Parks and Wildlife Foundation of Texas, Inc.

Independent Auditor’s Report and Financial Statements

December 31, 2019

Parks and Wildlife Foundation of Texas, Inc.
December 31, 2019

Contents

BKD
CPAs & Advisors

14241 Dallas Parkway, Suite 1100 | Dallas, TX 75254-2961
972.702.8262 | Fax 972.702.0673 | bkd.com

Independent Auditor's Report

Board of Trustees
Parks and Wildlife Foundation of Texas, Inc.
Dallas, Texas

We have audited the accompanying financial statements of Parks and Wildlife Foundation of Texas, Inc. (Foundation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, 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.

Auditor's 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 auditor's 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 Parks and Wildlife Foundation of Texas, Inc. as of December 31, 2019, 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.

Emphasis of Matter

As described in *Note 1* to the financial statements, in 2019, the Foundation adopted Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made* and Accounting Standards Update 2016-18 *Statement of Cash Flows (Topic 230): Restricted Cash*. Our opinion is not modified with respect to these matters.

BKD, LLP

Dallas, Texas
October 8, 2020

Parks and Wildlife Foundation of Texas, Inc.

Statement of Financial Position

December 31, 2019

Assets

Cash and cash equivalents	$	12,689,263
Contributions receivable, net		174,473
Prepaid expenses		164,562
Other receivables		91,943
Contributions receivable restricted for long-term investment, net		2,234,424
Investments		37,701,389
Assets held for others		429,407
Property and equipment, net		6,113,458
Land with contractual provisions—restricted as to use		4,436,126
Total assets	$	64,035,045

Liabilities and Net Assets

Liabilities		
Accounts payable and accrued liabilities	$	79,808
Refundable advances		9,257
Conservation loan payable		442,468
Grants payable		652,500
Amounts due to others		429,407
Total liabilities		1,613,440
Net Assets		
Without donor restrictions		25,331,022
With donor restrictions		37,090,583
Total net assets		62,421,605
Total liabilities and net assets	$	64,035,045

Parks and Wildlife Foundation of Texas, Inc.
Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	$ 1,984,556	$ 4,658,152	$ 6,642,708
Special event revenue, net of cost of direct benefits to donors of $1,225,174	1,400,626	-	1,400,626
Net investment income	1,979,903	4,226,994	6,206,897
Miscellaneous income	73,377	-	73,377
Net assets released from restrictions	6,102,743	(6,102,743)	-
Total revenues, gains and other support	11,541,205	2,782,403	14,323,608
Expenses and Losses			
Program services			
Conserve	2,635,055	-	2,635,055
Lead	2,396,396	-	2,396,396
Engage	4,459,586	-	4,459,586
Steward	695,944	-	695,944
Total program services	10,186,981	-	10,186,981
Supporting services			
Management and general	590,333	-	590,333
Fundraising	124,171	-	124,171
Total supporting services	714,504	-	714,504
Total expenses	10,901,485	-	10,901,485
Change in Net Assets	639,720	2,782,403	3,422,123
Net Assets, Beginning of Year	24,691,302	34,308,180	58,999,482
Net Assets, End of Year	$ 25,331,022	$ 37,090,583	$ 62,421,605

Parks and Wildlife Foundation of Texas, Inc.

Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services					Support Services			
	Conserve	Lead	Engage	Steward	Total Program Services	Management and General	Fundraising	Total Support Services	Total
Grants to organizations and governments	$1,923,668	$2,002,616	$2,962,829	$118,182	$ 7,007,295	$ -	$ -	$ -	$ 7,007,295
Grants to individuals	3,250	-	8,500	-	11,750	-	-	-	11,750
Salaries and wages	116,180	219,514	450,148	173,292	959,134	255,453	20,256	275,709	1,234,843
403(b) employer contributions	1,159	3,807	6,372	2,793	14,131	7,738	103	7,841	21,972
Other employee benefits	9,634	29,481	52,986	23,224	115,325	64,340	860	65,200	180,525
Payroll taxes	4,550	14,064	35,954	14,627	69,195	30,385	406	30,791	99,986
Fees for services—legal	34,952	-	675	19,340	54,967	5,623	-	5,623	60,590
Fees for services—accounting	-	-	168	2,545	2,713	45,230	-	45,230	47,943
Fees for services—other	249,936	20,306	603,695	61,326	935,263	50,087	630,856	680,943	1,616,206
Advertising and promotion	2,000	-	86,645	-	88,645	-	-	-	88,645
Office expenses	28,922	6,019	21,407	19,113	75,461	42,665	3,760	46,425	121,886
Information technology	107	234	591	558	1,490	718	10	728	2,218
Occupancy	5,789	15,032	25,776	7,426	54,023	24,077	1,562	25,639	79,662
Travel	8,721	20,263	44,268	10,994	84,246	21,880	2,554	24,434	108,680
Conferences, conventions and meetings	16,727	-	3,251	355	20,333	9,906	-	9,906	30,239
Interest	-	-	-	14,614	14,614	-	-	-	14,614
Depreciation and amortization	-	-	2,888	73,334	76,222	5,485	-	5,485	81,707
Insurance	3,626	2,479	15,470	31,916	53,491	7,600	102	7,702	61,193
Events and programs	-	-	-	-	-	-	678,603	678,603	678,603
Other expenses	225,834	62,581	137,963	122,305	548,683	19,146	10,273	29,419	578,102
Total expenses	2,635,055	2,396,396	4,459,586	695,944	10,186,981	590,333	1,349,345	1,939,678	12,126,659
Less expenses deducted directly from revenues on the statement of activities									
Costs of direct benefits to donors	-	-	-	-	-	-	1,225,174	1,225,174	1,225,174
Total expenses included in the expense section on the statement of activities	$ 2,635,055	$ 2,396,396	$ 4,459,586	$ 695,944	$ 10,186,981	$ 590,333	$ 124,171	$ 714,504	$ 10,901,485

Parks and Wildlife Foundation of Texas, Inc.
Statement of Cash Flows
Year Ended December 31, 2019

Operating Activities	
Change in net assets	$ 3,422,123
Items not requiring (providing) operating cash flows	
Depreciation and amortization	81,707
(Gains) losses on sale of property, plant and equipment	17,456
Imputed interest expense	14,614
Contributions and investment income received restricted for long-term investment	(2,851,059)
Property and equipment donated to others	16,047
Net realized and unrealized losses on investments	(5,539,411)
Changes in	
Contributions receivable	2,039,256
Prepaid expenses	(42,618)
Other receivables	58,680
Accounts payable and accrued liabilities	(146,114)
Amounts due to others	68,553
Refundable advances	(6,243)
Grants payable	382,500
Net cash used in operating activities	(2,484,509)
Investing Activities	
Proceeds from disposition of investments	6,137,601
Proceeds from sale of property and equipment	819,834
Purchases of investments	(8,007,212)
Purchases of property and equipment	(1,792)
Net cash used in investing activities	(1,051,569)
Financing Activities	
Proceeds from contributions and investment income restricted for long-term investment	2,101,059
Repayment of conservation loans	(200,000)
Net cash provided by financing activities	1,901,059
Decrease in Cash, Restricted Cash, and Cash Equivalents	(1,635,019)
Cash, Restricted Cash, and Cash Equivalents, Beginning of Year, as Restated	15,249,972
Cash, Restricted Cash and Cash Equivalents, End of Year	$ 13,614,953

Parks and Wildlife Foundation of Texas, Inc.
Statement of Cash Flows (Continued)
Year Ended December 31, 2019

Summary of Cash, Restricted Cash, and Cash Equivalents		
Cash and cash equivalents	$	12,689,263
Cash and money market funds included in investments		900,690
Restricted cash—Held for others		25,000
Total Cash, Restricted Cash, and Cash Equivalents	$	13,614,953
Supplemental Cash Flows Information		
Donated property and equipment	$	16,047
Conversion of note receivable to equity	$	150,000

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Parks and Wildlife Foundation of Texas, Inc. (Foundation) is a Texas not-for-profit corporation organized and operated for charitable purposes of conserving and protecting the natural, and cultural resources of Texas. The Foundation solicits and accepts gifts, grants, and donations to fulfill its mission. The Foundation has been designated by the Texas Parks and Wildlife Department (Department), an agency of the state of Texas, as the official not-for-profit partner of the Department.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2019, cash equivalents consisted of money market funds. The Foundation considers cash held in investments to be restricted cash as it is held within the investment portfolio. The Foundation's cash accounts exceeded federally insured limits by $12,439,263.

