

**Buffalo Bayou Partnership**

Financial Statements  
and Independent Auditors' Report  
for the years ended December 31, 2021 and 2020

# Buffalo Bayou Partnership

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## Independent Auditors' Report

To the Board of Directors of  
Buffalo Bayou Partnership:

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Buffalo Bayou Partnership, which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Buffalo Bayou Partnership 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Buffalo Bayou Partnership 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 Buffalo Bayou Partnership's ability to continue as a going concern for 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 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 Buffalo Bayou Partnership'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 Buffalo Bayou Partnership'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.

*Blazek & Vetterling*

June 13, 2022

## Buffalo Bayou Partnership

Statements of Financial Position as of December 31, 2021 and 2020

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	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents <i>(Note 3)</i>	\$ 21,125,823	\$ 1,976,161
Prepaid expenses and other receivables	294,612	475,701
Investments <i>(Note 4)</i>		15,597,331
Contributions receivable	1,019,500	6,572,139
Property, net <i>(Note 6)</i>	<u>23,155,008</u>	<u>20,252,613</u>
 TOTAL ASSETS	 <u>\$ 45,594,943</u>	 <u>\$ 44,873,945</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses <i>(Note 8)</i>	\$ 1,991,014	\$ 319,563
Deferred revenue	295,107	247,981
Paycheck Protection Program refundable advance <i>(Note 2)</i>		396,100
Advanced contributions <i>(Note 11)</i>	255,000	755,000
Notes payable <i>(Note 7)</i>	<u>2,444,151</u>	<u>2,693,946</u>
Total liabilities	<u>4,985,272</u>	<u>4,412,590</u>
 Commitments <i>(Note 8)</i>		
Net assets:		
Without donor restrictions <i>(Note 9)</i>	23,612,118	22,266,294
With donor restrictions <i>(Note 10)</i>	<u>16,997,553</u>	<u>18,195,061</u>
Total net assets	<u>40,609,671</u>	<u>40,461,355</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 45,594,943</u>	 <u>\$ 44,873,945</u>

*See accompanying notes to financial statements.*

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## Buffalo Bayou Partnership

Statement of Activities for the year ended December 31, 2021

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Fees and program revenues:			
Contract service fees (Note 5)	\$ 3,464,490		\$ 3,464,490
Park rentals and fees	712,838		712,838
Contributions (Note 11):			
Land donation		\$ 2,000,000	2,000,000
Paycheck Protection Program (Note 2)		396,100	396,100
Other	437,556	3,690,290	4,127,846
Special events	667,395		667,395
Cost of direct donor benefits	(136,458)		(136,458)
Other income	<u>165,404</u>		<u>165,404</u>
Total revenue	5,311,225	6,086,390	11,397,615
Net assets released from restrictions (Note 12)	<u>7,283,898</u>	<u>(7,283,898)</u>	
Total	<u>12,595,123</u>	<u>(1,197,508)</u>	<u>11,397,615</u>
EXPENSES:			
Buffalo Bayou development, maintenance and park programming	10,163,776		10,163,776
Management and general	680,418		680,418
Fundraising	<u>405,105</u>		<u>405,105</u>
Total expenses	<u>11,249,299</u>		<u>11,249,299</u>
CHANGES IN NET ASSETS	1,345,824	(1,197,508)	148,316
Net assets, beginning of year	<u>22,266,294</u>	<u>18,195,061</u>	<u>40,461,355</u>
Net assets, end of year	<u>\$ 23,612,118</u>	<u>\$ 16,997,553</u>	<u>\$ 40,609,671</u>

*See accompanying notes to financial statements.*

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## Buffalo Bayou Partnership

