

**The Houston Parks Board**

Financial Statements  
and Independent Auditors' Report  
for the years ended June 30, 2014 and 2013

# The Houston Parks Board

## Table of Contents

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	Page
<b>Independent Auditors' Report</b>	1
<b>Financial Statements:</b>	
Statements of Financial Position as of June 30, 2014 and 2013	2
Statement of Activities for the year ended June 30, 2014	3
Statement of Activities for the year ended June 30, 2013	4
Statements of Functional Expenses for the years ended June 30, 2014 and 2013	5
Statements of Cash Flows for the years ended June 30, 2014 and 2013	6
Notes to Financial Statements for the years ended June 30, 2014 and 2013	7

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## Independent Auditors' Report

To the Board of Directors of  
The Houston Parks Board:

We have audited the accompanying financial statements of The Houston Parks Board, which comprise the statements of financial position as of June 30, 2014 and 2013 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.

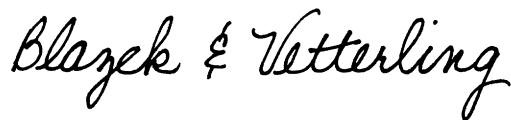
**Management's Responsibility for the Financial Statements** – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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 Houston Parks Board as of June 30, 2014 and 2013 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.



September 19, 2014

# The Houston Parks Board

Statements of Financial Position as of June 30, 2014 and 2013

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	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 2,074,491	\$ 798,880
Receivable from affiliates (Note 3)	394,899	327,577
Prepaid expenses and other receivables	155,090	148,001
Cash held for Bayou Greenways 2020 Project	5,112,696	
Pledges receivable, net (Note 4)	10,813,568	5,229,360
Investments (Note 5)	14,780,636	13,717,776
Beneficial interest in funds held by Houston Parks Board Foundation (Notes 3 and 5)	5,427,377	4,691,146
Property and equipment, net (Note 6)	<u>11,869,027</u>	<u>12,006,061</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 50,627,784</u></b>	<b><u>\$ 36,918,801</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 224,129	\$ 182,243
Construction projects payable	202,894	437,972
Funds held for others	118,439	36,115
Refundable advances		<u>502,281</u>
Total liabilities	<u>545,462</u>	<u>1,158,611</u>
Commitments (Note 7)		
Net assets:		
Unrestricted (Note 8)	11,927,006	11,524,244
Temporarily restricted (Note 9)	32,815,191	18,301,577
Permanently restricted (Note 10)	<u>5,340,125</u>	<u>5,934,369</u>
Total net assets	<u>50,082,322</u>	<u>35,760,190</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 50,627,784</u></b>	<b><u>\$ 36,918,801</u></b>

See accompanying notes to financial statements.

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## The Houston Parks Board

Statement of Activities for the year ended June 30, 2014

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
<b>OPERATING REVENUE:</b>				
Contributions	\$ 182,935	\$ 22,728,628		\$ 22,911,563
Special event – annual luncheon	440,983			440,983
Direct donor benefit costs – annual luncheon	(43,458)			(43,458)
City concession and event fees	529,904			529,904
Investment return ( <i>Note 5</i> )	788,288	23,975		812,263
Parks improvement projects – Houston Parks Board LGC, Inc. ( <i>Note 3</i> )	<u>30,117</u>			<u>30,117</u>
Total operating revenue	1,928,769	22,752,603		24,681,372
Net assets released from restrictions:				
Park projects	8,932,289	(8,932,289)		
Purchase of land	<u>42,931</u>	<u>(42,931)</u>		
Total	<u>10,903,989</u>	<u>13,777,383</u>		<u>24,681,372</u>
<b>OPERATING EXPENSES:</b>				
Program services:				
Bayou Greenways 2020 Project ( <i>Note 3</i> )	5,018,303			5,018,303
City park improvements and additions	1,829,294			1,829,294
City-supported parks programs	<u>2,363,870</u>			<u>2,363,870</u>
Total program services	9,211,467			9,211,467
Management and general	296,721			296,721
Fundraising	<u>199,403</u>			<u>199,403</u>
Total operating expenses	<u>9,707,591</u>			<u>9,707,591</u>
<b>CHANGES IN NET ASSETS FROM OPERATIONS</b>				
	1,196,398	13,777,383		14,973,781
Other changes:				
Funding to Houston Parks Board LGC, Inc. for land purchase	(186,511)		\$ (594,244)	(780,755)
Funding to City of Houston for land purchase	(308,199)			(308,199)
Conveyance of land to Houston Parks Board LGC, Inc.	(298,926)			(298,926)
Change in beneficial interest in funds held by Houston Parks Board Foundation		<u>736,231</u>		<u>736,231</u>
<b>CHANGES IN NET ASSETS</b>	402,762	14,513,614	(594,244)	14,322,132
Net assets, beginning of year	<u>11,524,244</u>	<u>18,301,577</u>	<u>5,934,369</u>	<u>35,760,190</u>
Net assets, end of year	<u>\$ 11,927,006</u>	<u>\$ 32,815,191</u>	<u>\$ 5,340,125</u>	<u>\$ 50,082,322</u>

