TURTLE CREEK CONSERVANCY

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2018

Turtle Creek Conservancy
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SALMON SIMS THOMAS
Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Turtle Creek Conservancy

We have audited the accompanying financial statements of Turtle Creek Conservancy (the "Organization"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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.

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Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Turtle Creek Conservancy as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Salmon Sims Thomas

Salmon Sims Thomas & Associates
A Professional Limited Liability Company

September 10, 2019

Turtle Creek Conservancy
Statement of Financial Position
December 31, 2018

ASSETS

Assets		
Cash and cash equivalent - unrestricted	$	515,481
Cash and cash equivalent - restricted		801,763
Accounts receivable		21,841
Security deposit		2,700
Prepaid expenses		1,600
Property and equipment, net		-
TOTAL ASSETS	$	1,343,385

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	$	65,414
Payroll liabilities		3,089
Deposits		79,600
Deferred rental income		102,575
TOTAL LIABILITIES		250,678
Net Assets		
Without donor restrictions		95,599
With donor restrictions		997,108
TOTAL NET ASSETS		1,092,707
TOTAL LIABILITIES AND NET ASSETS	$	1,343,385

The accompanying notes are an integral part of this financial statement.

Turtle Creek Conservancy
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Support			
Contributions	$ 34,721	$ 290,000	$ 324,721
In-kind donations, net	2,168	-	2,168
Events and memberships, net	183,210	-	183,210
	220,099	290,000	510,099
Revenue			
Rental	161,443	-	161,443
Commission	267,304	-	267,304
Interest and other income	8,118	-	8,118
	436,865	-	436,865
Net assets released from restrictions	246,304	(246,304)	-
Total support and revenue	903,268	43,696	946,964
Expenses			
Program	477,834	-	477,834
Management and general	200,617	-	200,617
Fundraising	128,585	-	128,585
Total expenses	807,036	-	807,036
Change in Net Assets	96,232	43,696	139,928
Net Assets, beginning of year	(633)	953,412	952,779
Net Assets, end of year	$ 95,599	$ 997,108	$ 1,092,707

The accompanying notes are an integral part of this financial statement.

Turtle Creek Conservancy
Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services			Supporting Services		
	Membership	**Oak Lawn Park**	**Arlington Hall**	**General and Administrative**	**Fundraising**	**Total**
Salary and wages	$ 92,413	$ 36,096	$ 100,870	$ 27,072	$ 45,120	$ 301,571
Payroll taxes and insurance	4,598	6,131	7,664	4,598	7,664	30,655
Professional services	-	-	-	65,083	12,500	77,583
Landscape	-	76,381	416	-	-	76,797
Maintenance	-	-	44,338	441	-	44,779
Hall enhancements and preservations	-	-	30,043	-	-	30,043
Park operations	-	27,216	-	-	-	27,216
Event services	100	-	-	-	24,435	24,535
Event, other	5,912	-	-	2,043	32,210	40,165
In-kind	1,971	-	-	316	-	2,287
Community relations	300	-	-	6,468	-	6,768
Membership campaign	1,082	-	-	4,380	-	5,462
Hospitality	-	-	-	3,414	5,079	8,493
Occupancy	-	-	-	33,752	-	33,752
Insurance	-	-	17,974	10,026	-	28,000
Computer services	-	-	-	26,047	-	26,047
Utilities	-	-	23,928	3,963	-	27,891
Office supplies	-	-	-	5,582	-	5,582
Miscellaneous	-	-	-	579	1,577	2,156
Bank service charges	-	-	401	6,029	-	6,430
Security	-	-	-	824	-	824
	$ 106,376	$ 145,824	$ 225,634	$ 200,617	$ 128,585	$ 807,036

The accompanying notes are an integral part of this financial statement.

