

MCKINNEY COMMUNITY DEVELOPMENT CORPORATION

Grant Application

Fiscal Year 2018

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.

Please indicate the type of funding you are requesting:

- Project Grant**
Projects that are eligible for funding in accordance with the Type B sales tax statute (refer to examples in Grant Guidelines) and that advance the mission of MCDC.

**X Promotional or Community Event Grant
(maximum \$15,000)**

Initiatives, activities or events that promote the City of McKinney for developing new or expanded business opportunities and/or tourism – and enhancing quality of life for McKinney residents.

Promotional and Community Event Grants:

Application Deadline	Presentation to MCDC Board	Board Vote and Award Notification
Cycle I: November 30, 2017	December 2017	January 2018
Cycle II: May 31, 2018	June 2018	July 2018

Project Grants:

Application Deadline	Presentation to MCDC Board	Board Vote and Award Notification
Cycle I: January 3, 2018	January 2018	February 2018
Cycle II: March 30, 2018	April 2018	May 2018
Cycle III: June 29, 2018	July 2018	August 2018

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: \$2,500.00

Matching Funds Available (Y/N and amount): Y \$2,500

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: 09/18

Completion Date: 05/19

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

Bill Woodfin

Sim Israeloff

John Valencia

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 or Promotional/Community Event (whichever is applicable)

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

In early 2018, the Heard Natural Science Museum & Wildlife Sanctuary installed a new exhibit called The Magic Planet. This four-foot interactive globe with a sphere-shaped display provides the Heard with compelling new ways to teach about our planet and beyond. While the Heard has an exceptional variety of educational programs for children, the Heard’s staff is continually seeking opportunities to serve a more extensive population—including adults.

Through a new, monthly evening program, *Heard After-Hours*, we will introduce adults to a broad variety of natural science topics in a fun, casual atmosphere. Using The Magic Planet, the Heard will be able to provide 3D illustrations and 3D videos of the featured topics. Experts and knowledgeable enthusiasts will also present information to the group in this informal learning opportunity. Depending on the topic for the evening, a variety of other activities will also be included. Examples of supplementary activities may include a night hike or even a firsthand study of specimens. Each program will be geared toward a minimum of 30 persons. Program fees will range from \$15 to \$20. As the program gains popularity, we hope to increase the frequency of the schedule.

- **For Promotional Grants/Community Events** – describe how this initiative will **promote the City of McKinney for the purpose of business development and/or tourism.**
- Describe how the proposed Project/Promotional/Community Event fulfills strategic goals and objectives for your organization.
- Please also include planned activities, time frame/schedule, and estimated attendance and admission fees if applicable.
- Include the venue/location for Project/Promotional/Community Event?
- Provide a timeline for the Project/Promotional/Community Event.
- Detail goals for growth/expansion in future years.

Project Grants – please complete the section below:

- | | | |
|-----------------------------|------------------------------|-----------------------------|
| ● An expansion/improvement? | <input 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? | X 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/Promotional/Event 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
- Educate the community about the impact local dining and shopping has on investment in quality of life improvements in McKinney

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.
- Please attach your organization’s budget for the current year and 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/Promotional/Community Event?

\$5,000

(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%

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/Promotional/Community Event 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.
- MCDC will be recognized in all marketing, advertising, outreach and public relations as a funder of the Project/Promotional/Community Event. 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/Promotional/Community Event for which funds were received.
- A final report detailing the success of the Project/Promotional/Community Event, as measured against identified metrics, will be provided to MCDC no later than 30 days following the completion of the Project/Promotional/Community Event.
- Up to 80% of the approved grant may be provided, on a reimbursement basis, prior to conclusion of the Project/Promotional/Community Event with submission of invoices/receipts to MCDC. The final 20% may be paid following MCDC's receipt of unpaid invoices/receipts; documentation of fulfillment of obligations to MCDC; and final report on the Project/Promotional/Community Event.

- The required performance agreement 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

Signature

Sy Shahid
Printed Name

Printed Name

May 24, 2018
Date

Date

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

Heard Natural Science Museum
and Wildlife Sanctuary, Inc.

*Independent Accountants' Review Report
and Financial Statements*

Year Ended September 30, 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 statement of financial position as of September 30, 2017, the related statements of activities and cash flows for the year 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.

Heard Natural Science Museum and Wildlife Sanctuary, Inc.
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Other Matter

The September 30, 2016, financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated April 28, 2017. We have not performed any auditing procedures since that date.

Bland Marvey, P.C.

