

MCKINNEY COMMUNITY DEVELOPMENT CORPORATION
Grant Application
 Fiscal Year 2020

IMPORTANT:

- Please read the McKinney Community Development Corporation Grant Guidelines prior to completing this application.
- The Grant Guidelines and Application are available at www.mckinneycdc.org; by calling 972.547.7653 or by emailing cschneible@mckinneycdc.org
- **Please call to discuss your plans for submitting an application in advance of completing the form.** A completed application and all supporting documents are required to be submitted via email or on a thumb drive for consideration by the MCDC board. Please submit the application to:

McKinney Community Development Corporation
 5900 S. Lake Forest Blvd., Suite 110
 McKinney, TX 75070

- *If you are interested in preliminary Board of Directors review of your project proposal or idea, please complete and submit the **Letter of Inquiry** form, available at www.mckinneycdc.org, by calling 972.547.7653 or emailing cschneible@mckinneycdc.org.*

Applications must be completed in full, using this form, and received by MCDC, via email or on a thumb drive, by 5:00 p.m. on the date indicated in schedule below.

2020 Project Grant Application Schedule

Application Deadline	Presentation to MCDC Board	Board Vote and Award Notification
Cycle I: December 30, 2019	January 23, 2020	February 27, 2020
Cycle II: March 31, 2020	April 23, 2020	May 28, 2020
Cycle III: June 30, 2020	July 23, 2020	August 27, 2020

APPLICATION

INFORMATION ABOUT YOUR ORGANIZATION

Name: Heard Museum
 Federal Tax I.D.: 75-1317961
 Incorporation Date: 1967
 Mailing Address: One Nature Place
 City: McKinney ST: TX Zip: 75069
 Phone: 972-562-5566 Fax: 972-548-9119 Email: sshahid@heardmuseum.org
 Website: www.heardmuseum.org

Check One:

- Nonprofit – 501(c) Attach a copy of IRS Determination Letter
- Governmental entity
- For profit corporation
- Other

Professional affiliations and organizations to which your organization belongs:

American Association of Museums

American Science and Technology Centers

Texas Association of Museums

REPRESENTATIVE COMPLETING APPLICATION:

Name: Sy Shahid

Title: Executive Director

Mailing Address: 1 Nature Place

City: McKinney

ST: TX

Zip: 75069

Phone: 972.562.5566 Ext 226

Fax: 972.548.9119

Email: sshahid@heardmuseum.org

CONTACT FOR COMMUNICATIONS BETWEEN MCDC AND ORGANIZATION:

Name: Sy Shahid

Title: Executive Director

Mailing Address: One Nature Place

City: McKinney ST: TX Zip: 75069

Phone: 972-562-5566 Fax: 972-548-9119 Email: sshahid@heardmuseum.org

FUNDING

Total amount requested: \$40,000.00

Matching Funds Available (Y/N and amount): N

Will funding be requested from any other City of McKinney entity (e.g. McKinney Convention and Visitors Bureau, Arts Commission, City of McKinney Community Support Grant)?

Yes No

Please provide details and funding requested:

PROJECT/PROMOTIONAL/COMMUNITY EVENT

Start Date: 10/1/20

Completion Date: 12/31/20

BOARD OF DIRECTORS *(may be included as an attachment)*

Jennifer Dexter

Margaret Latham

Mike Whitehead

Steve Gray

Cheryl Miller

Jim Landers

Mike Imhoff

Larry Offerdahl

Alyssa Vest

Sim Israeloff

John Valencia

Bill Woodfin

LEADERSHIP STAFF (*may be included as an attachment*)

Sy Shahid

Using the outline below, provide a written narrative no longer than 7 pages in length:

I. Applying Organization

Describe the mission, strategic goals and objectives, scope of services, day to day operations and number of paid staff and volunteers.

Our Mission...

To bring nature and people together to discover, enjoy, experience, preserve, and restore our priceless environment. . .

- **Through educational programs emphasizing appreciation and conservation of nature.**
- **Through the preservation of a portion of North Texas land with its native vegetation and wildlife, in as near a natural condition as possible.**
- **Through museum exhibits, examples of natural history, nature-related art works, and memorabilia from our founder.**
- **Through indoor/outdoor nature experiences geared to all age and educational levels.**

Founded in 1967 by Miss Bess Heard (1886-1988), The Heard Natural Science Museum and Wildlife Sanctuary is a natural science exploration center focused on interpreting the natural world to people of all ages. The Heard offers guests the unique experience to understand Collin County's natural heritage as well as how lifestyle decisions we make today will affect how Collin County looks in the future. The Heard experience involves both indoor and outdoor activities throughout the 289-acre sanctuary that focus on three topics:

- 1. Providing educational experiences about natural science (biology, ecology, geology, and paleontology) to people of all ages.**
- 2. Introducing the natural history of Collin County from ancient Cretaceous times when it was an inland sea, through the Ice Age, to the three major ecosystems represented today (tall grass prairie, wetlands, and bottomland forest).**
- 3. Reconnecting people with the natural world by providing a place where people can enjoy birding, hiking, and other nature-related activities.**

Staff Count:

11 Full time employees

19 Part time employees

There are no planned organizational changes.

Disclose and summarize any significant, planned organizational changes and describe their potential impact on the Project/Promotional/Community Event for which funds are requested.

II. Project

- Outline details of the Project/Promotional/Community Event for which funds are requested. Include information regarding scope, goals, objectives, target audience.

The Heard's location provides a unique opportunity to keep additional land accessible to the public in a region of the county that is rapidly expanding and has limited land set aside in its proximity for this use. To make this publicly accessible land useable by a broader population, the Heard seeks funding for a capital improvement project that will enable those people with a disability, with minimal assistance, to access a greater portion of the Heard's outdoor offerings. The current trail structure is comprised solely of retaining boards and various types of gravel. The enhancement plan will upgrade the trail to the Heard's Animals of the World exhibit enclosures and the Native Texas Butterfly House & Garden. The upgrade will feature a 5-foot wide concrete path, equipped with an appropriate number of culverts and other soil erosion mitigation methodologies. The length of the trail is approximately 6,300 feet. This feature will enable a broader population to more easily engage in activities such as walking, hiking, environmental education, enjoyment and exploration of the nature preserve, learn about the Backland prairie firsthand and more.

Also, by enhancing these assets and making them all the more relevant to a broader population, it ensures the continuity of this preserve.

Once the complete amount to fund the project has been obtained, the Heard will be able to initiate and implement this project within 3 months. While the project will be constructed by an independent contractor, the project will be monitored by the Heard's Executive Director, Sy Shahid. The bid for completing this project (featuring a 5-foot-wide path of 6,300 feet) is \$40,000. Because of the nature of the construction of this concrete path, upkeep will be able to be maintained in increments as damage is incurred through natural weathering or shifting.

2 Objectives and Needs:

This enhanced trail will provide accessibility to a broader population as it will enable those people with a disability, with minimal assistance, to access a greater portion of the Heard's outdoor offerings. Moreover, a greater number of visitors will be able to more easily engage in activities such as walking, hiking, environmental education, enjoyment and exploration of the nature preserve, learn about the Blackland prairie firsthand and more. By essentially smoothing and, in many areas, evening the surface the trail, it will limit tripping possibilities and enable those people in wheelchairs to navigate independently more smoothly or with minimal assistance. Not only will a greater number of people become acquainted with the importance of natural resource conservation and to see the affects first hand, but they will be able to share this information with a wider public. They will also be able to access unique features such as the Native Texas Butterfly House & Garden and animal ambassadors in enclosures that help to connect our visitors with the ecological importance of conservation

Please provide the information requested below:

- | | | |
|-----------------------------|---|-----------------------------|
| • An expansion/improvement? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| • A replacement/repair? | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| • A multi-phase project? | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| • A new project? | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

Has a feasibility study or market analysis been completed for this proposed project? *If so, please attach a copy of the Executive Summary.*

Provide specific information to illustrate how this Project aligns with one or more of the goals and strategies adopted by McKinney City Council and McKinney Community Development:

- Eligible for MCDC consideration under Sections 501 to 505 of the Texas Local Government Code (refer to MCDC Grant Guidelines)
- Support cultural, sports, fitness, entertainment, community projects and events that attract resident and visitor participation and contribute to quality of life, business development and growth of McKinney sales tax revenue
- Highlight and promote McKinney as a unique destination for residents and visitors alike
- Meet citizen needs for quality of life improvements, business development and sustainable economic growth for residents in the City of McKinney
- Demonstrate informed financial planning – addressing long-term costs, budget consequences and sustainability of projects for which funding is requested

Indicate which goal(s) listed above will be supported by the proposed Project/Promotional/Event:

Has a request for funding, for this Project/Promotional/Community Event, been submitted to MCDC in the past?

Yes X No

Date(s):

III. Financial

- Provide an overview of the organization’s financial status including the impact of this grant request on organization mission and goals.

The approval of this grant will improve financial situation of the museum as many more people who wish to visit the museum will now be able to do so. Currently, we receive many inquiries as what we have to offer to the senior citizens and patrons with difficulties navigating the nature trails. The proposed concrete trail will enable such folks to experience 3 popular exhibit areas.

- Please attach the followings:
 - . Organization budget and Profit & loss Statement for the current and previous year
 - . Organization audited financial statements for the preceding two years. If audited financials are not available, please indicate why.