Contributions Receivable

Contributions receivable are primarily due from organizations and individuals related to gift pledges. Corporate sponsorships are evaluated to determine if the sponsorship is considered to be an exchange transaction or a contribution. Sponsorships considered exchange transactions are recognized as revenue over the period services are provided. Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Receivables outstanding more than 90 days are generally considered past due. Management periodically reviews receivables and determines the allowance for doubtful accounts by evaluating individual receivables and considering a customer's financial condition, credit history and current economic conditions. The allowance for doubtful accounts was $2,000 at December 31, 2019.

Conservation Loans Receivable and Payable – Programmatic Investments

The Foundation established the Conservation Loan program in 2017 to provide cost-effective interim financing for land conservation projects that will be awarded grants from Deepwater Horizon-related fund sources. The Conservation Loan program enables critical, time-sensitive projects that do not align with the grant disbursement schedules of the settlement funding programs to move forward, reduces interest payment and related costs, and provides an economy of scale. The Conservation Loan program is funded through program-related investments from foundations and loans from individual philanthropists that are known to and qualified by the Foundation. These funds are recorded in the financial statements as conservation loans payable. See *Note 6* for conservation loans payable. Eligible loan recipients include established nonprofit land conservation organizations and land trusts with 501(c)(3) status. Loans given to recipients are recorded in the financial statements as conservation loans receivable. There are no conservation loans receivable as of December 31, 2019.

Investments and Net Investment Return

Investments are carried at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

The Foundation measures equity investments without a readily determinable fair value at cost, minus impairment, if any, plus or minus changes resulting from observable price changes for the identical or a similar investment.

For equity investments measured under the practicability exception, the Foundation performs a qualitative assessment for equity investments without readily determinable fair values considering impairment indicators to evaluate whether an impairment exists. If an impairment exists, the Foundation will recognize a loss based on the difference between carrying value and fair value.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Assets Held for Others

The Foundation holds funds for a Texas nonprofit organization with similar charitable purpose but which the Foundation has no economic interest. These funds are reported as assets held for others. The Foundation records these assets at fair value and recognizes a corresponding liability of an equal amount in the accompanying statement of financial position.

Property and Equipment

Property and equipment acquisitions over $1,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building	15 years
Furniture and equipment	5-12 years
Vehicle	5 years
Computer and software	3-7 years

Depreciation expense was $81,707 for the year ended December 31, 2019.

Land with Contractual Provisions – Restricted as to Use

During 2017, the Foundation received a donation of property. This property is restricted as to use and can only be sold to another agency or charity that will use the property for the restricted purpose.

During 2016, the Foundation purchased Tract 3 of the Powderhorn Ranch completing the three year purchase deal. It is restricted as to use, and a portion of the property cannot be sold. The Foundation can keep it in perpetuity or donate it to the Texas Parks and Wildlife Department or another qualified conservation organization. During 2018, the Foundation donated a portion of the Powderhorn Ranch with a cost of $33,472,313 to the Texas Parks and Wildlife Department, sold a portion of Powderhorn Ranch with of cost of $222,707 for proceeds of $156,642 and a realized loss on sale of $66,065, and retained a portion of Powderhorn Ranch with a cost of $3,043,589.

Long-Lived Asset Impairment

The Foundation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended December 31, 2019.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to the Foundation either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Foundation overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.* the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contributions of services also include services received from personnel of an affiliate. No amounts have been reflected in the accompanying financial statements for donated services as the criteria for revenue recognition have not been met.

In-kind Contributions

In addition to receiving cash contributions, the Foundation receives in-kind contributions of reduced rent from the lessor of the Foundation’s office and storage spaces. It is the policy of the Foundation to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by the same amount. For the year ended December 31, 2019, $67,661 was received as in-kind contributions.

Income Taxes

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

The Foundation files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on the specific identification of costs or approximate percentage of time and other methods.

Change in Accounting Principle and Restatement of Net Assets

On January 1, 2019, the Foundation adopted the Financial Accounting Standards Board Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* (ASU 2018-08) using a modified prospective basis at January 1, 2019. The amendments of the standard were applied to the portion of agreements that were not completed as of January 1, 2019 or entered into after January 1, 2019.

