

**Buffalo Bayou Partnership and Affiliates**

Consolidated Financial Statements  
and Independent Auditors' Report  
for the years ended December 31, 2023 and 2022

# Buffalo Bayou Partnership and Affiliates

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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 and Affiliates, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Buffalo Bayou Partnership and Affiliates as of December 31, 2023 and 2022, and the changes in their net assets and their 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 Affiliates 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.

#### *Emphasis of Matter*

As discussed in Note 1, beginning net assets were restated. Our opinion is not modified with respect to this matter.

#### *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 and Affiliates' 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 and *Government 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 and *Government 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 and Affiliates' 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 and Affiliates' 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.

### **Report Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2024 on our consideration of Buffalo Bayou Partnership and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Buffalo Bayou Partnership and Affiliates' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Buffalo Bayou Partnership and Affiliates' internal control over financial reporting and compliance.

*Blazek & Vetterling*

July 29, 2024

## Buffalo Bayou Partnership and Affiliates

Consolidated Statements of Financial Position as of December 31, 2023 and 2022

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	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents <i>(Note 3)</i>	\$ 55,369,746	\$ 22,852,584
Prepaid expenses and other receivables	580,230	336,599
Contributions receivable <i>(Note 5)</i>	2,506,839	5,693,712
Endowment investments <i>(Note 6)</i>	12,573,908	11,011,638
Property, net <i>(Note 7)</i>	32,157,062	33,146,421
Note receivable <i>(Note 10)</i>	<u>9,700,000</u>	<u>2,250,000</u>
TOTAL ASSETS	<u>\$ 112,887,785</u>	<u>\$ 75,290,954</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 879,063	\$ 818,535
Deferred revenue	145,000	399,110
Deferred land lease <i>(Note 10)</i>	1,453,846	1,476,923
Note payable <i>(Note 8)</i>	2,352,229	2,402,476
Deferred payment loan <i>(Note 10)</i>	<u>9,700,000</u>	<u>2,198,540</u>
Total liabilities	<u>14,530,138</u>	<u>7,295,584</u>
Commitments <i>(Notes 4 and 10)</i>		
Net assets:		
Without donor restrictions <i>(Note 11)</i>	35,853,765	33,940,323
With donor restrictions <i>(Notes 12 and 14)</i>	<u>62,503,882</u>	<u>34,055,047</u>
Total net assets	<u>98,357,647</u>	<u>67,995,370</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 112,887,785</u>	<u>\$ 75,290,954</u>

*See accompanying notes to consolidated financial statements.*

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## Buffalo Bayou Partnership and Affiliates

Consolidated Statement of Activities for the year ended December 31, 2023

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Fees and program revenues:			
Contract service fees <i>(Note 4)</i>	\$ 3,902,275		\$ 3,902,275
Park rentals and fees	1,179,274		1,179,274
Contributions:			
Nonfinancial assets <i>(Note 9)</i>	3,000	\$ 178,072	181,072
Other	732,326	34,465,994	35,198,320
Special events	747,880		747,880
Cost of direct donor benefits	(206,925)		(206,925)
Investment income	1,196,732	1,301,169	2,497,901
Other income	<u>301,638</u>		<u>301,638</u>
Total revenue	7,856,200	35,945,235	43,801,435
Net assets released from donor restrictions <i>(Note 13)</i>	<u>7,496,400</u>	<u>(7,496,400)</u>	
Total	<u>15,352,600</u>	<u>28,448,835</u>	<u>43,801,435</u>
EXPENSES:			
Buffalo Bayou development, maintenance and park programming	11,549,876		11,549,876
Management and general	735,528		735,528
Fundraising	<u>406,914</u>		<u>406,914</u>
Total expenses	<u>12,692,318</u>		<u>12,692,318</u>
OTHER CHANGES:			
Donation of land to City of Houston	<u>(746,840)</u>		<u>(746,840)</u>
CHANGES IN NET ASSETS	1,913,442	28,448,835	30,362,277
Net assets, beginning of year	<u>33,940,323</u>	<u>34,055,047</u>	<u>67,995,370</u>
Net assets, end of year	<u>\$ 35,853,765</u>	<u>\$ 62,503,882</u>	<u>\$ 98,357,647</u>