What is the total estimated cost for this Project?

\$40,000

(Please provide a budget specific to the proposed Project/Promotional/Community Event.)

What percentage of Project/Promotional/Community Event funding will be provided by the

Applicant? 50% - Awaiting on the review and approval of another grant.

Are Matching Funds available? Yes No

Cash \$	Source	% of Total
In-Kind \$	Source	% of Total

Please provide details regarding other potential sources for funding. Include name of organization solicited; date of solicitation; amount of solicitation and date that notice of any award is expected.

IV. Marketing and Outreach

Describe marketing plans and outreach strategies for your organization, for the Project/Promotional/Community Event for which you are requesting funding – and how they are designed to help you achieve current and future goals.

V. Metrics to Evaluate Success

Outline the metrics that will be used to evaluate success of the proposed Project/Promotional/Community Event. If funding is awarded, a final report will be required summarizing success in achieving objectives outlined for the event.

Acknowledgements

If funding is approved by the MCDC board of directors, Applicant will assure:

- The Project for which financial assistance is sought will be administered by or under the supervision of the applying organization.
- All funds awarded will be used exclusively for the purpose described in this application.
- Applicant owns the land, building or facility where the proposed project will be located. If the Applicant does not own the land, written acknowledgement/approval from the property owner must be included with the application. The letter must document the property owner is aware of the proposed use of the property or facility; and the property owner has reviewed the project plan and application, approves and supports the efforts of the Applicant.
- MCDC will be recognized in all marketing, advertising, outreach and public relations as a funder of the Project. Specifics to be agreed upon by applicant and MCDC and included in an executed performance agreement.
- Organization’s officials who have signed the application are authorized by the organization to submit the application.
- Applicant will comply with the MCDC Grant Guidelines in executing the Project for which funds were awarded.
- Funded Projects must be completed within one year of the date the grant is approved by the MCDC board.
- Property owner will be responsible for maintaining the improvements made with funding from a Project Grant for ten (10) years.

- Grant recipients must maintain financial books and records of the funded project and of their operations as a whole for at least two years, should MCDC or the City of McKinney require an audit. The books and records must be available upon request, and create a clear audit trail documenting revenues and expenses of the funded project.
- A final report detailing the successful completion of the Project, as measured against identified metrics, will be provided to MCDC no later than 30 days following the completion of the Project.
- Grant funding is provided on a **reimbursement** basis subsequent to submission of a reimbursement request, with copies of invoices and paid receipts for qualified expenses. Up to 20% of the grant awarded may be withheld **until the final report on completion of the Project is provided to MCDC.**
- A performance agreement will be required and will contain a provision certifying that the applicant does not and will not knowingly employ an undocumented worker in accordance with Chapter 2264 of the Texas Government Code, as amended. Further, should the applicant be convicted of a violation under 8 U.S.C. § 1324a(f), the applicant will be required to repay the amount of the public subsidy provided under the agreement plus interest, at an agreed to interest rate, not later than the 120th day after the date the MCDC notifies the applicant of the violation.

We certify that all figures, facts and representations made in this application, including attachments, are true and correct to the best of our knowledge.

Chief Executive Officer

Representative Completing Application

Signature

Sy Shahid
Printed Name

June 16, 2020
Date

Signature

Printed Name

Date

INCOMPLETE APPLICATIONS, OR THOSE RECEIVED AFTER THE DEADLINE, WILL NOT BE CONSIDERED.

CHECKLIST:

Completed Application:

- Use the form/format provided
- Organization Description
- Outline of Project/Promotional/Community Event; description, budget, goals and objectives
- Indicate the MDCD goal(s) that will be supported by this Project/Promotional/Community Event
- Project/Promotional/Community Event timeline and venue
- Plans for marketing and outreach
- Evaluation metrics
- List of board of directors and staff

Attachments:

- Financials: organization's budget for current fiscal year; Project/Promotional/Community Event budget; audited financial statements
- Feasibility Study or Market Analysis if completed (Executive Summary)
- IRS Determination Letter (if applicable)

A FINAL REPORT IS TO BE PROVIDED TO MDCD WITHIN 30 DAYS OF THE EVENT/COMPLETION OF THE PROJECT/PROMOTIONAL/COMMUNITY EVENT.

FINAL PAYMENT OF FUNDING AWARDED WILL BE MADE UPON RECEIPT OF FINAL REPORT.

PLEASE USE THE FORM/FORMAT OUTLINED ON THE NEXT PAGE.



McKINNEY COMMUNITY DEVELOPMENT CORPORATION

Final Report

Organization:

Funding Amount:

Project/Promotional/Community Event:

Start Date:

Completion Date:

Location of Project/Promotional/Community Event:

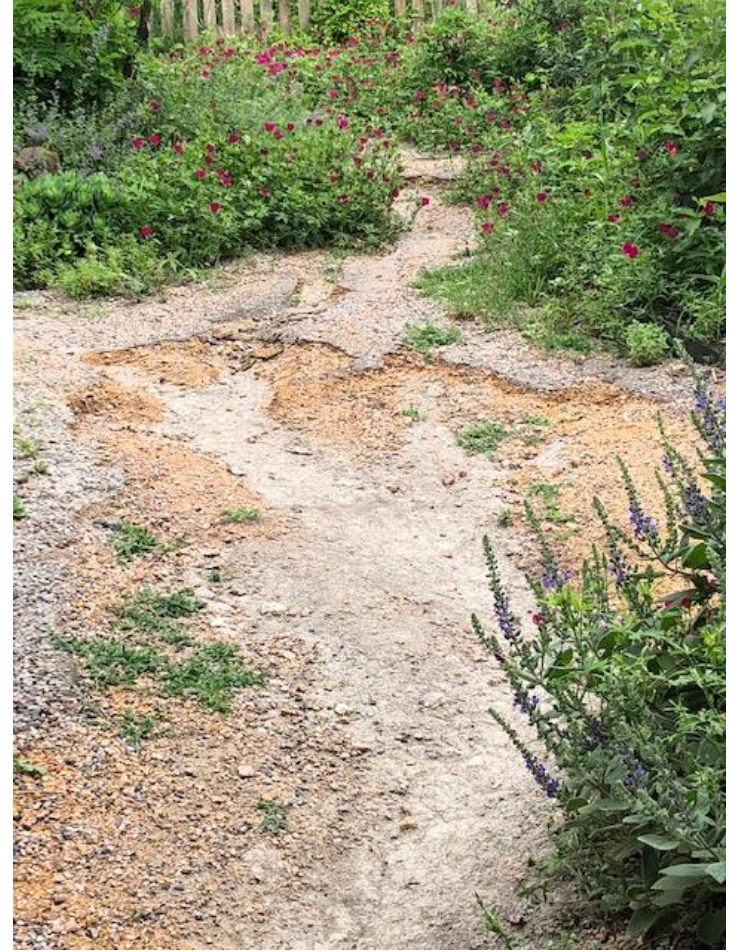
Please include the following in your report:

- Narrative report on the Project/Promotional/Community Event
- Identify goals and objectives achieved
- Financial report – budget as proposed and actual expenditures, with explanations for any variance
- Samples of printed marketing and outreach materials
- Screen shots of online Promotions
- Photographs, slides, videotapes, etc.
- Performance against metrics outlined in application

Please submit Final Report no later than 30 days following the completion of the Project/Promotional/Community Event to:

McKinney Community Development Corporation
5900 S. Lake Forest Blvd., Suite 110
McKinney, TX 75070

Attn: Cindy Schneible
cschneible@mckinneycdc.org





Heard Natural Science Museum & Wildlife Sanctuary, Inc.
Profit & Loss Budget vs. Actual
June 2018 through May 2019

					Budget
					Oct '19 - Sep 20
Ordinary Income/Expense					
Income					
				5025 · Admission Fees	350,000
				5031 · Gift Certificate Income	100
				5035 · Exhibit Income	3,300
				5045 · Membership	263,321
				5065 · Museum Retail Sales	146,024
				5200 · Program Revenues	279,250
				5280 · Magic Planet	10,640
				5290 · Outreach	10,000
				5291 · Ropes Course Income	8,385
				5293 · Canoe Program Income	1,500
				5400 · Grants, Donations & Sponsorshp	44,838
				5500 · Special Events	38,800
				5515 · Plant Sales	75,000
				5550 · Facility Rental	52,000
				5700 · Interest & Royalties	3,500
				5800 · Investment Income	43,978
				5833 · Unrealized Gain/Loss Investment	40,354
				5900 · Miscellaneous Income	760
				Total Income	1,371,750
				Gross Profit	1,371,750
Expense					
				6110 · Salaries	675,925
				6150 · Medical Insurance	73,727
				6170 · Other Benefits	10,746
				6200 · Consultants	36,241
				6300 · Cost of Good Sold/Inventory	70,989
				6410 · Exhibits	105,400
				6420 · Special Events Expenses	10,700
				6451 · Plant Sale	30,900
				6490.1 · Outreach Expense GrantSupported	0
				6491 · Ropes Course Expenses	3,000
				6520 · Utilities	70,100
				6530 · Postage/Shipping	3,100
				6540 · Building & Facilities Costs	64,479
				6549.6 · Sanctuary Endowment Supported	1,200
				6550 · Holbrook Cabin	14,500
				6560 · Computer Services/Equipment	3,000
				6570 · Office Equipment Lease/Maint	7,500
				6580 · Office Supplies	3,400
				6590 · Printing/Publications	5,300
				6600 · Education	3,085