ASU 2018-08 clarifies the guidance on determining whether a transaction with a resource provider is a contribution or an exchange transaction. If the transaction is determined to be a contribution, ASU 2018-08 clarifies the guidance regarding recognition of the contribution as conditional or unconditional. A contribution is considered conditional if the donor indicates that a measurable barrier must be met and includes a right of return or release of obligation. Conditional contributions are not recorded until one of these criteria is overcome.

The standard provides an option to allow a not-for-profit to (1) elect a separate policy for donor-restricted contributions that were initially conditional contributions without also having to elect the policy for other donor-restricted contributions or (2) follow the same policy for all donor-restricted contributions. The Foundation election is disclosed in the *Note 1* “Contributions” Section.

The implementation of this standard did not result in a material change to the Foundation’s net assets as of December 31, 2019.

On January 1, 2019, the Foundation adopted the Financial Accounting Standards Board Accounting Standards Update 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01) using a prospective basis at January 1, 2019. The implementation of this standard did not result in a material change to the Foundation’s net assets as of December 31, 2019.

On January 1, 2019, the Foundation adopted the Financial Accounting Standards Board Accounting Standards Update 2016-18, (ASU 2016-18), *Statement of Cash Flows (Topic 230): Restricted Cash*. The new accounting guidance in ASU 2016-18 requires balances generally described as restricted cash or restricted cash equivalents to be included with cash and cash equivalents when reconciling beginning and end of the period balances on the statement of cash flows. Certain cash and cash equivalents are included in investments on the accompanying balance sheet due to management enacting restrictions on their use.

This change was applied retrospectively which resulted in the following changes within the statement of cash flows:

Cash at December 31, 2018, as previously reported	$ 14,675,369
Inclusion of:	
Cash restricted for investment	574,603
Cash and restricted cash at December 31, 2018, as restated	$ 15,249,972

Gift Instruments policy:

Management interprets gift instruments without a spending policy to be held in the fund restricted by the donor until the donor restrictions are met. The Foundation does not hold separate endowments unless specified by the donor to be held in perpetuity and contains a spending policy, and determines funds based on field of interest category and spends according to the purposes of the fund as restricted by the donor.

Note 2: Contributions Receivable

Contributions receivable consisted of the following at December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	$ 40,925	$ 1,818,438	$ 1,859,363
Due within one to five years	-	567,110	567,110
	40,925	2,385,548	2,426,473
Less			
Allowance for uncollectible contributions	(2,000)	-	(2,000)
Unamortized discount	-	(15,576)	(15,576)
	$ 38,925	$ 2,369,972	$ 2,408,897

Contributions receivable are reflected at the present value of future cash flows using discount rates ranging from 1.58% to 2.63% for 2019.

Note 3: Disclosures About Fair Value of Assets and Liabilities

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2019:

		Fair Value Measurements		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobserv-able Inputs (Level 3)
Cash equivalents, held in investments	$ 891,114	$ 891,114	$ -	$ -
Equity funds	23,694,402	23,694,402	-	-
Fixed income funds	10,781,361	10,781,361	-	-
Real estate funds	1,294,852	1,294,852	-	-
Commodity funds	889,660	889,660	-	-
	37,551,389	37,551,389	-	-
Equity securities without readily determinable fair value	150,000	-	-	-
Total	$ 37,701,389	$ 37,551,389	$ -	$ -

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2019.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Foundation had no Level 3 securities at December 31, 2019.

Note 4: Equity Investments Without Readily Determinable Fair Values

The Foundation measures certain equity investments without a readily determinable fair value at cost minus impairment, if any, plus or minus changes resulting from observable price changes for the identical or a similar investment. The equity investment valued through this measurement approach consisted of a convertible note receivable purchased in 2018 that was converted to an equity investment in 2019. As of and for the year ended December 31, 2019, amounts related to equity securities without a readily determinable fair value are as follows:

Carrying amount of investments without readily determinable fair values	$ 150,000
Impairments and downward adjustments recognized during the year	$ -
Upward adjustments recognized during the year	$ -

There were no impairments or adjustments as of December 31, 2019.