Turtle Creek Conservancy
Statement of Cash Flows
For the Year Ended December 31, 2018

Cash Flows from Operating Activities	
Change in Net Assets	$ 139,928
Adjustments to reconcile change in net assets	
to net cash provided by operating activities	
(Increase) Decrease in Assets	
Accounts receivable	7,505
Contributions receivable	10,612
Prepaid expenses	(1,600)
(Decrease) Increase in liabilities	
Accounts payable	44,497
Deposits	(58,300)
Deferred rental income	(6,225)
Payroll liabilities	3,089
Net Cash Provided by Operating Activities	139,506
Cash Flows from Investing Activities	
Decrease in cash restricted to long-term use	142,428
Net Cash Provided by Investing Activities	142,428
Net Increase in Cash	281,934
Cash and cash equivalents, beginning of year	233,547
Cash and cash equivalents, end of year	$ 515,481

The accompanying notes are an integral part of this financial statement.

NOTE 1: ORGANIZATION

Turtle Creek Conservancy (the Conservancy), formerly known as The Lee Park and Arlington Hall Conservancy, is a nonprofit organization established in 1995 and is incorporated under the laws of the state of Texas. The Conservancy was organized to restore, enhance and conserve Oak Lawn Park and Arlington Hall, Dallas landmarks. The major sources of revenue of the Conservancy are contributions and Hall rentals.

Due to changing opinions in the U.S. concerning Confederate monuments, the Dallas City Council voted to remove the statue of Robert E. Lee (owned by the city) that was in Lee Park. It was removed in September 2017, however, the base and other pieces related to the statue were left behind. After the statue's removal, the Dallas Park Board voted to change the park's name to the placeholder of Oak Lawn Park. In 2018, the Conservancy's name was changed to Turtle Creek Conservancy.

The statue removal and park name change created a cloud of controversy and uncertainty. This, in combination with the need for the Conservancy's name change, created some confusion amongst current and prospective supporters. As a result, event bookings at the Hall declined significantly and some previously booked events moved. Other forms of revenue such as event sponsorships, private donations, and memberships declined as previous and prospective donors wished to distance themselves from controversy. However, the expenses associated with caring for 20 acres of park land and a historic structure continued.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Conservancy's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

Financial Statement Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

> Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met by actions of the donee and/or the passage of time.
>
> Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Revenues are reported as increases in net assets without restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of net assets with restrictions (*i.e.,* the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions are recognized as revenues in the period unconditional promises to give are received. Contributions of assets other than cash are recorded at their estimated fair value.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those assumed in recording depreciation and amortization and the functional allocation of expenses. Actual results could vary from estimates.

Income Taxes

The Conservancy is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) of 1986, as amended, as an organization described in Section 501(c)(3) of the IRC. The Conservancy has been classified as an organization that is not a private foundation under IRC Section 509(a)(2), and as such, contributions to the Conservancy qualify for deductions as charitable contributions. However, income generated from activities unrelated to the Conservancy's exempt purpose is subject to tax under IRC section 511. There was no net income from unrelated business for the year ended December 31, 2018.

Accounting for Uncertainty in Income Taxes

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) Topic 740-10, *Accounting for Income Taxes*, would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statement of activities and changes in net assets or accrued in the statement of financial position. Federal and state tax returns of the entity are generally open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

Concentrations

The Conservancy operates entirely within the Dallas, Texas area. Therefore, results of activies are subject to the economic conditions of the area.

The Conservancy derives the majority of its revenue from contributions. Continued funding from this source at current level is dependent upon various factors. Such factors include economic conditions, donor satisfaction and public perception of mission effectiveness and relative importance.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

All short-term investments with original maturities of ninety days or less are considered to be cash equivalents. The Conservancy places its cash and cash equivalents, which, at times, may exceed federally insured limits, with high credit quality financial institutions. The Conservancy has not experienced any losses on such amounts.

Contributions Receivable and Promises to Give - Contributions are recognized when a donor makes a promise to give to the Conservancy that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as an increase in net assets with restrictions. When a restriction expires or is satisfied, net assets with restrictions are reclassified to net assets without restrictions.

Contributions receivable are considered past due when payments are not made under the terms of the contribution agreement. There were no past due contributions receivable at December 31, 2018 and no provision was made for uncollectible contributions receivable as of that date. Contributions receivable are considered uncollectible and written off to uncollectible contributions when the donor withdraws the contribution commitment or fails to provide a reasonable revised schedule of contributions.

