

Armand Bayou Nature Center Inc.

Reviewed Financial Statements

For the Year Ended December 31, 2021

Armand Bayou Nature Center Inc.

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Independent Accountant's Review Report

To the Board of Directors of
Armand Bayou Nature Center Inc.
Houston, Texas

We have reviewed the accompanying financial statements of Armand Bayou Nature Center Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, 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 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 American Institute of Certified Public Accountants. 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.

Summarized Comparative Information

We previously reviewed Armand Bayou Nature Center's 2020 financial statements and in our conclusion dated October 25, 2021, stated that based on our review, we were not aware of any material modifications that should be made to the 2020 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2020, for it to be consistent with the reviewed financial statements from which it has been derived.



Houston, Texas
October 4, 2022

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Armand Bayou Nature Center Inc.
Statement of Financial Position
December 31, 2021
(With Comparative Totals as of December 30, 2020)

ASSETS:	2021	2020
Cash and cash equivalents	\$ 30,377	\$ 153,183
Restricted cash	573,376	401,323
Accounts receivable	-	6,000
Investments	33,700	26,808
Other assets	27,068	27,042
Beneficial interest in independent foundation	1,882,251	1,684,561
Property and equipment, net	<u>262,994</u>	<u>286,365</u>
Total Assets	<u><u>2,809,766</u></u>	<u><u>2,585,282</u></u>
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	38,008	36,950
Line of credit	<u>-</u>	<u>16,343</u>
Total Liabilities	<u>38,008</u>	<u>53,293</u>
 NET ASSETS:		
Without donor restrictions	316,131	446,105
With donor restrictions	<u>2,455,627</u>	<u>2,085,884</u>
Total Net Assets	<u>2,771,758</u>	<u>2,531,989</u>
Total Liabilities and Net Assets	<u><u>\$ 2,809,766</u></u>	<u><u>\$ 2,585,282</u></u>

See independent accountants' review report and accompanying notes.

Armand Bayou Nature Center Inc.
Statement of Activities
For the Year Ended December 31, 2021
(With Comparative Totals For the Year Ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total	2020 Total
Operating Revenue:				
Contributions	\$ 27,086	\$ 461,171	\$ 488,257	\$ 404,355
Grants	135,106	-	135,106	151,202
Membership dues	32,062	7,565	39,627	52,025
Admissions and education program fees	227,560	38,250	265,810	184,251
Distribution from independent foundation	104,313	-	104,313	89,209
Other income	105,673	2,735	108,408	115,217
Unrealized gain/(loss) on investments	1,893	-	1,893	2,145
Fundraising events, less direct benefit to donors of \$0	56,173	-	56,173	25,676
Total Operating Revenue	689,866	509,721	1,199,587	1,024,080
Net assets released from restrictions	337,668	(337,668)	-	-
Total Operating Revenue, and Releases from Restrictions	1,027,534	172,053	1,199,587	1,024,080
Operating Expenses				
Program services	835,945	-	835,945	660,573
Management and general	291,563	-	291,563	247,942
Fundraising	30,000	-	30,000	27,500
Total Operating Expenses	1,157,508	-	1,157,508	936,015
Change in Net Assets from Operations	(129,974)	172,053	42,079	88,065
Change in beneficial interest in independent foundation	-	197,690	197,690	118,143
Change in Net Assets	(129,974)	369,743	239,769	206,208
Net assets, beginning of year	446,105	2,085,884	2,531,989	2,325,781
Net assets, end of year	<u>\$ 316,131</u>	<u>\$ 2,455,627</u>	<u>\$ 2,771,758</u>	<u>\$ 2,531,989</u>

See independent accountants' review report and accompanying notes.

