

**CHIHUAHUAN DESERT  
RESEARCH INSTITUTE**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2011**

**CHIHUAHUAN DESERT  
RESEARCH INSTITUTE**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6

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**INDEPENDENT AUDITOR'S REPORT**

To the Executive Committee and Executive Director  
Chihuahuan Desert Research Institute  
P.O. Box 905  
Fort Davis, Texas 79734

Members of the Committee:

We have audited the accompanying statement of financial position of the Chihuahuan Desert Research Institute (a nonprofit organization) as of December 31, 2011 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chihuahuan Desert Research Institute as of December 31, 2011 and the changes in its net assets and its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying prior year summarized comparative 2010 financial statements of Chihuahuan Desert Research Institute were compiled by me in accordance with Statements on Standards for Accounting 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 owner. We have not audited or reviewed the 2010 financial statements and accordingly, do not express an opinion or any other form of assurance on them.



Ron Kirby, CPA  
Odessa, Texas  
October 8, 2012



**CHIHUAHUAN DESERT RESEARCH INSTITUTE**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2011**  
**(WITH COMPARATIVE TOTALS FOR 2010)**

	2011	2010
<b>Assets</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 793,384	\$ 740,556
Investments	1,249,939	1,245,136
Royalty Receivable	2,830	5,583
Inventory	21,588	27,221
Total Current Assets	2,067,741	2,018,496
Fixed Assets:		
Construction In Progress	-	3,133
Land and Improvements	388,816	300,816
Buildings	378,236	219,301
Furniture, Fixtures, & Equipment	117,208	114,710
Vehicles	20,479	20,479
Geological Platform	102,778	102,778
Collections	61,095	61,095
Total Fixed Assets	1,068,612	822,312
Less Accumulated Depreciation	(278,357)	(246,917)
	790,255	575,395
Total Assets	\$2,857,996	\$ 2,593,891
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts Payable	\$ 2,293	\$ 5,233
Accrued Liabilities	3,806	5,126
Total Current Liabilities/Total Liabilities	6,099	10,359
Net Assets:		
Unrestricted Net Assets:		
Operating	1,054,401	841,534
Board Designated	1,406,383	1,366,201
Total Unrestricted Net Assets	2,460,784	2,207,735
Temporarily Restricted Net Assets	60,423	50,182
Permanently Restricted Net Assets	330,690	325,615
Total Net Assets	2,851,897	2,583,532
Total Liabilities and Net Assets	\$2,857,996	\$ 2,593,891

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

**CHIHUAHUAN DESERT RESEARCH INSTITUTE**  
**Statement of Activities**  
**For the Year Ended December 31, 2011**  
**(With Comparative Totals For 2010)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2011	2010
<b>Public Support and Revenues</b>					
Membership Dues	\$ 29,578	\$ -	\$ 3,000	\$ 32,578	\$ 35,800
Contributions	351,594	10,241	2,075	363,910	722,814
Special Events	15,633	-	-	15,633	44,130
Grants	57,452	-	-	57,452	25,720
Nature Shop Revenues	51,029	-	-	51,029	63,992
Program Revenues	10,211	-	-	10,211	14,648
Special Projects	724	-	-	724	20,719
Admission Fees	15,298	-	-	15,298	20,918
Royalties	28,710	-	-	28,710	27,222
Net Assets Released from Restrictions	-	-	-	-	-
<b>Total Public Support and Revenues</b>	<b>560,229</b>	<b>10,241</b>	<b>5,075</b>	<b>575,545</b>	<b>975,963</b>
<b>Expenses</b>					
Programs	246,937	-	-	246,937	260,618
Management	91,017	-	-	91,017	96,060
Fund-raising	3,389	-	-	3,389	3,576
<b>Total Functional Expenses</b>	<b>341,343</b>	<b>-</b>	<b>-</b>	<b>341,343</b>	<b>360,254</b>
Cost of Goods Sold – Nature Shop	25,410	-	-	25,410	29,009
Special Projects	4,568	-	-	4,568	21,631
Special Events	11,872	-	-	11,872	12,584
	41,850	-	-	41,850	63,224
Investment Income (Loss)	76,013	-	-	76,013	137,587
Change in Net Assets	253,049	10,241	5,075	268,365	690,072
Net Assets – January 1	2,207,735	50,182	325,615	2,583,532	1,893,460
Net Assets – December 31	<u>\$ 2,460,784</u>	<u>\$ 60,423</u>	<u>\$ 330,690</u>	<u>\$2,851,897</u>	<u>\$2,583,532</u>

