,220,072</u>	<u>\$ 4,386,175</u>

NOTE 12 – INVOLUNTARY CONVERSION

The Partnership incurred damage to Buffalo Bayou Park grounds and equipment and Sunset Coffee Building in August 2017 due to Hurricane Harvey requiring significant clean-up and repairs. A cumulative loss on involuntary conversion of \$1,087,784 was recognized during 2018 as a result of the damage.

NOTE 13 – SUBSEQUENT EVENTS

On March 11, 2020, the Director-General of the World Health Organization declared a pandemic related to the global outbreak of the new coronavirus COVID-19 and on March 13, 2020, a national emergency was declared in the United States. The extent of the impact of COVID-19 on the Partnership's operational and financial performance will depend on developments such as the duration and spread of the outbreak, impact on donors, employees, and vendors all of which are uncertain and cannot be predicted. Therefore, while the Partnership expects this matter to negatively impact its operating results and financial position, the financial impact cannot be reasonably estimated at this time.

Subsequent to December 31, 2019, the Partnership received a federal payroll protection loan totaling approximately \$330,000. These loans were provided during the economic downturn and expected to be forgiven in 2020.

Management has evaluated subsequent events through May 29, 2020, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
