

**McKINNEY COMMUNITY DEVELOPMENT CORPORATION**  
**Project Grant Application**  
**Fiscal Year 2022**

***Applications must be completed in full, using this form, and received by MCDC, via email or on a thumb drive. Contact us to discuss your plans and schedule a meeting with the Projects Subcommittee prior to completing the application.***

Please submit application, including all supporting documentation, via email or on a thumb drive for consideration by the MCDC to:

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

Attn: Cindy Schneible ([cschneible@mckinneycdc.org](mailto:cschneible@mckinneycdc.org))

**2022 Project Grant Application Schedule**

<b>Application Deadline</b>	<b>Presentation to MCDC Board</b>	<b>Board Vote and Award Notification</b>
Cycle I: December 31, 2021	January 27, 2022	February 24, 2022
Cycle II: March 31, 2022	April 28, 2022	May 26, 2022
Cycle III: June 30, 2022	July 28, 2022	August 25, 2022

**APPLICATION**

**Project Grants** support for projects eligible for consideration under Sections 501 and 505 of the Texas Local Government Code. These include:

- Projects Related to the Creation or Retention of Primary Jobs
- Infrastructure Improvement Projects Necessary to Develop New or Expanded Business Enterprises
- Public Parks and Open Space Improvements
- Projects Related to Recreational or Community (city/public access) Facilities
- Professional and Amateur Sports and Athletic Facilities, including Children’s Sports
- Entertainment, Tourist and Convention Facilities
- Projects Related to Low Income Housing
- Mass Transit-Related Facilities (facilities and/or equipment)
- Airport Facilities

## McKinney Community Development Corporation – Overview

In 1996 McKinney voters approved the creation of a 4B (now Type B) sales tax corporation to support community and economic development projects and initiatives to enhance quality of life improvements and economic growth for McKinney residents. MCDC receives revenue from a half-cent sales tax and awards grant funds for projects, promotional activities and community events that showcase the City of McKinney and support business development and tourism.

Guided by a City Council-appointed board of seven McKinney residents, the impact of investments made by MCDC can be seen throughout the community.

Projects eligible for funding are authorized under The Development Corporation Act and Chapters 501 to 505 of the Texas Local Government Code.

## McKinney Community Development Corporation – Mission

To proactively work, in partnership with others, to promote and fund community, cultural and economic development projects that maintain and enhance the quality of life in McKinney and contribute to business development.

### Guiding Principles:

- Serve ethically and with integrity
- Provide responsible stewardship
- Embrace our role and responsibility
- Honor the past – provide innovative leadership for the future
- Make strategic and transparent decisions that best serve the community

## McKinney Community Development Corporation – Goals

- Ensure application/project eligibility for MCDC consideration under Sections 501 to 505 of the Texas Local Government Code (see information below)
- Meet citizen needs for quality of life improvements, business development and sustainable economic growth for residents in the City of McKinney
- Provide support for cultural, sports, fitness, entertainment, community projects and events that attract resident and visitor participation and contribute to quality of life, business development and increased McKinney sales tax revenue
- Highlight and promote McKinney as a unique destination for residents and visitors alike
- Demonstrate informed financial planning – addressing long-term costs, budget consequences and sustainability of projects for which funding is requested
- Educate the community about the impact that local dining and shopping has on investment in quality of life improvements in McKinney

### General Guidelines

- Applications must be completed in full, **and provide all information requested**, to be considered by the MCDC board.
- Applicant must have been in business (preferably within the City of McKinney) for a minimum of two (2) years. The MCDC board may waive this requirement for economic development projects.