Statement of Activities for the year ended December 31, 2020

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Fees and program revenues:			
Contract service fees (Note 5)	\$ 3,488,820		\$ 3,488,820
Park rentals and fees	305,167		305,167
Contributions (Note 11)	438,171	\$ 18,380,231	18,818,402
Special events	467,549		467,549
Cost of direct donor benefits	(86,619)		(86,619)
Other income	327,730		327,730
Total revenue	4,940,818	18,380,231	23,321,049
Net assets released from restrictions (Note 12)	<u>3,630,523</u>	<u>(3,630,523)</u>	
Total	<u>8,571,341</u>	<u>14,749,708</u>	<u>23,321,049</u>
EXPENSES:			
Buffalo Bayou development, maintenance and park programming	5,927,353		5,927,353
Management and general	361,959		361,959
Fundraising	<u>296,320</u>		<u>296,320</u>
Total expenses	<u>6,585,632</u>		<u>6,585,632</u>
CHANGES IN NET ASSETS	1,985,709	14,749,708	16,735,417
Net assets, beginning of year	<u>20,280,585</u>	<u>3,445,353</u>	<u>23,725,938</u>
Net assets, end of year	<u>\$ 22,266,294</u>	<u>\$ 18,195,061</u>	<u>\$ 40,461,355</u>

*See accompanying notes to financial statements.*

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## Buffalo Bayou Partnership

### Statement of Functional Expenses for the year ended December 31, 2021

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	BUFFALO BAYOU DEVELOPMENT, MAINTENANCE AND PARK PROGRAMMING	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related costs	\$ 2,515,763	\$ 374,601	\$ 272,302	\$ 3,162,666
Professional fees and contract services	4,741,637	77,442	6,748	4,825,827
Park maintenance	1,582,843			1,582,843
Depreciation	266,952	55,475	55,475	377,902
Equipment and supplies	323,670	18,277	8,895	350,842
Insurance	222,916	15,751	15,751	254,418
Graphics and printing	158,988	30,999	9,834	199,821
Utilities	102,544	6,667	6,667	115,878
Rent	96,000			96,000
Technology and communication	35,637	28,200	6,560	70,397
Credit card and other fees		55,610		55,610
Interest	26,537	12,342	12,342	51,221
Conferences and meetings	33,495	1,071	2,237	36,803
Transportation	27,501	527	527	28,555
Marketing and advertising	8,333	1,961	3,628	13,922
Other	<u>20,960</u>	<u>1,495</u>	<u>4,139</u>	<u>26,594</u>
Total expenses	<u>\$ 10,163,776</u>	<u>\$ 680,418</u>	<u>\$ 405,105</u>	11,249,299
Cost of direct donor benefits				<u>136,458</u>
Total				<u>\$ 11,385,757</u>

*See accompanying notes to financial statements.*

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## Buffalo Bayou Partnership

### Statement of Functional Expenses for the year ended December 31, 2020

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	BUFFALO BAYOU DEVELOPMENT, MAINTENANCE AND PARK PROGRAMMING	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related costs	\$ 2,339,610	\$ 182,322	\$ 242,121	\$ 2,764,053
Professional fees and contract services	1,335,255	69,944	4,501	1,409,700
Park maintenance	791,805			791,805
Depreciation	326,635	6,959	6,959	340,553
Equipment and supplies	511,639	1,961	4,622	518,222
Insurance	281,007	8,574	8,574	298,155
Graphics and printing	35,132	3,141	10,874	49,147
Utilities	91,336	4,032	2,501	97,869
Rent	96,000			96,000
Technology and communication	37,515	25,651	5,150	68,316
Credit card and other fees		37,689		37,689
Interest	44,380	7,497	7,497	59,374
Conferences and meetings	5,402	5,483	351	11,236
Transportation	19,013	71	66	19,150
Marketing and advertising	2,343	877	1,262	4,482
Other	<u>10,281</u>	<u>7,758</u>	<u>1,842</u>	<u>19,881</u>
Total expenses	<u>\$ 5,927,353</u>	<u>\$ 361,959</u>	<u>\$ 296,320</u>	6,585,632
Cost of direct donor benefits				<u>86,619</u>
Total				<u>\$ 6,672,251</u>