The accompanying notes are an integral part of this statement.

**CHIHUAHUAN DESERT RESEARCH INSTITUTE**  
**Statement of Functional Expense**  
**For the Year Ended December 31, 2011**  
**(with comparative totals for 2010)**

				Totals	
	Program	Management	Fundraising	2011	2010
Officer Salaries	\$ 44,313	\$ 19,454	\$ 1,233	\$ 65,000	\$ 68,250
Other Salaries	111,259	12,102	-	123,361	144,287
Other Employee Benefits	2,706	9,695	22	12,423	13,894
Payroll Taxes	14,817	6,315	94	21,226	22,643
Supplies	2,985	2,984	2,040	8,009	8,183
Telephone	2,633	-	-	2,633	2,551
Postage and Shipping	205	2,576	-	2,781	3,563
Occupancy	3,655	3,655	-	7,310	6,704
Equipment Rental & Maintenance	4,556	4,555	-	9,111	5,482
Printing & Publications	9,951	-	-	9,951	11,744
Conferences	708	2,809	-	3,517	2,954
Depreciation	25,152	6,288	-	31,440	23,633
Professional Fees	4,730	10,200	-	14,930	21,221
Insurance	5,088	8,324	-	13,412	11,925
Advertising	4,099	-	-	4,099	3,348
Bank Fees	2,591	-	-	2,591	3,357
Dues and Subscriptions	150	2,060	-	2,210	3,035
Program Expense	7,339	-	-	7,339	3,909
<b>Total</b>	<b>\$ 246,937</b>	<b>\$ 91,017</b>	<b>\$ 3,389</b>	<b>\$ 341,343</b>	<b>\$ 360,254</b>

The accompanying notes are an integral part of this statement.

**CHIHUAHUAN DESERT RESEARCH INSTITUTE****Statement of Cash Flows****For the Year Ended December 31, 2011****(with comparative totals for 2010)**

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2011</u>	<u>2010</u>
Cash collected from revenue and other support	\$ 578,298	\$ 976,299
Cash paid for operating expenses	(350,380)	(410,840)
Interest received	3,216	268
Interest paid	<u>-</u>	<u>-</u>
NET CASH PROVIDED (USED) BY OPERATIONS	231,134	565,727
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(246,299)	(9,348)
Investments	<u>67,993</u>	<u>45,597</u>
NET CASH USED IN INVESTING ACTIVITIES	(178,306)	36,249
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	52,828	601,976
CASH at beginning of year	<u>740,556</u>	<u>138,580</u>
CASH at end of year	<u>\$ 793,384</u>	<u>\$ 740,556</u>
RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO NET CASH PROVIDED BY (USED) OPERATING ACTIVITIES:		
Increase (Decrease) in net assets	\$ 268,365	\$ 690,072
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities		
Depreciation	31,440	23,633
Receivable	2,753	335
Inventory	5,633	(5,422)
Accounts payable	(2,940)	(5,481)
Accrued and other liabilities	(1,320)	(92)
Investments	<u>(72,797)</u>	<u>(137,318)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 231,134</u>	<u>\$ 565,727</u>

The accompanying notes are an integral part of these financial statements

**CHIHUAHUAN DESERT RESEARCH INSTITUTE**  
**Notes to the Financial Statements**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Activities**

The Chihuahuan Desert Research Institute (the “Institute”) is a Texas not-for-profit corporation chartered in January 1974. The Institute’s purpose is to expedite scientific investigation pertaining to the natural sciences and the Chihuahuan Desert region and to create public awareness of the natural phenomena to be found here. While maintaining its independence, the Institute works closely with a number of colleges, universities, institutions, and organizations. The Institute has its roots in nearby Sul Ross State University and enjoys a close and very special working relationship with this institution of higher learning.