February 21, 2018

HEARD NATURAL SCIENCE MUSEUM
AND WILDLIFE SANCTUARY, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2017 and 2016

	ASSETS	
	<u>2017</u>	<u>Audited 2016</u>
CURRENT ASSETS		
Cash and cash equivalents (Note B)	\$ 413,433	\$ 201,092
Grants receivable	-	14,789
Prepaid expenses	15,480	22,593
Inventory (Note E)	17,947	20,975
TOTAL CURRENT ASSETS	<u>446,860</u>	<u>259,449</u>
PROPERTY AND EQUIPMENT		
Land	1,590,644	1,583,155
Buildings	3,477,121	3,450,280
Equipment and furniture	582,446	566,616
Automotive equipment	112,327	99,627
Exhibits	421,954	319,025
Library	11,814	11,814
	<u>6,196,306</u>	<u>6,030,517</u>
Less accumulated depreciation	4,336,047	4,170,139
	<u>1,860,259</u>	<u>1,860,378</u>
OTHER ASSETS		
Restricted cash and cash equivalents (Note B)	144,839	189,384
Beneficial interest in Bessie Heard Support Trust (Notes C, D and F)	1,409,490	1,320,012
Investments (Notes C, D and G)	667,462	625,464
	<u>2,221,791</u>	<u>2,134,860</u>
	<u>\$ 4,528,910</u>	<u>\$ 4,254,687</u>

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

HEARD NATURAL SCIENCE MUSEUM
AND WILDLIFE SANCTUARY, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2017 and 2016

LIABILITIES AND NET ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES		
Accounts payable	\$ 12,803	\$ 6,037
Accrued liabilities (Note N)	53,863	47,108
Unearned revenue	350	5,000
TOTAL CURRENT LIABILITIES	<u>67,016</u>	<u>58,145</u>
 COMMITMENTS AND CONTINGENCIES (Notes Q, R, and S)		
 NET ASSETS (Note H)		
Unrestricted	2,605,465	2,385,046
Temporarily restricted	1,856,429	1,811,496
Permanently restricted	-	-
	<u>4,461,894</u>	<u>4,196,542</u>
	<u>\$ 4,528,910</u>	<u>\$ 4,254,687</u>

See independent accountants' 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
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 investments	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 P)	<u>207,569</u>	<u>(207,569)</u>	<u>-</u>	<u>-</u>
	<u>2,042,312</u>	<u>44,933</u>	<u>-</u>	<u>2,087,245</u>

See independent accountants' 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>
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
	<u>1,821,893</u>	<u>-</u>	<u>-</u>	<u>1,821,893</u>
INCREASE IN NET ASSETS	220,419	44,933	-	265,352
NET ASSETS AT BEGINNING OF YEAR	<u>2,385,046</u>	<u>1,811,496</u>	<u>-</u>	<u>4,196,542</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,605,465</u>	<u>\$ 1,856,429</u>	<u>\$ -</u>	<u>\$ 4,461,894</u>

See independent accountants' 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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Audited Total</u>
SUPPORT				
Gifts and grants	\$ 86,053	\$ 152,093	\$ -	\$ 238,146
Gifts in-kind (Note K)	650,519	-	-	650,519
Change in value of Bessie Heard Support Trust	-	110,127	-	110,127
Change in value of McKinney Education Foundation	15,916	-	-	15,916
Memberships	191,965	-	-	191,965
Sale of books and educational items	125,750	-	-	125,750
Trips and education	302,622	-	-	302,622
Fundraising events	109,051	-	-	109,051
Investment income	3,389	-	-	3,389
Admission fees	299,704	-	-	299,704
Rental	65,169	-	-	65,169
Other income	3,349	-	-	3,349
	<u>1,853,487</u>	<u>262,220</u>	<u>-</u>	<u>2,115,707</u>
Net assets released from restrictions through satisfaction of program requirements (Note P)	132,802	(132,802)	-	-
	<u>1,986,289</u>	<u>129,418</u>	<u>-</u>	<u>2,115,707</u>

See independent accountants' 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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Audited Total</u>
EXPENSES (Note I)				
Program services	\$ 1,236,469	\$ -	\$ -	\$ 1,236,469
Management and general	182,243	-	-	182,243
Fundraising (Note J)	529,705	-	-	529,705
	<u>1,948,417</u>	<u>-</u>	<u>-</u>	<u>1,948,417</u>
INCREASE IN NET ASSETS	37,872	129,418	-	167,290
NET ASSETS AT BEGINNING OF YEAR	<u>2,347,174</u>	<u>1,682,078</u>	<u>-</u>	<u>4,029,252</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,385,046</u>	<u>\$ 1,811,496</u>	<u>\$ -</u>	<u>\$ 4,196,542</u>

See independent accountants' 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, 2017 and 2016

