

McKINNEY COMMUNITY DEVELOPMENT CORPORATION
Project Grant Application
Fiscal Year 2023

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

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

McKinney Community Development Corporation
7300 SH 121, SB, Suite 200
McKinney, TX 75070

Attn: Cindy Schneible (cschneible@mckinneycdc.org)

2022 Project Grant Application Schedule

Application Deadline	Presentation to MCDC Board	Board Vote and Award Notification
Cycle I: December 30, 2022	January 26, 2023	February 23, 2023
Cycle II: March 31, 2023	April 27, 2023	May 25, 2023
Cycle III: June 30, 2023	July 27, 2023	August 24, 2023

APPLICATION

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

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

McKinney Community Development Corporation – Overview

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

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

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

McKinney Community Development Corporation – Mission

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

Guiding Principles:

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

McKinney Community Development Corporation – Goals

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

General Guidelines

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

General Guidelines - continued

- The land, building or facility where the proposed project will be located should be owned by the Applicant. However, if the Applicant does not own the land, written acknowledgement/approval from the property owner must be included with the application. The letter must document the property owner is aware of the proposed use of the property or facility; and the property owner has reviewed the project plan and application, approves and supports the efforts of the Applicant.
- **Preference may be given** to Applicants who have **not** received funding from MCDC within the previous 12-month period.
- Performance agreements are required for all approved grants.
- Funded Projects must be completed within one year of the date the grant is approved by the MCDC board, unless an exception is granted.
- Completed Project must be inspected for Code compliance.
- A signed Contractor's Sworn Statement and Waiver of Lien to Date form must be completed, notarized and provided to MCDC prior to receiving grant funds.
- Property owner will be responsible for maintaining the infrastructure improvements made with funding for ten (10) years.
- Grant recipients must maintain financial books and records of the funded project and of their operations as a whole for at least two years, should MCDC or the City of McKinney require an audit. The books and records must be available upon request, and create a clear audit trail documenting revenues and expenses of the funded project.
- Within 30 days of completion of the funded project, the grant recipient is required to submit a final report that includes detailed information on the activity; visual documentation of pre and post-project completion; and any outstanding receipts for expenditures included under the scope of the grant.
- Grant recipient must recognize McKinney Community Development Corporation as a sponsor/funder of the project improvements. MCDC will provide a logo for grant recipient use.

Process

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

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

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

APPLICANT INFORMATION

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

Check One:

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

PROJECT INFORMATION:

Project/Business Name: Heard Museum
 Location of Project: 1 Nature Place
 Physical Address: 1 Nature Place
 City: McKinney ST: TX Zip: 75069
 Property Size: 289 acres Collin CAD Property ID: _____

Please provide the information requested below:

- An expansion/improvement
- A replacement/repair
- A multi-phase project
- A new project

☐ Yes
☒ Yes
☐ Yes
☐ Yes

☐ No
☐ No
☐ No
☐ No

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

Name: Same

Company:

Mailing Address:

City:

ST:

Zip:

Phone

Fax:

Email:

Cell:

DETAILED PROJECT INFORMATION:

Project Details and Proposed Use: Construction of the Animal Food Cottage (See Attached Information)

Estimated Date of Project Completion: 10/31/2023

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

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

Current Appraised Value of Property:

Estimated Appraised Value (*Post-Improvement*):

Estimated Construction Cost for Total Project: \$80,000

Total Estimated Cost for Project Improvements included in grant request: \$80,000

Total Grant Amount Requested: \$50,000

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

☐ Yes

☒ No

If yes, please provide details and funding requested:

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

☒ Yes

☐ No

Date(s): April 2022

Will the project be competitively bid?