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.

**Basis of Accounting**

The financial statements of the Institute are prepared on the accrual basis of accounting and are presented in accordance with *Statement of Financial Accounting Standards No. 117*. 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 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.



**CHIHUAHUAN DESERT RESEARCH INSTITUTE**  
**Notes to the Financial Statements**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Public Support and Revenue**

Endowment contributions and investments are 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 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 then 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 value.

**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 expenses 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

**Subsequent Events**

The Organization has evaluated events subsequent to the date of the statement of net assets (December 31, 2011) through October 8, 2012 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.

**CHIHUAHUAN DESERT RESEARCH INSTITUTE**  
**Notes to the Financial Statements**

**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 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 provide 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 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 from management.

**CHIHUAHUAN DESERT RESEARCH INSTITUTE**  
**Notes to the Financial Statements**

**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, 2011 and 2010:

	FAIR VALUE MEASUREMENTS USING			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Fair Value Inputs as of December 31, 2011				
<b>Unrestricted:</b>				
Total- Unrestricted	<u>\$ 1,036,327</u>	<u>          -</u>	<u>          -</u>	<u>\$ 1,036,327</u>
<b>Permanently Restricted:</b>				
Total- Permanently Restricted	<u>      213,612</u>	<u>          -</u>	<u>          -</u>	<u>      213,612</u>
Grand Total:	<u>\$ 1,249,939</u>	<u>\$          -</u>	<u>\$          -</u>	<u>\$ 1,249,939</u>
Fair Value inputs as of December 31, 2010				
<b>Unrestricted:</b>				
Total- Unrestricted	<u>\$ 1,038,108</u>	<u>          -</u>	<u>          -</u>	<u>\$ 1,038,108</u>
<b>Permanently Restricted:</b>				
Total- Permanently Restricted	<u>      207,028</u>	<u>          -</u>	<u>          -</u>	<u>      207,028</u>
Grand Total:	<u>\$ 1,245,136</u>	<u>\$          -</u>	<u>\$          -</u>	<u>\$ 1,245,136</u>

**CHIHUAHUAN DESERT RESEARCH INSTITUTE**  
**Notes to the Financial Statements**

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2011.

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest & Dividends	\$ 25,388	\$ 32,519	\$ 57,907
Realized Gain (Loss)	9,207	12,728	21,935
Unrealized Gain (Loss)	<u>(20,255)</u>	<u>(24,322)</u>	<u>(44,577)</u>
Total Investment Return	<u>\$ 14,340</u>	<u>\$ 32,767</u>	<u>\$ 35,265</u>

**3. TEMPORARY RESTRICTED NET ASSETS**

Temporary restricted net assets are available for the following purposes or periods:

Capital Campaign	\$ 19,199
Mining Exhibit	36,996
Greenhouse	1,513
Education	1,465
Website	<u>1,250</u>
Total Temporarily Restricted Net Assets	<u>\$ 60,423</u>

**4. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consist of the endowment contribution received from the Chihuahuan Desert Foundation, Inc. during the year ended December 31, 2005, in the amount of \$304,281. The restrictions of this endowment are as follows: Distribution of income from the Permanent Endowment Fund shall be made annually, at the discretion of the Board of Directors in the greater amount of the annual income received during the preceding twelve months period or 6% of the corpus of the Fund, provided that the fund has grown by at least 6% in the preceding twelve month period. If the fund growth is not at least 6%, the distribution will be in the amount of the annual income.

**5. DONATED SERVICES**

The Institute receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and special projects. No amounts have been recognized in the Statement of Activities because the criteria for recognition under authoritative literature have not been satisfied.

**6. 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.