	2017	Audited 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 265,352	\$ 167,290
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	174,405	180,167
Change in restricted cash	44,545	(70,361)
Change in value of Bessie Heard Support Trust	(138,460)	(110,127)
Distributions from Bessie Heard Support Trust	47,773	51,070
Change in value of investments	(41,998)	(15,916)
Contributions restricted for long-term purposes	(44,933)	(129,418)
(Increase) decrease in grants receivable	14,789	(13,603)
(Increase) decrease in inventory	3,028	(320)
(Increase) decrease in prepaid expenses	7,113	(2,365)
Increase (decrease) in accounts payable	6,766	(11,898)
Increase (decrease) in accrued liabilities	6,755	(10,647)
Increase (decrease) in unearned revenue	(4,650)	(5,000)
Net cash provided by operating activities	340,485	28,872
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investments	-	(25,000)
Purchase of property and equipment	(175,747)	(127,922)
Proceeds from sale of property and equipment	2,670	-
Net cash used by investing activities	(173,077)	(152,922)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of temporarily restricted contributions	44,933	129,418
Net cash provided by investing activities	44,933	129,418
NET INCREASE IN CASH AND EQUIVALENTS	212,341	5,368
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	201,092	195,724
CASH AND EQUIVALENTS AT END OF YEAR	\$ 413,433	\$ 201,092

See independent accountants' 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, 2017 and 2016

	<u>2017</u>	<u>Audited 2016</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Disposals of property and equipment	\$ -	\$ (211,227)
Decrease in accumulated depreciation	<u>-</u>	<u>211,227</u>
Net cash outlay	<u>\$ -</u>	<u>\$ -</u>

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

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

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 21, 2018, 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, 2017 and 2016

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 year ended September 30, 2017.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

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 statement of activities.

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 \$174,405 and \$180,167 for the years ended September 30, 2017 and 2016, respectively.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

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 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 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.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2014, to September 30, 2017.

Reclassification

Certain accounts 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.

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 January 2016, FASB issued Accounting Standard Update No. 2016-01, *Financial Instruments – Overall (Topic 825): Recognition and Measurement of Financial Assets and Financial Liabilities*. The main provisions of the update require equity investments to be measured at fair value with changes in fair value recognized in net income. This update is effective for fiscal year end financial statements beginning after December 15, 2018. Earlier application is permitted with certain limitations. HNSM is currently evaluating the impact of its pending adoption of ASU 2016-01 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-

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017 and 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

NOTE B – CASH

Cash consists of the following at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Unrestricted cash	\$ 346,847	\$ 132,066
Board designated endowments	66,586	69,026
Restricted cash	<u>144,839</u>	<u>189,384</u>
	<u>\$ 558,272</u>	<u>\$ 390,476</u>

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, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Gross unrealized gain (loss)	<u>\$ 175,861</u>	<u>\$ 109,733</u>
Fair value	<u>\$ 2,076,952</u>	<u>\$ 1,945,476</u>

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

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.

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 and fixed income securities: Valued at the closing price reported on the active market on which the securities are traded.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

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	<u>\$1,954,518</u>	<u>\$ 680,706</u>	<u>\$ -</u>	<u>\$2,635,224</u>

The following table sets forth by level, within the fair value hierarchy, the Organization’s investments at fair value as of September 30, 2016.

	Assets at Fair Value as of September 30, 2016			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and equivalents	\$ 428,094	\$ -	\$ -	\$ 428,094
Equities	859,623	-	-	859,623
Fixed income funds	178,673	-	-	178,673
Mutual funds	127,636	-	-	127,636
Other funds	-	77,806	-	77,806
Tangible assets	-	38,656	-	38,656
Investments held at financial institutions	-	625,464	-	625,464
Total investments at fair value	<u>\$1,594,026</u>	<u>\$ 741,926</u>	<u>\$ -</u>	<u>\$2,335,952</u>

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

NOTE E – INVENTORY

Inventory consisted of merchandise at the Heard Museum Store in the amount of \$17,947 and \$20,975 at September 30, 2017 and 2016, 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, 2017, were \$81,455, which includes \$32,473 in trustee fees and accounts for approximately 4% of total support and revenue. Cash distributions received from the trust during the year ended September 30, 2016, were \$68,125, which includes \$17,055 in trustee fees and accounts for approximately 3% of total support and revenue.

The investments held by the trust as of September 30, 2017 and 2016, were as follows:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 34,050	\$ 37,618
Equities	1,041,874	859,623
Fixed income funds	168,024	178,673
Mutual funds and other	<u>165,542</u>	<u>244,098</u>
Totals	<u>\$ 1,409,490</u>	<u>\$ 1,320,012</u>

HNSM estimates the total market value of the Trust at September 30, 2017 and 2016, to be \$1,409,490 and \$1,320,012, respectively.

