

The Houston Parks Board

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2025 and 2024

The Houston Parks Board

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Independent Auditors' Report

To the Board of Directors of
The Houston Parks Board:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Houston Parks Board and Houston Parks Board Foundation, which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of The Houston Parks Board and Houston Parks Board Foundation as of June 30, 2025 and 2024, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of The Houston Parks Board and Houston Parks Board Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Houston Parks Board and Houston Parks Board Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing

standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

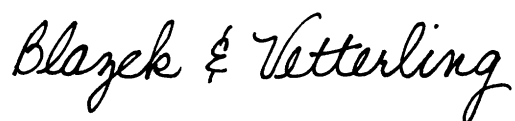
In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Houston Parks Board and Houston Parks Board Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Houston Parks Board and Houston Parks Board Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2025 on our consideration of The Houston Parks Board and Houston Parks Board Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Houston Parks Board and Houston Parks Board Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Houston Parks Board and Houston Parks Board Foundation's internal control over financial reporting and compliance.



September 30, 2025

The Houston Parks Board

Consolidated Statements of Financial Position as of June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and cash equivalents (<i>Note 4</i>)	\$ 5,727,237	\$ 7,385,253
Receivable from Houston Parks Board LGC, Inc. (<i>Note 5</i>)	1,326,518	
Prepaid expenses and other assets	611,721	667,513
Cash contractually restricted under Bayou Greenways maintenance agreement (<i>Notes 4 and 6</i>)	14,178,097	13,087,634
Cash and cash equivalents held for City-supported programs, park improvement projects, and maintenance (<i>Note 4</i>)	60,022,675	55,481,483
Contributions receivable, net (<i>Note 7</i>)	2,192,807	2,014,129
Investments (<i>Note 8</i>)	17,774,162	15,922,920
Property, net (<i>Note 9</i>)	<u>12,478,164</u>	<u>10,210,549</u>
TOTAL ASSETS	<u>\$114,311,381</u>	<u>\$104,769,481</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,076,154	\$ 1,369,948
Construction projects payable	1,167,072	604,713
Payable to Houston Parks Board LGC, Inc. (<i>Note 5</i>)		266,789
Refundable advances (<i>Note 7</i>)	<u>358,868</u>	<u>5,383,165</u>
Total liabilities	<u>3,602,094</u>	<u>7,624,615</u>
Commitments and contingencies (<i>Note 10</i>)		
Net assets:		
Without donor restrictions (<i>Note 11</i>)	34,545,062	31,571,797
With donor restrictions (<i>Notes 12 and 13</i>)	<u>76,164,225</u>	<u>65,573,069</u>
Total net assets	<u>110,709,287</u>	<u>97,144,866</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$114,311,381</u>	<u>\$104,769,481</u>

See accompanying notes to consolidated financial statements.

The Houston Parks Board

Consolidated Statement of Activities for the year ended June 30, 2025

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUE:			
Contributions:			
Government grants		\$ 1,111,992	\$ 1,111,992
Other	\$ 394,397	13,964,039	14,358,436
Special event – annual luncheon	751,931		751,931
Direct donor benefit costs – annual luncheon	(104,752)		(104,752)
Net investment return	3,194,313	2,292,415	5,486,728
Bayou Greenways maintenance fees <i>(Note 6)</i>	13,622,628		13,622,628
Park improvement project fees – Houston Parks Board LGC, Inc. <i>(Note 5)</i>	961,613		961,613
Total operating revenue	18,820,130	17,368,446	36,188,576
Net assets released from restrictions:			
Bayou Greenways	1,609,177	(1,609,177)	
Other park projects	5,168,113	(5,168,113)	
Total	25,597,420	10,591,156	36,188,576
OPERATING EXPENSES:			
Program services:			
Bayou Greenways maintenance	11,302,981		11,302,981
Neighborhood and regional parks	3,972,439		3,972,439
Bayou Greenways and connectors	3,861,962		3,861,962
Outreach and park support	302,886		302,886
Total program services	19,440,268		19,440,268
Management and general	1,578,085		1,578,085
Fundraising	1,553,491		1,553,491
Total operating expenses	22,571,844		22,571,844
CHANGES IN NET ASSETS FROM OPERATIONS	3,025,576	10,591,156	13,616,732
OTHER CHANGES IN NET ASSETS:			
Conveyance of land to the City of Houston	(52,311)		(52,311)
CHANGES IN NET ASSETS	2,973,265	10,591,156	13,564,421
Net assets, beginning of year	31,571,797	65,573,069	97,144,866
Net assets, end of year	\$ 34,545,062	\$ 76,164,225	\$ 110,709,287

See accompanying notes to consolidated financial statements.