Heard Natural Science Museum & Wildlife Sanctuary, Inc.
Profit & Loss Budget vs. Actual
 June 2018 through May 2019

					Budget
					Oct '19 - Sep 20
				6700 · Travel/Transportation	1,300
				6800 · Marketing /Advertising	1,300
				6810 · Advertising/Public Relations	37,000
				6900 · Other Operating Expenses	32,861
				6950 · Insurance & Taxes	40,595
				7399 · ExpCap Assets NoGrant Support	2,047
				Total Expense	1,308,395
				Net Ordinary Income	63,355

Heard Natural Science Museum & Wildlife Sanctuary, Inc. Profit & Loss

				Oct '19 - Sep 20	Oct '18 - Sep 19
Ordinary Income/Expense					
Income					
			5025 · Admission Fees	226,558.89	319,729.33
			5031 · Gift Certificate Income	60.00	100.00
			5035 · Exhibit Income	886.16	6,995.98
			5045 · Membership	168,361.07	198,746.75
			5065 · Museum Retail Sales	74,866.84	128,676.51
			5200 · Program Revenues	92,116.64	250,930.80
			5280 · Magic Planet	7,725.00	25,235.80
			5290 · Outreach	6,702.50	14,337.00
			5291 · Ropes Course Income	6,867.00	12,205.00
			5293 · Canoe Program Income	316.00	1,348.00
			5400 · Grants, Donations & Sponsorshp	314,565.24	257,287.15
			5500 · Special Events	22,154.82	34,483.77
			5515 · Plant Sales	0.00	73,523.62
			5550 · Facility Rental	19,652.84	39,069.44
			5700 · Interest & Royalties	1,113.22	3,871.83
			5800 · Investment Income	28,214.65	39,428.03
			5833 · Unrealized Gain/Loss Investment	0.00	97,203.10
			5900 · Miscellaneous Income	400.17	525.76
			Total Income	970,561.04	1,503,697.87
			Gross Profit	970,561.04	1,503,697.87
Expense					
			6110 · Salaries	366,197.71	676,138.67
			6150 · Medical Insurance	33,808.11	73,759.67
			6170 · Other Benefits	7,027.26	10,506.02
			6200 · Consultants	33,219.23	39,846.63
			6300 · Cost of Good Sold/Inventory	34,894.91	61,293.95
			6410 · Exhibits	91,695.42	105,392.14
			6420 · Special Events Expenses	7,977.32	9,764.99
			6451 · Plant Sale	0.00	32,547.81
			6490.1 · Outreach Expense GrantSupported	0.00	911.00
			6491 · Ropes Course Expenses	2,948.19	4,211.14
			6520 · Utilities	47,047.83	68,160.24
			6530 · Postage/Shipping	1,758.38	2,852.78
			6540 · Building & Facilities Costs	39,800.78	62,452.43
			6549.6 · Sanctuary Endowment Supported	512.86	1,424.88
			6550 · Holbrook Cabin	5,485.10	7,261.39
			6560 · Computer Services/Equipment	2,262.13	2,223.54
			6570 · Office Equipment Lease/Maint	4,725.68	7,478.72
			6580 · Office Supplies	1,653.71	3,111.00
			6590 · Printing/Publications	3,314.98	5,903.65
			6600 · Education	1,532.19	2,770.01
			6700 · Travel/Transportation	414.77	800.12
			6800 · Marketing /Advertising	0.00	384.57

Heard Natural Science Museum & Wildlife Sanctuary, Inc. Profit & Loss

			Oct '19 - Sep 20	Oct '18 - Sep 19
		6810 · Advertising/Public Relations	18,486.45	31,891.35
		6900 · Other Operating Expenses	19,522.24	33,803.78
		6950 · Insurance & Taxes	32,477.04	37,684.23
		7399 · ExpCap Assets NoGrant Support	0.00	0.00
		Total Expense	756,762.29	1,282,574.71
		Net Ordinary Income	213,798.75	221,123.16
		Other Income/Expense		
		Other Income		
		5429 · Restrict Grants Capital Assets	-4.63	52,470.01
		5465 · Gifts in Kind Income	0.00	317,662.94
		5660 · Temp Unrealized Gain/Loss	-60,026.01	0.00
		5900.1 · Misc Income - Asset Sales	0.00	100,550.00
		Total Other Income	-60,030.64	470,682.95
		Other Expense		
		6549.5 · SanctuarySupply Grant Supported	2,092.88	6,574.95
		6465 · Gifts In Kind Expense	0.00	317,662.94
		7400 · Exp Cap AssetsGrants-toBalSheet	0.00	0.00
		8000 · Non Operating Exp- Depreciation	107,199.86	179,634.74
		Total Other Expense	109,292.74	503,872.63
		Net Other Income	-169,323.38	-33,189.68
		Net Income	44,475.37	187,933.48

Heard Natural Science Museum
and Wildlife Sanctuary, Inc.

*Independent Auditor's Report
and Financial Statements*

Year Ended September 30, 2019



BLAND GARVEY
ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Heard Natural Science Museum and Wildlife Sanctuary, Inc.
McKinney, Texas

We have audited the accompanying financial statements of Heard Natural Science Museum and Wildlife Sanctuary, Inc., which comprise the statement of financial position as of September 30, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform 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 Heard Natural Science Museum and Wildlife Sanctuary, Inc. as of September 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note A to the financial statements, the Heard Natural Science Museum and Wildlife Sanctuary, Inc. has adopted Accounting Standards Update 2016-14, Not-for-Profits Entities – Presentation of Financial Statements for Not-for-Profits Entities and Accounting Standards Update 2016-15 and Statements of Cash Flows – Classification of Certain Cash Receipts and Cash Payments. Our opinion is not modified with respect to that matter.

Bland Marney, P.C.

Richardson, Texas
February 18, 2020

HEARD NATURAL SCIENCE MUSEUM
AND WILDLIFE SANCTUARY, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2019

ASSETS

Cash and cash equivalents (Note D)	\$ 209,853
Prepaid expenses	39,417
Inventory (Note F)	27,686
Restricted cash and cash equivalents (Note D)	187,356
Investments (Note G)	2,511,141
	<u>2,975,453</u>
 PROPERTY AND EQUIPMENT	
Land	1,600,729
Buildings	3,526,572
Equipment and furniture	587,075
Automotive equipment	113,792
Exhibits	488,576
Library	11,814
	<u>6,328,558</u>
Less accumulated depreciation	4,685,114
	<u>1,643,444</u>
 TOTAL ASSETS	 <u><u>\$ 4,618,897</u></u>

See independent auditor's report and accompanying notes to financial statements.

HEARD NATURAL SCIENCE MUSEUM
AND WILDLIFE SANCTUARY, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2019

LIABILITIES AND NET ASSETS

Accounts payable	\$ 15,529
Accrued liabilities (Note L)	<u>56,492</u>
 TOTAL LIABILITIES	 <u>72,021</u>
 COMMITMENTS AND CONTINGENCIES (Notes N and P)	
 NET ASSETS (Note H)	
Net assets without donor restrictions	4,057,421
Net assets with donor restrictions	<u>489,455</u>
 TOTAL NET ASSETS	 <u>4,546,876</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 4,618,897</u></u>

See independent auditor's report and accompanying notes to financial statements.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
STATEMENT OF FINANCIAL ACTIVITY
For the Year Ended September 30, 2019

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
SUPPORT			
Gifts and grants	\$ 272,217	\$ 138,090	\$ 410,307
Gifts in-kind (Note J)	317,663	-	317,663
Memberships	201,276	-	201,276
Sale of books and educational items	128,677	-	128,677
Trips and education	303,832	-	303,832
Fundraising events	108,232	-	108,232
Admission fees	319,729	-	319,729
Rental income	45,170	-	45,170
Other income	7,594	-	7,594
Total revenue and support before releases	<u>1,704,390</u>	<u>138,090</u>	<u>1,842,480</u>
Net assets released from restrictions through satisfaction of program requirements (Note H)	<u>69,533</u>	<u>(69,533)</u>	<u>-</u>
Total revenue and support	<u>1,773,923</u>	<u>68,557</u>	<u>1,842,480</u>
EXPENSES			
Program services	1,179,705	-	1,179,705
Management and general	260,592	-	260,592
Fundraising (Note I)	354,725	-	354,725
Total expenses	<u>1,795,022</u>	<u>-</u>	<u>1,795,022</u>
Change in net assets from operating activities	(21,099)	68,557	47,458
NONOPERATING ACTIVITIES			
Investment return, net	<u>140,503</u>	<u>-</u>	<u>140,503</u>
CHANGE IN NET ASSETS	119,404	68,557	187,961
NET ASSETS AT BEGINNING OF YEAR	<u>3,938,017</u>	<u>420,898</u>	<u>4,358,915</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,057,421</u>	<u>\$ 489,455</u>	<u>\$ 4,546,876</u>

See independent auditor's report and accompanying notes to financial statements.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2019

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Cost of goods sold	\$ 61,289	\$ -	\$ 32,543	\$ 93,832
Special programs, events and exhibits	126,182	4,263	12,201	142,646
Salaries, benefits and taxes	518,100	159,685	91,249	769,034
Professional fees	9,186	29,015	1,645	39,846
Supplies	9,260	2,360	1,349	12,969
Occupancy	89,353	28,006	16,004	133,363
Equipment maintenance and rental	5,011	1,571	897	7,479
Travel	436	137	78	651
Conferences and meetings	1,144	358	205	1,707
Advertising and promotions	23,910	574	7,793	32,277
Insurance	17,116	6,195	2,590	25,901
Gifts in kind expense	158,831	-	158,831	317,662
Credit card processing fees	13,097	-	13,097	26,194
Miscellaneous	7,926	2,483	1,418	11,827
Total expenses before depreciation	<u>1,040,841</u>	<u>234,647</u>	<u>339,900</u>	<u>1,615,388</u>
Depreciation	<u>138,864</u>	<u>25,945</u>	<u>14,825</u>	<u>179,634</u>
TOTAL EXPENSES	<u>\$ 1,179,705</u>	<u>\$ 260,592</u>	<u>\$ 354,725</u>	<u>\$ 1,795,022</u>

See independent auditor's report and accompanying notes to financial statements.