Property and Equipment

Property and equipment are stated at cost, when purchased, or at fair value as of the date of the gift, when donated. Major expenditures and expenditures which substantially increase useful lives are capitalized. Maintenance, repairs, and replacements, which do not improve or extend the lives of the respective assets, are charged to the statement of activities and changes in net assets when incurred. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed, and any gain or loss is included in statement of activities and changes in net assets.

Donated assets are reported as unrestricted support unless the donor has restricted the asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, expirations of donor restrictions are reported when the donated or acquired assets are placed in service as instructed by the donor. Net assets with restrictions are reclassified to net assets without restrictions at that time.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

Depreciation is calculated using the straight-line method at rates sufficient to amortize the related costs over the estimated useful lives of the respective assets. Estimated useful lives as of December 31, 2018 are as follows:

Furniture and fixtures	7 years

Donated Assets and Services

Donations of noncash assets are recorded as contributions at their estimated fair value as of the date of donation. Donated services are recognized as contributions in accordance with accounting principles generally accepted in the United States of America, if the services (a) create or enhance nonfinancial assets or (b) require and are provided by individuals with specialized skills and if not provided by donation would typically need to be purchased. In-kind contributions consist of meals and catering, event décor and tents, valet services, silent and live auction items, retail products, event tickets, and services. A substantial number of volunteers donate significant amounts of time to the Conservancy; however, these services have not been recognized in the financials, as such services do not require specialized skills or would not typically be purchased had they not been provided by donation. The estimated fair value of in-kind contributions recognized in the accompanying statement of activities and changes in net assets was $2,168 for the year ended December 31, 2018.

Direct Donor Benefit

The Conservancy holds several special events during the year. The direct benefit received by the donors is netted against the income received for the special events on the statement of activities and changes in net assets. For the year ended December 31, 2018, the Conservancy netted event direct donor benefits of $52,820 against events and membership revenues.

Donated Collection Items

The Conservancy does not capitalize donated documents or recognize them as revenues or gains. Donations need not be recognized if they are added to collections that are held for public exhibition, education, or research in furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for, and preserved; and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Allocations are based on time and effort spent in each area. The expenses that are allocated include salary and wages, depreciation, administration, and professional services, along with other program expenses. All other natural expense categories using the key concept of direct conduct or direct supervision are 100% charged to the benefiting program or support service.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Date of Management's Review

Subsequent events have been evaluated for potential recognition or disclosure through September 10, 2019, which is the date the financial statements were available to be issued.

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as an update to ASC 958, Not-for-Profit Entities. This update makes several improvements to current reporting requirements that address complexities in the use of the previously required three classes of net assets and enhance required disclosures related to donor restrictions of net assets. The updated guidance results in a change in the classes of net assets reported on the face of the statement of financial position from three classes (unrestricted, temporarily restricted, and permanently restricted) to two classes (net assets without donor restrictions and net assets with donor restrictions).

The update also requires all not-for-profit entities to report expenses by function and by natural classification, either on the face of the financial statements or in the footnotes. Additional qualitative information about the methods used to allocate costs is also required to be disclosed. The update also requires all not-for-profit entities to disclose quantitative information that communicates the availability of the Conservancy's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year as well as qualitative information on how the Conservancy manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date.

The updated guidance is effective for annual periods beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. The new guidance should be applied on a retrospective basis. The Conservancy adopted this update in fiscal year 2018. No other material impact is expected.