The Houston Parks Board

Consolidated Statement of Activities for the year ended June 30, 2024

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUE:			
Contributions	\$ 980,503	\$ 33,388,045	\$ 34,368,548
Special event – annual luncheon	708,339		708,339
Direct donor benefit costs – annual luncheon	(108,519)		(108,519)
Net investment return	3,325,966	766,289	4,092,255
Bayou Greenways maintenance fees <i>(Note 6)</i>	12,036,719		12,036,719
Park improvement project fees – Houston Parks Board LGC, Inc. <i>(Note 5)</i>	<u>1,252,425</u>	<u></u>	<u>1,252,425</u>
Total operating revenue	18,195,433	34,154,334	52,349,767
Net assets released from restrictions:			
Bayou Greenways	1,263,468	(1,263,468)	
Other park projects	<u>9,493,424</u>	<u>(9,493,424)</u>	<u></u>
Total	<u>28,952,325</u>	<u>23,397,442</u>	<u>52,349,767</u>
OPERATING EXPENSES:			
Program services:			
Bayou Greenways maintenance	13,801,868		13,801,868
Neighborhood and regional parks	7,360,711		7,360,711
Bayou Greenways and connectors	2,976,974		2,976,974
Outreach and park support	<u>232,979</u>	<u></u>	<u>232,979</u>
Total program services	24,372,532		24,372,532
Management and general	1,211,408		1,211,408
Fundraising	<u>786,198</u>	<u></u>	<u>786,198</u>
Total operating expenses	<u>26,370,138</u>	<u></u>	<u>26,370,138</u>
CHANGES IN NET ASSETS FROM OPERATIONS	2,582,187	23,397,442	25,979,629
OTHER CHANGES IN NET ASSETS:			
Conveyance of land to the City of Pasadena	<u>(765,912)</u>	<u></u>	<u>(765,912)</u>
CHANGES IN NET ASSETS	1,816,275	23,397,442	25,213,717
Net assets, beginning of year	<u>29,755,522</u>	<u>42,175,627</u>	<u>71,931,149</u>
Net assets, end of year	<u>\$ 31,571,797</u>	<u>\$ 65,573,069</u>	<u>\$ 97,144,866</u>

See accompanying notes to consolidated financial statements.

The Houston Parks Board

Consolidated Statement of Functional Expenses for the year ended June 30, 2025

<u>EXPENSES</u>	<u>BAYOU GREENWAYS MAINTENANCE</u>	<u>NEIGHBORHOOD AND REGIONAL PARKS</u>	<u>BAYOU GREENWAYS AND CONNECTORS</u>	<u>OUTREACH AND PARK SUPPORT</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Professional fees and contract services	\$ 7,365,763	\$ 869,923	\$ 940,449	\$ 138,729	\$ 442,553	\$ 664,514	\$10,421,931
Construction and design	1,631,305*	1,012,723*	1,822,918*	440			4,467,386
Salaries and related costs	1,751,300	1,451,200	724,635	124,099	1,123,577	836,258	6,011,069
Supplies and equipment rental	193,777	417,789	67,365	15,078	4,304	42,670	740,983
Occupancy and maintenance	164,878	46,616	25,964	6,982	2,329	1,733	248,502
Grants and scholarships	1,020	66,331	422	72	654	487	68,986
Insurance	65,129	36,986	18,986	6,066	1,848	1,375	130,390
Funding to Houston Parks Board							
LGC, Inc. for land purchases			229,417				229,417
Meetings, conferences and events	45,133	39,963	14,381	8,644	909	677	109,707
Depreciation	67,074	1,362	680	116	1,054	785	71,071
Travel	10,117	16,933	10,541	1,788	507	393	40,279
Graphics and printing	2,583	5,098	1,433	106	38	2,101	11,359
Other	<u>4,902</u>	<u>7,515</u>	<u>4,771</u>	<u>766</u>	<u>312</u>	<u>2,498</u>	<u>20,764</u>
Total operating expenses	<u>\$11,302,981</u>	<u>\$ 3,972,439</u>	<u>\$ 3,861,962</u>	<u>\$ 302,886</u>	<u>\$ 1,578,085</u>	<u>\$ 1,553,491</u>	22,571,844
Conveyance of land to the City of Houston							52,311
Direct donor benefit costs – annual luncheon							<u>104,752</u>
Total expenses							<u>\$22,728,907</u>

*Includes both amounts funded and conveyed to the LGC as capital assets.