HEARD NATURAL SCIENCE MUSEUM
AND WILDLIFE SANCTUARY, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 187,961
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	179,634
Unrealized gain (loss)	(97,203)
(Increase) decrease in inventory	296
(Increase) decrease in prepaid expenses	586
Increase (decrease) in accounts payable	8,436
Increase (decrease) in accrued liabilities	10,844
Increase (decrease) in unearned revenue	(550)
Net cash provided by operating activities	<u>290,004</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(239,430)
Purchase of property and equipment	(53,528)
Net cash used by investing activities	<u>(292,958)</u>
NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(2,954)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>400,163</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 397,209</u>

See independent auditor's reports and accompanying notes to financial statements.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE A – CHANGE IN ACCOUNTING PRINCIPLE

Effective October 1, 2018, Heard Natural Science Museum and Wildlife Sanctuary, Inc. (HNSM) adopted Accounting Standards Update 2016-14 (ASU 2016-14), Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosure intended to increase the usefulness of nonprofit financial statements. ASU 2016-14 is effective for financial statements issued for fiscal years beginning after December 31, 2017.

Effective October 1, 2018, HNSM adopted Accounting Standards Update 2016-15 (ASU 2016-15), Statement of Cash Flows (Topic 230) – Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 provides guidance on specific cash flow issues to reduce the existing diversity in practice. ASU 2016-14 is effective for financial statements issued for fiscal years beginning after December 15, 2018. Early adoption is permitted.

Implementation of ASU 2016-14 and ASU 2016-15 required reclassification of net asset balances. The implementation did not require restatement of any opening balances related to the period presented.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Heard Natural Science Museum and Wildlife Sanctuary, Inc. (HNSM) is presented to assist in understanding the Organization’s financial statements. The financial statements and notes are representations of HNSM’s management, who is responsible for their integrity and objectivity.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

HNSM was founded in 1967, by Miss Bessie Heard and was incorporated in 1969, as a non-stock corporation operating as an exempt non-profit organization. The purpose of the Heard Natural Science Museum and Wildlife Sanctuary, Inc. is to provide educational programs emphasizing appreciation of nature and its conservation, to preserve a portion of North Texas land and to preserve, through museum collections, examples of natural history, nature-related art works and memorabilia of the founder.

The financial statements were approved for issuance by management on February 18, 2020, which is the date the financial statements were available to be issued.

Basis of accounting

HNSM prepares its financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), which reflects all significant receivables, payables and other liabilities. These accounting policies have been consistently applied in the preparation of the financial statements. HNSM's objective is not to achieve a profit, but to provide educational programs emphasizing appreciation of nature and its conservation and to preserve a portion of North Texas land.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management also estimates and discloses the amount of contingent assets and liabilities that it considers to be materially significant. Significant estimates includes the calculation of depreciation expense. Actual results could differ from those estimates.

Inventory

Inventory of products held for sale are valued at the lower of cost or net realizable value, with cost determined on a first-in, first-out basis.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Net assets without donor restrictions – Net assets available for general use and not subject to donor-imposed restrictions. Net assets without donor restrictions also include the investment in equipment and buildings, net of accumulated depreciation. The HNSM's Board of Directors may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions – Net assets of the HNSM that are restricted by specific donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of HNSM and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Realized and unrealized gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Expirations of donor-imposed restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Statement of Cash Flows

For purposes of the statement of cash flows, HNSM considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. HNSM uses the indirect method to present cash flows from operating activities. There were no noncash investing or financing activities for the year ended September 30, 2019.

Cash

HNSM classifies selected cash balances held for specific purposes as restricted. The restricted cash is comprised of amounts for a specific purpose.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

Equity and fixed income securities and other short-term investments (including cash and cash equivalents) are carried at market value.

The net realized and unrealized gains (losses) in market value of investments are reflected in the accompanying statement of activities.

All investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value. Fair values are based on quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar investment securities.

Net appreciation (depreciation) in the fair value of investments which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments, is presented in the statements of activities in accordance with donor restrictions as investment return. Investment return is presented net of investment fees. The actual cost versus the proceeds at time of sale is primarily used to determine the basis for computing realized gains or losses.

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, changes may occur in the values of the investments which could materially affect the amounts reported in the consolidated statement of financial position

Property and equipment

All acquisitions of equipment and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment is carried at cost or, if donated, at the approximate fair value at the date of donation. Such donations are reported as support without restrictions unless the donor has restricted the donated asset to a specific purpose.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, HNSM reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. HNSM capitalizes property and equipment that is equal to or greater than \$1,000.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Equipment is depreciated using the straight-line method over the estimated useful lives of the individual assets. Estimated useful lives are as follows:

	<u>Estimated Useful Life</u>
Land	N/A
Land improvements	10 to 20 years
Buildings	10 to 33 years
Furniture and equipment	7 to 10 years
Vehicles	6 years
Exhibits and display cases	10 years

Depreciation expense amounted to \$179,635 for the year ended September 30, 2019.

Fair value measurements

HNSM has adopted the provisions of authoritative guidance which defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The authoritative guidance also establishes a framework for the measurement of fair value and enhances disclosures about fair value measurements. See Note F.

Financial instruments

The amounts reflected in the statement of financial position for cash, prepaid expenses, accounts payable and accrued liabilities approximate fair value due to the short maturity of those instruments.

Contributions

Accounting for Contributions Received and Contributions Made requires not-for-profit organizations to recognize contributions received as revenue in the period when the pledge is received or when conditional promises to give become unconditional.

In accordance with this authoritative guidance, contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. All other donor-restricted contributions are reported as increases in net assets with donor restrictions.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Contributions received are recognized as revenue in the period when the pledge is received or when a conditional promise to give becomes unconditional. Contributions of property and equipment are recorded as support at their estimated fair value at the date of donation. Such contributions are reported as support without restrictions unless the donor has restricted the donated property to a specific purpose.

Contributions of property and equipment are recorded as support at their estimated fair value at the date of donation. Such contributions are reported as support without restrictions unless the donor has restricted the donated property to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

HNSM derives 45% of its revenue from contributions and special events for the year ended September 30, 2019. Continued funding at current levels is dependent upon various factors. Such factors include economic conditions, donor satisfaction and public perception of mission effectiveness and relative importance.

Accounting for taxes collected from customers

HNSM collects sales taxes from customers in the normal course of business on sales of taxable items from the gift shop. Gross revenues on these sales are shown net of the related taxes collected.

Tax-exempt status

HNSM is a not-for-profit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for federal income tax has been made. HNSM files the required annual federal informational return for tax-exempt organizations.

HNSM is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. HNSM's open tax periods are from September 30, 2016, to September 30, 2019.

Measure of operations

The statement of activities reports all changes in net assets, including changes in net assets from operation and non-operating activities. Operating activities consist of those items attributable to the HNSM's ongoing activities. Non-operating activities are limited to financial costs, and other activities considered to be of a more unusual or nonrecurring nature.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional expense allocation

Directly identifiable expenses are charged to program and support services. Expenses related to more than one function are charged to program and supporting services on the basis of periodic time and expense studies. 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 Organization.

HNSM operates various programs which include a wildlife sanctuary restoration and trail system, education and outreach programs, trips, public information, exhibits and collections, and a retail museum store.

The costs of providing programs and other activities have been summarized on a functional basis in the statement of functional expenses.

New accounting pronouncements

In May 2014, FASB issued Accounting Standard Update No. 2014-09, *Revenue from Contracts with Customers* which supersedes nearly all existing revenue recognition guidance under GAAP. The standard was updated with ASU 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date*. The core principle is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. The standard is in effect for annual periods beginning after December 15, 2018. HNSM is currently evaluating the impact of its pending adoption of ASU 2015-14 on its financial statements.

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the financial assets as of September 30, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, or because the Board of Directors has set aside the funds for specific reserves as board designated endowments.

HNSM financial assets available within one year of the statement of financial position date for general expenditures are as follows:

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

	2019
Financial assets:	
Cash	\$ 397,209
Investments	2,511,141
Less those unavailable for general expenditures within one year due to:	
Subject to donor restriction – nature of expenditure	(187,356)
Board designations:	
Amounts set aside for exhibits	(63,917)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,657,077

HNSM’s financial assets have been reduced by amounts not available for general use. As part of the HNSM’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Although HNSM does not intend to spend from its board designated fund other than amounts appropriated for annual exhibits, amounts from this fund could be made available if necessary.