## General Guidelines - continued

- The land, building or facility where the proposed project will be located should be owned by the Applicant. However, 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.
- **Preference may be given** to Applicants who have **not** received funding from MCDC within the previous 12-month period.
- Performance agreements are required for all approved grants.
- Funded Projects must be completed within one year of the date the grant is approved by the MCDC board, unless an exception is granted.
- Completed Project must be inspected for Code compliance.
- A signed Contractor's Sworn Statement and Waiver of Lien to Date form must be completed, notarized and provided to MCDC prior to receiving grant funds.
- Property owner will be responsible for maintaining the infrastructure improvements made with funding 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.
- Within 30 days of completion of the funded project, the grant recipient is required to submit a final report that includes detailed information on the activity; visual documentation of pre and post-project completion; and any outstanding receipts for expenditures included under the scope of the grant.
- Grant recipient must recognize McKinney Community Development Corporation as a sponsor/funder of the project improvements. MCDC will provide a logo for grant recipient use.

## Process

The McKinney Community Development Corporation Board of Directors are responsible for reviewing and voting on applications for grant funding, in accordance with requirements of the Texas Local Government Code.

- A completed application form must be submitted to MCDC in accordance with the schedule outlined above.
- The application will be evaluated to determine eligibility for MCDC funding under State law.
- Once eligibility for consideration is confirmed, a public hearing will be conducted, during a regularly scheduled MCDC board meeting, on the grant application submitted.
- Prior to the public hearing, notice will be published and posted in accordance with the requirements of the Open Meetings Act and the Texas Local Government Code. **The application, along with all documents/attachments will become public information once submitted to MCDC.**
- Following the public hearing, grant requests will be referred to a subcommittee of the MCDC board for evaluation and recommendation of approval or denial to the full board.
- Board action on the grant application will be scheduled for the board meeting the month following the public hearing.

- If a grant is approved, a performance agreement will be drafted for execution between MCDC and applicant.
- Funds awarded for approved applications are provided on a reimbursement basis, following submission of receipts and documentation of payment for qualified expenditures.
- The final 20% of the award may be withheld until a final project report is submitted to MCDC and compliance with all requirements of the executed performance agreement are confirmed.

**APPLICANT INFORMATION**

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

**PROJECT INFORMATION:**

Project/Business Name: Heard Museum  
 Location of Project: Heard Museum Ropes Course  
 Physical Address: 997 Sharon Lane  
 City: McKinney ST: TX Zip: 75069  
 Property Size: 289 acres Collin CAD Property ID:

**Please provide the information requested below:**

- An expansion/improvement  Yes  No
- A replacement/repair  Yes  No
- A multi-phase project  Yes  No
- A new project  Yes  No

**PROPERTY OWNER INFORMATION** *(if different from Applicant info above):*

Name: Same

Company:

Mailing Address:

City:

ST:

Zip:

Phone

Fax:

Email:

Cell:

**DETAILED PROJECT INFORMATION:**

Project Details and Proposed Use: Improve exiting rope course elements & add an additional zip line and flight cage

Estimated Date of Project Completion: 04/30/2022

Days/Hours of Business Operation: 9-5 Tu-Sa, 1-5 Sun

Estimated Annual Taxable Sales:\$1,500,000

Current Appraised Value of Property:

Estimated Appraised Value (*Post-Improvement*):

Estimated Construction Cost for Total Project: \$40,000

Total Estimated Cost for Project Improvements included in grant request: \$40,000

Total Grant Amount Requested: \$30,000

Will funding be requested from any other City of McKinney entity (e.g. TIRZ Grant, City of McKinney 380, CDBG Grant)?

Yes

No

If yes, please provide details and funding requested:

**Has a request for grant funding been submitted to MCDC in the past?**

Yes

No

**Date(s):**

**Will the project be competitively bid?**

- Yes                       No

If yes, please attach bids for the project

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

**Additional Information – please attach the following**

- Business plan
- Current financial report
- Audited financials for previous two years (if not available, please indicate why)
- Plat/map of property extending 200' beyond property in all directions (if applicable to your project)
- Detailed budget for the project
- Describe planned support activities; use; admission fees if applicable
- Timeline and schedule – from design to completion
- Plans for future expansion/growth