In November 2016, the FASB issued ASU 2016-18, *Restricted Cash*, as an update to ASC 230, statement of cash flows. This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The updated guidance will be effective for annual periods beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The new guidance will be applied on a retrospective basis. The updated guidance will result in a change in the statement of cash flow to include restricted cash and restricted cash equivalents. The Conservancy will adopt this update in 2019. No other material impact is expected.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The statement is effective for annual periods beginning after December 15, 2018. The Conservancy is in the process of evaluating the potential impact of ASU 2014-09 on its financial statements and it has not yet determined the method by which the standard will be adopted in 2019.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The new standard requires lessees to recognize a right-of-use (ROU) asset and a related lease liability for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities and changes in net assets. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statement of financial position. The new standard is effective for private entities for annual periods beginning after December 15, 2019. The Conservancy is currently assessing the impact on its statement of financial position but expects that the guidance will not result in significant changes to the statement of activities and changes in net assets.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* as an update to ASC 958, Not-for-Profit Entities and to ASU 2014-09. The guidance provides a framework for evaluating whether grants should be accounted for as exchange transactions or as nonexchange transactions. For nonexchange transactions, the new guidance clarifies the contribution accounting model's guidance regarding whether arrangements are conditional or unconditional. The ASU applies to all entities that make or receive contributions but is primarily related to grants. The statement is effective for annual periods beginning after December 15, 2018.

Basis of Presentation

During the year ended December 31, 2017, the Conservancy adopted a policy of preparing its financial statements in accordance with accounting principles generally accepted in the United States of America. The financial statements of the Conservancy were previously prepared on the modified cash basis of accounting. This will result in differences if a comparison is made of audits from 2016 back to the inception of the Conservancy.

Turtle Creek Conservancy
Notes to Financial Statements
December 31, 2018

NOTE 3: PROPERTY AND EQUIPMENT

At December 31, 2018, property and equipment consisted of the following:

Furnishings at Arlington Hall	$ 237,687
Office furniture	20,000
	257,687
Less: Accumulated depreciation	(257,687)
	$ -

NOTE 4: RENTAL INCOME

In 1998, the Conservancy entered into an agreement with the City of Dallas that was renewed in 2018 and has the option for another five-year extension in September 2023. The Conservancy agreed to restore Arlington Hall in Oak Lawn Park, which is owned by the City, and is responsible for the maintenance and operation of Oak Lawn Park and Arlington Hall. The Conservancy is entitled to rent facilities for events. The Conservancy books park rentals used for weddings, photography/video sessions, walks, and various events that do not use catering. Rental income for the year ended December 31, 2018 was $161,443.

It is the Conservancy's policy to collect refundable deposits and rental income in advance for the Arlington Hall and Oak Lawn Park events. Therefore, substantial sums are collected in the year preceding the year of the event. The deposits, which are refundable after the event, are not recognized as revenue by the Conservancy. The rental income is deferred until the date of the event, when it is recognized as revenue. The liabilities for the refundable deposits of $79,600 and the deferred rental income of $102,575 are reflected in the statement of financial position as of December 31, 2018.

NOTE 5: COMMISSION INCOME

The Conservancy contracts with Food Glorious Food (FGF) to provide venue sales and catering services. FGF books the Hall, with 100% of the rental income going to the Conservancy. FGF books other services and provides food and beverage, of which the Conservancy receives 15%. For the year ended December 31, 2018, the Conservancy received $267,304 in commission income.

NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2018, the purposes and corresponding balances remaining in net assets with donor restrictions were as follows:

Restricted by time	$	5,000
Park and Hall		
Maintenance and beautification		973,358
Rebranding		18,750
	$	997,108

Net assets with donor restrictions released from restrictions during 2018 were as follows:

Park and Hall		
Maintenance and beautification	$	230,054
Rebranding		16,250
	$	246,304

NOTE 7: OPERATING LEASES

The Conservancy leases office space. The lease agreement was renewed in July 2016 and expires on July 31, 2021. The lease calls for escalating rent annually, with monthly rent ranging from $2,150 to $2,365.

The future annual minimum lease payments related to this office space are approximately as follows:

For the years ending December 31,		
2019	$	27,400
2020		28,000
2021		16,500
2022 and thereafter		-
	$	71,900

Total lease expense for the year ended December 31, 2018 was $27,515.

Turtle Creek Conservancy
Notes to Financial Statements
December 31, 2018

NOTE 8: LIQUIDITY AND AVAILABILITY

The Conservancy is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Conservancy must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Conservancy's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

The following reflects the Conservancy's financial assets, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial assets at year end	$ 1,339,085
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions:	
Subject to satisfaction of donor time or purpose restrictions	(997,108)
Financial assets available to meet cash needs for general expenditures within one year	$ 341,977