NOTE D – CASH

Cash consists of the following at September 30:

	2019
Cash – without donor restrictions	\$ 145,936
Board designated endowments	63,917
Total cash – without donor restrictions	209,853
Cash – with donor restrictions	187,356
Total cash	\$ 397,209

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE E – FAIR VALUE MEASUREMENTS

Fair Value Measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 – Valuations based on observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities based on data obtained from sources independent of the Organization.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on unobservable inputs reflecting managements' own assumptions about the inputs used in pricing the asset or liability.

Accordingly, the degree of judgment exercised by the Organization in determining fair value is greatest for the investments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value.

Equities, fixed income securities, bond funds and ETF's: Valued at the closing price reported on the active market on which the securities and funds are traded.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE E – FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization’s investments at fair value as of September 30, 2019.

	Assets at Fair Value as of September 30, 20199			Total
	Level 1	Level 2	Level 3	
Financial assets				
Cash and equivalents	\$ 474,921	\$ -	\$ -	\$ 474,921
Equities	1,009,767	-	-	1,009,767
Fixed income funds	283,641	-	-	283,641
Bond funds	425,274	-	-	425,274
ETF’s	714,747	-	-	714,747
Total investments at fair value	\$2,908,350	\$ -	\$ -	\$2,908,350

NOTE F – INVENTORY

Inventory consisted of merchandise at the Heard Museum Store in the amount of \$27,686 at September 30, 2019.

NOTE G – INVESTMENT ACCOUNTS

The investment accounts as of September 30, 2019, were as follows:

	Schwab	LPL
Cash and cash equivalents	\$ 46,663	\$ 31,049
Equities	489,428	520,339
Fixed Income	150,450	133,191
Bond Funds	425,274	-
ETFs	278,553	436,194
Totals	\$ 1,390,368	\$ 1,120,773

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE G – INVESTMENT ACCOUNTS

Investments consist of equities, fixed income funds and publicly traded mutual funds with readily determinable fair market values and are reported at gross fair values. The gross unrealized gains and estimated fair values of marketable securities at September 30, 2019 are as follows:

	2019
Gross unrealized gain	\$ 97,203
Fair value	\$ 2,511,141

The balance at Charles Schwab at September 30, 2019, is \$1,390,368, consisting of funds without restrictions of \$985,191, funds restricted by the Texas Department of Transportation (TXDOT) of \$302,100 and total unrealized gains of \$103,077. The balance at LPL Financial is \$1,120,773 consisting of funds without restrictions of \$1,056,102 and total unrealized gains of \$64,671.

NOTE H – NET ASSET ACCOUNTING

HNSM maintains its records on a net asset accounting basis in order to ensure observance of the limitations and restrictions placed on the use of its resources. This is the procedure by which net assets for various purposes are classified for accounting and reporting purposes into self-balancing funds according to their nature and purpose.

Net assets without donor restrictions are those funds available for the support of HNSM's programs. Net assets with donor restrictions are those funds restricted by the grantor(s) to be expended only for specific purposes. Net assets with donor restrictions consist of grants, and donations. As of September 30, 2019, these funds consist of:

	2019
Texas Department of Transportation	\$ 302,100
Other program and exhibits	187,355
Total with donor restrictions	\$ 489,455

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2019

NOTE H – NET ASSET ACCOUNTING

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

	2019
Purpose restrictions accomplished by donor restrictions released	
Other programs and exhibits	\$ 69,533
Total restrictions released	\$ 69,533

NOTE I – FUNDRAISING EXPENSE

The ratio of fundraising expense to amounts raised is as follows:

	2019
Gifts and grants	\$ 410,307
Gifts in kind	317,663
Fundraising events	108,232
Memberships	201,276
Trips and education	303,832
Total funds raised	\$ 1,341,310
Fundraising expense	\$ 354,725
Ratio of fundraising expense to amounts raised	26%

NOTE J – GIFTS IN KIND

No amounts have been reflected in the financial statements for donated services. HNSM pays for most services requiring specific expertise. However, many individuals volunteer their time to perform a variety of tasks that assist HNSM with its operations. Approximately \$317,663 of contributions in kind have been recorded associated with advertising to various events and exhibits for the year ended September 30, 2019.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE K – ARTIFACT COLLECTION

HNSM's collection consists of diverse examples of natural history, anthropological, fine art, and taxidermy items. The majority of these items were donated by Bessie Heard from her personal collections. In conformity with the practice followed by many museums, art objects purchased and donated are not included in the statement of financial position. The values of the objects acquired by gift, for which HNSM can make a reasonable estimate, are reported as gifts in the statement of financial activity. The cost of all objects purchased, together with the value of objects acquired by gift as indicated previously are reported as a separate program expense.

NOTE L – COMPENSATED ABSENCES

Employees of HNSM are entitled to paid vacation, paid sick days and personal days off depending on job classification, length of service and other factors. At September 30, 2019, accrued compensated absences totaled \$32,697.

NOTE M – DEFINED CONTRIBUTION PLAN

HNSM has a defined contribution plan pursuant to Section 403(b) of the Internal Revenue Code. Employees who work 1,000 hours or more annually have been eligible to participate in the plan. However, since June of 2011, contributions by HNSM have been suspended as a cost reduction to the Museum, and currently there is no plan to reinstate contributions. The balance in the forfeiture account is \$0, and there were no contributions to the plan for the year ended September 30, 2019.

NOTE N – OPERATING LEASES

HNSM has two equipment lease agreements with original terms of fifty-one to sixty months with a total monthly rent of approximately \$621. Lease expense for the years ended September 30, 2019, was approximately \$7,500.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE N – OPERATING LEASES

Future minimum rental payments are as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2020	\$ 6,549
2021	5,289
2022	4,848
Thereafter	<u>-</u>
	<u>\$ 16,686</u>

NOTE O – LAND

Historically, HNSM leased the Camp Smitty facilities from the Camp Fire USA Lone Star Council for \$1 a year under an arrangement that allowed five year lease options to be exercised through 2021. The final lease option ran through June 3, 2021. On July 31, 2013, Camp Fire USA Lone Star sold the land with the lease to Mr. and Mrs. Seal and Mr. and Mrs. Judy, who became the new property owners and from whom HNSM then continued to lease the land with the same lease terms. In 2015, HNSM finalized a transaction with the new property owners, whereby HNSM swapped land with an equivalent value for the land that had been leased by HNSM. In this swap HNSM relinquished the lease option and lease renewal option that would have allowed the organization to lease the land through 2021. HNSM also relinquished adjacent HNSM land to the leaseholders and in return received permanent ownership and deed to the land that the Camp Smitty building was built.

NOTE P – CONCENTRATIONS OF CREDIT RISK

HNSM derives its revenue from contributions, programs and admission sources. Continued funding from these sources at current levels is dependent upon various factors. Such factors include economic conditions, donor satisfaction and public perception of mission effectiveness and relative importance. HNSM operates entirely within the McKinney, Texas area.

HNSM maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. At September 30, 2019, HNSM exceeded these limits by \$163,333. HNSM has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE Q – ADVERTISING COSTS

HNSM incurs non-direct advertising costs and has adopted a policy of expensing such costs as incurred. HNSM recorded \$32,276 in advertising and promotional expense for the year ended September 30, 2019, all of which was expensed as incurred, and approximately 24% of which was included in fundraising expense.

NOTE R – SUBSEQUENT EVENTS

In October 2019, HNSM received a donation without donor restrictions of \$50,000 from a foundation.

In December 2019, HNSM received a donation without donor restrictions totaling \$220,312 as the designated beneficiary of an Estate distribution.

HNSM has evaluated and disclosed subsequent events up to and including February 18, 2020, which is the date the financial statements were available for issuance.

Heard Natural Science Museum
and Wildlife Sanctuary, Inc.

*Independent Accountant's Review Report
and Financial Statements*

Years Ended September 30, 2018 and 2017



BLAND GARVEY
ACCOUNTANTS & CONSULTANTS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Heard Natural Science Museum and Wildlife Sanctuary, Inc.
McKinney, Texas

We have reviewed the accompanying financial statements of Heard Natural Science Museum and Wildlife Sanctuary, Inc. (a not-for-profit organization), which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of financial activity and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Bland Garvey, P.C.

February 4, 2019

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HEARD NATURAL SCIENCE MUSEUM
AND WILDLIFE SANCTUARY, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2018 and 2017

ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents (Note B)	\$ 281,363	\$ 413,433
Prepaid expenses	40,003	15,480
Inventory (Note E)	27,980	17,947
TOTAL CURRENT ASSETS	<u>349,346</u>	<u>446,860</u>
PROPERTY AND EQUIPMENT		
Land	1,597,262	1,590,644
Buildings	3,507,188	3,477,121
Equipment and furniture	585,846	582,446
Automotive equipment	113,792	112,327
Exhibits	459,129	421,954
Library	11,814	11,814
	<u>6,275,031</u>	<u>6,196,306</u>
Less accumulated depreciation	<u>4,505,479</u>	<u>4,336,047</u>
	<u>1,769,552</u>	<u>1,860,259</u>
OTHER ASSETS		
Restricted cash and cash equivalents (Note B)	118,799	144,839
Beneficial interest in Bessie Heard Support Trust (Notes C, D and F)	-	1,409,490
Investments (Notes C, D and G)	2,174,509	667,462
	<u>2,293,308</u>	<u>2,221,791</u>
	<u>\$ 4,412,206</u>	<u>\$ 4,528,910</u>

See independent accountant's review report and accompanying notes to financial statements.