See accompanying notes to consolidated financial statements.

The Houston Parks Board

Consolidated Statement of Functional Expenses for the year ended June 30, 2024

<u>EXPENSES</u>	<u>BAYOU GREENWAYS MAINTENANCE</u>	<u>NEIGHBORHOOD AND REGIONAL PARKS</u>	<u>BAYOU GREENWAYS AND CONNECTORS</u>	<u>OUTREACH AND PARK SUPPORT</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Professional fees and contract services	\$ 8,068,135	\$ 658,828	\$ 248,845	\$ 110,474	\$ 340,583	\$ 296,656	\$ 9,723,521
Construction and design	3,293,039*	4,526,650*	1,648,116*				9,467,805
Salaries and related costs	1,957,863	1,481,456	784,370	118,242	858,380	468,695	5,669,006
Supplies and equipment rental	130,419	384,927	58,460	1,800	2,255	2,133	579,994
Occupancy and maintenance	190,233	46,980	49,071	361	1,494	1,414	289,553
Grants and scholarships	2,835	136,884	1,710	43	176	167	141,815
Insurance	61,927	19,490	33,357	137	568	537	116,016
Funding to Houston Parks Board							
LGC, Inc. for land purchases			98,742				98,742
Meetings, conferences and events	35,929	33,668	20,207	96	399	377	90,676
Depreciation	28,576	32,604	4,757	1,709	7,066	6,686	81,398
Travel	17,140	28,942	18,899	78	324	307	65,690
Graphics and printing	15,647	9,097	7,186	32	132	6,697	38,791
Other	<u>125</u>	<u>1,185</u>	<u>3,254</u>	<u>7</u>	<u>31</u>	<u>2,529</u>	<u>7,131</u>
Total operating expenses	<u>\$13,801,868</u>	<u>\$ 7,360,711</u>	<u>\$ 2,976,974</u>	<u>\$ 232,979</u>	<u>\$ 1,211,408</u>	<u>\$ 786,198</u>	26,370,138
Conveyance of land to the City of Pasadena							765,912
Direct donor benefit costs – annual luncheon							<u>108,519</u>
Total expenses							<u>\$27,244,569</u>

*Includes both amounts funded and conveyed to the LGC as capital assets.

See accompanying notes to consolidated financial statements.

The Houston Parks Board

Consolidated Statements of Cash Flows for the years ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 13,564,421	\$ 25,213,717
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	71,071	81,398
Conveyance of land	52,311	765,912
Net realized and unrealized gain on investments	(1,451,397)	(835,822)
Changes in operating assets and liabilities:		
Receivable from Houston Parks Board LGC, Inc.	(1,326,518)	
Prepaid expenses and other assets	55,792	213,287
Contributions receivable	(178,678)	(435,559)
Accounts payable and accrued expenses	706,206	166,298
Construction projects payable	562,359	455,871
Payable to Houston Parks Board LGC, Inc.	(266,789)	(921,266)
Refundable advances	<u>(5,024,297)</u>	<u>5,187,810</u>
Net cash provided by operating activities	<u>6,764,481</u>	<u>29,891,646</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales and maturities of investments	18,037,761	5,155,752
Purchases of investments	(18,227,946)	(6,430,487)
Net change in money market mutual funds held as investments	(209,660)	791,745
Purchase of property	<u>(2,390,997)</u>	<u>(623,665)</u>
Net cash used by investing activities	<u>(2,790,842)</u>	<u>(1,106,655)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,973,639	28,784,991
Cash and cash equivalents, beginning of year	<u>75,954,370</u>	<u>47,169,379</u>
Cash and cash equivalents, end of year	<u>\$ 79,928,009</u>	<u>\$ 75,954,370</u>
<i>Summary of cash and cash equivalents:</i>		
Cash and cash equivalents	\$ 5,727,237	\$ 7,385,253
Cash contractually restricted under Bayou Greenways maintenance agreement	14,178,097	13,087,634
Cash and cash equivalents held for City-supported programs, park improvement projects, and maintenance	<u>60,022,675</u>	<u>55,481,483</u>
Total cash and cash equivalents	<u>\$ 79,928,009</u>	<u>\$ 75,954,370</u>
<i>Supplemental disclosure of cash flow information:</i>		
Contributions of marketable securities	\$2,357,025	\$23,199,402

See accompanying notes to consolidated financial statements.