*See accompanying notes to financial statements.*

## The Houston Parks Board

### Statement of Activities for the year ended June 30, 2013

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<b>OPERATING REVENUE:</b>				
Contributions	\$ 95,571	\$ 7,363,953		\$ 7,459,524
Special event – annual luncheon	488,368			488,368
Direct donor benefit costs – annual luncheon	(36,290)			(36,290)
City concession and event fees	236,026			236,026
Investment return ( <i>Note 5</i> )	243,307	29,839		273,146
Parks improvement projects – Houston Parks Board LGC, Inc. ( <i>Note 3</i> )	<u>146,842</u>			<u>146,842</u>
Total operating revenue	1,173,824	7,393,792		8,567,616
Net assets released from restrictions:				
Park projects	5,067,301	(5,067,301)		
Purchase of land	<u>263,711</u>	<u>(263,711)</u>		
Total	<u>6,504,836</u>	<u>2,062,780</u>		<u>8,567,616</u>
<b>OPERATING EXPENSES:</b>				
Program services:				
Bayou Greenways 2020 Project ( <i>Note 3</i> )	2,295,700			2,295,700
City park improvements and additions	2,284,284			2,284,284
City-supported parks programs	<u>1,192,236</u>			<u>1,192,236</u>
Total program services	5,772,220			5,772,220
Management and general	196,747			196,747
Fundraising	<u>164,324</u>			<u>164,324</u>
Total operating expenses	<u>6,133,291</u>			<u>6,133,291</u>
<b>CHANGES IN NET ASSETS FROM OPERATIONS</b>				
	371,545	2,062,780		2,434,325
Other changes:				
Funding to Houston Parks Board LGC, Inc. for land purchase	(30,861)			(30,861)
Funding to City of Houston for land purchase	(5,431)			(5,431)
Conveyance of land to Houston Parks Board LGC, Inc.	(49,886)			(49,886)
Conveyance of land to City of Houston			\$ (1,790,000)	(1,790,000)
Conveyance of land to Harris County Flood Control District	(162,308)			(162,308)
Change in beneficial interest in funds held by Houston Parks Board Foundation		<u>198,822</u>		<u>198,822</u>
<b>CHANGES IN NET ASSETS</b>	123,059	2,261,602	(1,790,000)	594,661
Net assets, beginning of year	<u>11,401,185</u>	<u>16,039,975</u>	<u>7,724,369</u>	<u>35,165,529</u>
Net assets, end of year	<u>\$ 11,524,244</u>	<u>\$ 18,301,577</u>	<u>\$ 5,934,369</u>	<u>\$ 35,760,190</u>