**Acknowledgements**

***If funding is approved by the MCDC board of directors, Applicant acknowledges the following:***

- The Project for which financial assistance is sought will be administered by or under the supervision of the applying individual/company.
- All funds awarded will be used exclusively for the purpose described in this application.
- Applicant owns the land, building or facility where the proposed infrastructure improvements will be made. 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 improvements and use of the property or building; and the property owner has reviewed the project plan and application, approves and supports the efforts of the Applicant.
- MCDC will be recognized as a funder of the Project. Specifics to be agreed upon by applicant and MCDC and included in an executed performance agreement.
- Individual/company representative who has signed the application is authorized to submit the application.
- Applicant will comply with the 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, unless an exception is granted.
- Completed Project must be inspected for Code compliance.
- A signed Contractor’s Sworn Statement and Waiver of Lien to Date form must be completed, notarized and provided to MCDC prior to receiving grant funds.
- Property owner will be responsible for maintaining the infrastructure improvements made with funding from Grant for ten (10) years.

## **Acknowledgements** - *continued*

- A final report detailing the successful completion of the Project will be provided to MCDC no later than 30 days following 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 funds awarded may be withheld until a final report on completion of the Project is provided to MCDC.
- A performance agreement will be required that may outline requirements for acknowledging MCDC funding support for the project. Additionally, it 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 120<sup>th</sup> day after the date the MCDC notifies the applicant of the violation.

**[The Remainder of this Page Intentionally Left Blank]**

**BY SIGNING THIS APPLICATION, I CERTIFY THAT I AM THE LEGAL OWNER OF THE ABOVE REFERENCED PROPERTY OR THAT I AM AUTHORIZED TO REPRESENT AND ACT ON THE BEHALF OF THE OWNER OF THE ABOVE REFERENCED PROPERTY. I ALSO CERTIFY THAT ALL OF THE INFORMATION PROVIDED HEREON IS ACCURATE AND TRUE SO FAR AS I AM AWARE AND UNDERSTAND THAT I AM LEGALLY RESPONSIBLE FOR THE ACCURACY OF THIS APPLICATION. I FURTHER UNDERSTAND THAT I AM NOT GUARANTEED A GRANT.**

**Applicant's Signature**

**Property Owner's Signature**



\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

Sy Shahid  
Printed Name

\_\_\_\_\_  
Printed Name

12/15/2021  
Date

\_\_\_\_\_  
Date

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

***A FINAL REPORT IS TO BE PROVIDED TO MCDC WITHIN 30 DAYS OF THE COMPLETION OF THE PROJECT. FINAL PAYMENT OF FUNDING AWARDED WILL BE MADE UPON RECEIPT OF FINAL REPORT.***



## **Heard Ropes Course Project**

Our outdoor programs offer opportunities for us to engage the public in a way that provides our guests with limited physical contact with other people. This aspect inherently makes those programs much less susceptible to the obstacles of providing services and experiences in a pandemic environment. And, increasingly, we are seeing public gaining a newfound connection to the outdoors.

In particular, our ropes course has been a long term investment that is showing its value all the more during these times. We have been able to offer our usual ropes course programming with little to no alteration during the pandemic. Additionally, there is demand for growth and expansion of our program offerings; however, our current ropes course setup presents obstacles to being able to use the course to its fullest extent. These programs also provide an additional attraction for both McKinney residents as well as regional tourists. We are seeking your assistance through a grant to fund the modifications and updates to eliminate these barriers to furthering our programming.

To begin with, some of our elements require repairs to help maintain safety protocols so that we can continue to offer them. The ropes course was founded in 2009, and, like all equipment in an outdoor setting, it has incurred the usual wear and tear. Our second highest element, our 40 foot rock climbing wall, requires the installation of lead anchors as well as replacement of many of our handholds. The cables for our challenge pole and our two-line bridge need to be re-run.

