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HILL COUNTRY ALLIANCE
(A Nonprofit Corporation)

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS
December 31, 2019

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(A Nonprofit Corporation)

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FINANCIAL STATEMENTS

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INDEX TO FINANCIAL STATEMENTS

Independent Auditors' Report.....	1
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Functional Expenses.....	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6

Allman & Associates, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

9600 GREAT HILLS TRAIL
SUITE 150W
AUSTIN, TX 78759
(512) 502-3077
FAX: 888-512-7990
WWW.ALLMANCPAS.COM

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Hill Country Alliance

We have audited the accompanying financial statements of the Hill Country Alliance (a nonprofit corporation), 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hill Country Alliance as of December 31, 2019, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

DRAFT v1

Austin, Texas
February 28, 2020

HILL COUNTRY ALLIANCE
(A Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION

December 31, 2019

Assets

Assets

Cash and cash equivalents	\$ 439,089
Accounts receivable	12,346
Beneficial interest in Hill Country Alliance Endowment Fund	81,501
Security deposit	1,350
Furniture & equipment, net of depreciation	<u>-</u>

Total Assets	<u>\$ 534,286</u>
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Liabilities and Net Assets

Liabilities

Accounts payable	<u>\$ 6,080</u>
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Total Liabilities	<u>6,080</u>
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Net Assets

Without donor restrictions	369,205
With donor restrictions	<u>159,001</u>

Total Net Assets	<u>528,206</u>
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Total Liabilities and Net Assets	<u>\$ 534,286</u>
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See accompanying auditors' report and notes to financial statements.

HILL COUNTRY ALLIANCE
(A Nonprofit Corporation)

STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals
Support and Revenue:			
Individual contributions	\$ 150,289	\$ -	\$ 150,289
Foundation contributions	-	357,500	357,500
Organization contributions	46,978	-	46,978
Inkind contributions	11,300	-	11,300
Texas Hill Country Conservation Network	-	157,000	157,000
Texas Parks & Wildlife Dept grant	55,368	-	55,368
Events	45,172	-	45,172
Calendar and store sales	6,807	-	6,807
Rental income	2,400	-	2,400
Change in beneficial interest in HCA Endowment Fund	-	12,344	12,344
Interest income	476	-	476
	318,790	526,844	845,634
Transfer to the HCA Endowment Fund	(5,000)	5,000	-
Released from restrictions	486,478	(486,478)	-
Total support and revenue	800,268	45,366	845,634
Expenses			
Program Services:			
Community programs	58,459	-	58,459
Education outreach programs	306,875	-	306,875
Land, Water, Night Sky programs	230,529	-	230,529
Total Program Services	595,863	-	595,863
Management and general	75,329	-	75,329
Fundraising	42,182	-	42,182
Total expenses	713,374	-	713,374
Change in Net Assets	86,894	45,366	132,260
Net assets, beginning of year	282,311	113,635	395,946
Net assets, end of year	\$ 369,205	\$ 159,001	\$ 528,206

See accompanying auditors' report and notes to financial statements.

HILL COUNTRY ALLIANCE
(A Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

	Community Programs	Education Outreach Programs	Land, Water, Night Sky Programs	Total Program Services	Management & General	Fundraising	Totals
Personnel costs	\$ 33,292	\$ 97,915	\$ 178,916	\$ 310,123	\$ 48,848	\$ 36,376	\$ 395,347
Special projects	823	119,913	10,152	130,888	-	-	130,888
Events	12,097	43,814	10,614	66,525	122	-	66,647
Professional fees	6,580	16,596	2,370	25,546	10,795	-	36,341
Travel	2,431	2,856	11,772	17,059	668	300	18,027
Rent and utilities	2,656	3,617	7,968	14,241	2,656	-	16,897
Calendars	-	8,837	-	8,837	-	-	8,837
Office supplies	63	3,801	110	3,974	2,894	-	6,868
Printing	-	1,625	3,280	4,905	330	195	5,430
Insurance	-	-	-	-	3,902	-	3,902
Meetings	200	909	1,264	2,373	1,296	-	3,669
Fundraising	-	-	-	-	-	3,577	3,577
Bank service charges	-	108	-	108	2,431	605	3,144
Online services	53	2,575	264	2,892	128	-	3,020
Postage and delivery	-	1,720	23	1,743	76	1,129	2,948
Telephone	180	390	900	1,470	720	-	2,190
Media	-	-	1,800	1,800	-	-	1,800
Program costs	-	1,180	-	1,180	-	-	1,180
Website costs	-	678	75	753	207	-	960
Dues and subscriptions	-	311	603	914	-	-	914
Meals	84	30	250	364	256	-	620
Professional development	-	-	168	168	-	-	168
Total Expenses	<u>\$ 58,459</u>	<u>\$ 306,875</u>	<u>\$ 230,529</u>	<u>\$ 595,863</u>	<u>\$ 75,329</u>	<u>\$ 42,182</u>	<u>\$ 713,374</u>

