

**CHIHUAHUAN DESERT
RESEARCH INSTITUTE**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2017**

RON KIRBY, CPA
CERTIFIED PUBLIC ACCOUNTANT

2626 JBS PARKWAY, STE B-200
ODESSA, TEXAS 79761-1958
432-550-2708
FAX 432-552-0032

MEMBER OF
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
DIVISION OF CPA FIRMS
PRIVATE COMPANIES PRACTICE SECTION
TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Chihuahuan Desert Research Institute

Report on the Financial Statements

We have audited the accompanying statement of financial position of Chihuahuan Desert Research Institute (the Non-Profit Organization), as of December 31, 2017, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Non-Profit Organization, as of December 31, 2017 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior Year

The accompanying prior year summarized comparative 2016 financial statements of Chihuahuan Desert Research Institute were compiled by us in accordance with Statements on Standards for Accordance and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements, information that is the representation of the management. We have not audited or reviewed the 2016 financial statements and accordingly, do not express an opinion or any other form of assurance on them.



Odessa, Texas
August 13, 2018



CHIHUAHUAN DESERT RESEARCH INSTITUTE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	2017	2016
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 284,524	\$ 227,240
Investments	2,430,468	2,175,927
Inventory	12,827	13,258
Total Current Assets	2,727,819	2,416,425
Fixed Assets:		
Land and Improvements	428,010	420,129
Buildings	393,518	412,855
Furniture, Fixtures, & Equipment	115,221	128,508
Vehicles	20,479	20,479
Collections & Other	-	63,737
Geological Platform	102,778	102,778
Total Fixed Assets	1,060,006	1,148,486
Less Accumulated Depreciation	(462,433)	(447,597)
Total Net Fixed Assets	597,573	700,889
Total Assets	\$3,325,392	\$ 3,117,314
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 3,438	\$ 3,568
Accrued Liabilities	10,104	6,249
Total Current Liabilities/Total Liabilities	13,542	9,817
Net Assets:		
Without Donor Restrictions	3,242,056	2,342,464
With Donor Restrictions	69,794	69,555
Total Net Assets	3,311,850	3,107,497
Total Liabilities and Net Assets	\$3,325,392	\$ 3,117,314

The accompanying notes are an integral part of these financial statements.

CHIHUAHUAN DESERT RESEARCH INSTITUTE
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2017	2016
Public Support and Revenues				
Membership Dues	\$ 23,515	\$ -	\$ 23,515	\$ 24,002
Contributions	27,765	239	28,004	26,472
Special Events	53,423	-	53,423	44,275
Grants	30,000	-	30,000	21,500
Nature Shop Revenues	68,690	-	68,690	69,384
Program Revenues	6,862	-	6,862	11,169
Investment Income	350,916	-	350,916	190,160
Admission Fees	43,895	-	43,895	40,658
Royalties	31,306	-	31,306	11,935
Net Assets Released from Restrictions	-	-	-	-
Total Public Support and Revenues	636,372	239	636,611	439,555
Expenses				
Programs	350,260		350,260	229,763
Management	36,386		36,386	68,827
Fund-raising	2,828	-	2,828	7,305
Total Functional Expenses	389,474	-	389,474	305,895
Cost of Goods Sold – Nature Shop	33,116	-	33,116	33,760
Special Events	9,668	-	9,668	7,855
	42,784	-	42,784	41,615
Total Expenses	432,258	-	432,258	347,510
Change in Net Assets	204,114	239	204,353	92,045
Net Assets – January 1	3,037,942	69,555	3,107,497	3,015,452
Net Assets – December 31	<u>\$ 3,242,056</u>	<u>\$ 69,794</u>	<u>\$3,311,850</u>	<u>\$3,107,497</u>

The accompanying notes are an integral part of these financial statements

CHIHUAHUAN DESERT RESEARCH INSTITUTE
STATEMENTS OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	Program	Management	Fundraising	Totals	
				2017	2016
Officer Salaries	\$ 18,480	\$ 3,300	\$ 220	\$ 22,000	\$ 27,500
Other Salaries	92,632	16,541	1,103	110,276	123,946
Other Employee Benefits	13,288	2,373	158	15,819	12,735
Payroll Taxes	13,208	2,358	157	15,723	17,717
Sub-Total	137,608	24,572	1,638	163,818	181,898
Contract Services	10,510	-	-	10,510	-
Supplies	5,623	805	-	6,428	5,224
Office	1,681	336	225	2,242	2,596
Royalty	-	708	-	708	501
Occupancy	15,238	2,721	181	18,140	19,238
Miscellaneous	1,503	999	67	2,569	3,854
Printing & Publications	6,660	-	-	6,660	6,935
Conferences	1,387	245	-	1,632	1,594
Depreciation	30,907	-	-	30,907	35,539
Impairment	95,450	-	-	95,450	-
Professional Fees	19,252	3,438	230	22,920	26,200
Insurance	9,985	1,782	119	11,886	12,539
Advertising	369	368	368	1,105	1,837
Bank Fees	5,892	-	-	5,892	5,495
Dues and Subscriptions	2,337	412	-	2,749	-
Vehicle	895	-	-	895	1,279
Program Expense	4,963	-	-	4,963	1,166
Total	\$ 350,260	\$ 36,386	\$ 2,828	\$ 389,474	\$ 305,895

The accompanying notes are an integral part of this statement.