The Houston Parks Board

Notes to Consolidated Financial Statements for the years ended June 30, 2025 and 2024

NOTE 1 – ORGANIZATION

Organization – The Houston Parks Board (HPB) was created in 1976 to improve parks by utilizing public-private partnerships and its extensive philanthropic, governmental and community relationships. Since its inception, HPB has invested over \$258 million supporting over 250 parks and creating more than 15,000 acres of new parks and trails. HPB works with the City of Houston (the City) Parks and Recreation Department and various other municipal, county and regional public organizations, nonprofit 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.

Houston Parks Board Foundation (the Foundation) was created for the purpose of providing financial assistance and benefit to HPB. Fifty-one percent of the Foundation's Board of Directors are appointed by HPB.

Affiliated organization – In 2008, 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. Through its manager, HPB, the LGC acquires land for new public parks and develops and improves new and existing public parks. The Board of Directors of the LGC are appointed by the Mayor and confirmed by the City Council.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation – The accompanying consolidated financial statements include the assets, liabilities, net assets and activities of HPB and the Foundation (collectively the Parks Board), after elimination of intercompany transactions.

Federal income tax status – HPB is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code (the Code) and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi). The Foundation is exempt from federal income tax under §501(c)(3) of the Code and is classified as a Type I supporting organization of HPB under §509(a)(3).

Operating measure – HPB reports land conveyances as non-operating activities. All other activities are reflected as operating revenue and expenses.

Cash and cash equivalents include demand deposits and highly liquid financial instruments with original maturities of three months or less. Cash and cash equivalents which are held for long-term investment purposes are grouped with investments in the statement of financial position.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts due in more than one year are discounted, if material, to estimate the present value of future cash flows. An allowance for contributions receivable is provided when it is believed balances may not be collected in full.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Property is reported at cost if purchased or at fair value at the date of gift if donated. Property purchases over \$5,000 and with an estimated useful life of more than one year are capitalized. Depreciation is calculated using the straight-line method over estimated useful lives of 5 to 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 holds funds for community groups and acts as an agent in collecting, holding and disbursing these funds.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service unless the donor also has placed a time restriction on the use of the long-lived asset, in which case the release occurs over the term of the time restriction. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Contributions are recognized at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are subject to one or more barriers that must be overcome before HPB is entitled to receive or retain the funds. Conditional contributions are recognized in the same manner when the conditions are met. Funding received before the conditions are met is reported as advance contributions.

During 2025, approximately 58% of contribution revenue recognized is from two donors. During 2024, approximately 79% of contribution revenue recognized is from two donors.

Special event revenue is the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Special event revenue is recognized when the event occurs. Direct donor benefit costs represent the cost of goods and services provided to attendees of the special event. Amounts received for future events are recorded as refundable advances totaling \$156,868 in 2025 and \$195,587 in 2024.

Bayou Greenways maintenance and park improvement project fees are contract fees for the maintenance of trails and green space along the Bayou Greenways and management of various park projects. Maintenance fees are recognized over the 12-month period as the services are provided in an amount that reflects the consideration that HPB expects to be entitled to in exchange for those services under contract. Park improvement project fees are recognized as the services are provided for each individual project. Payments are due during the contract period. There are no contract assets or liabilities.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. All other allocable costs are based on these percentages.

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.

Reclassification – Certain reclassifications have been made to the prior year statement of functional expenses to conform with the current year presentation. These reclassifications occurred to align with the current program initiatives for parks and bayou greenways and connectors.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of June 30 comprise the following:

	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash and cash equivalents	\$ 79,928,009	\$ 75,954,370
Receivables and other assets	1,506,410	249,757
Contributions receivable, net	2,192,807	2,014,129
Investments	<u>17,774,162</u>	<u>15,922,920</u>
Total financial assets	101,401,388	94,141,176
Less financial assets not available for general expenditure:		
Donor-restricted endowment assets	(7,571,270)	(7,076,948)
Donor-restricted assets expected to be expended in more than one year	(23,701,845)	(20,298,347)
Funds held for others	(96,357)	(96,357)
Other board-designated assets not expected to be available in the upcoming year	<u>(174,477)</u>	<u>(160,991)</u>
Total financial assets available for general expenditure	<u>\$ 69,857,439</u>	<u>\$ 66,508,533</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, HPB considers all expenditures related to its ongoing activities to expand, improve and protect parks and green space in the Houston region, which includes project expenditures associated with major initiatives such as Bayou Greenways 2020, the expansion of Bayou Greenways and connectors, neighborhood parks, and regional parks, as well as the conduct of services undertaken to support those activities, to be general expenditures. Bayou Greenways 2020 will be substantially completed within the next year and at June 30, 2025, HPB has cash totaling approximately \$10 million obligated to be expended for design and construction.