☒ Yes

☐ No

If yes, please attach bids for the project

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

Additional Information – please attach the following

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

Acknowledgements

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

- The Project for which financial assistance is sought will be administered by or under the supervision of the applying individual/company.
- All funds awarded will be used exclusively for the purpose described in this application.
- Applicant owns the land, building or facility where the proposed infrastructure improvements will be made. If the Applicant does not own the land, written acknowledgement/approval from the property owner must be included with the application. The letter must document the property owner is aware of the proposed improvements and use of the property or building; and the property owner has reviewed the project plan and application, approves and supports the efforts of the Applicant.
- MCDC will be recognized as a funder of the Project. Specifics to be agreed upon by applicant and MCDC and included in an executed performance agreement.
- Individual/company representative who has signed the application is authorized to submit the application.
- Applicant will comply with the Grant Guidelines in executing the Project for which funds were awarded.
- Funded Projects must be completed within one year of the date the grant is approved by the MCDC board unless an exception is granted.
- Completed Project must be inspected for Code compliance.
- A signed Contractor's Sworn Statement and Waiver of Lien to Date form must be completed, notarized and provided to MCDC prior to receiving grant funds.
- Property owner will be responsible for maintaining the infrastructure improvements made with funding from Grant for ten (10) years.

Acknowledgements - continued

- A final report detailing the successful completion of the Project will be provided to MCDC no later than 30 days following completion of the Project.
- Grant funding is provided on a reimbursement basis subsequent to submission of a reimbursement request, with copies of invoices and paid receipts for qualified expenses.
- Up to 20% of the grant funds awarded may be withheld until a final report on completion of the Project is provided to MCDC.
- A performance agreement will be required that may outline requirements for acknowledging MCDC funding support for the project. Additionally, it will contain a provision certifying that the applicant does not and will not knowingly employ an undocumented worker in accordance with Chapter 2264 of the Texas Government Code, as amended. Further, should the applicant be convicted of a violation under 8 U.S.C. § 1324a(f), the applicant will be required to repay the amount of the public subsidy provided under the agreement plus interest, at an agreed to interest rate, not later than the 120th day after the date the MCDC notifies the applicant of the violation.

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

Applicant's Signature



Signature

Property Owner's Signature



Signature

Sy Shahid
Printed Name

02/22/2023
Date

Printed Name

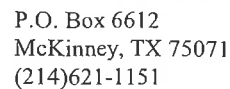
Date

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

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

Detailed Project Information:

The outdoor animal exhibit work station building, also known as "The Cottage," at the Heard Museum was built as a temporary structure in 2008 to support what we thought would be a short-term exotic animal exhibit. This exhibit was far more popular than we could have ever anticipated so we began the transition from exotic to native animal exhibits. We've stretched the life of the cottage well beyond expectations. The building is quite literally falling apart; it's time for a new one. The floors and ceiling are water damaged and sagging, in one area we can see the ground below. The floor tiles are peeling up and present tripping hazards for staff. The particle board shelving is falling off the walls which are buckling from moisture. The water supply lines have become unstable. There is no weather-proofing and during extremes of weather, staff deal with punishing temperatures while working inside the building. No matter the weather or whatever is going on in the rest of the world, animal care staff spend at least six hours each day, 365 days per year, in the work station where they prepare diets, medications and sanitize food and water containers. The building is now beyond repair. Over the years regulations have changed. It is unlikely the building will pass the next inspection.



Date	Estimate #
1/5/2023	136

Customer
Heard Natural Science Museum & Wildlife S 1 Nature Pl McKinney, TX 75069

Project
Head Food Shed

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PROPOSAL

Page # _____ of _____ pages

RJ SCHENE CONST LLC
CELINA TX 75009
469-243-9739
bobrbuilder@hotmail.com

Proposal Submitted To:	SY - HEARD NATURE CENTER		Job Name:	ANNUAL FEED/CARE BLD	Job #
Address	1 NATURE PL		Job Location		
Phone #	MCKINNEY TX 75069		Date	1-17-2025	Date of Plans
	Fax #			Architect	

We hereby submit specifications and estimates for:

ANIMAL CARE BUILDING AS PER DRAWING:
FOUNDATION & INSULATED STRUCTURE
MINI SPLIT HEAT/COOL (AIR TO AIR)
WATER FROM EXISTING BUILDING
ELECTRICAL FROM EXISTING BUILDING
NEW LEACH FIELD
CONCRETE WALK BLD TO EXISTING PATHWAY

We propose hereby to furnish material and labor—complete in accordance with the above specifications for the sum of:

\$ 89,640.00

Dollars

with payments to be made as follows:

Any alteration or deviation from above specifications involving extra costs will be executed only upon written order, and will become an extra charge over and above the estimate. All agreements contingent upon strikes, accidents, or delays beyond our control.