HEARD NATURAL SCIENCE MUSEUM
AND WILDLIFE SANCTUARY, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2018 and 2017

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT LIABILITIES		
Accounts payable	\$ 7,093	\$ 12,803
Accrued liabilities (Note M)	45,648	53,863
Unearned revenue	550	350
TOTAL CURRENT LIABILITIES	<u>53,291</u>	<u>67,016</u>
 COMMITMENTS AND CONTINGENCIES (Notes Q, R, and S)		
 NET ASSETS (Note H)		
Unrestricted	3,938,017	2,605,465
Temporarily restricted	420,898	1,856,429
Permanently restricted	-	-
	<u>4,358,915</u>	<u>4,461,894</u>
	<u>\$ 4,412,206</u>	<u>\$ 4,528,910</u>

See independent accountant's review report and accompanying notes to financial statements.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
STATEMENT OF FINANCIAL ACTIVITY
For the Year Ended September 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT				
Gifts and grants	\$ 78,913	\$ 30,801	\$ -	\$ 109,714
Gifts in-kind (Note K)	440,233	-	-	440,233
Change in value of Bessie Heard Support Trust	-	31,175	-	31,175
Change in value of investments	40,354	-	-	40,354
Memberships	229,355	-	-	229,355
Sale of books and educational items	157,455	-	-	157,455
Trips and education	255,271	-	-	255,271
Fundraising events	84,339	-	-	84,339
Investment income	32,838	-	-	32,838
Admission fees	365,661	-	-	365,661
Rental	50,077	-	-	50,077
Other income	5,123	-	-	5,123
	<u>1,739,619</u>	<u>61,976</u>	<u>-</u>	<u>1,801,595</u>
Net assets released from restrictions through satisfaction of program requirements (Note O)	1,497,507	(1,497,507)	-	-
	<u>3,237,126</u>	<u>(1,435,531)</u>	<u>-</u>	<u>1,801,595</u>

See independent accountant's review report and accompanying notes to financial statements.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
STATEMENT OF FINANCIAL ACTIVITY
For the Year Ended September 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
EXPENSES (Note I)				
Program services	\$ 1,263,945	\$ -	\$ -	\$ 1,263,945
Management and general	221,790	-	-	221,790
Fundraising (Note J)	418,839	-	-	418,839
	<u>1,904,574</u>	<u>-</u>	<u>-</u>	<u>1,904,574</u>
INCREASE (DECREASE) IN NET ASSETS	1,332,552	(1,435,531)	-	(102,979)
NET ASSETS AT BEGINNING OF YEAR	<u>2,605,465</u>	<u>1,856,429</u>	<u>-</u>	<u>4,461,894</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 3,938,017</u></u>	<u><u>\$ 420,898</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,358,915</u></u>

See independent accountant's review report and accompanying notes to financial statements.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
STATEMENT OF FINANCIAL ACTIVITY
For the Year Ended September 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT				
Gifts and grants	\$ 85,112	\$ 114,042	\$ -	\$ 199,154
Gifts in-kind (Note K)	485,300	-	-	485,300
Change in value of Bessie Heard Support Trust	-	138,460	-	138,460
Change in value of McKinney Education Foundation	30,654	-	-	30,654
Memberships	220,011	-	-	220,011
Sale of books and educational items	150,906	-	-	150,906
Trips and education	295,942	-	-	295,942
Fundraising events	102,272	-	-	102,272
Investment income	17,507	-	-	17,507
Admission fees	370,074	-	-	370,074
Rental	73,188	-	-	73,188
Other income	3,777	-	-	3,777
	<u>1,834,743</u>	<u>252,502</u>	<u>-</u>	<u>2,087,245</u>
Net assets released from restrictions through satisfaction of program requirements (Note O)	207,569	(207,569)	-	-
	<u>2,042,312</u>	<u>44,933</u>	<u>-</u>	<u>2,087,245</u>

See independent accountant's review report and accompanying notes to financial statements.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
STATEMENT OF FINANCIAL ACTIVITY
For the Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES (Note I)				
Program services	\$ 1,205,946	\$ -	\$ -	\$ 1,205,946
Management and general	202,370	-	-	202,370
Fundraising (Note J)	413,577	-	-	413,577
	1,821,893	-	-	1,821,893
INCREASE IN NET ASSETS	220,419	44,933	-	265,352
NET ASSETS AT BEGINNING OF YEAR	2,385,046	1,811,496	-	4,196,542
NET ASSETS AT END OF YEAR	\$ 2,605,465	\$ 1,856,429	\$ -	\$ 4,461,894

See independent accountant's review report and accompanying notes to financial statements.

HEARD NATURAL SCIENCE MUSEUM
AND WILDLIFE SANCTUARY, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (102,979)	\$ 265,352
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities		
Depreciation	180,225	174,405
Change in value of Bessie Heard Support Trust	(31,175)	(138,460)
Distributions from Bessie Heard Support Trust	(1,575,240)	47,773
Change in value of investments	1,507,047	(41,998)
Contributions restricted for long-term purposes	-	(44,933)
(Increase) decrease in grants receivable	-	14,789
(Increase) decrease in inventory	(10,033)	3,028
(Increase) decrease in prepaid expenses	(24,523)	7,113
Increase (decrease) in accounts payable	(5,710)	6,766
Increase (decrease) in accrued liabilities	(8,215)	6,755
Increase (decrease) in unearned revenue	200	(4,650)
Net cash provided (used) by operating activities	(70,403)	295,940
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(89,710)	(175,747)
Proceeds from sale of property and equipment	2,004	2,670
Net cash used by investing activities	(87,706)	(173,077)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of temporarily restricted contributions	-	44,933
Net cash used by financing activities	-	44,933
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(158,109)	167,796
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	558,272	390,476
CASH AND EQUIVALENTS AT END OF YEAR	\$ 400,163	\$ 558,272
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ -	\$ -

See independent accountant's review report and accompanying notes to financial statements.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Heard Natural Science Museum and Wildlife Sanctuary, Inc. (HNSM) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of HNSM's management, who is responsible for their integrity and objectivity. These accounting policies conform with accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization

HNSM was founded in 1967, by Miss Bessie Heard and was incorporated in 1969, as a non-stock corporation operating as an exempt non-profit organization. The purpose of the Heard Natural Science Museum and Wildlife Sanctuary, Inc. (HNSM) is to provide educational programs emphasizing appreciation of nature and its conservation and preserving a portion of North Texas land and preserving, through museum collections, examples of natural history, nature-related art works and memorabilia of the founder.

The financial statements were approved for issuance by management on February 4, 2019, which is the date the financial statements were available to be issued.

Basis of accounting

HNSM prepares its financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), which reflects all significant receivables, payables and other liabilities. These accounting policies have been consistently applied in the preparation of the financial statements. HNSM's objective is not to achieve a profit, but to provide educational programs emphasizing appreciation of nature and its conservation and preserving a portion of North Texas land.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management also estimates and discloses the amount of contingent assets and liabilities that it considers to be materially significant. Actual results could differ from those estimates.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Inventory

Inventory of products held for sale are valued at the lower of cost or market, with cost determined on a first-in, first-out basis.

Basis of presentation

HNSM has adopted authoritative guidance, *Financial Statements of Not-For-Profit Organizations*. Under this standard, HNSM is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations. Any earnings on specific funds are considered unrestricted unless specifically restricted by the donor. The unrestricted net assets, which include Board of Director designated funds, are considered available for current operations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of HNSM and/or the passage of time. Temporarily restricted net assets are comprised of contributions restricted for program expenditures and operations.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that will never lapse thus requiring the funds to be maintained permanently by the Organization. Generally, the donors of these assets permit HNSM to use all or part of the income earned on related investments for general or specific purposes.

Cash and cash equivalents

For purposes of the statement of cash flows, HNSM considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. There were no noncash investing or financing activities for the years ended September 30, 2018 and 2017.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

Equity and fixed income securities and other short-term investments (including cash and cash equivalents) are carried at market value.

The net realized and unrealized gains (losses) in market value of investments are reflected in the accompanying statements of financial activity.

Property and equipment

All acquisitions of equipment and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment is carried at cost or, if donated, at the approximate fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, HNSM reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. HNSM reclassifies temporarily restricted net assets to unrestricted net assets at that time. HNSM capitalizes property and equipment that is equal to or greater than \$1,000.

Equipment is depreciated using the straight-line method over the estimated useful lives of the individual assets. Estimated useful lives are as follows:

	<u>Estimated Useful Life</u>
Land	N/A
Land improvements	10 to 20 years
Buildings	10 to 33 years
Furniture and equipment	7 to 10 years
Vehicles	6 years
Exhibits and display cases	10 years

Depreciation expense amounted to \$180,225 and \$174,405 for the years ended September 30, 2018 and 2017, respectively.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurements

HNSM has adopted the provisions of authoritative guidance which defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The authoritative guidance also establishes a framework for the measurement of fair value and enhances disclosures about fair value measurements. See Note D.

Financial instruments

The amounts reflected in the statements of financial position for cash, prepaid expenses, accounts payable and accrued liabilities approximate fair value due to the short maturity of those instruments.