Note 5: Property and Equipment

Property and equipment at December 31, 2019, consists of:

Land	$	5,390,678
Building		877,651
Furniture and equipment		43,711
Vehicle		59,588
Computer and software		30,555
		6,402,183
Less accumulated depreciation and amortization		(288,725)
	$	6,113,458

Note 6: Conservation Loans Payable

The conservation loan program was established to provide cost-effective interim financing for land conservation projects that will be awarded grants from Deepwater Horizon-related fund source. All loan agreements have a 0% interest rate and at any time the Foundation may prepay the principal balance of the loan in whole or in part without penalty. There is no collateral on these loans unless otherwise noted below.

		Principal		Interest
On June 5, 2017, the Foundation secured a $250,000 loan with 0% interest from Still Water Foundation to be repaid in full on demand	$	250,000	$	-
On December 1, 2017, the Foundation secured a $50,000 loan with 0% interest from Ippolito Charitable Foundation of Galveston to be repaid in full on November 30, 2020.		48,237		1,763
On December 27, 2017, the Foundation secured a $150,000 loan with 0% interest from Cynthia and George Mitchell Foundation to be repaid in full on November 30, 2020.		144,231		5,769
	$	442,468	$	7,532

In the accompanying statement of financial position, the principal due at December 31, 2019, is reduced by the net unamortized portion of the imputed interest.

For the year ended December 31, 2019, total interest of $14,614 was recognized as interest expense.

Maturities of conservation loans payable are as follows December 31:

2020	$	450,000
Less: Unamortized interest to be recorded as contribution revenue in future years		(7,532)
	$	442,468

Note 7: Grants Payable

Grants payable represent grants that have been authorized prior to year-end but remain unpaid as of the date on the statements of financial position. Grants expense is recognized in the year in which the grants are authorized. Grants payable at December 31, 2019 are expected to be paid out as follows:

2020	$	442,500
2021		30,000
2022		30,000
2023		30,000
2024		30,000
Thereafter		90,000
	$	652,500

Note 8: Net Assets

Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2019, are restricted for the following purposes or periods:

Parks and Wildlife Foundation of Texas, Inc.

Notes to Financial Statements

December 31, 2019

Subject to expenditure for specified purpose	
Chairman Emeritus	$ 8,198,594
Powderhorn Ranch	4,290,739
Parrie Haynes Ranch Mitigation	1,909,820
Cedar Bayou	1,290,280
State Parks and Natural Areas	994,554
Devils River Project	982,639
Cox Chairman Fund	906,969
Other Temporarily Restricted Funds	708,869
Restoration of Natural Resources	535,153
Texas Game Wardens	298,567
Wildlife Management Areas	246,292
Monahans Sandhills State Park	240,855
Fulton Fishing Pier	156,127
Scholarships & Interns	153,308
Conservation Partners	69,237
Promises to give, the proceeds from which have been restricted by donors for	
Chairman Emeritus	1,500,000
Other Temporarily Restricted Funds	90,926
State Parks and Natural Areas	45,000
Texas Game Wardens	40,548
	22,658,477
Endowments	
Subject to appropriation and expenditure when a specified event occurs (Term Endowments)	
Restricted by donors for	
Sea Center Texas	773,949
Marine Development Center	379,711
Perry R. Bass Marine Fisheries	237,333
	1,390,993
Earning on Endowments subject to appropriation and expenditure	
Conserve	1,784,692
Scholarship	96,940
	1,881,632
Subject to Foundation endowment spending policy and appropriation (Perpetual)	
Conserve	11,059,481
Scholarship	100,000
	11,159,481
Total endowments	14,432,106
	$ 37,090,583

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Satisfaction of purpose restrictions	
Texas Game Wardens	$ 1,722,236
Texas State Parks & WMA's	1,705,591
Powderhorn Ranch	644,211
Chairman Emeritus	546,268
Other	288,189
Restoration of Natural Resources	219,171
Texas Coastal Conservative Initiative	170,625
Pronghorn Restoration	81,668
Quail & Grassland Birds	81,169
Parrie Haynes Ranch	63,044
CIG - Conservation Innovation Grant	59,423
Endowments	44,341
Conservation Partners	36,255
Monarch Butterflies	34,029
Fulton Fishing Pier	32,293
American Bird Conservancy	28,364
Matagorda Bay	21,713
Scholarships & Internships	5,363
Outreach & Education	1,047
	5,785,000
Restricted purpose spending-rate distributions and appropriations	
Term Endowments	
Perry R. Bass Marine Fisheries	47,899
Permanent endowments	
National Fish and Wildlife Foundation	144,300
Wildwood - Catcher Ranch	57,888
Muddy Boggy Creek	53,090
Wildwood - Tonyard Creek	7,502
Hollingsworth	7,064
	269,844
	$ 6,102,743