Respectfully submitted:

Note—this proposal may be withdrawn by us if not accepted within _____ days.

ACCEPTANCE OF PROPOSAL

The above prices, specifications and conditions are satisfactory and are hereby accepted. You are authorized to do the work as specified. Payments will be made as outlined above.

Signature _____

Date of Acceptance: _____

Signature _____

Heard Natural Science Museum
and Wildlife Sanctuary, Inc.

*Independent Accountant's Review Report
and Financial Statements*

Years Ended September 30, 2021 and 2020



BLAND GARVEY
ACCOUNTANTS & CONSULTANTS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of The Heard Natural Science Museum and Wildlife Sanctuary, Inc. (a not-for-profit organization), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

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

We are required to be independent of Heard Natural Science Museum and Wildlife Sanctuary, Inc. and meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

Accountant's Conclusion

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

Bland Marney, P.C.

Richardson, Texas
January 26, 2021

HEARD NATURAL SCIENCE MUSEUM
AND WILDLIFE SANCTUARY, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2021 and 2020

ASSETS			
		2021	2020
		<u>2021</u>	<u>2020</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	176,914	\$ 287,894
Prepaid expenses		15,618	21,171
Inventory		28,503	19,520
Restricted cash and cash equivalents		102,852	180,153
Investments		3,705,296	3,426,831
TOTAL CURRENT ASSETS		<u>4,029,183</u>	<u>3,935,569</u>
PROPERTY AND EQUIPMENT			
Land		1,773,694	1,611,234
Buildings		3,568,228	3,552,010
Equipment and furniture		641,336	600,768
Automotive equipment		119,316	115,787
Exhibits		545,452	488,576
Library		11,814	11,814
		<u>6,659,840</u>	<u>6,380,189</u>
Less accumulated depreciation		<u>5,016,184</u>	<u>4,845,310</u>
		<u>1,643,656</u>	<u>1,534,879</u>
TOTAL ASSETS	\$	<u>5,672,839</u>	<u>\$ 5,470,448</u>

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

HEARD NATURAL SCIENCE MUSEUM
AND WILDLIFE SANCTUARY, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2021 and 2020

LIABILITIES AND NET ASSETS

Paycheck Protection Plan note payable (Note H)	\$ -	\$ 120,700
Accounts payable	15,430	22,449
Accrued liabilities	<u>78,184</u>	<u>70,283</u>
 TOTAL LIABILITIES	 <u>93,614</u>	 <u>213,432</u>

COMMITMENTS AND CONTINGENCIES (Notes N and O)

NET ASSETS

Net assets without donor restrictions	5,174,273	4,774,764
Net assets with donor restrictions	<u>404,952</u>	<u>482,252</u>
 TOTAL NET ASSETS	 <u>5,579,225</u>	 <u>5,257,016</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 5,672,839</u></u>	 <u><u>\$ 5,470,448</u></u>

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

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
STATEMENT OF FINANCIAL ACTIVITY
For the Years Ended September 30, 2021 and 2020

	2021			2020
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	TOTAL
SUPPORT				
Gifts and grants	\$ 81,738	\$ 100,152	\$ 181,890	\$ 1,080,396
Gifts in-kind	264,764	-	264,764	11,740
Memberships	251,205	-	251,205	232,406
Sale of books and educational items, net of tax	181,584	-	181,584	124,593
Trips and education	144,880	-	144,880	129,336
Fundraising events	52,767	-	52,767	22,538
Admission fees	467,135	-	467,135	368,035
Rental income	31,515	-	31,515	34,450
PPP note payable forgiveness	120,700	-	120,700	-
Other income	2,013	-	2,013	6,209
Total revenue and support before releases	<u>1,598,301</u>	<u>100,152</u>	<u>1,698,453</u>	<u>2,009,703</u>
Net assets released from restrictions through satisfaction of program requirements	<u>177,452</u>	<u>(177,452)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>1,775,753</u>	<u>(77,300)</u>	<u>1,698,453</u>	<u>2,009,703</u>
EXPENSES				
Program services	1,115,780	-	1,115,780	917,906
Management and general	258,820	-	258,820	274,134
Fundraising	282,909	-	282,909	144,370
Total expenses	<u>1,657,509</u>	<u>-</u>	<u>1,657,509</u>	<u>1,336,410</u>
Change in net assets from operating activities	118,244	(77,300)	40,944	673,293
NONOPERATING ACTIVITIES				
Investment return, net	<u>281,265</u>	<u>-</u>	<u>281,265</u>	<u>36,847</u>
CHANGE IN NET ASSETS	399,509	(77,300)	322,209	710,140
NET ASSETS AT BEGINNING OF YEAR	<u>4,774,764</u>	<u>482,252</u>	<u>5,257,016</u>	<u>4,546,876</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,174,273</u>	<u>\$ 404,952</u>	<u>\$ 5,579,225</u>	<u>\$ 5,257,016</u>