Armand Bayou Nature Center Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2021
(With Comparative Totals For the Year Ended December 31, 2020)

	Program	Management and General	Fundraising	2021 Total	2020 Total
Advertising	\$ 2,463	\$ 616	\$ -	\$ 3,079	\$ 986
Conferences	2,058	515	-	2,573	287
Cost of fundraising	-	-	30,000	30,000	27,500
Compensation of officers	22,020	88,080	-	110,100	110,400
Depreciation	52,690	13,172	-	65,862	47,352
Information technology	6,434	1,609	-	8,043	7,458
Insurance	24,705	6,176	-	30,881	27,559
Interest	1,214	303	-	1,517	2,672
Miscellaneous	9,782	2,446	-	12,228	25,549
Occupancy	30,818	7,704	-	38,522	50,629
Office	28,238	7,060	-	35,298	32,019
Payroll taxes	34,918	8,730	-	43,648	37,251
Payroll benefits	50,096	12,524	-	62,620	61,856
Professional fees	55,227	13,807	-	69,034	76,834
Repairs and maintenance	134,523	33,631	-	168,154	29,876
Salaries and wages	372,514	93,129	-	465,643	391,317
Staff development	5,611	1,403	-	7,014	5,052
Travel	2,634	658	-	3,292	1,418
Total Functional Expenses	\$ 835,945	\$ 291,563	\$ 30,000	\$ 1,157,508	\$ 936,015

See independent accountants' review report and accompanying notes.

Armand Bayou Nature Center Inc.
Statement of Cash Flows
For the Year Ended December 31, 2021
(With Comparative Totals For the Year Ended December 31, 2020)

	2021	2020
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 239,769	\$ 206,208
Adjustments to reconcile change in net assets		
Depreciation	65,862	47,352
Change in assets and liabilities:		
Change in beneficial interest	(197,690)	(118,143)
Accounts receivable	6,000	(6,000)
Other assets	(26)	(22,068)
Accounts payable and accrued expense	1,059	14,411
Net unrealized and realized loss (gain) on investments	(1,893)	(2,145)
Net Cash (Used in)/Provided by Operating Activities	113,081	119,615
Cash Flows from Investing Activities		
Purchase of property and equipment	(42,491)	(128,540)
Purchase of investments	(5,000)	(7,116)
Net Cash (Used in)/Provided by Investing Activities	(47,491)	(135,656)
Cash Flows from Financing Activities		
Repayments to line of credit	(16,343)	(11,213)
Net Cash (Used in)/Provided by Financing Activities	(16,343)	(11,213)
Net Increase in Cash and Cash Equivalents	49,247	(27,254)
Cash and Cash Equivalents, beginning of year	554,506	581,760
Cash and Cash Equivalents, end of year	\$ 603,753	\$ 554,506
Supplemental disclosures of cash flow information:		
Interest Expense	\$ 1,517	\$ 2,672

See independent accountants' review report and accompanying notes.

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Note 1 – Organization and Summary of Significant Accounting Policies

Armand Bayou Nature Center Inc. (the “Organization”), a Texas nonprofit organization, was started as a natural wetlands forest, prairie, and marsh habitats of 2,500 acres in 1974, in the Houston-Galveston area. The Organization’s mission is to preserve and provide opportunities for people to experience Armand Bayou habitats and to learn the importance of preserving these vanishing habitats.

ABNC’s stewardship programs ensure that future generations have the opportunity to experience a wilderness close to home. The educational programs promote the value of preservation and conservation of natural resources. These programs also encourage everyone to incorporate ecological concepts into their daily lives. ABNC offers hiking trails, exhibits, field trips, scout programs, and other educational classes to the public.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP). The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). (ASC) 958-205 was effective January 1, 2018.

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

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time. As of December 31, 2021, the Organization had \$316,131 of net assets without donor restrictions.

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The earnings may be used to support the operations of the Organization, upon approval of appropriation by Armand Bayou Nature Center Foundation (the Foundation). As of December 31, 2021, the Organization had \$2,455,627 of net assets with donor restrictions.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Grants

Generally, grants are recognized as revenues when earned. Grants that operate on a reimbursement basis are recognized on the accrual basis as revenues only to the extent of disbursements and commitments that are allowable for reimbursement. Revenues from contributions, donations and other sources are recognized as unrestricted or temporarily restricted revenues when received or unconditionally promised by a third party. Revenues from special events are recognized when the events are held. Interest income is recognized when earned based on passage of time. Program income and other income are recognized when received.

Contributions and Promises to Give

In accordance with FASB ASC 958-605-45-3, Accounting for Contributions Received, contributions are distinguished between contributions received with donor-imposed restrictions and those without donor-imposed restrictions. The former shall be reported as donor-restricted support that increases net assets with donor restrictions. The latter shall be reported as support that increases net assets without donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give cash or other assets are not recognized as revenue until received. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions are met in the fiscal year in which the contributions were recognized. All other donor-restricted contributions would be reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, 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.