*See accompanying notes to financial statements.*

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## Buffalo Bayou Partnership

Statements of Cash Flows for the years ended December 31, 2021 and 2020

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	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 148,316	\$ 16,735,417
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	377,902	340,553
Contributions of land	(2,000,000)	
Contributions restricted for property	(503,504)	
Realized and unrealized (gain) loss on investments		3,585
Changes in operating assets and liabilities:		
Prepaid expenses and other receivables	181,089	(231,177)
Contributions receivable	5,552,639	(4,609,766)
Accounts payable and accrued expenses	1,671,451	167,180
Deferred revenue	47,126	(905)
Paycheck Protection Program refundable advance	(396,100)	396,100
Advanced contributions	<u>(500,000)</u>	<u>(291,502)</u>
Net cash provided by operating activities	<u>4,578,919</u>	<u>12,509,485</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Expenditures for purchases of property	(1,280,297)	(2,054,672)
Proceeds from sales and maturities of investments		500,440
Net change in certificates of deposit and money market mutual funds	<u>15,597,331</u>	<u>(11,741,928)</u>
Net cash provided (used) by investing activities	<u>14,317,034</u>	<u>(13,296,160)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of notes payable	(249,795)	(59,107)
Proceeds for restricted contributions for property	<u>503,504</u>	<u>                    </u>
Net cash provided (used) by financing activities	<u>253,709</u>	<u>(59,107)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>19,149,662</b>	<b>(845,782)</b>
Cash and cash equivalents, beginning of year	<u>1,976,161</u>	<u>2,821,943</u>
Cash and cash equivalents, end of year	<u>\$ 21,125,823</u>	<u>\$ 1,976,161</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$56,602	\$60,210

*See accompanying notes to financial statements.*

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## Buffalo Bayou Partnership

Notes to Financial Statements for the years ended December 31, 2021 and 2020

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### NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – 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, east sector initiatives, hike and bike trail design and construction, redevelopment of major waterfront destinations, special event coordination, and operation of a specially designed watercraft 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).

Cash equivalents include highly liquid investments with original maturities of three months or less.

Investments are reported at fair value.

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, 2021, 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 is derived from contract fees with government organizations for the maintenance and operations of certain parkland and navigable waters of the Bayou. Revenue is recognized over time on a monthly basis as the services are provided routinely. The amount recognized

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 contract liabilities until the revenue is recognized. Contract liabilities under these agreements total approximately \$250,000, \$230,000 and \$230,000 at December 31, 2021, 2020 and 2019, respectively, and were reported as deferred revenue.

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. There are no contract assets at December 31, 2021 and 2020. Contract liabilities related to park rentals and fees paid in advance total approximately \$45,000, \$18,000 and \$18,000 at December 31, 2021, 2020 and 2019, respectively, and were reported as deferred revenue.

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 the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Special events revenue is recognized when the events occur. Amounts received for future events represent conditional contributions and are reported in the statement of financial position as deferred revenue until earned. Costs of direct donor benefits represent the cost of goods and services provided to attendees of special events.

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 – 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>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 21,125,823	\$ 1,976,161
Receivables	26,167	278,833
Investments		15,597,331
Contributions receivable	<u>1,019,500</u>	<u>6,572,139</u>
Total financial assets	22,171,490	24,424,464
Less financial assets not available for general expenditure:		
Donor-restricted assets subject to satisfaction of restriction and the passage of time	(12,454,574)	(18,189,027)
Contractually-restricted assets for park maintenance and capital improvements ( <i>Note 5</i> )	<u>(1,900,672)</u>	<u>(1,874,791)</u>
Total financial assets available for general expenditure	<u>\$ 7,816,244</u>	<u>\$ 4,360,646</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).

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 and money market mutual funds with staggered maturities based upon expected needs.