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

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2021

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Cost of goods sold	\$ 81,279	\$ -	\$ 12,708	\$ 93,987
Special programs, events and exhibits	116,890	803	4,351	122,044
Salaries, benefits and taxes	491,257	158,842	79,421	729,520
Professional fees	2,357	26,240	387	28,984
Supplies	6,227	1,983	992	9,202
Occupancy	96,669	31,742	15,871	144,282
Equipment maintenance and rental	5,121	1,681	841	7,643
Travel	386	127	63	576
Conferences and meetings	473	155	78	706
Advertising and promotions	12,679	811	1,465	14,955
Insurance	15,369	5,694	2,096	23,159
Gifts in kind expense	132,382	-	132,382	264,764
Credit card processing fees	16,882	-	16,882	33,764
Miscellaneous	8,744	2,870	1,436	13,050
Total expenses before depreciation	986,715	230,948	268,973	1,486,636
Depreciation	129,065	27,872	13,936	170,873
TOTAL EXPENSES	\$ 1,115,780	\$ 258,820	\$ 282,909	\$ 1,657,509

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

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

HEARD NATURAL SCIENCE MUSEUM
AND WILDLIFE SANCTUARY, INC.
STATEMENT OF CASH FLOWS
For the Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 322,209	\$ 710,140
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	170,873	160,197
Forgiveness of the Paycheck Protection Plan note payable	(120,700)	-
Unrealized (gain) loss on investments	(242,584)	6,304
(Increase) decrease in inventory	(8,983)	8,166
(Increase) decrease in prepaid expenses	5,553	18,246
Increase (decrease) in accounts payable	(7,019)	6,920
Increase (decrease) in accrued liabilities	7,902	13,789
Net cash provided by operating activities	<u>127,251</u>	<u>923,762</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(35,881)	(921,994)
Purchase of property and equipment	(279,651)	(51,630)
Net cash used by investing activities	<u>(315,532)</u>	<u>(973,624)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Plan note payable	-	120,700
Net cash provided by financing activities	<u>-</u>	<u>120,700</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(188,281)	70,838
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>468,047</u>	<u>397,209</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 279,766</u>	<u>\$ 468,047</u>

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

HEARD NATURAL SCIENCE MUSEUM
AND WILDLIFE SANCTUARY, INC.
STATEMENT OF CASH FLOWS
For the Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTMENT AND FINANCIAL ACTIVITIES		
Forgiveness of PPP note payable	\$ (120,700)	\$ -
Satisfaction of PPP note payable	<u>120,700</u>	<u>-</u>
Net cash outlay	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

NOTE A – DESCRIPTION OF THE ORGANIZATION

Heard National Science Museum and Wildlife Sanctuary, Inc. (HNSM or Organization) was founded in 1967, by Miss Bessie Heard and was incorporated in 1969, as a non-stock corporation operating as an exempt non-profit organization. The purpose of the Heard Natural Science Museum and Wildlife Sanctuary, Inc. is to provide educational programs emphasizing appreciation of nature and its conservation, to preserve a portion of North Texas land and to preserve, through museum collections, examples of natural history, nature-related art works and memorabilia of the founder. HNSM's objective is not to achieve a profit, but to provide educational programs emphasizing appreciation of nature and its conservation.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of HNSM is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of HNSM's management, who is responsible for their integrity and objectivity.