The Organization uses the allowance method to determine uncollectible promise to give receivables. The allowance is based on management's analysis of specific promises made. There were no promise to give receivables as of December 31, 2021.

Pledges receivable

Pledges receivables that are expected to be collected within one year are reported at net realizable value. Amounts due in more than one year are discounted to estimate the present value of future cash flows.

Beneficial interest in independent foundation

Beneficial interest in independent foundation is reported at the fair value of the underlying investments reported by the custodian.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Advertising

Advertising is expensed as incurred. Total advertising costs expensed were \$3,079 for the year ended December 31, 2021.

Donations

Donations are recorded as contributions at fair value at the date of donation. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated assets 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 net assets with donor restrictions.

Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as restricted by the donor. The organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Cash and Cash Equivalents

The Organization considers all monies in banks and highly liquid investments with maturities of three months or less from the date of purchase to be cash and cash equivalents. The carrying values of any cash and cash equivalents are deemed to approximate their fair values because of the short maturities of those financial instruments.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$5,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value at the date of donation. Property and equipment items are depreciated using the straight-line method based on their estimated useful lives ranging from 5 to 40 years for leasehold improvements and 3 to 10 years for equipment and furnishings. Maintenance and repairs are charged to operations when incurred. Major improvements and renewals that extend the life of the asset are capitalized.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. The significant estimates included in the financial statements are the estimated of useful lives used for depreciating property and equipment items.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

Expenses are categorized in the Statement of Activities as program services, fundraising and management and general. The Organization’s expenses are allocated on a functional basis among these benefited categories. Program service expenses include direct and indirect (allocated) expenses for the various programs offered by the Organization. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Other expenses, that are common to several functions, are allocated to program services by various reasonable basis.

Fundraising expenses represent cost incurred in connection with fundraising efforts. 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.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Occupancy	Square footage
Salaries and benefits	Time and effort
Professional services	Time and effort
Other	Time and effort

Income Taxes

The Organization is a nonprofit corporation that is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (“Code”) and comparable State law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization did not conduct any unrelated business activities in the current fiscal year. Therefore, the Organization has made no provision for federal income taxes in the accompanying financial statements.

The Organization applies the provisions of FASB ASC Topic 740, Income Taxes, (formerly FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109), which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures and transition.

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Note 2 – Programs and Supporting Services

Stewardship: ABNC is one of the largest urban wilderness preserves in the nation, conserving one of the most extensive holdings of coastal tallgrass prairie in the lower Galveston Bay watershed. Currently, over 900 acres are actively managed within our preserve boundaries. Critical prairie habitat is annually being restored and then preserved through controlled burns and mowing to reduce invasive species and replanting native grasses propagated in our native plant nursery. More recently, ABNC has assumed management of a 24-acre tract that specifically protects the endangered Prairie Dawn Flower species. Additionally, ABNC manages over 330 acres of Texas State Coastal Preserve in the Armand Bayou watershed, restoring intertidal marsh to maintain appropriate water depth and encourage native plant and animal recolonization.

Education: Over 9,500 students of all ages participate in ABNC environmental education programs annually. School groups attend Texas Essential Knowledge and Skills (TEKS) correlated outdoor classes, field trips and unique natural and cultural history programs. ABNC offers outdoor nature camps each summer and winter, scouting and similar youth programs, and community outreaches. ABNC has also introduced a range of early childhood outdoor programs and STEM focused classes to support homeschool programs.

Note 3 – Beneficial Interest in Independent Foundation and Fair Value Measurements

ABNC is the sole beneficiary of the Foundation, which was incorporated in 1987 under the Texas Nonprofit Corporation Act to hold investments in perpetuity for the benefit of ABNC. The Foundation is independent of ABNC. Prior to establishment of the Foundation, ABNC solicited funds for a permanent endowment fund to finance future operations. Contributions were solicited with the understanding that principal amounts would be invested in perpetuity, and that only income and gains on investments would be used to fund operations. Effective December 31, 1988, all assets of the endowment fund were transferred from ABNC to the Foundation. The investments of the endowment fund and appropriation of endowment earnings are at the discretion of the Foundation's board of directors.