NOTE G – INVESTMENT ACCOUNTS

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.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

NOTE G – INVESTMENT ACCOUNTS

The balance at Charles Schwab at September 30, 2016 was \$300,000 which was restricted by the Texas Department of Transportation. The balance at LPL Financial was \$299,538 consisting of unrestricted funds of \$297,900, funds restricted by the Texas Department of Transportation of \$2,100 and unrealized loss of \$462. A balance of \$25,937 remained with the McKinney Education Foundation as of September 30, 2016. The transfer was completed in October 2016.

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, 2017 and 2016, to be \$667,462 and \$625,464, 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, 2017 and 2016, these funds consist of:

	<u>2017</u>	<u>2016</u>
Bessie Heard Support Trust	\$ 1,409,490	\$ 1,320,012
Charles Schwab investments	300,000	300,000
LPL Financial investments	2,100	2,100
Other program and exhibits	<u>144,839</u>	<u>189,384</u>
Total temporarily restricted	<u>\$ 1,856,429</u>	<u>\$ 1,811,496</u>

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

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, 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 T)	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, 2017 and 2016

NOTE I – FUNCTIONAL EXPENSE ALLOCATION

The functional expense allocation at September 30, 2016, is as follows:

Description	Total Expenses	Program Services	Management and General	Fund Raising
Cost of goods sold	\$ 81,290	\$ 56,515	\$ -	\$ 24,775
Special programs, events and exhibits	151,933	127,347	2,600	21,986
Salaries, benefits and taxes	602,234	413,438	106,198	82,598
Professional fees	19,110	54	10,947	8,109
Supplies	12,385	9,122	1,836	1,427
Occupancy	148,178	100,761	26,672	20,745
Equipment maintenance and rental	6,566	4,465	1,182	919
Travel	755	514	136	105
Conferences and meetings	1,230	836	221	173
Depreciation	180,167	136,762	24,415	18,990
Advertising and promotions (Note T)	34,928	14,086	677	20,165
Insurance	22,339	15,276	4,692	2,371
Gifts in kind expense	650,519	325,260	-	325,259
Credit card processing fees	21,912	21,912	-	-
Miscellaneous	14,871	10,121	2,667	2,083
	<u>\$ 1,948,417</u>	<u>\$ 1,236,469</u>	<u>\$ 182,243</u>	<u>\$ 529,705</u>

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

NOTE J – FUNDRAISING EXPENSE

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

	<u>2017</u>	<u>2016</u>
Gifts and grants	\$ 199,154	\$ 238,146
Gifts in kind	485,300	650,519
Fundraising events	102,272	109,051
Memberships	220,011	191,965
Trips and education	<u>295,942</u>	<u>302,622</u>
 Total funds raised	 <u>\$ 1,302,679</u>	 <u>\$ 1,492,303</u>
 Fundraising expense	 <u>\$ 413,577</u>	 <u>\$ 529,705</u>
 Ratio of fundraising expense to amounts raised	 32%	 35%

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 \$485,300 and \$650,519 of contributions in kind have been recorded associated with advertising to various events and exhibits for the years ended September 30, 2017 and 2016, 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, 2017 and 2016

NOTE M – RELATED PARTY TRANSACTION

A board member of HNSM is an officer of the bank that acts as Trustee for the Bessie Heard Support Trust. HNSM paid trustee fees to the bank in the amount of \$32,473 and \$17,055 for the years ended September 30, 2017 and 2016, respectively.

NOTE N – 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, 2017 and 2016, respectively, accrued compensated absences totaled \$29,852 and \$23,981.

NOTE O – 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, 2017 and 2016.

NOTE P – 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.

	<u>2017</u>	<u>2016</u>
Purpose restrictions accomplished or donor restrictions released		
Operating funds from Bessie Heard Support Trust	\$ 48,982	\$ 51,070
Other programs and exhibits	<u>158,587</u>	<u>81,732</u>
Total restrictions released	<u>\$ 207,569</u>	<u>\$ 132,802</u>

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017 and 2016

NOTE Q – 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, 2017 and 2016, respectively, was approximately \$6,622 and \$6,566.

Future minimum rental payments are as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2018	\$ 2,160
2019	2,160
2020	1,260
Thereafter	-
	<u>\$ 5,580</u>

NOTE R – 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 S – 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.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

NOTE S – CONCENTRATIONS OF CREDIT RISK

HNSM maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. At September 30, 2017, HNSM exceeded these limits by \$311,151. 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.