*See accompanying notes to financial statements.*

## The Houston Parks Board

### Statements of Functional Expenses for the years ended June 30, 2014 and 2013

EXPENSES	BAYOU	CITY PARK	CITY-SUPPORTED			2014
	GREENWAYS 2020 PROJECT	IMPROVEMENTS AND ADDITIONS	PARKS PROGRAMS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Construction and design	\$ 4,346,077	\$ 1,129,090	\$ 1,124,177			\$ 6,599,344
Professional fees and contract services	129,483	290,447	415,540	\$ 127,979	\$ 102,967	1,066,416
Grants and scholarships			52,427			52,427
Salaries and related costs	450,687	301,928		144,823	51,117	948,555
Supplies and equipment rental	23,815	24,825	674,734	3,991	1,611	728,976
Graphics and printing	37,109	7,081	27,642	2,918	1,178	75,928
Meetings, conferences and events	1,468	2,126	23,611	540	39,708	67,453
Insurance	4,261	47,505		1,566	632	53,964
Travel	4,281	9,654	24,535	112	45	38,627
Occupancy and maintenance	12,948	10,625	1,200	4,732	1,910	31,415
Publicity			14,994			14,994
Postage and shipping	1,200	825	4,075	319	129	6,548
Depreciation	6,261					6,261
Other	713	5,188	935	9,741	106	16,683
Total operating expenses	<u>\$ 5,018,303</u>	<u>\$ 1,829,294</u>	<u>\$ 2,363,870</u>	<u>\$ 296,721</u>	<u>\$ 199,403</u>	<u>\$ 9,707,591</u>

EXPENSES	BAYOU	CITY PARK	CITY-SUPPORTED			2013
	GREENWAYS 2020 PROJECT	IMPROVEMENTS AND ADDITIONS	PARKS PROGRAMS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Construction and design	\$ 1,758,948	\$ 1,906,979	\$ 1,920			\$ 3,667,847
Professional fees and contract services	171,363	97,870	473,485	\$ 92,183	\$ 89,994	924,895
Grants and scholarships		45,000	50,115			95,115
Salaries and related costs	352,368	147,186		94,019	49,442	643,015
Supplies and equipment rental	3,110	16,898	579,987	2,354	1,242	603,591
Graphics and printing	1,235	19,920	21,850	2,097	1,106	46,208
Meetings, conferences and events	100	1,654	21,580	221	20,187	43,742
Insurance		26,594		1,258	663	28,515
Travel	5,649	3,858	21,234	32	17	30,790
Occupancy and maintenance	2,763	12,103		2,673	1,410	18,949
Publicity			16,503			16,503
Postage and shipping	140	1,502	5,562	154	81	7,439
Other	24	4,720		1,756	182	6,682
Total operating expenses	<u>\$ 2,295,700</u>	<u>\$ 2,284,284</u>	<u>\$ 1,192,236</u>	<u>\$ 196,747</u>	<u>\$ 164,324</u>	<u>\$ 6,133,291</u>

*See accompanying notes to financial statements.*

## The Houston Parks Board

### Statements of Cash Flows for the years ended June 30, 2014 and 2013

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	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 14,322,132	\$ 594,661
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	6,261	
Conveyance of land to Houston Parks Board LGC, Inc.	298,926	49,886
Contributions for land acquisition	(196,633)	(308,563)
Conveyance of land to City of Houston		1,790,000
Conveyance of land to Harris County Flood Control District		162,308
Change in value of funds held by Houston Parks Board Foundation	(736,231)	(198,822)
Net realized and unrealized (gain) loss on investments	(357,597)	152,852
Changes in operating assets and liabilities:		
Receivable from affiliates	(67,322)	(289,751)
Prepaid expenses and other receivables	(7,089)	(18,418)
Pledges receivable	(5,584,208)	(1,252,160)
Accounts payable and accrued expenses	41,886	102,050
Payable to affiliates		(136,420)
Construction projects payable	(235,078)	309,957
Funds held for others	82,324	(6,992)
Refundable advances	<u>(502,281)</u>	<u>502,281</u>
Net cash provided by operating activities	<u>7,065,090</u>	<u>1,452,869</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sales and maturities of investments	7,844,717	3,606,177
Purchases of investments	(6,827,352)	(6,755,963)
Net change in money market mutual funds held as investments	(1,722,628)	1,152,955
Net change in cash restricted for Bayou Greenways 2020 Project	(5,112,696)	
Purchase of property and equipment	<u>(168,153)</u>	<u>(263,711)</u>
Net cash used by investing activities	<u>(5,986,112)</u>	<u>(2,260,542)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from contributions for land acquisition	<u>196,633</u>	<u>408,563</u>
<b>NET CHANGE IN CASH</b>	<b>1,275,611</b>	<b>(399,110)</b>
Cash, beginning of year	<u>798,880</u>	<u>1,197,990</u>
Cash, end of year	<u>\$ 2,074,491</u>	<u>\$ 798,880</u>