Additionally, in order to make our zipline (our most popular element) more accessible to more of the general public, we would like to add a staircase for guests to use to access the platform where guests start their zipline trip. Currently, guests must ascend a ladder and then climb a tree to access the zipline platform. For those persons with mobility difficulties, this may make the zipline inaccessible. Those guests that still want to test their tree-climbing skills will instead be able to try our newly re-opened "Big Bessie" tree.

Big Bessie is our tallest element and is named after the founder of our organization, Bessie Heard. This element is a large bur oak tree that has been around long before the museum was founded and can be spotted from anywhere on the course. Unfortunately, this element is not currently in use due to the need for new, professionally installed hardware. Having more elements would not only enhance the experience of visitors, but also provide us with the opportunity to serve more guests at once. This would allow us to offer our programs to larger groups.

Finally, there are a few new elements that are in the initial construction phase such as our obstacle course, "The Flight Cage". Our obstacle course would include a series of challenges while incorporating nature and would add a new challenge for those not quite ready to take on our high elements.. Until these projects are fully constructed, we will not be able to offer them.

Securing this grant for the Heard Ropes Course would serve as a long term investment towards making our operations more self-sustainable. This, in turn, would help the Heard make sure we are able to bring nature and people together for a long time to come.

While always aiming to fulfill our mission to bring nature and people together, the Heard Ropes Course staff strive to educate the public and incorporate team building ethics into our courses. The ropes course offers casual, fun events like our public zip days. But, we also offer more in-depth programs that offer team building experiences for schools, workplaces and scout groups.

**Profit & Loss Budget vs. Actual**

October through November 2021 (October 2021 Preliminary)

	Oct 21	Nov 21
<b>Ordinary Income/Expense</b>		
<b>Income</b>		
5025 · Admission Fees	44,242	49,601
5035 · Exhibit Income	206	0
5045 · Membership	24,770	23,787
5065 · Museum Retail Sales	19,832	19,521
5200 · Program Revenues	9,396	26,960
5280 · Magic Planet	425	150
5290 · Outreach	325	0
5291 · Ropes Course Income	3,020	3,319
5293 · Canoe Program Income	0	0
5400 · Grants, Donations & Sponsorshp	56,008	3,512
5500 · Special Events	350	3,443
5550 · Facility Rental	1,679	-209
5700 · Interest & Royalties	281	0
5800 · Investment Income	1,060	4,311
5900 · Miscellaneous Income	-25	229
<b>Total Income</b>	<b>161,569</b>	<b>134,624</b>
<b>Gross Profit</b>	<b>161,569</b>	<b>134,624</b>
<b>Expense</b>		
6110 · Salaries	58,588	59,787
6150 · Medical Insurance	2,905	2,905
6170 · Other Benefits	908	908
6200 · Consultants	3,979	950
6300 · Cost of Good Sold/Inventory	9,242	9,129
6410 · Exhibits	16,790	12,850
6420 · Special Events Expenses	3,752	2,578
6491 · Ropes Course Expenses	475	1,264
6520 · Utilities	5,535	5,095
6530 · Postage/Shipping	0	248
6540 · Building & Facilities Costs	3,130	3,707
6549.6 · Sanctuary Endowment Supported	56	127
6550 · Holbrook Cabin	267	115
6560 · Computer Services/Equipment	270	963
6570 · Office Equipment Lease/Maint	892	473
6580 · Office Supplies	265	-178
6590 · Printing/Publications	368	0
6600 · Education	28	0
6700 · Travel/Transportation	30	24
6800 · Marketing /Advertising	0	0
6810 · Advertising/Public Relations	3,280	4,664
6900 · Other Operating Expenses	3,900	4,953
6950 · Insurance & Taxes	14,507	2,490
<b>Total Expense</b>	<b>129,167</b>	<b>113,052</b>
<b>Net Ordinary Income</b>	<b>32,402</b>	<b>21,572</b>