HPB has entered into a maintenance contract with the City that requires amounts paid in excess of amounts used in each given year to be accumulated for capital replacement projects (see Note 10). At June 30, 2025, approximately \$14 million is available for capital maintenance projects. Contractually-restricted assets for capital replacement projects are budgeted to be spent within the next year and are included as general expenditures.

As part of HPB’s liquidity management, it structures its financial assets to be available as its general expenditures and liabilities become due or as additional funding opportunities are presented. HPB maintains a \$5 million line of credit. Additionally, HPB’s Board of Directors has designated a portion of its resources without donor restrictions as board-designated to be used for specific purposes. These funds are invested for long-term appreciation, but remain available to be spent at the Board of Directors’ discretion.

NOTE 4 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2025</u>	<u>2024</u>
Bank deposits	\$ 32,896,242	\$ 31,057,020
Money market mutual funds	<u>47,031,767</u>	<u>44,897,350</u>
Total cash and cash equivalents	<u>\$ 79,928,009</u>	<u>\$ 75,954,370</u>

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

NOTE 5 – TRANSACTIONS WITH THE LGC AND GOVERNMENT AGENCIES

On November 6, 2012, Houston voters approved a \$166 million parks bond proposition of which \$100 million was designated to support Bayou Greenways 2020, a major capital city project initiative to provide interconnected parks, trails, and green spaces within City limits. The estimated cost to complete Bayou Greenways 2020 is approximately \$220 million. The LGC and HPB, acting as management for the LGC, entered an interlocal agreement with the City in which HPB agreed to fund a matching commitment of \$105 million in private and other sources, including federal, state and other government funding to complete Bayou Greenways 2020. HPB has exceeded both the matching obligation to the City and its Bayou Greenways 2020 Capital Campaign goal of \$120 million. HPB has added over 900 acres of new parks and green space to the Bayou Greenways system. Bayou Greenways 2020 has obligated all funds at June 30, 2025 to the remaining projects to connect over 3,200 acres of parks and green spaces with ribbons of new trails of more than 165 miles.

On December 13, 2023, HPB signed a \$54 million Development, Construction, Operations, Maintenance and Concession Agreement with the City relating to the redevelopment of MacGregor Park. In this agreement, the City will provide \$14.5 million and HPB will provide \$39.5 million in private funding and other sources to implement the five-year master plan, which includes developing and maintaining greenspace and the design and construction of new facilities at MacGregor Park. As of June 30, 2025, HPB has raised in private and other sources of funding, approximately \$29 million (including conditional pledges of \$22 million). In 2025 and 2024, respectively, HPB funded approximately \$1,581,000 and \$332,000 of design expense towards the five-year master plan.

Land, capital assets, and funding conveyed from HPB to the LGC are summarized as follows:

	<u>2025</u>	<u>2024</u>
Bayou Greenways maintenance	\$ 1,376,970	\$ 2,908,222
Bayou Greenways 2020	915,931	625,203
Bayou Greenways and connectors and regional parks (1)	404,420	1,092,342
Neighborhood parks	165,863	3,989,635
Other park and green space projects		373,518
Total	<u>\$ 2,863,184</u>	<u>\$ 8,988,920</u>

HPB, acting as management of the LGC, receives project management fees for various projects in accordance with each of the agreements. These amounts totaled approximately \$959,000 and \$1,246,000 in 2025 and 2024, respectively. The agreements for various park projects at June 30, 2025 are summarized as follows:

PROJECT NAME	AGREEMENT TYPE	CONTRACT ENTITIES	TOTAL BUDGET AND FUNDING COMMITMENTS	OUTSTANDING PROJECT COMMITMENTS
Spring Branch Trail (1)	Infrastructure Management Agreement	Spring Branch Management District, City of Houston	\$8,611,000	\$3,940,000
Hill at Sims Regional Park (1)	Interlocal Agreement	Harris County Commissioner Precinct One	\$9,087,940	\$3,168,000
Sharpstown Trail (1)	Infrastructure Management Agreement	Southwest Houston Redevelopment Authority, Reinvestment Zone Number Twenty (TIRZ 20), City of Houston	\$6,311,500	\$2,708,000
Vogel Creek Greenway (1)	Interlocal Agreement	City of Houston, Houston Parks and Recreation Department, Houston Public Works Department, Harris County	\$6,000,000	\$1,732,000
Brays (Bayou Greenways 2020)	Interlocal Agreement	Harris County Commissioner Precinct Three, Harris County Commissioner Precinct Four	\$3,300,000	\$1,587,000
Neighborhood parks (Simon Minchen Trail)	Infrastructure Management Agreement	South Post Oak Redevelopment Authority, Reinvestment Zone Number Nine (TIRZ 9), City of Houston	\$595,216	\$541,000
Spring Branch Trail – Phase 4 (1)	Interlocal Agreement	Harris County, Harris County Toll Road Authority, Spring Branch Management District	\$1,200,000	\$695,000

PROJECT NAME	AGREEMENT TYPE	CONTRACT ENTITIES	TOTAL BUDGET AND FUNDING COMMITMENTS	OUTSTANDING PROJECT COMMITMENTS
Places for People (multiple initiatives)	Interlocal Agreement	Harris County Commissioner Precinct Four	\$16,799,253*	\$11,449,000

*Total commitment consists of nine interlocal agreements. As of June 30, 2025, three out of the nine interlocal agreements have been signed, totaling approximately \$14.2 million.

NOTE 6 – BAYOU GREENWAYS SYSTEM MAINTENANCE AGREEMENT

In fiscal year 2014, HPB entered into a 30-year agreement with the City to provide on-going maintenance and capital replacement for the Bayou Greenways system. The agreement was amended in 2024 extending the term for an additional 30 years and to include maintenance of MacGregor Park greenspace, which went into effect on July 1, 2024. Bayou Greenways constitutes an integrated system of connected linear parks with walking, running, and bicycle trails and open green space along the 9 major bayous within the City limits. At June 30, 2025, HPB maintained 3,385 acres of Bayou Greenways and MacGregor Park greenspace.

- Under this agreement, the City agrees to provide an annual maintenance fee to HPB with increasing escalations each year. In fiscal years 2025 and 2024, HPB received an annual maintenance fee from the City of approximately \$13,622,600 and \$12,036,800, respectively, and expended approximately \$11,654,000 in 2025 and \$14,085,000 in 2024.
- At June 30, 2025, HPB has approximately \$13.7 million of contractually-restricted net assets which will be utilized for capital replacement projects. Further, the agreement provides for a cap on the amount of Capital Replacement Reserve allowed to be held by HPB. HPB has not exceeded the Capital Replacement Reserve cap, as defined under the agreement.

NOTE 7 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	<u>2025</u>	<u>2024</u>
Contributions receivable	\$ 2,284,425	\$ 2,065,342
Discount to net present value at 0.2% to 4.7%	<u>(91,618)</u>	<u>(51,213)</u>
Contributions receivable, net	<u>\$ 2,192,807</u>	<u>\$ 2,014,129</u>

Contributions receivable at June 30, 2025 are expected to be collected as follows:

2026	\$ 1,156,139
2027	375,786
2028	357,500
2029	207,500
2030	<u>187,500</u>
Total contributions receivable	<u>\$ 2,284,425</u>

Conditional contributions – At June 30, 2025, HPB has received conditional contributions of \$2,675,163 that are conditioned upon donor approval of land acquisitions along Greens Bayou, raising additional funds for the Brock Park golf course, beginning construction for the Lee LeClear Tennis Center and completion of the Downtown Trail. These gifts will be recognized as contribution revenue when the conditions are met. HPB has received advanced payments on these conditional contributions. At June 30, 2025, \$202,000 is included in refundable advances.

At June 30, 2025, HPB has received conditional contributions of \$30,000,000 for the redevelopment of MacGregor Park. These gifts will be recognized as contribution revenue when the phases of the redevelopment laid out by the donor are met.

HPB received conditional cost-reimbursable federal contributions of approximately \$392,000 that have not been recognized at June 30, 2025 because qualifying expenditures have not yet been incurred.