Contributions

Accounting for Contributions Received and Contributions Made requires not-for-profit organizations to recognize contributions received as revenue in the period when the pledge is received or when conditional promises to give become unconditional.

In accordance with this authoritative guidance, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported in the statement of activities as net assets released from restrictions.

Revenues are reported as increases in unrestricted net assets unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Unconditional promises to give cash are recognized as receivables in the period that the promises are received and as contribution income or liabilities depending on the terms of the promise. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Contributions of property and equipment are recorded as support at their estimated fair value at the date of donation. Such contributions are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

HNSM derives its revenue from contributions and special events. Continued funding at current levels is dependent upon various factors. Such factors include economic conditions, donor satisfaction and public perception of mission effectiveness and relative importance.

Accounting for taxes collected from customers

HNSM collects sales taxes from customers in the normal course of business on sales of taxable items from the gift shop. Gross revenues on these sales are shown net of the related taxes collected.

Federal income taxes

HNSM is a not-for-profit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for federal income tax has been made.

The Federal Accounting Standards Board (FASB) authoritative guidance requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's financial statements to determine whether the tax positions are more likely than not of being sustained by the applicable tax authority. Even an income tax provision of zero constitutes a tax position as defined by the FASB. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax benefit or expense in the current year. A reconciliation is not provided herein, as the beginning and ending amounts of unrecognized benefits are zero, with no interim additions, reductions, or settlements. However, the conclusions regarding this authoritative guidance will be subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws, regulations, and interpretations thereof.

HNSM's open tax periods are from September 30, 2015, to September 30, 2018.

Reclassification

Certain amounts in the prior year financial statements have been reclassified to conform to current year presentation. Such reclassifications had no effect on prior year change in net assets.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New accounting pronouncements

In May 2014, FASB issued Accounting Standard Update No. 2014-09, *Revenue from Contracts with Customers* which supersedes nearly all existing revenue recognition guidance under GAAP. The standard was updated with ASU 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date*. The core principle is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. The standard is in effect for annual periods beginning after December 15, 2018. HNSM is currently evaluating the impact of its pending adoption of ASU 2015-14 on its financial statements.

In August 2016, FASB issued Accounting Standard Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The main provisions of the update include: a reduction in classes of net assets to Net Assets With Donor Restrictions and Net Assets Without Donor Restrictions; enhanced disclosures regarding funds with board designations and funds with donor restrictions; enhanced disclosures regarding liquidity of assets; enhanced disclosures on the classification of expenses and the methods used to allocate costs among program and support functions; enhanced disclosures on underwater endowment funds; and a placed-in-service approach for reporting expirations of restrictions used to acquire or construct long lived assets. This update is effective for fiscal year-end financial statements beginning after December 15, 2018. Earlier application is permitted. HNSM is currently evaluating the impact of its pending adoption of ASU 2016-14 on its financial statements.

In November 2016, FASB issued Accounting Standard Update No 2016-18, *Statement of Cash Flows: Restricted Cash*. The update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash. Restricted cash and cash equivalents should be included when reconciling beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This update is effective for fiscal year-end financial statements beginning after December 15, 2018, for non-public entities. Early adoption is permitted. HNSM adopted this update for the year ended September 30, 2018.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

NOTE B – CASH

Cash consists of the following at September 30, 2018 and 2017:

	2018	2017
Unrestricted cash	\$ 216,022	\$ 346,847
Board designated endowments	65,341	66,586
Restricted cash	118,799	144,839
	\$ 400,162	\$ 558,272

NOTE C – INVESTMENTS

Investments consist of equities, fixed income funds and publicly traded mutual funds with readily determinable fair market values and are reported at gross fair values. The gross unrealized gains and estimated fair values of marketable securities at September 30, 2018 and 2017, are as follows:

	2018	2017
Gross unrealized gain (loss)	\$ 61,656	\$ 175,861
Fair value	\$ 2,174,509	\$ 2,076,952

NOTE D – FAIR VALUE MEASUREMENTS

Fair Value Measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Valuations based on observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities based on data obtained from sources independent of the Organization.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

NOTE D – FAIR VALUE MEASUREMENTS

Level 3 – Valuations based on unobservable inputs reflecting managements’ own assumptions about the inputs used in pricing the asset or liability.

Accordingly, the degree of judgment exercised by the Organization in determining fair value is greatest for the investments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds: Valued at the closing price reported on the active market on which the mutual funds are traded.

Equities, fixed income securities, bonds funds and ETFs: Valued at the closing price reported on the active market on which the securities and funds are traded.

The following table sets forth by level, within the fair value hierarchy, the Organization’s investments at fair value as of September 30, 2018.

	Assets at Fair Value as of September 30, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and equivalents	\$ 469,658	\$ -	\$ -	\$ 469,658
Equities	880,950	-	-	880,950
Fixed income funds	272,948	-	-	272,948
Bond funds	298,423	-	-	298,423
ETFs	652,692	-	-	652,692
Total investments at fair value	\$ 2,574,671	\$ -	\$ -	\$2,574,671

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

NOTE D – FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization’s investments at fair value as of September 30, 2017.

	Assets at Fair Value as of September 30, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and equivalents	\$ 592,322	\$ -	\$ -	\$ 592,322
Equities	1,041,875	-	-	1,041,875
Fixed income funds	168,024	-	-	168,024
Mutual funds	152,297	-	-	152,297
Tangible assets	-	13,244	-	13,244
Investments held at financial institutions	-	667,462	-	667,462
Total investments at fair value	\$1,954,518	\$ 680,706	\$ -	\$2,635,224

NOTE E – INVENTORY

Inventory consisted of merchandise at the Heard Museum Store in the amount of \$27,980 and \$17,947 at September 30, 2018 and 2017, respectively.

NOTE F – BENEFICIAL INTEREST IN BESSIE HEARD SUPPORT TRUST

HNSM receives a substantial amount of its support from the Bessie Heard Support Trust. HNSM is the sole beneficiary of this trust which was established under the last will and testament of Bessie Heard. Cash distributions received from the trust during the year ended September 30, 2018, were \$1,440,665. Cash distributions received from the trust during the year ended September 30, 2017, were \$81,455, which includes \$32,473 in trustee fees and accounts for approximately 4% of total support and revenue.

During the year ended September 30, 2018, this trust was dissolved. The proceeds were transferred to Charles Schwab and LPL Financial. Subsequently, the Trust was classified as temporarily restricted net assets. Bank of America had made the decision to not serve as the Trustee, so Attorney General of the State of Texas dissolved the trust. Once the trust was dissolved, the proceeds were then classified as unrestricted net assets.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

NOTE F – BENEFICIAL INTEREST IN BESSIE HEARD SUPPORT TRUST

The investments held by the trust as of September 30, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ -	\$ 34,050
Equities	-	1,041,874
Fixed income	-	168,024
Mutual funds and other	-	165,542
	<u>-</u>	<u>1,409,490</u>
Totals	<u>\$ -</u>	<u>\$ 1,409,490</u>

NOTE G – INVESTMENT ACCOUNTS

The balance at Charles Schwab at September 30, 2018, is \$1,111,093, consisting of unrestricted funds of \$766,840, funds restricted by the Texas Department of Transportation (TXDOT) of \$302,100 and unrealized gain of \$42,153. The balance at LPL Financial is \$1,063,416 consisting of unrestricted funds of \$1,035,024 and unrealized gain of \$28,392.

The balance at Charles Schwab at September 30, 2017, is \$341,369, consisting of unrestricted funds of \$16,609, funds restricted by the Texas Department of Transportation (TXDOT) of \$302,100 and unrealized gain of \$22,660. The balance at LPL Financial is \$326,093 consisting of unrestricted funds of \$318,562 and unrealized gain of \$7,531.

The investment accounts as of September 30, 2018, were as follows:

	<u>Schwab</u>	<u>LPL</u>
Cash and cash equivalents	\$ 41,820	\$ 27,677
Equities	386,866	494,084
Fixed Income	149,571	123,377
Bond Funds	298,423	-
ETFs	234,413	418,278
	<u>1,111,093</u>	<u>1,063,416</u>
Totals	<u>\$ 1,111,093</u>	<u>\$ 1,063,416</u>

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

NOTE G – INVESTMENT ACCOUNTS

The investment accounts as of September 30, 2017, were as follows:

	<u>Schwab</u>	<u>LPL</u>
Cash and cash equivalents	\$ 3,597	\$ 107,068
Equities	213,750	61,382
Fixed income	-	157,643
ETFs	<u>124,022</u>	<u>-</u>
Totals	<u>\$ 341,369</u>	<u>\$ 326,093</u>

HNSM estimates the total market value of the investment accounts at September 30, 2018 and 2017, to be \$2,174,509 and \$667,462, respectively.

NOTE H – NET ASSET ACCOUNTING

HNSM maintains its records on a net asset accounting basis in order to ensure observance of the limitations and restrictions placed on the use of its resources. This is the procedure by which net assets for various purposes are classified for accounting and reporting purposes into self-balancing funds according to their nature and purpose.