*See accompanying notes to consolidated financial statements.*

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## Buffalo Bayou Partnership and Affiliates

Consolidated Statement of Activities for the year ended December 31, 2022

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Fees and program revenues:			
Contract service fees <i>(Note 4)</i>	\$ 3,614,652		\$ 3,614,652
Park rentals and fees	1,022,033		1,022,033
Contributions:			
Nonfinancial assets <i>(Note 9)</i>	10,167	\$ 4,525,611	4,535,778
Other	968,199	27,478,688	28,446,887
Special events	585,966		585,966
Cost of direct donor benefits	(211,857)		(211,857)
Investment income	118,403	11,638	130,041
Other income	<u>231,270</u>		<u>231,270</u>
Total revenue	6,338,833	32,015,937	38,354,770
Net assets released from donor restrictions <i>(Note 13)</i>	<u>14,958,443</u>	<u>(14,958,443)</u>	
Total	<u>21,297,276</u>	<u>17,057,494</u>	<u>38,354,770</u>
EXPENSES:			
Buffalo Bayou development, maintenance and park programming	9,848,335		9,848,335
Management and general	697,450		697,450
Fundraising	<u>423,286</u>		<u>423,286</u>
Total expenses	<u>10,969,071</u>		<u>10,969,071</u>
CHANGES IN NET ASSETS	10,328,205	17,057,494	27,385,699
Net assets, beginning of year	<u>23,612,118</u>	<u>16,997,553</u>	<u>40,609,671</u>
Net assets, end of year (restated, Note 1)	<u>\$ 33,940,323</u>	<u>\$ 34,055,047</u>	<u>\$ 67,995,370</u>

*See accompanying notes to consolidated financial statements.*

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## Buffalo Bayou Partnership and Affiliates

Consolidated Statement of Functional Expenses for the year ended December 31, 2023

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	BUFFALO BAYOU DEVELOPMENT, MAINTENANCE AND PARK PROGRAMMING	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related costs	\$ 3,099,348	\$ 459,163	\$ 267,845	\$ 3,826,356
Professional fees and contract services	6,234,222	62,012	11,803	6,308,037
Park maintenance	830,935			830,935
Equipment and supplies	360,926	25,336	11,368	397,630
Depreciation	250,071	55,511	55,511	361,093
Insurance	238,996	7,801	9,393	256,190
Utilities	178,351	7,094	7,094	192,539
Rent	96,000			96,000
Technology and communication	46,441	15,677	15,677	77,795
Graphics and printing	37,338	20,873	6,690	64,901
Credit card and other bank fees		62,433		62,433
Interest	23,775	11,887	11,887	47,549
Transportation	38,643	377	377	39,397
Conferences and meetings	13,132	2,809	5,061	21,002
Marketing and advertising	10,309	1,031		11,340
Other	<u>91,389</u>	<u>3,524</u>	<u>4,208</u>	<u>99,121</u>
Total expenses	<u>\$ 11,549,876</u>	<u>\$ 735,528</u>	<u>\$ 406,914</u>	12,692,318
Cost of direct donor benefits				<u>206,925</u>
Total				<u>\$ 12,899,243</u>

*See accompanying notes to consolidated financial statements.*

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## Buffalo Bayou Partnership and Affiliates

### Consolidated Statement of Functional Expenses for the year ended December 31, 2022

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	BUFFALO BAYOU DEVELOPMENT, MAINTENANCE AND PARK PROGRAMMING	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related costs	\$ 2,603,952	\$ 405,658	\$ 275,441	\$ 3,285,051
Professional fees and contract services	5,064,078	83,449	9,443	5,156,970
Park maintenance	949,182			949,182
Equipment and supplies	270,138	30,027	8,170	308,335
Depreciation	277,377	55,983	55,983	389,343
Insurance	239,187	5,052	8,231	252,470
Utilities	131,733	6,147	6,147	144,027
Rent	96,000			96,000
Technology and communication	26,747	14,277	14,277	55,301
Graphics and printing	25,345	18,073	8,011	51,429
Credit card and other bank fees		51,999		51,999
Interest	24,233	12,117	12,117	48,467
Transportation	41,670	608	608	42,886
Conferences and meetings	15,337	2,823	14,581	32,741
Marketing and advertising	32,371	4,477	4,389	41,237
Other	<u>50,985</u>	<u>6,760</u>	<u>5,888</u>	<u>63,633</u>
Total expenses	<u>\$ 9,848,335</u>	<u>\$ 697,450</u>	<u>\$ 423,286</u>	10,969,071
Cost of direct donor benefits				<u>211,857</u>
Total				<u>\$ 11,180,928</u>