Concentrations – At June 30, 2025, approximately 83% of contributions receivable are due from three donors. At June 30, 2024, approximately 80% of contributions receivable are due from three donors.

NOTE 8 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments are being held for the following:

	<u>2025</u>	<u>2024</u>
Houston Parks Board Foundation	\$ 8,077,720	\$ 7,215,621
Park and park improvement project, programs and maintenance	2,824,545	2,824,545
Operating	<u>6,871,897</u>	<u>5,882,754</u>
Total investments	<u>\$ 17,774,162</u>	<u>\$ 15,922,920</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, 2025 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Equity securities:				
Mutual funds	\$ 7,717,009			\$ 7,717,009
Common stock	2,525,033			2,525,033
Exchange-traded funds	635,718			635,718
Fixed-income:				
U. S. Treasury securities	3,097,568			3,097,568
Government agency securities		\$ 2,649,076		2,649,076
Mutual funds	598,618			598,618
Money market mutual funds	<u>551,140</u>			<u>551,140</u>
Total investments	15,125,086	2,649,076		17,774,162
Money market mutual funds held as cash equivalents	<u>47,031,767</u>			<u>47,031,767</u>
Total assets measured at fair value	<u>\$ 62,156,853</u>	<u>\$ 2,649,076</u>	<u>\$ 0</u>	<u>\$ 64,805,929</u>

Assets measured at fair value at June 30, 2024 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Equity securities:				
Mutual funds	\$ 6,670,338			\$ 6,670,338
Common stock	2,472,440			2,472,440
Exchange-traded funds	2,223,394			2,223,394
Fixed-income:				
Mutual funds	2,949,864			2,949,864
Exchange-traded funds	1,265,404			1,265,404
Money market mutual funds	<u>341,480</u>			<u>341,480</u>
Total investments	15,922,920			15,922,920
Money market mutual funds held as cash equivalents	<u>44,897,350</u>			<u>44,897,350</u>
Total assets measured at fair value	<u>\$ 60,820,270</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 60,820,270</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.
- *Common stock* and *exchange-traded funds* are valued at the closing price reported on the active market on which the individual securities are traded.
- *U. S. Treasury securities* are valued using prices obtained from active market makers and inter-dealer brokers on a daily basis.
- *Government agency securities* 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.

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.

NOTE 9 – PROPERTY

Property consists of the following:

	<u>2025</u>	<u>2024</u>
Land	\$ 9,593,811	\$ 9,639,006
Vehicles	653,828	577,976
Building and improvements	91,817	91,817
Furniture and equipment	101,627	33,405
Construction projects in progress	<u>2,579,190</u>	<u>378,824</u>
Total property, at cost	13,020,273	10,721,028
Accumulated depreciation	<u>(542,109)</u>	<u>(510,479)</u>
Property, net	<u>\$ 12,478,164</u>	<u>\$ 10,210,549</u>

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

NOTE 10 – COMMITMENTS AND CONTINGENCIES

HPB enters into contracts in the normal course of business for construction of parks and greenspaces. The costs related to improvements of the City's parks and other land improvements are expensed as incurred. At June 30, 2025, HPB had outstanding commitments of approximately \$11,500,000 for construction projects in progress. At June 30, 2025, the LGC had outstanding commitments of approximately \$14,300,000 for construction projects in progress. HPB is acting as project management for the LGC on these construction projects.

NOTE 11 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	<u>2025</u>	<u>2024</u>
Property, net	\$ 6,711,486	\$ 6,594,237
Operating	13,974,241	12,394,831
Contractually-restricted for capital replacement projects	13,684,858	12,421,738
Board-designated for Foundation	<u>174,477</u>	<u>160,991</u>
Total net assets without donor restrictions	<u>\$ 34,545,062</u>	<u>\$ 31,571,797</u>

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2025</u>	<u>2024</u>
Subject to expenditure for specified purpose:		
Comprehensive capital park and greenways projects	\$ 20,874,712	\$ 22,574,725
MacGregor Park redevelopment	15,640,257	4,042,552
Expansion of the Bayou Greenways system and regional parks	9,978,405	8,501,366
Bayou Greenways 2020 Projects	9,414,224	11,012,803
Neighborhood park initiatives	5,707,152	5,297,743
Purchases of additional parkland	1,895,167	1,895,167
Park maintenance reserve funds	706,368	706,368
City-supported programs	661,574	579,412
Communities of Care	68,412	237,503
Other	<u>98,202</u>	<u>50,000</u>
Total subject to expenditure for specified purpose	65,044,473	54,897,639
Required to be maintained in perpetuity for parks and green space:		
Land held for parks and green space	3,187,488	3,237,488
Development of permanent parks and green space	360,994	360,994
Endowments subject to spending policy and appropriation:		
Foundation endowment funds	<u>7,571,270</u>	<u>7,076,948</u>
Total net assets with donor restrictions	<u>\$ 76,164,225</u>	<u>\$ 65,573,069</u>