See accompanying auditors' report and notes to financial statements.

HILL COUNTRY ALLIANCE
(A Nonprofit Corporation)

STATEMENT OF CASH FLOWS

Year Ended December 31, 2019

Cash Flows From Operating Activities:	
Change in Net Assets	\$ 132,260
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Security deposit on office lease	(1,350)
Change in beneficial interest in HCA Endowment Fund	(17,344)
Change in assets and liabilities:	
Accounts receivable	11,057
Accounts payable	<u>2,621</u>
Cash Provided by Operating Activities	<u>127,244</u>
Net change in cash and cash equivalents	127,244
Cash and Cash Equivalents at beginning of year	<u>311,845</u>
Cash and Cash Equivalents at end of year	<u>\$ 439,089</u>
Supplemental information:	
Income tax paid	<u>\$ -</u>
Interest paid	<u>\$ -</u>

See accompanying auditors' report and notes to financial statements.

HILL COUNTRY ALLIANCE
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

1. General Information

The Hill Country Alliance (HCA or the Alliance) is incorporated as a Texas nonprofit corporation. HCA's purpose is to raise public awareness and build community support around the need to preserve the natural resources and heritage of the Central Texas Hill Country.

HCA was formed in response to the escalating challenges brought to the Texas Hill Country by rapid development and population growth. Concerned citizens began meeting in September 2004 to share ideas about strengthening community activism and educating the public about regional planning, conservation development and a more responsible approach to growth in the Hill Country. HCA received its 501(c)(3) tax-exempt status in 2005.

HCA has a strong, diverse board of directors and advisors with experience and expertise in land stewardship, scenic protection, groundwater supply, county authority, subdivision rules, public and private land conservation, land planning, grassroots organizing and economic development. HCA also has a growing number of members and subscribers who pass along information to a network of thousands of Central Texans.

HCA promotes responsible and planned growth in a region under tremendous pressure to urbanize. There simply is not an endless supply of clean water in our springs, creeks and lakes, nor endless Hill Country vistas, wide open spaces, rural landscapes or scenic roadways. As we see increasing growth in the unincorporated areas of the Hill Country, we stand to lose the groundwater and spring flow, ecological diversity, heritage ranch lands and cultural history that define our region. We believe a strong economic foundation for both the rural and urban portions of the Hill Country depends on our ability to direct growth in a way that conserves those resources into the future. We encourage an open, fair and public process where citizens, neighbors and landowners participate in key decisions that will determine the future of our community.

HCA organizes our work around four primary program areas: water, land, night skies, and community. We are focused first and foremost on raising awareness about current issues relating to growth and development in the Texas Hill Country. We host community meetings, workshops and seminars on current issues. We convene organizations through a growing network of collaborative, strategic partners. We promote land protection and wise development practices that are protective of the region's long-term property values as well as cultural, historical, natural and scenic assets. We bring science and community influence to Hill Country water planning efforts, and distill complex regulatory processes to the public. We work regularly with land trusts, groundwater districts and management areas, landowners, nonprofits, government agencies and elected officials.

HILL COUNTRY ALLIANCE
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

1. General Information, continued

In 2019, HCA was formally named as the backbone organization for the Texas Hill Country Conservation Network (THCCN). The THCCN is a collective of more than 50 actively engaged nonprofit, public agency, and university partners committed to a shared strategic plan for the conservation of our region's land and water resources. This initiative utilizes the collective impact model of collaboration, and recognizes that in order to adequately respond to the threats facing our region, we must join forces to scale our impact beyond any one organization's brand, mission, and reach. The THCCN has yielded huge benefits on the ground and resulted in increasing the profile of conservation work that is happening in our region. Priority goals of the THCCN included advancing the use of One Water principles in Austin and the Hill Country, scaling investment in watershed protection, and better aligning groundwater management in our region with continued spring flow.