CHIHUAHUAN DESERT RESEARCH INSTITUTE
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2017</u>	<u>2016</u>
Cash collected from revenue and other support	\$ 285,695	\$ 260,741
Cash paid for operating expenses	(301,745)	(311,971)
Interest received	69	41
Interest paid	<u>-</u>	<u>-</u>
NET CASH PROVIDED (USED) BY OPERATIONS	(15,981)	(51,189)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(21,832)	(2,642)
Investments	<u>95,097</u>	<u>107,469</u>
NET CASH USED IN INVESTING ACTIVITIES	73,265	104,827
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from borrowings	-	-
Repayments of debt	<u>-</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	-
Net increase (decrease) in cash	57,284	53,638
CASH at beginning of year	<u>227,240</u>	<u>173,602</u>
CASH at end of year	<u>\$ 284,524</u>	<u>\$ 227,240</u>
RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO NET CASH PROVIDED BY (USED) OPERATING ACTIVITIES:		
Increase (Decrease) in net assets	\$ 204,353	\$ 92,044
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities		
Depreciation	30,907	35,539
Impairment	95,450	-
Receivable	-	1,423
Inventory	431	4,943
Accounts payable	(130)	886
Accrued and other liabilities	3,855	4,095
Investments	<u>(350,847)</u>	<u>(190,119)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (15,981)</u>	<u>\$ (51,189)</u>

The accompanying notes are an integral part of these financial statements.

CHIHUAHUAN DESERT RESEARCH INSTITUTE

NOTES TO THE FINANCIAL STATEMENT

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

“The mission of Chihuahuan Desert Research Institute is to promote public awareness, appreciation and concern for nature generally and the natural diversity of the Chihuahuan Desert region specifically, through education, the visitor experience, and through the support of research.”

The Institute operates a 507 acre nature center and Botanical Garden year round in fulfillment of its mission providing a venue for people to connect with nature.

Income Taxes

The Institution qualifies as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, money contributed to the Institute qualifies for the charitable contribution deduction under Section 170(b) (1) (A) of the Internal Revenue Code. The Institute has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Service.

Management is required to evaluate the tax positions taken by the Institute and recognize a tax liability if the organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions of the Institute, and has concluded that as of December 31, 2017, there are no uncertain tax positions taken that would require recognition of a liability or disclosure in the financial statements. The Institute’s Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the IRS, generally for three years after they are filed. Management believes it is no longer subject to income tax examination for years prior to 2014.

Basis of Accounting

The financial statements of the Institute are prepared on the accrual basis of accounting and are presented in accordance with *FASB ASC 958*. Although not required, the institute presents its Statement of Functional Expenses as a basic financial statement. This statement has been subjected to the same auditing procedures as the rest of the basic financial statements.

Public Support and Revenue

Unrestricted Net Assets – The part of net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Pledges of Support are generally available for unrestricted use, unless specifically restricted by the donor. These pledges are recorded as revenue when commitments by sponsors are received.

Temporarily Restricted Net Assets - The part of net assets of a not-for-profit organization resulting from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations, from other asset enhancements and diminishments subject to the same kinds of stipulations, and from reclassifications to other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the organization pursuant to those stipulations.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Contributions received with donor-imposed

CHIHUAHUAN DESERT RESEARCH INSTITUTE
NOTES TO THE FINANCIAL STATEMENT

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

Permanently Restricted Net Assets – The part of the net assets of a not-for-profit organization resulting from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization, from other asset enhancements and diminishments subject to the same kinds of stipulations, and from reclassifications from other classes of net assets as a consequence of donor-imposed stipulations.

Public Support and Revenue

Endowment contributions and investments maybe permanently restricted by the donor. Investment earnings, available for distribution are recorded in unrestricted assets. Investment earnings with donor restrictions are recorded in temporarily restricted net assets based on the nature of the restrictions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management’s estimates.

Cash and Cash Equivalents

The Institute considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the Statement of Cash Flows exclude permanently restricted cash and cash equivalents.

Investments

Investments are composed of mutual funds investing in debt and equity securities and are carried at fair market value as determined and reported daily by the mutual fund management company.

Capital Assets

Capital assets, which include land; land improvements; buildings; furniture, fixtures, and equipment; vehicles; and non-depreciable assets and capitalized at cost. It is the Institute’s policy to capitalize expenditures for these items in excess of \$1,000. Lesser amounts are expensed. Capital assets are being depreciated using the straight line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Land Improvements	5 to 15
Buildings	20 to 50
Furniture, Fixtures, and Equipment	5 to 15
Vehicles	5 to 10

CHIHUAHUAN DESERT RESEARCH INSTITUTE
NOTES TO THE FINANCIAL STATEMENT

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Subsequent Events

The Organization has evaluated events subsequent to the date of the statement of net assets (December 31, 2017) through August 13, 2018 the date these financial statements were suitable to be issued, and concluded that no significant subsequent event has occurred that would require disclosure in the notes or recognition in the financial statements.

Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class on the Statement of Activities. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles.

2. INVESTMENTS

FAIR VALUE OF INVESTMENTS

Effective December 31, 2010 the Organization adopted Accounting Standards Codification (Topic (820), *Fair Value Measurements and Disclosures*, which establishes a framework for measuring fair value in generally accepted accounting principles, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurement.

Currently, the Organization investments are carried at fair value under ASC Topic 820. The fair value is based upon independently sourced market parameters. To ensure that these investments are recorded at fair value, valuation adjustments may be required to reflect any reduction of their fair value.

ASC Topic 820 defines fair value as the price that would be received to sell an asset, or paid to transfer or extinguish a liability, in an orderly transaction between market participants at the measurement date. ASC Topic 820 provides a framework for measuring fair value, establishes a tree-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date and requires consideration of the counterparty's creditworthiness when valuing certain assets.

The three-level fair value hierarchy for disclosure of fair value measurements defined by ASC Topic 820 is as follows:

Level 1 – Unadjusted, quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. An active market is defined as a market where transactions for the financial instrument occur with sufficient frequency and volume to prove pricing information on an ongoing basis.

Level 2 – Inputs, other than quoted prices in active markets, that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the security or instrument's anticipated life.

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. Valuation under level 3 generally involves a significant degree of judgment by management.

**CHIHUAHUAN DESERT RESEARCH INSTITUTE
NOTES TO THE FINANCIAL STATEMENT**

FAIR VALUE OF INVESTMENTS (CONT'D)

The following table present the fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2017:

	FAIR VALUE MEASUREMENTS USING			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fair Value Inputs as of December 31, 2017				
Without Donor Restrictions:	\$ 2,382,973	-	-	\$ 2,382,973
With Donor Restrictions:	<u>47,495</u>	<u>-</u>	<u>-</u>	<u>47,495</u>
Grand Total:	<u>\$ 2,430,468</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,430,468</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2017.

	Without Donor <u>Unrestricted</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Interest & Dividends	\$ 47,870	\$ 1,328	\$ 49,198
Realized Gain (Loss)	68,991	534	69,525
Unrealized Gain (Loss)	<u>229,542</u>	<u>2,582</u>	<u>232,124</u>
Total Investment Return	<u>\$ 346,403</u>	<u>\$ 4,444</u>	<u>\$ 350,847</u>

3. NET ASSETS WITH DONOR RESTRICTIONS

	<u>2017</u>
Mining Exhibit	\$ 22,299
Scudday Memorial Fund	<u>47,495</u>
Total Temporarily Restricted Net Assets	<u>\$ 69,794</u>

CHIHUAHUAN DESERT RESEARCH INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS

4. DONATED SERVICES

The Institute receives a significant amount of donated services from unpaid volunteers who assist in fund-raising events. No amounts have been recognized in the Statement of Activities because the criteria for recognition under FASB ASC 958 have not been satisfied.

5. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

6. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, “Revenue from Contracts with Customers,” which establishes a comprehensive revenue recognition standard for virtually all industries in U.S. GAAP, including those that previously followed industry-specific guidance. For non-public entities, the new standard was originally effective for annual periods beginning after December 15, 2017. In August 2015, the FASB issued ASu 2015-4, “Revenue from Contracts with Customers (Topic 606) – Deferral of Effective Date,” which deferred the effective date for one year. Accordingly, this ASU will be effective for the Organization for the year ended December 31, 2019.

In February 2016, the FASB issued an accounting standards update (ASU 2016-02), intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate and equipment. The ASU will require organizations that lease assets—referred to as “lessees” –to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The amendments in this Update are effective for fiscal years, beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020.

In August 2016, the FASB issued an accounting standards update (ASU 2016-14) that will result in significant changes to the presentation of financial statements of not-for-profit entities. The main provisions are as follows: (1) eliminate requirement to present separately amounts for *temporarily restricted net assets* and *permanently restricted net assets*, (2) eliminate requirement to present separately the transactions and other changes in each of those classes of net assets, (3) eliminate requirement to present cash flows provided by operating activities using the indirect method of reporting, (4) present two net asset classes rather than the current three by reporting net assets with donor restrictions and without donor restrictions, (5) provide enhanced disclosures for: board designations and donor-imposed restrictions, liquidity, quantitative information on the availability of an NFP to meet cash needs within one year of balance sheet date, and (6) voluntary health and welfare organizations will no longer be required to provide a statement of functional expenses; rather, they can provide such information about expenses on the face of the statement of activities, as a separate statement, or in notes to financial statements. This Update is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018.

The Organization is currently implementing early ASU 2016-14.