*See accompanying notes to consolidated financial statements.*

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## Buffalo Bayou Partnership and Affiliates

Consolidated Statements of Cash Flows for the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 30,362,277	\$ 27,385,699
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	361,093	389,343
Donation of land to City of Houston	746,840	
Net realized and unrealized gain on investments	(860,119)	
Loss on disposal of property	33,306	79,634
Contributions of land		(4,277,564)
Contributions restricted for endowment		(11,000,000)
Changes in operating assets and liabilities:		
Prepaid expenses and other receivables	(247,495)	(38,123)
Contributions receivable	3,186,873	(4,674,212)
Note receivable	(7,450,000)	(2,250,000)
Accounts payable and accrued expenses	64,392	(1,176,343)
Deferred revenue	(254,110)	(150,997)
Deferred land lease	<u>(23,077)</u>	<u>1,476,923</u>
Net cash provided by operating activities	<u>25,919,980</u>	<u>5,764,360</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(11,494,550)	
Expenditures for purchases of property	(1,621,702)	(6,182,826)
Proceeds from sale of property	1,469,822	
Net change in time deposits held as investments and money market mutual funds	<u>10,792,399</u>	<u>(11,011,638)</u>
Net cash used by investing activities	<u>(854,031)</u>	<u>(17,194,464)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Deferred payment loan proceeds	7,501,460	2,198,540
Repayment of note payable	(50,247)	(41,675)
Proceeds from contributions restricted for endowment	<u>                    </u>	<u>11,000,000</u>
Net cash provided by financing activities	<u>7,451,213</u>	<u>13,156,865</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	32,517,162	1,726,761
Cash and cash equivalents, beginning of year	<u>22,852,584</u>	<u>21,125,823</u>
Cash and cash equivalents, end of year	<u>\$ 55,369,746</u>	<u>\$ 22,852,584</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$51,553	\$44,463

*See accompanying notes to consolidated financial statements.*

## Buffalo Bayou Partnership and Affiliates

Notes to Consolidated Financial Statements for the years ended December 31, 2023 and 2022

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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 is to be administered to benefit the City of Houston (the City) and Harris County, Texas (the County). 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. 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.

Affiliated organizations – The Partnership is the sole member of BBP Holdco, LLC (Holdco), which was created to facilitate real estate holdings. Holdco is the sole member of BBP Lockwood Foley GL Family, LLC (BBP Lockwood Foley).

Additionally, the Partnership is the sole member of BBP Lockwood Foley Family MP, LLC (BBP Lockwood Foley MP), which holds a non-controlling 51% interest in Lockwood South GP, LLC (GP), the general partner of Lockwood South Apts, LP (Lockwood South LP). Lockwood South LP is developing an 80-unit affordable housing complex near the Bayou, east of downtown Houston for low to moderate income families. BBP Lockwood Foley owns and is leasing the real property on which the apartment complex will be located to Lockwood South LP.

Basis of consolidation – Holdco and BBP Lockwood Foley are included in these financial statements as wholly-controlled affiliates of the Partnership. All intercompany transactions between these organizations have been eliminated in the consolidation.

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). Holdco, BBP Lockwood Foley, and BBP Lockwood Foley MP are Texas Limited Liability corporations, which are pass-through entities and are not subject to income tax.

Operating measure – The Partnership reports land donations as non-operating activities. All other activities are reflected as operating revenue and expenses.

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

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Contributions receivable that are expected to be collected in future years are discounted to estimate the present value of future cash flows. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. An allowance for uncollectible receivables is provided when it is believed balances may not be collected in full. The adequacy of the allowance at the end of each period is determined using a combination of historical loss experience and donor-by-donor analysis of balances. No allowance is deemed necessary by management at December 31, 2023 and 2022.

Investments in marketable securities are reported at fair value. Investments in timed bank deposits are reported at face value plus accrued interest. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

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 7.