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

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>4,618,897</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>\$ 4,618,897</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>
<b>SUPPORT</b>			
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)	69,533	(69,533)	-
Total revenue and support	<u>1,773,923</u>	<u>68,557</u>	<u>1,842,480</u>
<b>EXPENSES</b>			
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
<b>NONOPERATING ACTIVITIES</b>			
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
<b>Total expenses before depreciation</b>	<b>1,040,841</b>	<b>234,647</b>	<b>339,900</b>	<b>1,615,388</b>
Depreciation	138,864	25,945	14,825	179,634
<b>TOTAL EXPENSES</b>	<b>\$ 1,179,705</b>	<b>\$ 260,592</b>	<b>\$ 354,725</b>	<b>\$ 1,795,022</b>

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

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
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>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of investments	(239,430)
Purchase of property and equipment	(53,528)
Net cash used by investing activities	<u>(292,958)</u>
<b>NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>(2,954)</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR</b>	<b><u>400,163</u></b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR</b>	<b><u>\$ 397,209</u></b>

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, 2019			
	Level 1	Level 2	Level 3	Total
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	<u>\$2,908,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,908,350</u>

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	<u>\$ 1,390,368</u>	<u>\$ 1,120,773</u>

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>\$ 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.  
STATEMENT OF FINANCIAL POSITION  
September 30, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 287,894
Prepaid expenses	21,171
Inventory	19,520
Restricted cash and cash equivalents	180,153
Investments	3,426,831
TOTAL CURRENT ASSETS	3,935,569

PROPERTY AND EQUIPMENT

Land	1,611,234
Buildings	3,552,010
Equipment and furniture	600,768
Automotive equipment	115,787
Exhibits	488,576
Library	11,814
	6,380,189
Less accumulated depreciation	4,845,310
	1,534,879
TOTAL ASSETS	\$ 5,470,448

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



HEARD NATURAL SCIENCE MUSEUM  
AND WILDLIFE SANCTUARY, INC.  
STATEMENT OF FINANCIAL POSITION  
September 30, 2020

LIABILITIES AND NET ASSETS

Paycheck Protection Plan note payable (Note I)	\$ 120,700
Accounts payable	22,449
Accrued liabilities	<u>70,283</u>
 TOTAL LIABILITIES	 <u>213,432</u>
 COMMITMENTS AND CONTINGENCIES (Notes N and P)	
 NET ASSETS	
Net assets without donor restrictions	4,774,764
Net assets with donor restrictions	<u>482,252</u>
 TOTAL NET ASSETS	 <u>5,257,016</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 5,470,448</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, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>SUPPORT</b>			
Gifts and grants	\$ 1,057,937	\$ 22,459	\$ 1,080,396
Gifts in-kind	11,740	-	11,740
Memberships	232,406	-	232,406
Sale of books and educational items, net of tax	124,593	-	124,593
Trips and education	129,336	-	129,336
Fundraising events	22,538	-	22,538
Admission fees	368,035	-	368,035
Rental income	34,450	-	34,450
Other income	6,209	-	6,209
Total revenue and support before releases	<u>1,987,244</u>	<u>22,459</u>	<u>2,009,703</u>
Net assets released from restrictions through satisfaction of program requirements	29,662	(29,662)	-
Total revenue and support	<u>2,016,906</u>	<u>(7,203)</u>	<u>2,009,703</u>
<b>EXPENSES</b>			
Program services	917,906	-	917,906
Management and general	274,134	-	274,134
Fundraising	144,370	-	144,370
Total expenses	<u>1,336,410</u>	<u>-</u>	<u>1,336,410</u>
Change in net assets from operating activities	680,496	(7,203)	673,293
<b>NONOPERATING ACTIVITIES</b>			
Investment return, net	<u>36,847</u>	<u>-</u>	<u>36,847</u>
CHANGE IN NET ASSETS	717,343	(7,203)	710,140
NET ASSETS AT BEGINNING OF YEAR	<u>4,057,421</u>	<u>489,455</u>	<u>4,546,876</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,774,764</u>	<u>\$ 482,252</u>	<u>\$ 5,257,016</u>

See independent accountant's review 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, 2020