The Partnership received financial relief of \$396,100 in fiscal year 2020 from a Paycheck Protection Program (PPP) loan through the Small Business Administration. PPP loan principal and interest may be forgiven, in whole or in part, if the Partnership meets eligibility requirements and uses the loan to fund qualified payroll and other eligible costs. In fiscal year 2021, the Partnership was notified that principal and interest had been forgiven and \$396,100 was recognized as contributions revenue.

## NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2021</u>	<u>2020</u>
Bank deposits	\$ 4,190,956	\$ 1,976,161
Certificates of deposit (short-term)	<u>16,934,867</u>	<u>                    </u>
Total cash and cash equivalents	<u>\$ 21,125,823</u>	<u>\$ 1,976,161</u>

Bank deposits exceed the federally insured limit per depositor per institution.

#### 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, 2020 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Certificates of deposit		\$ 500,005		\$ 500,005
Money market mutual funds	<u>\$ 15,097,326</u>	<u>                    </u>	<u>                    </u>	<u>15,097,326</u>
Total investments	<u>\$ 15,097,326</u>	<u>\$ 500,005</u>	<u>\$ 0</u>	<u>\$ 15,597,331</u>

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

- *Certificates of deposit* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate and yield curves and broker quotes, to calculate fair values.
- *Mutual funds* are valued at reported net asset value.

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 2012, the Partnership entered into an operating agreement with the City, Reinvestment Zone Number Three, Downtown Redevelopment Authority (the Authority), and Harris County Flood Control District (the District) to provide maintenance of the Park. Under this agreement, the Authority agrees to pay the Partnership on behalf of the City an annual maintenance fee of approximately \$2,000,000 adjusted annually for inflation for an initial term of 30 years. During 2021 and 2020, the Partnership earned \$2,491,167 and \$2,410,730, 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, 2021 and 2020, \$1,676,286 and \$1,700,405 was being held as maintenance and capital reserve for the Park, 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 2023. The District will pay \$377,400 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 \$555,000 in contract service fees in 2021 and 2020, respectively, 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, 2021 and 2020, \$224,386 and \$174,386, respectively, was being held as capital reserve for the project.

In 2021, the Partnership entered into a joint partnership agreement with Harris County to construct and maintain a hike and bike trail from Buffalo Bend Nature Park to Hidalgo Park. The Partnership committed and paid the County \$400,000 under this agreement as of December 31, 2021.

#### NOTE 6 – PROPERTY

Property consists of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 14,725,058	\$ 12,388,092
Buildings and improvements	7,599,095	7,531,013
Park equipment	1,037,346	995,191
Boats and vehicles	447,004	432,170
Office equipment and furniture	163,776	128,435
Construction in progress	<u>778,621</u>	<u>                    </u>
Total property, at cost	24,750,900	21,474,901
Accumulated depreciation	<u>(1,595,892)</u>	<u>(1,222,288)</u>
Property, net	<u>\$ 23,155,008</u>	<u>\$ 20,252,613</u>

The Partnership has seven right-of-way easements totaling 3.35 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 and provide access to the Partnership property from the City’s public right-of-way. 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>2021</u>	<u>2020</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 on property at 1019 Commerce Street; interest rate of 2%.	\$ 2,444,151	\$ 2,488,753
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%.		<u>205,193</u>
Total notes payable	<u>\$ 2,444,151</u>	<u>\$ 2,693,946</u>

Principal payments at December 31, 2021 are due as follows:

2022	\$ 45,426
2023	46,343
2024	47,279
2025	48,233
2026	49,206
Thereafter	<u>2,207,664</u>
Total	<u>\$ 2,444,151</u>

The Partnership recognized interest expense of approximately \$51,000 in 2021 and \$59,000 in 2020.

## NOTE 8 – PROJECT CONCENTRATIONS AND COMMITMENTS

In 2020, the Partnership entered into a contract with a construction contractor to construct a downtown hike and bike trail. At December 31, 2021, outstanding commitments under this contract totaled approximately \$132,500.