*See accompanying notes to financial statements.*

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## The Houston Parks Board

Notes to Financial Statements for the years ended June 30, 2014 and 2013

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### NOTE 1 – ORGANIZATION

Organization – The Houston Parks Board (HPB) was created in 1976 in response to a request by Houston’s major foundations and civic leaders who wanted to contribute to the City of Houston’s (the City) park system through an organization that would represent their needs and desires. Since its inception, HPB has raised and leveraged millions of dollars and touched at least 75% of the City’s parkland through acquisitions and/or capital improvements. HPB works with the City’s Parks and Recreation Department, Harris County Precincts, Harris County Flood Control District, other non-profit organizations, and numerous community groups in fulfilling its mission. It seeks donations of land and other assets, manages capital projects, undertakes studies for the benefit of the park system, and raises awareness of the need for adequate parks and open spaces for Houston and surrounding communities.

#### Affiliated organizations

##### *Houston Parks Board LGC, Inc.*

HPB entered into a management agreement with Houston Parks Board LGC, Inc. (the LGC), a local government corporation created by the City. Under this agreement, HPB will acquire, manage, develop, and improve park properties on behalf of the LGC and contract for the design, development, improvement, construction, and installation of parks and open spaces. The LGC was created by the City to provide support for the City’s park system by acquiring land for new public parks and to develop and improve new and existing public parks. The Board of Directors of the LGC are appointed by the City.

##### *Houston Parks Board Foundation*

Houston Parks Board Foundation (the Foundation) was created in 2011 as a nonprofit corporation for the benefit of HPB and is classified as a public charity under §501(c)(3) of the Internal Revenue Code (the Code). The Foundation’s net assets have been included in the statement of financial position as a beneficial interest.

### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Federal income tax status – HPB is exempt from federal income tax under §501(c)(3) of the Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi). HPB files annual federal information returns that are subject to routine examination; however, there are no examinations for any tax periods currently in progress. HPB believes it is no longer subject to examinations of returns for tax years ended before June 30, 2011.

Operating measure – Land conveyances, funding for City land purchases, and changes in the fair value of the beneficial interest in the Foundation are reported as nonoperating transactions. All other activities of HPB are reflected as operating revenue and expense.

Cash concentration – Bank deposits exceed the federally insured limit per depositor per institution.

Pledges receivable that are due 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.

Investments in marketable securities are reported at fair value. Purchases and sales of investments are reported on a trade-date basis. Interest and dividends are recognized as earned. Investment return is reported in the statement of activities as an increase in unrestricted net assets unless the use of the investment return is limited by donor-imposed restrictions. Investment return whose use is restricted by the donor is reported as an increase in temporarily restricted net assets.

Beneficial interest in funds held by Houston Parks Board Foundation is reported at the fair value of the Foundation's assets, which approximates the present value of future cash flows. The change in the value of the Foundation funds assets from year to year is recognized as an increase or decrease in net assets in the statement of activities. Distributions received from the Foundation assets are recognized as contributions.

Property and equipment are reported at cost if purchased or at fair value at the date of gift if donated. Property and equipment purchases over \$5,000 are capitalized. Depreciation is calculated using the straight-line method over estimated useful lives of 10 years. When HPB conveys land to the City or to the LGC for park development, the conveyance is recognized as a reduction of net assets at the land's book value.

Funds held for others – HPB hold funds for a community group and acts as an agent in collecting, holding and disbursing these funds.

Net asset classification – Contributions, investment return, and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.
- *Temporarily restricted net assets* include contributions and investment return restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.
- *Permanently restricted net assets* are non-expendable endowment funds held by the Foundation, donor-restricted contributions for investment in permanent parkland, and land that has been restricted by the donor to investment in perpetuity. The investment return may be used to support the activities of HPB.

Contributions are recognized as revenue when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted revenue. Conditional contributions are recognized in the same manner when the conditions are substantially met. Conditional contributions received before the conditions are substantially met are recorded as refundable advances.

Non-cash contributions – Donated materials and use of facilities 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 donated.

Fees for services are recognized as the services are provided.