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
	\$	\$	\$	\$
Cost of goods sold	55,605	-	2,459	58,064
Special programs, events and exhibits	114,870	1,416	8,622	124,908
Salaries, benefits and taxes	454,880	156,056	74,635	685,571
Professional fees	-	39,256	-	39,256
Supplies	8,720	2,503	1,197	12,420
Occupancy	90,358	31,488	15,060	136,906
Equipment maintenance and rental	4,690	1,634	782	7,106
Travel	350	122	58	530
Conferences and meetings	977	340	163	1,480
Advertising and promotions	17,040	1,066	4,910	23,016
Insurance	13,692	6,386	2,282	22,360
Gifts in kind expense	5,870	-	5,870	11,740
Credit card processing fees	12,134	-	12,134	24,268
Miscellaneous	18,869	6,574	3,145	28,588
Total expenses before depreciation	798,055	246,841	131,317	1,176,213
Depreciation	119,851	27,293	13,053	160,197
TOTAL EXPENSES	\$ 917,906	\$ 274,134	\$ 144,370	\$ 1,336,410

HEARD NATURAL SCIENCE MUSEUM  
AND WILDLIFE SANCTUARY, INC.  
STATEMENT OF CASH FLOWS  
For the Year Ended September 30, 2020

	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase in net assets	\$ 710,140
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	160,197
Unrealized gain (loss) on investments	6,304
Decrease in inventory	8,166
Decrease in prepaid expenses	18,246
Increase in accounts payable	6,920
Increase in accrued liabilities	13,789
Net cash provided by operating activities	923,762
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of investments	(921,994)
Purchase of property and equipment	(51,630)
Net cash used by investing activities	(973,624)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from Paycheck Protection Plan note payable	120,700
Net cash provided by financing activities	120,700
<b>NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	70,838
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR</b>	397,209
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR</b>	\$ 468,047

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, 2020

NOTE A – DESCRIPTION OF THE ORGANIZATION

Heard National Science Museum and Wildlife Sanctuary, Inc. (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. 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.

NOTE B – CHANGE IN ACCOUNTING PRINCIPLE

Effective October 1, 2019, HNSM adopted the new accounting standard *ASC 606 Revenue from Contracts with Customers* and all the related amendments (the new revenue standard) and applied it using the modified retrospective method. The new revenue standard sets forth a new five-step revenue recognition model which replaces the prior revenue recognition guidance in its entirety and is intended to eliminate numerous industry-specific pieces of revenue recognition guidance that have historically existed in U.S. generally accepted accounting principles (U.S. GAAP). The underlying principle of the new standard is that a business or other organization will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in the prior accounting guidance.

There was no impact on the HNSM's results of operations or financial condition upon the adoption of the new standard.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of 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.

**Basis of accounting**

HNSM prepares its financial statements using the accrual basis of US GAAP, which reflects all significant receivables, payables and other liabilities. These accounting policies have been consistently applied in the preparation of the financial statements.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2020

NOTE C – 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. 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 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.

**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 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.

**Use of 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

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NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

**Financial instruments**

The amounts reflected in the statement of financial position for cash, accounts payable, accrued expenses, and the note payable approximate fair value.

**Cash and cash equivalents**

HNSM's cash consists of cash on deposit with banks and considers as cash equivalents all unrestricted highly liquid investments with an initial maturity of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long-term purposes. 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, 2020.

**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, 2020, HNSM exceeded these limits by \$183,991. 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.

**Inventory**

Inventory of products held for sale are valued at the lower of cost on net realizable value, with cost determined on a first-in, first-out basis. Inventory consisted of merchandise at the Heard Museum Store in the amount of \$19,520 at September 30, 2020.

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NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**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.

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 \$160,197 for the year ended September 30, 2020.

**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.



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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 statement of financial position.

**Fair value measurements**

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). HNMS groups assets at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. These levels are:

*Level 1* – Unadjusted quoted prices for identical assets or liabilities in active markets as of the measurement date.