Unrestricted net assets are those funds available for the support of HNSM’s programs. Temporarily restricted net assets are those funds restricted by the grantor(s) to be expended only for specific purposes. Temporarily restricted net assets consist of the Bessie Heard Support Trust, grants, and donations. As of September 30, 2018 and 2017, these funds consist of:

	<u>2018</u>	<u>2017</u>
Bessie Heard Support Trust	\$ -	\$ 1,409,490
Charles Schwab investments	302,100	302,100
Other program and exhibits	<u>118,798</u>	<u>144,839</u>
Total temporarily restricted	<u>\$ 420,898</u>	<u>\$ 1,856,429</u>

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

NOTE I – FUNCTIONAL EXPENSE ALLOCATION

Directly identifiable expenses are charged to program and support services. Expenses related to more than one function are charged to program and supporting services on the basis of periodic time and expense studies. 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 Organization.

HNSM operates various programs which include a wildlife sanctuary restoration and trail system, education and outreach programs, trips, public information, exhibits and collections, and a retail museum store.

The functional expense allocation at September 30, 2018, is as follows:

Description	Total Expenses	Program Services	Management and General	Fund Raising
Cost of goods sold	\$ 96,060	\$ 73,804	\$ -	\$ 22,256
Special programs, events and exhibits	127,372	113,665	1,497	12,210
Salaries, benefits and taxes	754,775	524,364	133,787	96,624
Professional fees	35,932	10,252	23,748	1,932
Supplies	14,776	10,840	2,286	1,650
Occupancy	144,549	99,738	26,019	18,792
Equipment maintenance and rental	7,989	5,512	1,438	1,039
Travel	1,165	804	210	151
Conferences and meetings	1,652	1,140	297	215
Depreciation	180,225	140,150	23,269	16,806
Advertising and promotions (Note S)	32,499	22,356	935	9,208
Insurance	27,666	18,776	5,853	3,037
Gifts in kind expense	440,233	220,117	-	220,116
Credit card processing fees	26,066	13,033	-	13,033
Miscellaneous	13,615	9,394	2,451	1,770
	<u>\$ 1,904,574</u>	<u>\$ 1,263,945</u>	<u>\$ 221,790</u>	<u>\$ 418,839</u>

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

NOTE I – FUNCTIONAL EXPENSE ALLOCATION

The functional expense allocation at September 30, 2017, is as follows:

Description	Total Expenses	Program Services	Management and General	Fund Raising
Cost of goods sold	\$ 104,362	\$ 69,422	\$ -	\$ 34,940
Special programs, events and exhibits	142,899	128,706	2,216	11,977
Salaries, benefits and taxes	633,152	446,897	111,612	74,643
Professional fees	29,522	240	29,241	41
Supplies	14,254	10,414	2,301	1,539
Occupancy	135,701	94,982	24,401	16,318
Equipment maintenance and rental	6,621	4,635	1,190	796
Travel	606	424	109	73
Conferences and meetings	1,485	1,039	267	179
Depreciation	174,405	135,406	23,370	15,629
Advertising and promotions (Note S)	33,406	21,697	563	11,146
Insurance	24,336	16,677	5,250	2,409
Gifts in kind expense	485,300	242,650	-	242,650
Credit card processing fees	25,557	25,557	-	-
Miscellaneous	10,287	7,200	1,850	1,237
	<u>\$ 1,821,893</u>	<u>\$ 1,205,946</u>	<u>\$ 202,370</u>	<u>\$ 413,577</u>

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

NOTE J – FUNDRAISING EXPENSE

The ratio of fundraising expense to amounts raised is as follows:

	<u>2018</u>	<u>2017</u>
Gifts and grants	\$ 109,715	\$ 199,154
Gifts in kind	440,233	485,300
Fundraising events	84,339	102,272
Memberships	229,355	220,011
Trips and education	<u>255,271</u>	<u>295,942</u>
Total funds raised	<u>\$ 1,118,913</u>	<u>\$ 1,302,679</u>
Fundraising expense	<u>\$ 418,839</u>	<u>\$ 413,577</u>
Ratio of fundraising expense to amounts raised	37%	32%

NOTE K – GIFTS IN KIND

No amounts have been reflected in the financial statements for donated services. HNSM pays for most services requiring specific expertise. However, many individuals volunteer their time to perform a variety of tasks that assist HNSM with its operations. Approximately \$440,233 and \$485,300 of contributions in kind have been recorded associated with advertising to various events and exhibits for the years ended September 30, 2018 and 2017, respectively.

NOTE L – ARTIFACT COLLECTION

HNSM's collection consists of diverse examples of natural history, anthropological, fine art, and taxidermy items. The majority of these items were donated by Bessie Heard from her personal collections. In conformity with the practice followed by many museums, art objects purchased and donated are not included in the statement of financial position. The values of the objects acquired by gift, for which HNSM can make a reasonable estimate, are reported as gifts in the statement of financial activity. The cost of all objects purchased, together with the value of objects acquired by gift as indicated previously are reported as a separate program expense.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

NOTE M – COMPENSATED ABSENCES

Employees of HNSM are entitled to paid vacation, paid sick days and personal days off depending on job classification, length of service and other factors. At September 30, 2018 and 2017, respectively, accrued compensated absences totaled \$28,121 and \$29,852.

NOTE N – DEFINED CONTRIBUTION PLAN

HNSM has a defined contribution plan pursuant to Section 403(b) of the Internal Revenue Code. Employees who work 1,000 hours or more annually have been eligible to participate in the plan. However, since June of 2011, contributions by HNSM have been suspended as a cost reduction to the Museum, and currently there is no plan to reinstate contributions. The balance in the forfeiture account is \$0, and there were no contributions to the plan for the years ended September 30, 2018 and 2017.

NOTE O – 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.

	2018	2017
Purpose restrictions accomplished or donor restrictions released		
Operating funds from Bessie Heard Support Trust	\$ 1,409,490	\$ 48,982
Other programs and exhibits	88,017	158,587
Total restrictions released	\$ 1,497,507	\$ 207,569

NOTE P – OPERATING LEASES

HNSM has two equipment lease agreements with original terms of forty-eight to fifty-one months with a total monthly rent of approximately \$512. Lease expense for the years ended September 30, 2018 and 2017, respectively, was approximately \$7,989 and \$6,622.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

NOTE P – OPERATING LEASES

Future minimum rental payments are as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2019	\$ 2,160
2020	1,260
Thereafter	-
	<u>\$ 3,420</u>

NOTE Q – LAND LEASE

Historically HNSM leased the Camp Smitty facilities from the Camp Fire USA Lone Star Council for \$1 a year under an arrangement that allowed five year lease options to be exercised through 2021. The current five year lease ran through June 3, 2016, and the next and final lease option ran through June 3, 2021. On July 31, 2013, Camp Fire USA Lone Star sold the land with the lease to Mr. and Mrs. Seal and Mr. and Mrs. Judy, who became the new property owners and from whom HNSM then continued to lease the land with the same lease terms. In 2015, HNSM finalized a transaction with the new property owners, whereby HNSM swapped land with an equivalent value for the land that had been leased by HNSM. In this swap HNSM relinquished the lease option and lease renewal option that would have allowed the organization to lease the land through 2021. HNSM also relinquished adjacent HNSM land to the leaseholders and in return received permanent ownership and deed to the land that the Camp Smitty building is built on.

NOTE R – CONCENTRATIONS OF CREDIT RISK

HNSM derives its revenue from contributions, programs and admission sources. Continued funding from these sources at current levels is dependent upon various factors. Such factors include economic conditions, donor satisfaction and public perception of mission effectiveness and relative importance. HNSM operates entirely within the McKinney, Texas area.

HNSM maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. At September 30, 2018, HNSM exceeded these limits by \$155,975. HNSM has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

NOTE S – ADVERTISING COSTS

HNSM incurs non-direct advertising costs and has adopted a policy of expensing such costs as incurred. HNSM recorded \$32,499 in advertising and promotional expense for the year ended September 30, 2018, all of which was expensed as incurred, and approximately 28% of which was included in fundraising expense. HNSM recorded \$33,406 in advertising and promotional expense for the year ended September 30, 2017, all of which was expensed as incurred, and approximately 33% of which was included in fundraising expense.

NOTE T – SUBSEQUENT EVENTS

HNSM has evaluated and disclosed subsequent events (there are none this year) up to and including February 4, 2019, which is the date the financial statements were available for issuance.

INTERNAL REVENUE SERVICE
District Director

DEPARTMENT OF THE TREASURY
1100 Commerce St., Dallas, TX 75242

HEARD NATURAL SCIENCE MUSEUM
AND WILDLIFE SANCTUARY INC
ONE NATURE PL
MCKINNEY, TEXAS
75069

Person to Contact:
Barbara Mitchell

Telephone Number:
(214)767-1162

Refer Reply to:
EP/EO:MC:4940 DAL

Date:
DECEMBER 27, 1993

EIN:
75-1317961

Dear Sir or Madam:

Our records show that HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY INC is exempt from Federal Income Tax under section 501(c)(3) of the Internal Revenue Code. This exemption was granted DECEMBER 1969 and remains in full force and effect. Contributions to your organization are deductible in the manner and to the extent provided by section 170 of the Code.

We have classified your organization as one that is not a private foundation within the meaning of section 509(a) of the Internal Revenue Code because you are an organization described in section 170(b)(1)(A)(vi).

If we may be of further assistance, please contact the person whose name and telephone number are shown above.

Sincerely Yours,

Barbara Mitchell

EP/EO Correspondence Examiner
Customer Service Section