NOTE T – ADVERTISING COSTS

HNSM incurs non-direct advertising costs and has adopted a policy of expensing such costs as incurred. 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. HNSM recorded \$34,928 in advertising and promotional expense for the year ended September 30, 2016, all of which was expensed as incurred, and approximately 58% of which was included in fundraising expense.

NOTE U – SUBSEQUENT EVENTS

In October 2017, HNSM received a general donation of \$50,000 from a foundation.

After September 30, 2017, Bank of America intends to dissolve the Bessie Heard Trust and the funds will be disbursed to two investment entities.

HNSM has evaluated and disclosed subsequent events up to and including February 21, 2018, which is the date the financial statements were available for issuance.

Heard Natural Science Museum
and Wildlife Sanctuary, Inc.

*Independent Auditors' Report
and Financial Statements*

Years Ended September 30, 2016 and 2015



BLAND GARVEY
ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' 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, 2016, and the related statements of financial activity and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Heard Natural Science Museum and Wildlife Sanctuary, Inc.

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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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2015 financial statements were reviewed by us and our report thereon, dated January 20, 2016, stated we were not aware of any material modifications that should be made to those statements for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

Bland Marney, P.C.

Richardson, Texas

April 18, 2017

HEARD NATURAL SCIENCE MUSEUM
AND WILDLIFE SANCTUARY, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2016 and 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents (Note B)	\$ 201,092	\$ 195,724
Grants receivable	14,789	1,186
Prepaid expenses	22,593	20,228
Inventory (Note E)	20,975	20,655
TOTAL CURRENT ASSETS	259,449	237,793
 PROPERTY AND EQUIPMENT		
Land	1,583,155	1,564,386
Buildings	3,450,280	3,475,110
Equipment and furniture	566,616	680,178
Automotive equipment	99,627	135,575
Exhibits	319,025	246,748
Library	11,814	11,814
	6,030,517	6,113,811
Less accumulated depreciation	4,170,139	4,201,200
	1,860,378	1,912,611
 OTHER ASSETS		
Restricted cash and cash equivalents (Note B)	189,384	119,023
Beneficial interest in Bessie Heard Support Trust (Notes C, D and F)	1,320,012	1,260,955
Investments (Notes C, D and G)	625,464	584,560
	2,134,860	1,964,538
	\$ 4,254,687	\$ 4,114,942

See independent auditors' report and accompanying notes to financial statements.

HEARD NATURAL SCIENCE MUSEUM
AND WILDLIFE SANCTUARY, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2016 and 2015

LIABILITIES AND NET ASSETS

	2016	2015
CURRENT LIABILITIES		
Accounts payable	\$ 6,037	\$ 17,935
Accrued liabilities (Note N)	47,108	57,755
Unearned revenue	5,000	10,000
TOTAL CURRENT LIABILITIES	58,145	85,690
 COMMITMENTS AND CONTINGENCIES (Notes Q, R, and S)		
 NET ASSETS (Note H)		
Unrestricted	2,385,046	2,347,174
Temporarily restricted	1,811,496	1,682,078
Permanently restricted	-	-
	4,196,542	4,029,252
	\$ 4,254,687	\$ 4,114,942

See independent auditors' 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, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT				
Gifts and grants	\$ 86,053	\$ 152,093	\$ -	\$ 238,146
Gifts in-kind (Note K)	650,519	-	-	650,519
Change in value of Bessie Heard Support Trust	-	110,127	-	110,127
Change in value of investments	15,916	-	-	15,916
Memberships	191,965	-	-	191,965
Sale of books and educational items	125,750	-	-	125,750
Trips and education	302,622	-	-	302,622
Fundraising events	109,051	-	-	109,051
Investment income	3,389	-	-	3,389
Admission fees	299,704	-	-	299,704
Rental	65,169	-	-	65,169
Other income	3,349	-	-	3,349
	<u>1,853,487</u>	<u>262,220</u>	<u>-</u>	<u>2,115,707</u>
Net assets released from restrictions through satisfaction of program requirements (Note P)	132,802	(132,802)	-	-
	<u>1,986,289</u>	<u>129,418</u>	<u>-</u>	<u>2,115,707</u>

See independent auditors' 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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
EXPENSES (Note I)				
Program services	\$ 1,236,469	\$ -	\$ -	\$ 1,236,469
Management and general	182,243	-	-	182,243
Fundraising (Note J)	529,705	-	-	529,705
	<u>1,948,417</u>	<u>-</u>	<u>-</u>	<u>1,948,417</u>
INCREASE IN NET ASSETS	37,872	129,418	-	167,290
NET ASSETS AT BEGINNING OF YEAR	<u>2,347,174</u>	<u>1,682,078</u>	<u>-</u>	<u>4,029,252</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,385,046</u>	<u>\$ 1,811,496</u>	<u>\$ -</u>	<u>\$ 4,196,542</u>