HCA's work is founded in a clear and thoughtful strategic plan that lays out our long-range objectives, guiding principles, and near-term goals. We are responsive and nimble in the face of evolving challenges to the region. At the same time, we are consistently working to create the vision for the Texas Hill Country we hand down to future generations.

HCA's primary sources of revenue include contribution, grants and project income.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting applicable to not-for-profit organizations in accordance with accounting principles generally accepted in the United States of America (GAAP).

Change in Not-for-Profit Accounting Standards

In June, 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958) – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves guidance concerning, 1) the determination whether a transaction should be accounted for as an exchange transaction or as a contribution, and 2) whether a contribution received is conditional. ASU 2018-08 is effective for annual periods beginning after December 15, 2018 for entities that are resource recipients, with early adoption permitted. ASU 2018-08 has been applied on a modified prospective basis, applied to agreements that were either not completed, or were entered into, after December 31, 2018.

HILL COUNTRY ALLIANCE
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

2. Summary of Significant Accounting Policies, continued

Financial Statement Presentation

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

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed 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 donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

The Alliance considers all deposits in banks and interest-bearing instruments with a maturity of three months or less as cash equivalents.

Accounts Receivable

The Alliance records accounts receivable on the accrual basis of accounting and consist of receivables on earned services billed but not yet received. Management believes there is no need for an allowance for doubtful accounts as all accounts are considered collectible.

Furniture and Equipment

Furniture and equipment acquisitions of items costing greater than \$500 and with one or more years of useful service life are capitalized at cost, or if donated, at estimated fair value at the time of donation. Costs of routine repairs and maintenance are charged to expense as incurred. Depreciation is calculated using the straight-line method over estimated lives ranging from five to seven years. The Alliance had furniture and equipment with a cost of \$4,124 which is all fully depreciated at December 31, 2019.

Contributions

Contributions received are recorded as support depending on the existence and/or nature of any donor-imposed restrictions. Contributions with donor-imposed restrictions are recorded as restricted support on the statement of activities, and when the donor restriction expires are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

HILL COUNTRY ALLIANCE
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

2. Summary of Significant Accounting Policies, continued

In-kind Contributions

The Alliance received in-kind contributions in the amount of \$11,300 during the year, which consisted of \$4,500 of in-kind rent, and \$6,800 of in-kind goods and services related to events and fundraisers.

The elected officers and directors and other volunteers for the Alliance have made significant contributions of their time to develop programs, principally in the Alliance's operations. The value of this contributed time is not reflected in these financial statements.

Federal Income Taxes

The Alliance is a nonprofit corporation exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision has been made for Federal income tax in the accompanying financial statements. The Alliance believes its income tax filing positions will be sustained upon examination by the IRS or other state jurisdictions where it operates, and therefore has not recorded any reserves or accruals for uncertain income tax positions. The Alliance is potentially subject to audit by income tax authorities for the years 2016-2019, which are considered open. There are currently no income tax audits in progress.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. The statement of functional expenses reports the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses identified with a specific program or that relate to a specific source of revenue are allocated directly to that program. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Alliance.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 and expenses during the reporting period. Actual results could differ from those estimates.

Credit Risk

Financial instruments which potentially subject the Alliance to credit risk consist of cash and cash equivalents in banking institutions, and accounts receivable. The Alliance's deposits exceeded the federal depository insurance limits by \$148,153 at December 31, 2019. The Alliance does not require collateral before extending credit.

HILL COUNTRY ALLIANCE
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

3. Fair Value Measurements and Disclosures

The requirements of *Fair Value Measurements and Disclosures* of the Accounting Standards Codification apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement is the same in both cases – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price). *Fair Value Measurements and Disclosures* also establish a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 Inputs – Inputs other than quoted prices included with Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 Inputs – Unobservable inputs for the asset or liability.

The Alliance's Endowment funds at December 31, 2019, are valued using Level 3 inputs as the values are provided by the Austin Community Foundation. The fair value of the Alliance's remaining current assets and current liabilities approximate the carrying amounts of such instruments due to their short maturity.