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 used 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. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

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 deferred revenue until the revenue is recognized. Deferred revenue under these agreements total approximately \$105,000, \$325,000 and \$250,000 at December 31, 2023, 2022 and 2021, respectively.

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, net of any discounts, are recognized at the point in time the event or activity occurs. Deferred revenue related to park rentals and fees paid in advance total approximately \$34,000, \$13,000 and \$45,000 at December 31, 2023, 2022 and 2021, 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.

Contributed nonfinancial assets 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. Cost 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.

Restatement – Government grant revenues for 2022 were reduced by approximately \$2.2 million and a deferred payment loan was recorded for the same amount. This restatement reduced the 2022 change in net assets by approximately \$2.2 million.

## 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>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 55,369,746	\$ 22,852,584
Receivables	292,432	107,674
Contributions receivable	2,506,839	5,693,712
Endowment investments	12,573,908	11,011,638
Note receivable	<u>9,700,000</u>	<u>2,250,000</u>
Total financial assets	80,442,925	41,915,608
Less financial assets not available for general expenditure:		
Endowment net assets ( <i>Note 14</i> )	(12,563,468)	(11,011,638)
Donor-restricted assets subject to satisfaction of restriction and the passage of time	(50,183,118)	(23,043,409)
Contractually-restricted assets for park maintenance and capital improvements ( <i>Note 4</i> )	(2,360,504)	(1,967,097)
Note receivable	<u>(9,700,000)</u>	<u>(2,250,000)</u>
Total financial assets available for general expenditure	<u>\$ 5,635,835</u>	<u>\$ 3,643,464</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 for maintenance 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 to the Park (see Note 4).

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.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

	<u>2023</u>	<u>2022</u>
Bank deposits	\$ 2,465,762	\$ 8,096,369
Money market mutual funds	20,858,819	9,033,944
Certificates of deposit (short-term)	<u>32,045,165</u>	<u>5,722,271</u>
Total cash and cash equivalents	<u>\$ 55,369,746</u>	<u>\$ 22,852,584</u>

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

**NOTE 4 – GOVERNMENT AND OTHER CONTRACT SERVICES**

In 2022, the Partnership entered into a 30-year Development, Construction, Operations, Maintenance and Concession Agreement (the Agreement) with the City and the County that delegates responsibilities of the redevelopment of the Bayou from the Union Pacific railroad bridge immediately east of U.S. 59/I-69 to Mack Street (the Buffalo Bayou East project). The Agreement identified park and other projects to be completed within ten years (Ten-Year Plan Projects) and reflects \$100 million in support from a foundation, \$84 million from the City, \$19 million in other government sources and \$24 million from the County. Additionally, the Partnership has committed to raising \$83 million in contributions. The Partnership has raised cash or commitments to date totaling approximately \$57.7 million thru December 31, 2023. Additionally, the Agreement includes future maintenance and operational responsibility by the Partnership for completed park projects to be funded by the Partnership (50%), the City (25%) and the County (25%).

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 2023 and 2022, the Partnership earned \$2,706,949 and \$2,521,546, 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, 2023 and 2022, \$2,198,372 and \$1,854,965 of cash and cash equivalents were 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 2026. The District will pay \$434,010 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 \$566,363 and \$555,000 in contract service fees in 2023 and 2022, 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, 2023 and 2022, \$162,132 and \$112,132, respectively, was being held in cash and cash equivalents as capital reserve for the project.

**NOTE 5 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable at December 31, 2023 are as follows:

Due to be collected in 2024	\$ 1,547,330
Due to be collected in 2025	<u>1,000,000</u>
Total contributions receivable	2,547,330
Discount to net present value at 4.2%	<u>(40,491)</u>
Contributions receivable, net	<u>\$ 2,506,839</u>

*Concentrations*

The Partnership has raised significant funds for land and building improvements, and funding is often concentrated in a small number of donors. In 2023, approximately \$31,900,000 or 91% of other contributions were from two donors. In 2022, approximately \$21,700,000 or 63% of contributions were from two donors.

At December 31, 2023, approximately 98% of contributions receivable were due from two donors. At December 31, 2022, approximately 99% of contributions receivable were due from two donors.