See independent auditors' 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, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT				
Gifts and grants	\$ 38,216	\$ 39,135	\$ -	\$ 77,351
Gifts in-kind (Note K)	826,999	-	-	826,999
Change in value of Bessie Heard Support Trust	-	(77,222)	-	(77,222)
Change in value of McKinney Education Foundation	(24,952)	-	-	(24,952)
Memberships	132,176	-	-	132,176
Sale of books and educational items	103,416	-	-	103,416
Trips and education	248,247	-	-	248,247
Fundraising events	87,179	-	-	87,179
Investment income	9,268	-	-	9,268
Admission fees	256,440	-	-	256,440
Rental	78,444	-	-	78,444
Other income	475	-	-	475
	1,755,908	(38,087)	-	1,717,821
Net assets released from restrictions through satisfaction of program requirements (Note P)	87,869	(87,869)	-	-
	1,843,777	(125,956)	-	1,717,821

See independent auditors' reports and accompanying notes to financial statements.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
 STATEMENT OF FINANCIAL ACTIVITY
 For the Year Ended September 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
EXPENSES (Note I)				
Program services	\$ 1,279,937	\$ -	\$ -	\$ 1,279,937
Management and general	191,807	-	-	191,807
Fundraising (Note J)	609,044	-	-	609,044
	<u>2,080,788</u>	<u>-</u>	<u>-</u>	<u>2,080,788</u>
DECREASE IN NET ASSETS	(237,011)	(125,956)	-	(362,967)
NET ASSETS AT BEGINNING OF YEAR	<u>2,584,185</u>	<u>1,808,034</u>	<u>-</u>	<u>4,392,219</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,347,174</u>	<u>\$ 1,682,078</u>	<u>\$ -</u>	<u>\$ 4,029,252</u>

See independent auditors' reports and accompanying notes to financial statements.

HEARD NATURAL SCIENCE MUSEUM
AND WILDLIFE SANCTUARY, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 167,290	\$ (362,967)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Depreciation	180,167	205,841
Change in restricted cash	(70,361)	8,123
Change in value of Bessie Heard Support Trust	(110,127)	77,222
Distributions from Bessie Heard Support Trust	51,070	40,610
Change in value of investments	(15,916)	24,952
Contributions restricted for long-term purposes	(129,418)	(125,956)
(Increase) decrease in grants receivable	(13,603)	(1,186)
(Increase) decrease in inventory	(320)	(3,110)
(Increase) decrease in prepaid expenses	(2,365)	(1,833)
Increase (decrease) in accounts payable	(11,898)	3,363
Increase (decrease) in accrued liabilities	(10,647)	4,880
Increase (decrease) in unearned revenue	(5,000)	8,960
Net cash provided (used) by operating activities	<u>28,872</u>	<u>(121,101)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investments	(25,000)	-
Purchase of property and equipment	(127,922)	(48,873)
Proceeds from sale of property and equipment	-	(50,000)
Net cash used by investing activities	<u>(152,922)</u>	<u>(98,873)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of temporarily restricted contributions	<u>129,418</u>	<u>125,956</u>
Net cash provided by investing activities	<u>129,418</u>	<u>125,956</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	5,368	(94,018)
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>195,724</u>	<u>289,742</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ 201,092</u>	<u>\$ 195,724</u>

See independent auditors' reports and accompanying notes to financial statements.

HEARD NATURAL SCIENCE MUSEUM
AND WILDLIFE SANCTUARY, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2016 and 2015

	2016	2015
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ -	\$ -
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Disposals of property and equipment	\$ (211,227)	\$ -
Decrease in accumulated depreciation	211,227	-
Net cash outlay	\$ -	\$ -

See independent auditors' reports and accompanying notes to financial statements.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

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 April 18, 2017, 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, 2016 and 2015

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 year ended September 30, 2015.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

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 statement of activities.

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 \$180,167 and \$205,841 for the years ended September 30, 2016 and 2015, respectively.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

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 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 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.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2013, to September 30, 2016.

Reclassification

Certain accounts 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.