Basis of accounting

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

Basis of presentation

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

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

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

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Measure of operations

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

Use of estimates

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

Financial instruments

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

Cash and cash equivalents

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

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Concentrations of credit risk

HNSM derives its revenue from contributions, programs and admission fees. 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, 2021 and 2020, HNSM exceeded these limits by \$0 and \$183,991, respectively. HNSM has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Inventory

Inventory of products held for sale are valued at the lower of cost or net realizable value, with cost determined on a first-in, first-out basis. Inventory consisted of merchandise at the Heard Museum Store in the amount of \$28,503 and \$19,520 at September 30, 2021 and 2020, respectively.

Property and equipment

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

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

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Depreciation expense amounted to \$170,873 and \$160,197 for the years ended September 30, 2021 and 2020, respectively.

Investments

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

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

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

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

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

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurements

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

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

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

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

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

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

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Contributions

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

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

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

HNSM derived approximately 27% and 55% of its revenue from contributions and special events for the years ended September 30, 2021 and 2020, respectively.

Donated services

No amounts have been reflected in the financial statements for donated services. HNSM pays for most services requiring specific expertise. However, many individuals volunteer their time to perform a variety of tasks that assist HNSM with its operations.

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. Allocated expenses includes occupancy expense, insurance expense, salaries, benefits and taxes expense, professional fees, supplies expense, equipment maintenance expense, travel expense, conference and meeting expense, advertising and promotions expense and other related expenses.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

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

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

Accounting for taxes collected from customers

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

Tax-exempt status

HNSM is a not-for-profit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for federal income tax has been made. HNSM files the required annual federal informational return for tax-exempt organizations. HNSM has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations; and to identify and evaluate other matters that may be considered tax positions.

HNSM is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. HNSM's open tax periods are from September 30, 2018, to September 30, 2021.

Recently issued accounting pronouncements

HNSM has adopted ASU No. 2018-08, Not-for-Profit Entities (Topic 958) clarifying the scope and accounting guidance for Contributions Received and Contributions Made. The new guidance helps distinguish if grants and contracts with resource providers are exchange transactions or contributions. Once a transaction is deemed to be a contribution, the ASU also provides guidance to help determine when a contribution is conditional and evaluates the possibility that a condition will not be met is remote. Unconditional contributions are recognized immediately and classified as either net assets

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

with or without donor restrictions, while conditional contributions received are accounted for as a liability until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with or without restrictions. The adoption of this standard for the year ended September 30, 2021 did not result in a change to the accounting for HNSM.

New accounting pronouncements

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

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

NOTE C – COVID-19 IMPACT AND CONSIDERATIONS

In January 2020, the World Health Organization declared a novel strain of coronavirus (“COVID-19”) to constitute a “Public Health Emergency of International Concern” and characterized COVID-19 as a pandemic. The United States government has implemented enhanced screenings, quarantine and social distancing requirements, and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus caused business disruption to

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

NOTE C – COVID-19 IMPACT AND CONSIDERATIONS

HNSM beginning in March, 2020, resulting in cancellation of events and loss of revenue from lower admissions, memberships and program registrations at the museum. HNSM was able to resume homeschool classes through virtual and in person learning in June 2021.

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

In April 2020, HNSM received loan proceeds in the amount of \$120,700 under the Paycheck Protection Program (PPP). The PPP loan was forgiven in its entirety in April 2021. See further details in Note H.

NOTE D – LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the HNSM's financial assets as of September 30, 2021 and 2020, respectively, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, or because the Board of Directors has set aside the funds for specific reserves as board designated endowments.

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

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 279,766	\$ 468,047
Investments	3,705,296	3,426,831
Less amounts not available to be used within one year due to:		
Subject to donor restriction – nature of expenditure	(102,852)	(180,153)
Board designations:		
Amounts set aside for exhibits	<u>(62,075)</u>	<u>(63,156)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,820,135</u>	<u>\$ 3,651,569</u>

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

NOTE D – LIQUIDITY AND AVAILABILITY OF RESOURCES

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

NOTE E – CASH AND CASH EQUIVALENTS

Cash consists of the following at September 30:

	2021	2020
Cash – without donor restriction	\$ 114,839	\$ 224,738
Board designated endowments	62,075	63,156
Total cash – without donor restrictions	176,914	287,894
Cash – with donor restrictions	102,852	180,153
Total Cash and cash equivalents	\$ 279,766	\$ 468,047

NOTE F – INVESTMENTS

Investments consist of equities, fixed income funds and publicly traded mutual funds with readily determinable fair market values and are reported at gross fair values.