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 3 – TRANSACTIONS WITH AFFILIATED ORGANIZATIONS**

#### *Houston Parks Board LGC, Inc.*

On November 6, 2012, the Houston voters approved a \$166 million parks bond proposition of which \$100 million was designated to support the Bayou Greenways 2020 Project (Bayou Greenways) for interconnected parks, trails, and green spaces within City limits. The estimated cost to complete Bayou Greenways is \$220 million over 7 years. The LGC and HPB, acting as management for the LGC, entered into an interlocal agreement with the City in which HPB agrees to fund a matching commitment of \$120 million in private and other sources including federal, state and other government funding to complete Bayou Greenways. Cumulatively, as of June 30, 2014, HPB has expended approximately \$3,364,000 in design, construction management and due diligence costs that are included in Bayou Greenways expenses. At June 30, 2014, \$204,423 is due to the LGC for Bayou Greenways design costs and is net against receivables from affiliates.

The LGC and HPB, acting as management for the LGC, entered into an agreement with Memorial Heights Redevelopment Authority (the Authority) and anticipates working with the City, Harris County Flood Control District Tax Increment Reinvestment Zone (TIRZ) 3 and TIRZ 21 to complete work along White Oak Bayou for a total project cost of approximately \$11,718,000. The Authority is funding all costs for this project through this agreement with the LGC. At June 30, 2014 and 2013, \$321,046 and \$88,138, respectively, is due from the LGC under the terms of this agreement for reimbursement of design costs which is included in receivable from affiliates.

In fiscal year 2012, the LGC and HPB, acting as management for the LGC, entered into an infrastructure management agreement with the Authority and TIRZ 5 to provide up to \$1.2 million in funding for the White Oak Bayou Bridge improvements project to the LGC. At June 30, 2014, HPB has advanced \$294,975 to the LGC for this project which is included in receivable from affiliates.

In fiscal year 2013, the LGC and HPB, acting as management for the LGC, entered into an interlocal agreement with the Harris County Flood Control District (the District) to provide \$100,000 in funding for the demolition of the existing abandoned railroad bridge at the White Oak Bayou. During fiscal year 2014, HPB was reimbursed approximately \$50,000 in demolition costs for this project from the LGC.

In fiscal year 2014, the LGC and HPB, acting as management for the LGC, entered into an interlocal agreement with the City to provide \$315,000 in funding for the construction of improvements to Mandell Park. During fiscal year 2014, HPB was reimbursed approximately \$273,000 from the LGC for construction costs for the Mandell Park improvement project. At June 30, 2014, \$26,768 is due to the LGC for advances and included in receivable from affiliates.

In fiscal year 2014, the LGC and HPB, acting as management for the LGC, entered into an interlocal agreement with the City to provide \$300,000 in funding for the restoration of Woodland Park. During fiscal year 2014, HPB was reimbursed approximately \$244,000 from the LGC for construction costs for the Woodland Park restoration project. At June 30, 2014, \$55,987 is due to the LGC for advances and included in receivable from affiliates.

In fiscal year 2014, the LGC and HPB, acting as management for the LGC, entered into an interlocal agreement with the City in which HPB agrees to raise private funds for the design costs and acquire the necessary right-of-way and real property for the Transportation Enhancement project estimated at \$1.8 million. During fiscal year 2014, HPB expended approximately \$183,000 of design costs for the Transportation Enhancement project under this agreement.

In fiscal year 2014, the LGC and HPB, acting as management for the LGC, entered into an interlocal agreement with the City to provide \$140,000 in funding for the construction of improvements to Avenue Place Park. Funding by the City is contingent upon approval of specific components of the project and completion of construction of those components.

At June 30, 2014, approximately \$65,000 is due from the LGC to transfer assets remaining from Parks for Greater Houston to HPB.

Cumulatively, as of June 30, 2014, HPB has transferred approximately \$5,800,000 of land to the LGC.

*Houston Parks Board Foundation*

Distributions to HPB from the Foundation’s HPB Endowment Trust Restricted Fund are limited to 5% of the investments on the first day of the fiscal year. Distributions to HPB from the Foundation’s PP Endowment Foundation Restricted Fund are limited to 5% of the rolling three year quarterly average of the investments. The portion of net assets that are distributable by the Board of Directors of the Foundation are classified as temporarily restricted net assets. At June 30, 2013, the Foundation had approved a distribution payable to HPB totaling \$200,000 which is reported as receivable from affiliates. There were no distributions to HPB in 2014. HPB provides management services to the Foundation and pays all expenses on their behalf. At June 30, 2014 and 2013, \$675 and \$34,961, respectively, is due to HPB from the Foundation for expenses paid on their behalf and is included in receivable from affiliates.