4. Beneficial Interest in Hill Country Alliance Endowment Fund

In March 2010, the Hill Country Alliance Endowment Fund (Endowment Fund) was established with the Austin Community Foundation (ACF). As an endowed fund with ACF, the assets are held irrevocably with ACF and are managed to accomplish the designated charitable purpose – to provide general support for the Alliance. The amount available to grant from the Endowment Fund is determined by the ACF Board of Governor's spending policy, which currently allows for 4% of the Fund's value at December 31st to be available to grant in the following year.

The Alliance has granted variance power to the Austin Community Foundation. The Endowment Fund is subject to the provision of the articles of incorporation and bylaws of the Austin Community Foundation, including the power reserved by the Board of Governors to modify any condition or restriction on the distribution of funds if in its sole judgment (without the approval of any trustee, custodian, or agent), such restriction of condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Foundation.

HILL COUNTRY ALLIANCE
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

4. Beneficial Interest in Hill Country Alliance Endowment Fund, continued

Because the Alliance made contributions of its own funds to the ACF Hill Country Endowment Fund and is the beneficiary of the fund, the Alliance has recorded an asset on its books as a Beneficial Interest in the Hill Country Alliance Endowment Fund and net assets with donor restrictions held in perpetuity. A summary of the activity in the ACF Hill Country Endowment Fund for the year ended December 31, 2019:

Balance at 12/31/2018	\$ 64,157
Investment income	12,344
Contribution by the Alliance	<u>5,000</u>
Balance at 12/31/2019	<u>\$ 81,501</u>

There is a second ACF Hill Country Endowment Fund that is not recorded on the Alliance's books because the donations were made by donors directly to the Austin Community Foundation. This fund is recorded as an asset on ACF's books, and is only disclosed in the notes to these financial statements because the Alliance is the beneficiary of this fund. The balance of this fund was \$136,393 at December 31, 2019.

5. Net Assets With Donor Restrictions

At December 31, 2019, the Alliance had net assets with donor restrictions comprised of the Endowment Fund and unspent grant funds which were restricted for the following purposes:

Subject to restrictions in perpetuity:

Hill Country Alliance Endowment Fund	<u>\$ 81,501</u>
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Subject to expenditure for specified purpose:

Texas Hill Country Conservation Network	45,000
Water Program	12,500
Education and Outreach	<u>20,000</u>
Total subject to expenditure for specified purpose	<u>77,500</u>
Total Net Assets with Donor Restrictions	<u>\$ 159,001</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by donors as follows for the year ended December 31, 2019:

Texas Hill Country Conservation Network	\$ 144,553
Land, Water, Night Sky Programs	63,500
Community Programs	21,925
Education and Outreach	<u>256,500</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 486,478</u>

HILL COUNTRY ALLIANCE
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

6. Retirement Plan

The Alliance has a Simple IRA retirement plan for its employees meeting certain eligibility requirements. The Alliance contributed \$9,548 in 2019 for its employees.

7. Liquidity and Availability

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

Cash and cash equivalents	\$ 439,089
Accounts receivable	<u>12,346</u>
Total financial assets at December 31, 2019	451,435
Less: assets restricted for specified purposes (Note 5)	<u>(77,500)</u>
Total financial assets available for general expenditure	<u>\$ 373,935</u>

The Alliance does not have a formal liquidity policy, but intends to meet cash needs through general operations, including contribution, grants and project income, and staying within its approved budget.

8. Lease

On April 15, 2019, the Alliance entered into an operating lease for its office facility. Under the terms of the lease, the Alliance paid a security deposit of \$1,350, and minimum monthly payments are required through April 14, 2022, starting at \$1,223 and increasing annually to \$1,323 and \$1,362 per month. The future minimum lease payments required are as follows:

2020	\$ 15,476
2021	16,188
2022	<u>5,448</u>
Total future minimum lease payments	<u>\$ 37,112</u>

Total lease expense under this agreement for the year ended December 31, 2019 was \$10,396. The Alliance also paid \$2,001 in utilities. The Alliance is sub-leasing part of the office under a month-to-month agreement for \$300 per month, and collected \$2,400 during 2019.

9. Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. Management evaluated subsequent events through the date available for issuance, February 28, 2020, and there were no subsequent events to be disclosed.