*Level 2* – Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset; and,
- Inputs that are derived principally from or corroborated by other observable market data.

*Level 3* – Unobservable inputs that cannot be corroborated by observable market data.

Mutual funds, exchange traded funds and fixed income securities are valued at the closing quoted price in an active market. Cash and cash equivalents held within the investment portfolio are carried at cost. The note payable is valued based on quoted market prices for similar issues. HNSM has adopted the provisions of authoritative guidance which defines fair value as the price that would be received to sell an asset or

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NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 H.

**Contributions**

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contributions is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions of property and equipment are recorded at their estimated fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise the contributions are reported as net assets without donor restrictions.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend are substantially met. Conditional gifts are received prior to the satisfaction of conditions are recorded as refundable advances.

HNSM derived approximately 55% of its revenue from contributions and special events for the year ended September 30, 2020.

**Donated services**

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.

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**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.

**Advertising**

Advertising expenditures are expensed as incurred.

**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 has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations; and to identify and evaluate other matters that may be considered tax positions.

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, 2017, to September 30, 2020.

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**Recently issued accounting pronouncements**

In February 2016, FASB issued Accounting Standard Update No. 2016-02, Leases. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. This update is effective for fiscal year-end financial statements beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. HNSM is currently evaluating the impact of its pending adoption of ASU 2016-02 on its financial statements.

In September 2020, FASB issued Accounting Standard Update No. 2020-07, *Not-for-Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard enhances presentation and disclosure for the measurement of contributed nonfinancial assets recognized by not-for-profit entities with a requirement that nonfinancial assets are presented as a separate line item in the statements of activities, apart from contributions of cash and other financial assets. Additional disclosures surrounding contributed nonfinancial assets are also required. The update should be applied on a retrospective basis. ASU 2020-07 is effective for annual financial statements beginning after June 15, 2021. Early adoption is permitted. HNSM is currently evaluating the impact of its pending adoption of ASU 2020-07 on its financial statements.

NOTE D – COVID-19 IMPACT AND CONSIDERATIONS

In January 2020, the World Health Organization declared a novel strain of coronavirus (“COVID-19”) to constitute a “Public Health Emergency of International Concern” and characterized COVID-19 as a pandemic. The United States government has implemented enhanced screenings, quarantine and social distancing requirements, and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus caused business disruption to HNSM beginning in March, 2020, resulting in cancellation of events and loss of revenue from lower admissions, memberships and program registrations at the museum. HNSM was able to resume homeschool classes through virtual learning in June 2020.

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NOTE D – COVID-19 IMPACT AND CONSIDERATIONS

The extent of the impact of COVID-19 on the HNSM’s operational and financial performance will depend on future developments, including the duration and spread of the outbreak, government imposed restrictions and the impact of the COVID-19 on overall demand for the HNSM’s services, all of which are highly uncertain and cannot be predicted.

In April 2020, HNSM received loan proceeds in the amount of \$120,700 under the Paycheck Protection Program (PPP). See further details in Note I.

NOTE E – LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the financial assets as of September 30, 2020, 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:

Financial assets:	
Cash and cash equivalents	\$ 468,047
Investments	3,426,831
Less those unavailable for general expenditures within one year due to:	
Subject to donor restriction – nature of expenditure	(180,153)
Board designations:	
Amounts set aside for exhibits	<u>(63,156)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,651,569</u>

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.

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NOTE F – CASH AND CASH EQUIVALENTS

Cash consists of the following at September 30:

Cash – without donor restrictions	\$	224,738
Board designated endowments		63,156
Total cash – without donor restrictions		<u>287,894</u>
 Cash – with donor restrictions		 <u>180,153</u>
 Total cash and cash equivalents	 \$	 <u>468,047</u>

NOTE G – 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 Charles Schwab account balance at September 30, 2020, is \$1,732,662, consisting of funds without restrictions of \$1,334,637, funds restricted by the Texas Department of Transportation (TXDOT) of \$302,100 and total unrealized gains of \$95,925. The balance at LPL Financial is \$1,694,169 consisting of funds without restrictions of \$1,628,650 and total unrealized gains of \$65,519.