**NOTE 4 – PLEDGES RECEIVABLE**

Pledges receivable consist of the following:

	<u>2014</u>	<u>2013</u>
Pledges receivable	\$ 10,832,483	\$ 5,244,825
Discount to net present value at 0.5%	<u>(18,915)</u>	<u>(15,465)</u>
Pledges receivable, net	<u>\$ 10,813,568</u>	<u>\$ 5,229,360</u>

Pledges receivable at June 30, 2014 are expected to be collected as follows:

2015	\$ 8,862,907
2016	773,200
2017	663,200
2018	515,176
2019	<u>18,000</u>
Total pledges receivable	<u>\$ 10,832,483</u>

At June 30, 2014, approximately 99% of pledges receivable were for Bayou Greenways projects.

*Concentration* – At June 30, 2014, approximately 85% of pledges are due from three foundations and one individual. At June 30, 2013, approximately 92% of pledges are due from three foundations and one individual. During 2014, approximately 80% of contributions recognized are from three donors. During 2013, approximately 65% of contributions recognized are from three donors.

*Conditional pledges receivable* – At June 30, 2014, HPB has \$36,714,286 of conditional pledges receivable; \$35,714,286 is conditioned upon the donor approval of specific components and phase requirements of Bayou Greenways and \$1,000,000 is conditioned upon the commencement of construction for the renovation and restoration of the Historic Pool House and Pool Shade Structure at Emancipation Park. These gifts will be recognized as contribution revenue when the conditions are substantially met.

## **NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS**

Investments as of June 30, 2014 are being held for following:

Park and park improvements projects, programs and maintenance	\$ 6,823,752
Bayou Greenways projects	6,562,492
Operating	<u>1,394,392</u>
Total investments	<u>\$ 14,780,636</u>

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 June 30, 2014 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Bond mutual funds:				
Total return	\$ 1,463,982			\$ 1,463,982
High yield	1,343,374			1,343,374
Short and intermediate term	1,201,159			1,201,159
Corporate bonds – investment grade		\$ 2,306,318		2,306,318
Money market mutual funds	1,850,324			1,850,324
U. S. Treasury bonds and notes		1,535,967		1,535,967
Exchange-traded bond funds – high yield	1,075,382			1,075,382
Exchange-traded funds:				
International	427,150			427,150
Small-cap	333,778			333,778
Mid-cap	186,245			186,245
Large-cap	93,789			93,789
Equity securities:				
Large-cap	668,995			668,995
Mid-cap	254,346			254,346
Equity mutual funds:				
Large-cap	591,052			591,052
Mid-cap	115,543			115,543
Government agency bonds		680,581		680,581
Municipal bonds and notes		<u>652,651</u>		<u>652,651</u>
Total investments	9,605,119	5,175,517		14,780,636
Beneficial interest in funds held by the Foundation			<u>\$ 5,427,377</u>	<u>5,427,377</u>
Total assets measured at fair value	<u>\$ 9,605,119</u>	<u>\$ 5,175,517</u>	<u>\$ 5,427,377</u>	<u>\$ 20,208,013</u>

Assets measured at fair value at June 30, 2013 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Bond mutual funds:				
Total return	\$ 1,465,474			\$ 1,465,474
High yield	1,289,242			1,289,242
Short and intermediate term	1,657,271			1,657,271
Corporate bonds – investment grade		\$ 2,648,650		2,648,650
Money market mutual funds	127,696			127,696
U. S. Treasury bonds and notes		1,848,740		1,848,740
Exchange-traded bond funds – high yield	969,677			969,677
Exchange-traded funds:				
International	198,963			198,963
Small-cap	221,601			221,601
Mid-cap	117,867			117,867
Large-cap	92,308			92,308
Equity securities:				
Large-cap	499,552			499,552
Mid-cap	170,310			170,310
Equity mutual funds:				
Large-cap	492,117			492,117
Mid-cap	102,968			102,968
Government agency bonds		1,167,627		1,167,627
Municipal bonds and notes		<u>647,713</u>		<u>647,713</u>
Total investments	7,405,046	6,312,730		13,717,776
Beneficial interest in funds held by the Foundation			<u>\$ 4,691,146</u>	<u>4,691,146</u>
Total assets measured at fair value	<u>\$ 7,405,046</u>	<u>\$ 6,312,730</u>	<u>\$ 4,691,146</u>	<u>\$ 18,408,922</u>