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 January 2016, FASB issued Accounting Standard Update No. 2016-01, *Financial Instruments – Overall (Topic 825): Recognition and Measurement of Financial Assets and Financial Liabilities*. The main provisions of the update require equity investments to be measured at fair value with changes in fair value recognized in net income. This update is effective for fiscal year end financial statements beginning after December 15, 2018. Earlier application is permitted with certain limitations. HNSM is currently evaluating the impact of its pending adoption of ASU 2016-01 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-

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016 and 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

NOTE B – CASH

Cash consists of the following at September 30, 2016 and 2015:

	2016	2015
Unrestricted cash	\$ 132,066	\$ 110,471
Board designated endowments	69,026	85,253
Restricted cash	189,384	119,023
	\$ 390,476	\$ 314,747

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, 2016 and 2015, are as follows:

	2016	2015
Gross unrealized gain (loss)	\$ 109,733	\$ (122,210)
Fair value	\$ 1,945,476	\$ 1,845,515

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

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.

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 and fixed income securities: Valued at the closing price reported on the active market on which the securities are traded.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

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, 2016.

	Assets at Fair Value as of September 30, 2016			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and equivalents	\$ 37,618	\$ -	\$ -	\$ 37,618
Equities	859,623	-	-	859,623
Fixed income funds	178,673	-	-	178,673
Mutual funds	127,636	-	-	127,636
Other funds	-	77,806	-	77,806
Tangible assets	-	38,656	-	38,656
Investments held at financial institutions	-	625,464	-	625,464
Total investments at fair value	\$1,203,550	\$ 741,926	\$ -	\$1,945,476

The following table sets forth by level, within the fair value hierarchy, the Organization’s investments at fair value as of September 30, 2015.

	Assets at Fair Value as of September 30, 2015			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and equivalents	\$ 39,504	\$ -	\$ -	\$ 39,504
Equities	839,608	-	-	839,608
Fixed income funds	122,319	-	-	122,319
Mutual funds	149,366	-	-	149,366
Other funds	-	75,688	-	75,688
Tangible assets	-	34,470	-	34,470
Investments held at McKinney Educationc Foundation	-	584,560	-	584,560
Total investments at fair value	\$1,150,797	\$ 694,718	\$ -	\$1,845,515

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016 and 2015

NOTE E – INVENTORY

Inventory consisted of merchandise at the Heard Museum Store in the amount of \$20,975 and \$20,655 at September 30, 2016 and 2015, 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, 2016, were \$68,125, which includes \$17,055 in trustee fees and accounts for approximately 3% of total support and revenue. Cash distributions received from the trust during the year ended September 30, 2015, were \$58,712, which includes \$18,101 in trustee fees and accounts for approximately 3% of total support and revenue.

The investments held by the trust as of September 30, 2016 and 2015, were as follows:

	2016	2015
Cash and cash equivalents	\$ 37,618	\$ 39,504
Equities	859,623	839,608
Fixed income funds	178,673	122,319
Mutual funds and other	244,098	259,524
Totals	\$ 1,320,012	\$ 1,260,955

HNSM estimates the total market value of the Trust at September 30, 2016 and 2015, respectively, to be \$1,320,012 and \$1,260,955.

NOTE G – INVESTMENT ACCOUNTS

Through the fiscal year ended September 30, 2015, the HNSM funds and the McKinney Education Foundation funds were traded as a single account. During the year ended September 30, 2016, the board of directors approved the transfer of all investment funds out of the McKinney Education Foundation into two financial institutions: Charles Schwab and LPL Financial. The transfer of these funds out of the McKinney Education Foundation was not fully completed as of September 30, 2016. A balance of \$25,937 remained with the McKinney Education Foundation as of September 30, 2016. The transfer was completed in October 2016. The balance at Charles Schwab at September 30, 2016 was \$300,000 which was restricted by Texas Department of Transportation. The balance at LPL Financial was \$299,538 consisting of

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016 and 2015

NOTE G – INVESTMENT ACCOUNTS

unrestricted funds of \$297,900, restricted funds from Texas Department of Transportation of \$2,100 and unrealized loss of \$462.

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, 2016 and 2015, these funds consist of:

	2016	2015
Bessie Heard Support Trust	\$ 1,320,012	\$ 1,260,955
McKinney Education Foundation investment	-	302,100
Charles Schwab investments	300,000	-
LPL Financial investments	2,100	119,023
Other program and exhibits	189,384	
Total temporarily restricted	\$ 1,811,496	\$ 1,682,078

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.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

NOTE I – FUNCTIONAL EXPENSE ALLOCATION

The functional expense allocation at September 30, 2016, is as follows:

Description	Total Expenses	Program Services	Management and General	Fund Raising
Cost of goods sold	\$ 81,290	\$ 56,515	\$ -	\$ 24,775
Special programs, events and exhibits	151,933	127,347	2,600	21,986
Salaries, benefits and taxes	602,234	413,438	106,198	82,598
Professional fees	19,110	54	10,947	8,109
Supplies	12,385	9,122	1,836	1,427
Occupancy	148,178	100,761	26,672	20,745
Equipment maintenance and rental	6,566	4,465	1,182	919
Travel	755	514	136	105
Conferences and meetings	1,230	836	221	173
Depreciation	180,167	136,762	24,415	18,990
Advertising and promotions (Note T)	34,928	14,086	677	20,165
Insurance	22,339	15,276	4,692	2,371
Gifts in kind expense	650,519	325,260	-	325,259
Credit card processing fees	21,912	21,912	-	-
Miscellaneous	14,871	10,121	2,667	2,083
	<u>\$ 1,948,417</u>	<u>\$ 1,236,469</u>	<u>\$ 182,243</u>	<u>\$ 529,705</u>

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

NOTE I – FUNCTIONAL EXPENSE ALLOCATION

The functional expense allocation at September 30, 2015, is as follows:

Description	Total Expenses	Program Services	Management and General	Fund Raising
Cost of goods sold	\$ 66,447	\$ 47,195	\$ -	\$ 19,252
Special programs, events and exhibits	150,160	129,492	3,408	17,260
Salaries, benefits and taxes	579,578	387,091	113,228	79,259
Professional fees	18,167	161	10,435	7,571
Supplies	11,095	8,105	1,759	1,231
Occupancy	129,137	85,230	25,827	18,080
Equipment maintenance and rental	6,960	4,594	1,392	974
Travel	184	123	37	24
Conferences and meetings	1,452	959	290	203
Depreciation	205,841	158,761	27,694	19,386
Advertising and promotions (Note T)	33,759	14,075	399	19,285
Insurance	21,118	13,797	4,952	2,369
Gifts in kind expense	826,999	413,500	-	413,499
Credit card processing fees	17,962	8,981	-	8,981
Miscellaneous	11,929	7,873	2,386	1,670
	<u>\$ 2,080,788</u>	<u>\$ 1,279,937</u>	<u>\$ 191,807</u>	<u>\$ 609,044</u>

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

NOTE J – FUNDRAISING EXPENSE

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

	<u>2016</u>	<u>2015</u>
Gifts and grants	\$ 238,146	\$ 77,351
Gifts in kind	650,519	826,999
Fundraising events	109,051	87,179
Memberships	191,965	132,176
Trips and education	<u>302,622</u>	<u>248,247</u>
 Total funds raised	 <u>\$ 1,492,303</u>	 <u>\$ 1,371,952</u>
 Fundraising expense	 <u>\$ 529,705</u>	 <u>\$ 609,044</u>
 Ratio of fundraising expense to amounts raised	 35%	 44%

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 \$650,519 and \$826,999 of contributions in kind have been recorded associated with advertising to various events and exhibits for the years ended September 30, 2016 and 2015, 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, 2016 and 2015

NOTE M – RELATED PARTY TRANSACTION

A board member of HNSM is an officer of the bank that acts as Trustee for the Bessie Heard Support Trust. HNSM paid trustee fees to the bank in the amount of \$17,055 and \$18,101 for the years ended September 30, 2016 and 2015, respectively.

NOTE N – 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, 2016 and 2015, respectively, accrued compensated absences totaled \$23,981 and \$19,649.

NOTE O – 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, 2016 and 2015.

NOTE P – 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.

	<u>2016</u>	<u>2015</u>
Purpose restrictions accomplished or donor restrictions released		
Operating funds from Bessie Heard Support Trust	\$ 51,070	\$ 40,610
Other programs and exhibits	<u>81,732</u>	<u>47,259</u>
Total restrictions released	<u>\$ 132,802</u>	<u>\$ 87,869</u>

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

NOTE Q – 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, 2016 and 2015, respectively, was approximately \$6,566 and \$6,961.

Future minimum rental payments are as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2017	\$ 4,150
2018	2,160
2019	2,160
2020	1,260
Thereafter	<u>-</u>
	<u>\$ 9,730</u>

NOTE R – 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.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

NOTE S – 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, 2016, HNSM exceeded these limits by \$160,856. 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.

NOTE T – ADVERTISING COSTS

HNSM incurs non-direct advertising costs and has adopted a policy of expensing such costs as incurred. HNSM recorded \$34,928 in advertising and promotional expense for the year ended September 30, 2016, all of which was expensed as incurred, and approximately 58% of which was included in fundraising expense. HNSM recorded \$33,759 in advertising and promotional expense for the year ended September 30, 2015, all of which was expensed as incurred, and approximately 57% of which was included in fundraising expense.

NOTE U – SUBSEQUENT EVENTS

In October 2016, HNSM received a general donation of \$50,000 from a foundation.

HNSM has evaluated and disclosed subsequent events up to and including April 18, 2017, which is the date the financial statements were available for issuance.