*Conditional contributions*

In 2022, the Partnership received a conditional contribution of \$100 million from a foundation for the Buffalo Bayou East project campaign. The foundation will make payments over 6 years provided that annual scheduled certifications are met. The Partnership recognized \$16.7 million of contributions related to this commitment in fiscal years 2023 and 2022. The remaining \$66.6 million will be recognized as contribution revenue when the conditions are met.

## NOTE 6 – 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, 2023 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Mutual funds:				
Equity funds	\$ 6,211,013			\$ 6,211,013
Fixed-income	2,732,086			2,732,086
Money market	219,239			219,239
Exchange-traded funds	<u>3,411,570</u>			<u>3,411,570</u>
Total investments	<u>\$ 12,573,908</u>	<u>\$ 0</u>	<u>\$ 0</u>	12,573,908
Money market mutual funds held as cash equivalents				<u>20,858,819</u>
Total assets measured at fair value				<u>\$ 33,432,727</u>

Assets measured at fair value at December 31, 2022 are as follows:

Money market mutual funds held as cash equivalents				<u>\$ 9,033,944</u>
Total assets measured at fair value				<u>\$ 9,033,944</u>
Timed bank deposits held as investments				<u>\$ 11,011,638</u>

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

- *Mutual funds* are valued at the reported net asset value of shares held.
- *Exchange-traded funds* are valued at the closing price reported on the active market on which the individual securities are traded.

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 7 – PROPERTY

Property consists of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 23,011,600	\$ 24,650,160
Buildings and improvements	7,612,968	7,599,095
Park equipment	1,061,763	1,074,839
Boats and vehicles	737,215	706,215
Office equipment and furniture	172,534	169,478
Construction in progress	<u>1,890,127</u>	<u>930,078</u>
Total property, at cost	34,486,207	35,129,865
Accumulated depreciation	<u>(2,329,145)</u>	<u>(1,983,444)</u>
Property, net	<u>\$ 32,157,062</u>	<u>\$ 33,146,421</u>

The Partnership has four right-of-way easements totaling 3.44 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 8 – NOTE PAYABLE

Note payable consists of the following:

	<u>2023</u>	<u>2022</u>
Note payable to a local governmental corporation of the City 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%.	<u>\$ 2,352,229</u>	<u>\$ 2,402,476</u>
Total note payable	<u>\$ 2,352,229</u>	<u>\$ 2,402,476</u>

Principal payments at December 31, 2023 are due as follows:

2024	\$ 47,357
2025	48,313
2026	49,288
2027	50,283
2028	51,298
Thereafter	<u>2,105,690</u>
Total	<u>\$ 2,352,229</u>

The Partnership recognized interest expense of approximately \$48,000 in both 2023 and 2022.

## NOTE 9 – NONFINANCIAL CONTRIBUTIONS

The Partnership recognized the following nonfinancial contributions:

CONTRIBUTED NONFINANCIAL ASSETS	MONETIZED OR UTILIZED IN PROGRAMS/ACTIVITIES	DONOR RESTRICTIONS	VALUATION TECHNIQUES AND INPUTS	2023	2022
Facility rent from the City	Program	Clean and Green	Fair value based on lease payments of similar properties.	\$96,000	\$96,000
Project management and consulting fees	Program	Buffalo Bayou East	Fair value based on current rates for similar services.	\$34,072	\$152,047
Other goods and services	Program	None	Fair value estimated based on current rates for similar products and services.	\$51,000	\$10,167
Land	Program	Buffalo Bayou East	Fair value based on independent appraisals.		\$4,277,564
Total contributed nonfinancial assets				<u>\$181,072</u>	<u>\$4,535,778</u>

## NOTE 10 – LOCKWOOD SOUTH AFFORDABLE HOUSING TRANSACTIONS

### *Land Lease*

BBP Lockwood Foley entered into a 65-year land lease agreement with Lockwood South LP effective December 21, 2022. A payment of \$1,500,000 was paid in December 2022 for the entirety of the 65-year lease and has been recorded as prepaid lease income at December 31, 2022. Future lease payments may be made based upon the net cash flows as defined by the partnership agreement of Lockwood South LP. Prepaid lease income is being amortized over the life of the lease.