The Charles Schwab account balances at September 30, 2021 and 2020, are \$1,851,309 and \$1,732,662, respectively, consisting of funds without restrictions of \$1,349,850, funds restricted by the Texas Department of Transportation (TXDOT) of \$302,100 and total unrealized gains of \$199,359 at September 31, 2021 and funds without restrictions of \$1,334,637, funds restricted by the TXDOT of \$302,100 and total unrealized gains of \$95,925 at September 30, 2020. The LPL Financial account balances at September 30, 2021 and 2020 are \$1,853,987 and \$1,694,169, respectively, consisting of funds without restrictions of \$1,649,318 and total unrealized gains of \$204,669 at September 30, 2021 and funds without restrictions of \$1,628,650 and total unrealized gains of \$65,519 at September 30, 2020.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

NOTE F – INVESTMENTS

The investment accounts as of September 30, 2021, were as follows:

	<u>Schwab</u>	<u>LPL</u>
Cash and cash equivalents	\$ 529,129	\$ 92,928
Equities	579,392	677,551
Fixed Income	-	355,193
Bond Funds	463,471	-
ETFs	<u>279,317</u>	<u>728,315</u>
Totals	<u>\$ 1,851,309</u>	<u>\$ 1,853,987</u>

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

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

NOTE G – FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, HSNM's assets and liabilities at fair value as of September 30, 2021:

	Assets at Fair Value as of September 30, 2021			Total
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets				
Cash and equivalents	\$ 622,057	\$ -	\$ -	\$ 622,057
Equities	1,256,943	-	-	1,256,943
Fixed income funds	355,193	-	-	355,193
Bond funds	463,471	-	-	463,471
ETFs	<u>1,007,632</u>	<u>-</u>	<u>-</u>	<u>1,007,632</u>
Total investments at fair value	<u>\$ 3,705,296</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,705,296</u>

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

NOTE G – FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, HSNM's assets and liabilities at fair value as of September 30, 2020:

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

NOTE H – PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

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

The PPP loan with accrued interest was forgiven in full in April 2021.

NOTE I – NET ASSETS

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

Net assets without donor restrictions are those funds available for the support of HNSM's programs. Net assets with donor restrictions are those funds restricted by the grantor(s) to be expended only for specific purposes.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

NOTE I – NET ASSETS

Net Assets With Restrictions

	<u>2021</u>	<u>2020</u>
Texas Department of Transportation	\$ 302,100	\$ 302,100
Other programs and exhibits	<u>102,852</u>	<u>180,153</u>
Total with donor restrictions	<u>\$ 404,952</u>	<u>\$ 482,253</u>

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

Purpose restrictions accomplished by donor restrictions released:

	<u>2021</u>	<u>2020</u>
Other programs and exhibits	<u>\$ 177,452</u>	<u>\$ 29,662</u>
Total restrictions released	<u>\$ 177,452</u>	<u>\$ 29,662</u>

NOTE J – FUNDRAISING EXPENSE

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

	<u>2021</u>	<u>2020</u>
Gifts and grants	\$ 181,888	\$ 1,080,396
Gifts in kind	264,764	11,740
Fundraising events	52,767	22,538
Memberships	251,205	232,406
Trips and education	<u>144,880</u>	<u>129,336</u>
Total funds raised	<u>\$ 895,504</u>	<u>\$ 1,476,416</u>

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

NOTE J – FUNDRAISING EXPENSE

	<u>2021</u>	<u>2020</u>
Fundraising expense	\$ 282,908	\$ 144,368
Ratio of fundraising expense to amounts raised	32%	10%

NOTE K – GIFTS IN KIND

HNSM recorded \$264,764 and \$11,740, respectively of contributions in kind that were associated with advertising to various events and exhibits for the years ended September 30, 2021 and 2020, included in support in the statement of activities.

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 in the year received. The cost of all objects purchased, together with the value of objects acquired by gift as indicated previously are reported as a separate program expense.