The beneficial interest in independent foundation is invested in equity securities, corporate bonds, and money market mutual funds. ABNC values its beneficial interest based on the underlying value of the Foundation's investments. These inputs are unobservable (Level 3) as the beneficial interest has no observable market and ABNC has no ability to redeem its interest. This valuation method may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while ABNC believes its valuation method is appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

The net assets related to the beneficial interest are reported as follows:

Restricted for specific purposes:	
Undistributed earnings	\$ 908,903
Accumulated endowment gifts	<u>973,348</u>
Total	<u>\$ 1,882,251</u>

Armand Bayou Nature Center Inc.
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 3 – Beneficial Interest in Independent Foundation and Fair Value Measurements (continued)

The change in beneficial interest in independent foundation consists of the following:

Investment return	\$	315,431
Distributions for operations		(104,313)
Distribution for Foundation expenses		(13,428)
Total		\$ 197,690

Note 4 – Investments

Cost and fair value of investments at December 31, 2021 were as follows:

	Cost	Gross Unrealized Gains / (Losses)	Fair Value
Mutual Funds	\$ 31,045	\$ 2,655	\$ 33,700
Total	\$ 31,045	\$ 2,655	\$ 33,700

The fair value of all investments have been measured on a recurring basis using Level 1 inputs. There were no changes in valuation methodologies and related inputs used at December 31, 2021. The following schedule summarizes the investment return and its classification recording in the Statement of Activity for the year ended December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 762	-	\$ 762
Unrealized gains / (losses)	1,893	-	1,893
Total	\$ 2,655	-	\$ 2,655

Note 5 – Concentration of Credit Risk

The Organization maintains its cash balances in a local bank. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2021, the Organization had uninsured deposits of \$197,552. The Organization's investments consist of mutual funds which are held at a brokerage firm. These investments are exposed to several risks, such as interest rates, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Organization's financial statements.

Armand Bayou Nature Center Inc.
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 6 – Property and Equipment

As of December 31, 2021, property and equipment consist of the following:

Vehicles	\$ 190,779
Furniture and equipment	19,737
Leasehold Improvements	59,311
Boat and other vehicles	188,898
Construction in process	30,000
	<u>488,725</u>
Less: Accumulated depreciation	<u>(225,731)</u>
Total	<u>\$ 262,994</u>

Depreciation expense amounted to \$65,862 for the year ended December 31, 2021.

Note 7 –Net Assets with Donor Restrictions

As of December 31, 2021, net assets with donor restrictions are reflected as restricted cash on the statement of financial position. Net assets with donor restrictions consist of the following purposes:

Restricted for specific purposes:	
Restricted Cash	\$ 573,376

Releases from donor restricted net assets for the year ended December 31, 2021, are as follows:

Release for satisfaction of specific purpose:	
Program expenditures and transfers	\$ 337,668

Note 8 – Liquidity and Availability

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Assets Without Donor Restrictions Available	
Within 12 Months:	
Cash and cash equivalents	\$ 30,377

The Organization's financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date and noncurrent assets. As part of the Organization's liquidity management policy, financial assets are structured to be available as its general expenditures, liabilities, and other obligations come due.

Armand Bayou Nature Center Inc.
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 9 – Special Events

The Organization's summary of special events during the year ended December 31, 2021 are as follows:

Changes in net assets without donor restrictions:	
Revenues:	
Contributions	\$ 56,173
Less: Costs of direct benefit to donors	-
Total revenues	<u>56,173</u>
Expenses:	
Fundraising	<u>30,000</u>
Decrease in net assets without donor restrictions	<u>\$ 26,173</u>

Note 10 – Paycheck Protection Program Loan

The Organization received loans in the amount of \$114,600 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loans were subject to a note and may be forgiven to the extent proceeds of the loans are used for eligible expenditures such as payroll and other expenses described in the CARES Act. The loans bear interest at a rate of 1% and is payable in monthly installments of principal and interest over 24 months beginning 6 months from the date of the note. PPP1 was received in May 2020 and forgiven in July 2020. PPP2 was received in January 2021 and forgiven in November 2021. Forgiveness of these loans are recognized in other income.

Note 11 – Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 4, 2022, the date the financial statements were available to be issued. No change to the financial statements for the year ended December 31, 2021 is deemed necessary as a result of this evaluation.