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

- *Mutual funds* are valued at the published net asset value of shares held.
- *Corporate bonds, U. S. Treasury bonds and notes, government agency bonds and municipal bonds and notes* 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.
- *Exchange-traded funds and equity securities* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Beneficial interest in funds held by the Foundation* is invested in equity securities, equity mutual funds, exchange-traded funds, exchange-traded bond funds, and bond mutual funds and is considered Level 3 due to limited access by HPB. HPB's beneficial interest represents 100% of the underlying assets of the Foundation whose value is based upon their audited financial statements.

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 HPB 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.

Investment return consists of the following:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 443,581	\$ 419,158
Net realized and unrealized gain (loss) on investments	357,597	(152,852)
Other	<u>11,085</u>	<u>6,840</u>
Total investment return	<u>\$ 812,263</u>	<u>\$ 273,146</u>

Investment fees of \$46,556 and \$34,961 at June 30, 2014 and 2013, respectively, are included in management and general expenses in the statement of activities.

Changes in the fair value of Level 3 assets for the years ended June 30, 2014 and 2013 consist of the following:

Balance at July 1, 2012	\$ 4,492,324
Change in beneficial interest in funds held by the Foundation	398,822
Distributions to HBP	<u>(200,000)</u>
Balance at June 30, 2013	4,691,146
Change in beneficial interest in funds held by the Foundation	<u>736,231</u>
Balance at June 30, 2014	<u>\$ 5,427,377</u>

#### **NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	<u>2014</u>	<u>2013</u>
Land	\$ 11,750,066	\$ 12,006,061
Building and improvements	91,817	
Furniture and equipment	<u>33,405</u>	
Total property and equipment, at cost	11,875,288	12,006,061
Accumulated depreciation	<u>(6,261)</u>	
Property and equipment, net	<u>\$ 11,869,027</u>	<u>\$ 12,006,061</u>



Land owned by HPB as of June 30, 2014 consists of the following tracts:

Unrestricted (available for use or sale to support HPB's mission):

1050 Southlane – 0.17 acres  
7900 Dewitt – 0.66 acres  
Brays Bayou Greenway-Clark – 0.86 acres  
Brays Bayou Greenway-Flores – 0.63 acres  
Brays Bayou Greenway-Fogle – 0.35 acres  
Brays Bayou Greenway-Forest Park Cemetery easement – 3.9 acres  
Brays Bayou Greenway-HT&R – 0.34 acres  
Brays Bayou Greenway-Lavinghousez – 0.67 acres  
Brays Bayou Greenway-Lidstone – 0.22 acres  
Brays Bayou Greenway-Lindsey – 0.77 acres  
Brays Bayou Greenway-Odie Turner – 0.65 acres  
Brays Bayou Greenway-Pederson – 3.33 acres  
Brays Bayou Greenway-Santana – 0.28 acres  
Brays Bayou Greenway-Valdez – 0.27 acres  
Clark Park Expansion-153 Burbank – 0.34 acres  
Halls Bayou-Curry – 0.54 acres  
Halls Bayou-Garver Properties – 16 acres  
Harris County-Belleau Woods, section 2, block 18, lots 8 and 9; block 21, lot 20 – 0.66 acres  
Sims Bayou-Alexander – 3.93 acres  
Sims Bayou-Chevis – 0.32 acres  
Sims Bayou-F. Hart – 0.22 acres  
Sims Bayou-Harmouche – 0.05 acres  
Sims Bayou-J. Hart – 0.31 acres  
Sims Bayou-Jimerson – 0.33 acres  
Sims Bayou-Smith – 1.31 acres  
South Main Estates Property – 26.64 acres  
Taylor/Valley Oaks Property – 0.07 acres  
White Oak-Castrow – 0.27 acres  
White Oak-Galdenski/Studewood Property – 1.47 acres  
White Oak-Resurrection Property – 1.31 acres  
White Oak Stonewood Property – 1.86 acres  
White Oak-Union Pacific – 2.14 acres  
Wortham Property-Hershey – 4% undivided interest in 256 acres