NOTE M – DEFINED CONTRIBUTION PLAN

HNSM has a defined contribution plan pursuant to Section 403(b) of the Internal Revenue Code. Employees who work 1,000 hours or more annually have been eligible to participate in the plan. However, since June of 2011, contributions by HNSM have been suspended as a cost reduction to the Museum, and currently there is no plan to reinstate contributions. The balance in the forfeiture account is \$0, and there were no contributions to the plan for the years ended September 30, 2021 and 2020.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

NOTE N – OPERATING LEASES

HNSM has two equipment lease agreements with original terms of fifty-one to sixty months with a total monthly rent of approximately \$637. In July 2020, the lease with Pitney Bowes Financial Services was renewed through June 2024 for monthly rent payments of \$139, payable quarterly. Lease expense for the years ended September 30, 2021 and 2020, was approximately \$7,643 and \$7,105, respectively.

Future minimum rental payments are as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2022	\$ 6,378
2023	1,530
2024	1,147
Thereafter	<u>-</u>
	<u>\$ 9,055</u>

NOTE O – LAND

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

NOTE P – ADVERTISING COSTS

HNSM incurs non-direct advertising costs and has adopted a policy of expensing such costs as incurred. HNSM recorded \$14,955 and \$23,016, respectively, in advertising and promotional expense for the years ended September 30, 2021 and 2020, all of which was expensed as incurred, and approximately 5% and 14%, respectively of which were included in fundraising expense.

HEARD NATURAL SCIENCE MUSEUM AND WILDLIFE SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

NOTE Q – SUBSEQUENT EVENTS

HNSM has evaluated and disclosed subsequent events up to and including January 26, 2022, which is the date the financial statements were available for issuance.

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

Heard Natural Science Museum
and Wildlife Sanctuary, Inc.

*Independent Accountant's Review Report
and Financial Statements*

Year Ended September 30, 2020



BLAND GARVEY
ACCOUNTANTS & CONSULTANTS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of The Heard Natural Science Museum and Wildlife Sanctuary, Inc. (a not-for-profit organization), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses 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.

To the Board of Directors
Heard Natural Science Museum and Wildlife Sanctuary, Inc.
Page 2

Change in Accounting Principle

As described in Note B to the financial statements, Heard Natural Science Museum and Wildlife Sanctuary, Inc. has adopted Accounting Standards Update 2014-19, Revenue Recognition from Contracts with a Customer. Our conclusion is not modified with respect to that matter.

Bland Marney, P.C.

Richardson, Texas
February 10, 2021

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

ASSETS

CURRENT ASSETS

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

PROPERTY AND EQUIPMENT

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

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

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

LIABILITIES AND NET ASSETS

Paycheck Protection Plan note payable (Note I)	\$ 120,700
Accounts payable	22,449
Accrued liabilities	<u>70,283</u>

TOTAL LIABILITIES	<u>213,432</u>
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COMMITMENTS AND CONTINGENCIES (Notes N and P)

NET ASSETS

Net assets without donor restrictions	4,774,764
Net assets with donor restrictions	<u>482,252</u>

TOTAL NET ASSETS	<u>5,257,016</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,470,448</u></u>
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See independent accountant's review report and accompanying notes to financial statements.

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

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

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

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

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

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

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

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

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

NOTE A – DESCRIPTION OF THE ORGANIZATION

Heard National Science Museum and Wildlife Sanctuary, Inc. (HNSM) was founded in 1967, by Miss Bessie Heard and was incorporated in 1969, as a non-stock corporation operating as an exempt non-profit organization. The purpose of the Heard Natural Science Museum and Wildlife Sanctuary, Inc. is to provide educational programs emphasizing appreciation of nature and its conservation, to preserve a portion of North Texas land and to preserve, through museum collections, examples of natural history, nature-related art works and memorabilia of the founder. HNSM's objective is not to achieve a profit, but to provide educational programs emphasizing appreciation of nature and its conservation and to preserve a portion of North Texas land.

NOTE B – CHANGE IN ACCOUNTING PRINCIPLE

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

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

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of HNSM is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of HNSM's management, who is responsible for their integrity and objectivity.

Basis of accounting

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

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

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

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

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

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

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

Measure of operations

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

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management also estimates and discloses the amount of contingent

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

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

assets and liabilities that it considers to be materially significant. Significant estimates includes the calculation of depreciation expense. Actual results could differ from those estimates.