Approximately \$1,360,000 or 68% of accounts payable and accrued expenses is due to 3 vendors providing services for bayou project construction and maintenance.

## NOTE 9 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	<u>2021</u>	<u>2020</u>
Property, net of notes payable	\$ 19,408,649	\$ 17,420,386
Park maintenance and capital improvements under operating agreements	1,900,672	1,874,791
Undesignated	<u>2,302,797</u>	<u>2,971,117</u>
Total net assets without donor restrictions	<u>\$ 23,612,118</u>	<u>\$ 22,266,294</u>



## NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
East Sector implementation project	\$ 16,426,654	\$ 16,025,750
Bio-Vac	280,000	
Hike and bike trail projects	158,754	2,016,145
North Canal project	55,520	108,895
Other	<u>                    </u>	<u>2,132</u>
Total subject to expenditure for specified purpose	<u>16,920,928</u>	<u>18,152,922</u>
Subject to passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditures until due	<u>76,625</u>	<u>42,139</u>
Total net assets with donor restrictions	<u>\$ 16,997,553</u>	<u>\$ 18,195,061</u>

## NOTE 11 – 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 2021, approximately \$3,500,000 or 55% of contributions were from two donors. In 2020, approximately \$17,000,000 or 90% of contributions were from three donors.

At December 31, 2021, approximately 92% of contributions receivable were due from one donor. At December 31, 2020, approximately 90% of contributions receivable were due from two donors.

### *Conditional contributions*

The Partnership has received a conditional contribution of approximately \$500,000 that is conditioned upon entering agreements to construct two segments of trails along the southside of the Bayou. This gift will be recognized as contribution revenue when the conditions the donor has established are met. The Partnership has received advanced payments on this conditional contribution. At December 31, 2021 and 2020, \$250,000 is included in advanced contributions.

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 two segments of trails along the south side of the Bayou. 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 2021, \$500,000 of the commitment was recognized as contributions revenue.

### *In-kind contributions*

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

	<u>2021</u>	<u>2020</u>
Land	\$ 2,000,000	
Facility rent from the City	96,000	\$ 96,000
Other goods and services	<u>64,639</u>	<u>10,000</u>
Total in-kind contributions	<u>\$ 2,160,639</u>	<u>\$ 106,000</u>

### **NOTE 12 – NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

Donor restrictions on contributions were satisfied for the following purposes:

	<u>2021</u>	<u>2020</u>
East Sector master plan project	\$ 3,857,985	\$ 1,831,750
Hike and bike trail projects	2,361,741	315,700
Paycheck Protection Program	396,100	
Buffalo Bayou Park operations	293,951	757,282
Cistern operations and programming	145,200	181,305
Clean and Green program	119,500	153,205
North Canal project	65,375	36,105
Land acquisition		317,690
Other	<u>44,046</u>	<u>37,486</u>
Total net assets released from donor restrictions	<u>\$ 7,283,898</u>	<u>\$ 3,630,523</u>

### **NOTE 13 – SUBSEQUENT EVENTS**

The Partnership is expected to become a co-developer and 51% general partner of an affordable housing project (Lockwood South GP, LLC). The Partnership development is expected to close in June 2022 with funding of approximately \$13 million from 9% tax credits and \$9.8 million in City of Houston Federal Community Development Block Grants (Disaster Recovery funds), along with approximately \$6 million in long-term debt.

In January 2022, Commissioners Court approved a contract totaling \$1,000,000 committed by the Partnership for a street realignment project.

In March 2022, the Partnership purchased land for approximately \$2.1 million from a Board member for the East Sector master plan project.

In April 2022, the Partnership purchased land for approximately \$1.5 million for hike and bike trail projects.

Management has evaluated subsequent events through June 13, 2022, 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.