### *Note Receivable*

On December 21, 2022, the Partnership and Lockwood South LP entered into a long-term promissory note agreement to provide \$9,950,000 to develop multi-family affordable housing. At December 31, 2023, \$9,700,000 has been provided to Lockwood South LP in connection with the project from funds provided by the City under a federally-funded, deferred loan agreement described below. The promissory note is being used as collateral for the deferred loan agreement and bears interest at the lesser of 1% or 50% of the net cash flow of Lockwood South LP. The note receivable will mature 40 years after the completion of the affordable housing project.

### *City Deferred Loan Agreement*

On July 29, 2022, the Partnership entered into a \$9,950,000 federally-funded deferred payment loan agreement with the City to provide funding to Lockwood South LP to finance development of multi-family affordable housing. Under the terms of the agreement, the loan and accrued interest will be forgiven 40 years after completion of the facility, provided the Partnership complies with the provisions of the agreement. The agreement bears interest at the lower of 1% or 50% of the net cash flow of Lockwood South LP. Interest expense is not imputed for no interest and below market interest notes affected by tax attributes on legal restrictions prescribed by a government agency. The deferred payment loan from the City is secured by the collateral loan (note receivable) with Lockwood South LP. At December 31, 2023 and 2022, the deferred payment loan is \$9,700,000 and \$2,198,540, respectively.

The Partnership's government grants (deferred payment loan) require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance by the Partnership with the terms of the contracts. Management believes such disallowances, if any, would not be material to the Partnership's financial position or changes in net assets.

### *Partnership as Guarantor*

As outlined in the Lockwood South LP partnership agreement, the Partnership is a guarantor for the full, timely and unconditional payment and performance of certain obligations of the general partner of Lockwood South LP. These obligations include guaranteeing to the limited partners (investors) performance and compliance with federal low-income housing tax credits, as outlined in Section 42 of the Internal Revenue Code. In order to qualify for these credits, Lockwood South LP must comply with various federal and state requirements. These requirements include, but are not limited to, renting to low-income tenants at rental rates that do not exceed specified percentages of area median gross income for the first 20 years of operation. Lockwood South LP has agreed to maintain the affordability of the designated units in the project for an additional 20 years beyond the initial compliance period.

For a 3-year period commencing on the last day of the Tax Credit Compliance period (15 years), Lockwood South LP will provide the Partnership with a window of first right of refusal on the purchase of the apartment complex equal to the greater of \$100 or the sum of the principal amount of the note receivable and all other outstanding indebtedness to the Partnership.

The Partnership and Brinshore Development, LLC, an unrelated entity, are jointly and severally guarantors of the construction loan for the Lockwood South LP multi-family housing development. The total amount available under the construction loan totals \$13,174,500, and approximately \$6,457,000 has been drawn on this loan at December 31, 2023.

The Partnership and Brinshore Development, LLC have entered into a guaranty reimbursement agreement to indemnify the Partnership and its affiliates in the event that the Partnership as guarantor is required to make payments under certain agreements related to the development of the Lockwood South LP multi-family housing development.

### *Construction Commitment*

In 2022, the Partnership entered into a contract with a subcontractor for the multi-family affordable housing development. At December 31, 2023, outstanding commitments under this contract totaled approximately \$8.4 million.

## NOTE 11 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	<u>2023</u>	<u>2022</u>
Property, net of note payable	\$ 29,804,833	\$ 30,743,945
Park maintenance and capital improvements under operating agreements	2,360,504	1,967,097
Board-designated endowment	250,661	
Undesignated	<u>3,437,767</u>	<u>1,229,281</u>
Total net assets without donor restrictions	<u>\$ 35,853,765</u>	<u>\$ 33,940,323</u>

## NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Buffalo Bayou East	\$ 49,474,625	\$ 22,333,374
Hike and bike trail projects	570,217	622,882
North Canal project	138,276	28,527
Other	<u>                    </u>	<u>21,189</u>
Total subject to expenditure for specified purpose	<u>50,183,118</u>	<u>23,005,972</u>
Subject to passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditures until due	7,957	37,437
Endowment subject to spending policies and appropriations	<u>12,312,807</u>	<u>11,011,638</u>
Total net assets with donor restrictions	<u>\$ 62,503,882</u>	<u>\$ 34,055,047</u>