Financial instruments

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

Cash and cash equivalents

HNSM's cash consists of cash on deposit with banks and considers as cash equivalents all unrestricted highly liquid investments with an initial maturity of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long-term purposes. HNSM uses the indirect method to present cash flows from operating activities. There were no noncash investing or financing activities for the year ended September 30, 2020.

Concentrations of credit risk

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

HNSM maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. At September 30, 2020, HNSM exceeded these limits by \$183,991. HNSM has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Inventory

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

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

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and equipment

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

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

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

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

Depreciation expense amounted to \$160,197 for the year ended September 30, 2020.

Investments

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

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

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

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

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Fair value measurements

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

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

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

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

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

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

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

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The authoritative guidance also establishes a framework for the measurement of fair value and enhances disclosures about fair value measurements. See Note H.

Contributions

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

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

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

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

Donated services

No amounts have been reflected in the financial statements for donated services. HNSM pays for most services requiring specific expertise. However, many individuals volunteer their time to perform a variety of tasks that assist HNSM with its operations.

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

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional expense allocation

Directly identifiable expenses are charged to program and support services. Expenses related to more than one function are charged to program and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

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

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

Advertising

Advertising expenditures are expensed as incurred.

Accounting for taxes collected from customers

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

Tax-exempt status

HNSM is a not-for-profit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for federal income tax has been made. HNSM files the required annual federal informational return for tax-exempt organizations. HNSM has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations; and to identify and evaluate other matters that may be considered tax positions.

HNSM is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. HNSM's open tax periods are from September 30, 2017, to September 30, 2020.

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

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recently issued accounting pronouncements

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

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

NOTE D – COVID-19 IMPACT AND CONSIDERATIONS

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

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

NOTE D – COVID-19 IMPACT AND CONSIDERATIONS

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

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

NOTE E – LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the financial assets as of September 30, 2020, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, or because the Board of Directors has set aside the funds for specific reserves as board designated endowments.

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

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

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

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

NOTE F – CASH AND CASH EQUIVALENTS

Cash consists of the following at September 30:

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

NOTE G – INVESTMENTS

Investments consist of equities, fixed income funds and publicly traded mutual funds with readily determinable fair market values and are reported at gross fair values.

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

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

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

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

NOTE H – FAIR VALUE MEASUREMENTS

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

NOTE I – PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

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

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

NOTE J – NET ASSETS

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

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

NOTE J – NET ASSETS

Net assets without donor restrictions are those funds available for the support of HNSM's programs. Net assets with donor restrictions are those funds restricted by the grantor(s) to be expended only for specific purposes.

Net Assets With Restrictions

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

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

Purpose restrictions accomplished by donor restrictions released:

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

NOTE K – FUNDRAISING EXPENSE

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

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

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

NOTE K – FUNDRAISING EXPENSE

Fundraising expense	<u>\$ 144,368</u>
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Ratio of fundraising expense to amounts raised	10%
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NOTE L – GIFTS IN KIND

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

NOTE M – ARTIFACT COLLECTION

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

NOTE N – DEFINED CONTRIBUTION PLAN

HNSM has a defined contribution plan pursuant to Section 403(b) of the Internal Revenue Code. Employees who work 1,000 hours or more annually have been eligible to participate in the plan. However, since June of 2011, contributions by HNSM have been suspended as a cost reduction to the Museum, and currently there is no plan to reinstate contributions. The balance in the forfeiture account is \$0, and there were no contributions to the plan for the year ended September 30, 2020.

NOTE O – OPERATING LEASES

HNSM has two equipment lease agreements with original terms of fifty-one to sixty months with a total monthly rent of approximately \$621. In July 2020, the lease with Pitney Bowes Financial Services was renewed through June 2024 for monthly rent payments of \$127, payable quarterly. Lease expense for the year ended September 30, 2020, was approximately \$7,105.

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

NOTE O – OPERATING LEASES

Future minimum rental payments are as follows:

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

NOTE P – LAND

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

NOTE Q – ADVERTISING COSTS

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

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NOTE R – SUBSEQUENT EVENTS

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

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