Note 9: Endowment

The Foundation's governing body is subject to the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). As a result, the Foundation classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The Foundation's endowment consists of 13 individual funds established for a variety of purposes. The endowment includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of net assets by type of endowment fund at December 31, 2019, was:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 11,159,479	$ 11,159,479
Accumulated investment gains	58,344	2,148,618	2,206,962
Term endowment	-	1,124,009	1,124,009
Total endowment funds	$ 58,344	$ 14,432,106	$ 14,490,450

Change in endowment net assets for the year ended December 31, 2019, were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 10,103,648	$ 10,103,648
Investment return (loss), net			-
Net investment income	15,261	345,710	360,971
Net investment return	43,083	1,771,030	1,814,113
Contributions	-	2,573,802	2,573,802
Administration Fees	-	(44,341)	(44,341)
Appropriation of endowment assets for expenditures	-	(317,743)	(317,743)
Endowment net assets, end of year	$ 58,344	$ 14,432,106	$ 14,490,450

Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods. Under the Foundation's policies, endowment assets are invested in a manner that is intended to both preserve the corpus and to grow the net asset value of the portfolio while assuming a moderate level of investment risk.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a spending policy of appropriating for expenditure each year between 3.5 percent to 5.5 percent of its endowment fund's average fair value over the prior 12 quarters through the year end preceding the year in which expenditure is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Underwater Endowments

The governing body of the Foundation has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of:

a) the original value of initial and subsequent gift amounts donated to the fund and

b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

The Foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor stipulations or laws and regulations. The governing board appropriated no amounts for expenditure from underwater endowment funds during the year and no endowment funds were underwater as of December 31, 2019.

Note 10: Concentrations, Commitments and Contingencies

Ninety-three percent of the total pledges receivable in 2019 is due from two donors. One donor represents approximately seventeen percent of the total contributions received in 2019.

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, 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 accompanying statements of financial position.

Note 11: Related Party Transactions

The Foundation has received contributions of $230,935 in 2019 from members of the Board of Trustees.

The Foundation distributed grants, gifts of land, fixed assets and sponsored projects to the Department in the amount of approximately $6,595,436 for the year ended December 31, 2019.

Note 12: Simple IRA Plan

The Foundation sponsors a simple IRA plan. Employees may contribute up to $12,000 of their annual earnings to the plan; employees aged 50 or older may contribute an additional $2,500. The Foundation matches 3% of employee compensation for each participant. Participants are immediately 100% vested in employer contributions. Foundation contributions to the plan were $21,971 for the year ended December 31, 2019.

Note 13: Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019, comprise the following:

Total financial assets	$ 50,657,068
Donor imposed restrictions	
Restricted funds	22,658,477
Endowments	14,432,106
Net financial assets after donor imposed restrictions	37,090,583
Financial assets available to meet cash needs for general expenditures within one year	$ 13,566,485

The Foundation's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Note 14: Subsequent Events

Management has evaluated subsequent events through October 8, 2019, the date the financial statements were available to be issued.

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act*. On April 10, 2020, the Foundation received a loan in the amount of approximately $227,000 pursuant to the Paycheck Protection Program. The Foundation may use the proceeds to make eligible payments and the loan is forgivable if certain criteria are met. The Foundation plans to use $190,000 for eligible payments and to pay back the remaining amount when the eligibility window opens.

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Foundation. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 15: Future Change in Accounting Principle

Revenue Recognition

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance, and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment 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 those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for nonpublic entities for annual periods beginning after December 15, 2019, and any interim periods within annual reporting periods that begin after December 15, 2020. The Foundation is in the process of evaluating the effect the amendment will have on the financial statements.

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards.

The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Foundation is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.