## NOTE 13 – NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Donor restrictions on contributions were satisfied for the following purposes:

	<u>2023</u>	<u>2022</u>
Buffalo Bayou East	\$ 6,890,164	\$ 13,512,543
Clean and Green program	240,642	207,593
Cistern operations and programming	158,333	38,820
Hike and bike trail projects	115,384	740,252
North Canal project	33,251	26,993
Bio-Vac	21,189	259,211
Buffalo Bayou Park operations		96,406
Other	<u>37,437</u>	<u>76,625</u>
Total net assets released from donor restrictions	<u>\$ 7,496,400</u>	<u>\$ 14,958,443</u>

## NOTE 14 – ENDOWMENT FUNDS

An endowment has been established to provide long-term support to the operations and maintenance of the Buffalo Bayou East project. The endowment consists of donor-restricted endowment funds and funds the Board of Directors has designated to function as an endowment. Board-designated endowment funds are *net assets without donor restrictions* internally-designated to provide support for the organization generally for a long term, but not necessarily a specified period of time. The Board of Directors retains discretion over the use of these funds.

Donor-restricted endowment funds are maintained in accordance with explicit donor stipulations and are subject to the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA). TUPMIFA provides guidelines about what constitutes prudent spending and explicitly requires consideration of preservation of the fund. The Board of Directors has interpreted TUPMIFA as requiring a focus on the entirety of donor-restricted endowment funds, including original gift amounts and net appreciation, allowing the Partnership to appropriate for expenditure or accumulate as much of an endowment fund as considered prudent for the uses, benefits, purposes, and duration for which the fund was established, subject to explicit donor stipulations.

As a result of this interpretation, the Partnership classifies contributions to an endowment plus any donor-stipulated accumulations as *net assets with donor restrictions* required to be maintained in perpetuity. This amount is not reduced by investment losses or by appropriation and spending. The portion of the endowment not required to be maintained in perpetuity is also classified as *net assets with donor restrictions* until appropriated in accordance with spending policies and used for the stipulated purpose, if any.

An endowment fund is *underwater* if the fair value of the fund's investments falls below the amount required to be maintained in perpetuity because of declines in the fair value of investments and/or continued appropriation and spending in accordance with prudent spending. There were no such deficiencies at December 31, 2023.

### Investment Policy

The endowment assets are maintained in investment accounts, which are managed by independent investment managers that follow guidance provided in an investment policy approved by the Board of Directors. The management objective for the funds is to provide a reasonable level of total return given the expected spending and desired rate of return to protect from loss of purchasing power. When selecting the strategic asset allocation mix, the Board of Directors targeted a long-term return of at least 5% as measured by an index such as the Consumer Price Index, which exceeds the required annual spend plus inflation, net of fees.

### Spending Policy

The spending policy for the new endowment for operations and maintenance was established at the time of the signing of the agreement by the donor. Beginning in 2028, the Buffalo Bayou East Maintenance Endowment anticipates distributing \$650,000 annually for the maintenance of the Buffalo Bayou East projects. However, there will be other draws on the portfolio prior to 2028 as follows:

2024	\$57,788
2025	\$163,258
2026	\$361,151
2027	\$625,213

Changes in net assets of the endowment funds are as follows:

		<u>WITH DONOR RESTRICTIONS</u>		
	<u>BOARD- DESIGNATED</u>	<u>ACCUMULATED NET INVESTMENT RETURN</u>	<u>REQUIRED TO BE MAINTAINED IN PERPETUITY</u>	<u>TOTAL</u>
Endowment net assets, December 31, 2021	\$ 0	\$ 0	\$ 0	\$ 0
Contributions			11,000,000	11,000,000
Net investment return	<u>                    </u>	<u>11,638</u>	<u>                    </u>	<u>11,638</u>
Endowment net assets, December 31, 2022	0	11,638	11,000,000	11,011,638
Transfers	250,661			250,661
Net investment return	<u>                    </u>	<u>1,301,169</u>	<u>                    </u>	<u>1,301,169</u>
Endowment net assets, December 31, 2023	<u>\$ 250,661</u>	<u>\$ 1,312,807</u>	<u>\$ 11,000,000</u>	<u>\$ 12,563,468</u>

**NOTE 15 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 29, 2024, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.