The investment accounts as of September 30, 2020, were as follows:

	<u>Schwab</u>	<u>LPL</u>
Cash and cash equivalents	\$ 426,706	\$ 93,286
Equities	478,895	520,855
Fixed Income	100,541	351,017
Bond Funds	447,570	-
ETFs	<u>278,950</u>	<u>729,011</u>
 Totals	 <u>\$ 1,732,662</u>	 <u>\$ 1,694,169</u>

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NOTE H – FAIR VALUE MEASUREMENTS

	Assets at Fair Value as of September 30, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and equivalents	\$ 519,992	\$ -	\$ -	\$ 519,992
Equities	999,750	-	-	999,750
Fixed income funds	451,558	-	-	451,558
Bond funds	447,570	-	-	447,570
ETFs	1,007,961	-	-	1,007,961
Total investments at fair value	\$ 3,426,831	\$ -	\$ -	\$3,426,831

NOTE I – PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

On April 27, 2020, HNSM received loan proceeds in the amount of approximately \$120,700 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty four-week period.

The maturity date of the note payable is April 27, 2022. The unforgiven portion of the PPP loan is payable at an interest rate of 1%, with a deferral of payments for the first six months. HNSM intends to use the proceeds for purposes consistent with the PPP. HNSM currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, we cannot assure you that we will not take actions that could cause HNSM to be ineligible for forgiveness of the loan, in whole or in part. As of September 30, 2020, the outstanding balance on the note payable was \$120,700.

NOTE J – NET ASSETS

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.

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NOTE J – NET ASSETS

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 Restrictions

Texas Department of Transportation	\$ 302,100
Other program and exhibits	<u>180,153</u>
 Total with donor restrictions	 <u>\$ 482,252</u>

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

Purpose restrictions accomplished by donor restrictions released:

Other programs and exhibits	\$ <u>29,662</u>
 Total restrictions released	 <u>\$ 29,662</u>

NOTE K – FUNDRAISING EXPENSE

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

Gifts and grants	\$ 1,080,396
Gifts in kind	11,740
Fundraising events	22,538
Memberships	232,406
Trips and education	<u>129,336</u>
 Total funds raised	 <u>\$ 1,476,416</u>



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NOTE K – FUNDRAISING EXPENSE

Fundraising expense	<u>\$ 144,368</u>
Ratio of fundraising expense to amounts raised	10%

NOTE L – GIFTS IN KIND

HNSM recorded \$11,740 of contributions in kind that were associated with advertising to various events and exhibits for the year ended September 30, 2020, included in support in the statement of activities.

NOTE M – 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 in the year received. 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 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 year ended September 30, 2020.

NOTE O – 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. In July 2020, the lease with Pitney Bowes Financial Services was renewed through June 2024 for monthly rent payments of \$127, payable quarterly. Lease expense for the year ended September 30, 2020, was approximately \$7,105.

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NOTE O – OPERATING LEASES

Future minimum rental payments are as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2021	\$ 6,818
2022	6,378
2023	1,530
2024	1,147
Thereafter	<u>-</u>
	<u>\$ 15,873</u>

NOTE P – 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 Q – ADVERTISING COSTS

HNSM incurs non-direct advertising costs and has adopted a policy of expensing such costs as incurred. HNSM recorded \$23,016 in advertising and promotional expense for the year ended September 30, 2020, all of which was expensed as incurred, and approximately 24% of which was included in fundraising expense.

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NOTE R – SUBSEQUENT EVENTS

HNSM has evaluated and disclosed subsequent events up to and including February 10, 2021, which is the date the financial statements were available for issuance.

The continued spread of the COVID-19 pandemic is affecting the United States and will affect HNSM's operations for the following year. The full extent of the impact of the HNSM's finances is uncertain and will depend on the duration and depth of the pandemic.