Permanently restricted (land to be maintained in perpetuity for park purposes):

Brock Park Expansion-Arete Property – 31.5 acres  
Brock Park Expansion-Waddell Property – 119.78 acres  
Cool Green Corridor – 34.11 acres  
Cool Green Park (Texaco Country Club) – 141 acres  
Covington Brays – 0.43 acres  
Fitzgerald Property – 0.29 acres  
Golden Eagle Lodge Property – 0.13 acres  
Halls Bayou Park – 3.50 acres  
Sunflower Street-Southland Acres – 1.5 acres

Land deeds for 26.8 acres of the Cool Green Corridor contain clauses under which ownership will revert to the grantor if the property is not maintained as a nature area or parkland.

## NOTE 7 – COMMITMENTS

### *Bayou Greenways 2020 Project – City of Houston*

As a part of the \$120 million commitment for Bayou Greenways (see Note 3), HPB has raised, in private and other sources of government funding, approximately \$78 million (including conditional pledges of approximately \$36 million) with approximately \$42 million remaining in their commitment of funding. HPB has entered into agreements with the City related to projects within the scope of Bayou Greenways as follows:

- HPB and the City entered into an agreement in which HPB intends to provide approximately \$1,300,000 for park amenities and to purchase the remaining land for the Sims Bayou Recreation Plan. Cumulatively, as of June 30, 2014, HPB has funded approximately \$216,000 under this agreement. The scope of this project is expected to be reduced based upon project approval by the Army Corp of Engineers.
- HPB and the City entered into an agreement in which HPB intends to provide \$3.5 million to the City as their match for a TIGER grant awarded to the City on June 22, 2012 for trail construction along White Oak and Brays Bayou. HPB will provide construction management. HPB has paid approximately \$1,310,000 in design and due diligence costs and paid the City \$1,883,886 for project construction as of June 30, 2014.
- HPB entered into an agreement with the City to provide \$656,000 in funding for the City's Texas Department of Transportation grant for trail construction on Brays Bayou. HPB has paid approximately \$214,000 in design costs and paid the City \$314,938 related to this agreement.

HPB entered into an agreement with Avenue Community Development Corporation (Avenue CDC) to provide \$158,600 in funding for the construction of improvements to Avenue Place Park. Funding by Avenue CDC is contingent upon approval of specific components of the project and completion of construction of those components.

### *Construction*

HPB enters into contracts in the normal course of business for park improvements and additions. The costs related to improvements of the City's parks and other land improvements are expensed as incurred. At June 30, 2014, HPB had outstanding commitments of approximately \$985,000 for construction projects in progress.

## NOTE 8 – UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following:

	<u>2014</u>	<u>2013</u>
Operating	\$ 2,312,827	\$ 1,773,031
Property and equipment	<u>9,614,179</u>	<u>9,751,213</u>
Total unrestricted net assets	<u>\$ 11,927,006</u>	<u>\$ 11,524,244</u>

## NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Bayou Greenway projects	\$ 22,377,944	\$ 10,751,145
City-supported parks and recreation programs	3,091,397	1,150,161
Distributable net assets held by the Foundation	2,721,377	1,985,146
Purchases of additional parkland	1,970,855	2,079,508
Park development and improvements	1,890,404	1,414,019
Maintenance reserve funds	701,420	785,772
Scholarship fund	<u>61,794</u>	<u>135,826</u>
Total temporarily restricted net assets	<u>\$ 32,815,191</u>	<u>\$ 18,301,577</u>

## NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are held in perpetuity for the following purposes:

	<u>2014</u>	<u>2013</u>
Donor-restricted gifts held by the Foundation for support of HPB	\$ 2,706,000	\$ 2,706,000
Land held for parks and green space	2,254,848	2,254,848
Development of permanent parks and green space	<u>379,277</u>	<u>973,521</u>
Total permanently restricted net assets	<u>\$ 5,340,125</u>	<u>\$ 5,934,369</u>

## NOTE 11 – SUBSEQUENT EVENTS

In August 2014, HPB obtained a \$2,500,000 revolving line of credit with a bank. The line of credit is collateralized by the unrestricted portion of the investment portfolio of HPB and the Foundation.

Management has evaluated subsequent events through September 19, 2014, 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.