NOTE 13 – FOUNDATION ENDOWMENT FUNDS

The Foundation holds two endowment funds that were established with donor restrictions to support the operations of HPB. The Board of Directors of the Foundation has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies the original value of gifts and the unappropriated investment earnings on donor-restricted endowments as *net assets with donor restrictions*. In accordance with TUPMIFA, the Foundation considers the duration and preservation of the funds, the purposes of the Foundation and the donor-restricted endowment funds in making a determination to appropriate accumulated donor-restricted endowment funds.

Endowment net assets consist of the following:

	<u>2025</u>	<u>2024</u>
	<u>WITH DONOR</u>	<u>WITH DONOR</u>
	<u>RESTRICTIONS</u>	<u>RESTRICTIONS</u>
Original donor-restricted gifts to be maintained in perpetuity	\$ 2,706,000	\$ 2,706,000
Accumulated net investment return	<u>4,865,270</u>	<u>4,370,948</u>
Endowment net assets	<u>\$ 7,571,270</u>	<u>\$ 7,076,948</u>

Changes in endowment net assets are as follows:

	WITH DONOR RESTRICTIONS		
	ACCUMULATED NET INVESTMENT RETURN	REQUIRED TO BE MAINTAINED IN PERPETUITY	TOTAL
Endowment net assets, June 30, 2023	\$ 4,103,900	\$ 2,706,000	\$ 6,809,900
Net investment return	665,949		665,949
Investment management fees	(39,901)		(39,901)
Distributions	<u>(359,000)</u>		<u>(359,000)</u>
Endowment net assets, June 30, 2024	<u>4,370,948</u>	<u>2,706,000</u>	<u>7,076,948</u>
Net investment return	862,358		862,358
Investment management fees	(17,036)		(17,036)
Distributions	<u>(351,000)</u>		<u>(351,000)</u>
Endowment net assets, June 30, 2025	<u>\$ 4,865,270</u>	<u>\$ 2,706,000</u>	<u>\$ 7,571,270</u>

Investment Policies and Strategy

The Foundation's overall investment goal is long-term growth of principal to maintain the purchasing power of the current assets and all future contributions, while earning investment returns that are commensurate with the Foundation's risk tolerance and sufficient to meet its operational requirements. The objective will be to seek returns in each asset class, net of investment management fees, above those of the market indices attributable to each of those asset classes.

The Foundation's assets may experience short-term volatility due to market fluctuations. Short-term volatility, or risk, is a characteristic of investing in securities. The Foundation seeks to control risk and reduce the volatility in its portfolio through diversification and maintaining a consistent strategy during all markets as an important factor in achieving longer term objectives.

The Foundation seeks investment returns that are in excess of its spending policy and will maintain adequate liquidity to meet its distribution requirements. Since the Foundation intends to make distributions from time to time, all investments should be readily marketable, and a reserve of a least 1% of the portfolio should be maintained in cash equivalent investments.

Spending Policy

In the current spending policy, distributions to HPB from the Foundation are limited to 5% of the rolling three-year quarterly average of the total of all investments. Total grants and Foundation expenses cannot exceed 5% of the fair market value of the Foundation's net assets, as determined on the first day of the fiscal year.

NOTE 14 – GOVERNMENT GRANTS

Government grants recognized at June 30, 2025 are as follows:

U. S. Department of Housing and Urban Development	\$ 1,000,000
U. S. Environmental Protection Agency	<u>111,992</u>
Total government grants	<u>\$ 1,111,992</u>

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

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 30, 2025, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

To the Board of Directors of
The Houston Parks Board:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Houston Parks Board (HPB), which comprise the consolidated statement of financial position as of June 30, 2025 and the related consolidated statements of activities, of functional expenses, and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HPB's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HPB's internal control. Accordingly, we do not express an opinion on the effectiveness of HPB's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether HPB's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blazek & Vetterling

September 30, 2025