

**NOTICE OF ECONOMIC DEVELOPMENT CORPORATION WORKSHOP
CITY OF SOUTH PADRE ISLAND**

FRIDAY, DECEMBER 17, 2021
9:00 AM AT THE MUNICIPAL BUILDING,
CITY COUNCIL CHAMBERS, 2ND FLOOR
4601 PADRE BOULEVARD, SOUTH PADRE ISLAND, TEXAS

1.Call to Order

2.Pledge Allegiance and Texas Pledge

3.Public Comments

This is an opportunity for citizens to speak to the board relating to agenda or non-agenda items. Speakers are required to address the board at the podium and give their name before addressing their concerns. [Note: State law will not permit the board to discuss, debate or consider items that are not on the agenda. Citizen comments may be referred to City Staff or may be placed on the agenda of a future board meeting]

4.Regular Agenda

- 4.1. Presentation of the 2020 South Padre Island Birding and Nature Center audit by Melissa Gonzalez with Oscar R. Gonzalez, CPA & Associates, PLLC
- 4.2. Discussion regarding the 2020 audit of the South Padre Island Birding and Nature Center

5.Adjourn

6.NOTE:

One or more members of the City of South Padre Island City Council may attend this meeting; if so, this statement satisfies the requirements of the OPEN MEETINGS ACT.

DATED DECEMBER 14, 2021

Darla Lapeyre, Executive Director

I, THE UNDERSIGNED AUTHORITY, DO HEREBY CERTIFY THAT THE ABOVE NOTICE OF MEETING OF THE ECONOMIC DEVELOPMENT CORPORATION OF THE CITY OF SOUTH PADRE ISLAND, TEXAS IS A TRUE AND CORRECT COPY OF SAID NOTICE AND THAT I POSTED A TRUE AND CORRECT COPY OF SAID NOTICE ON THE BULLETIN BOARD AT CITY HALL/MUNICIPAL BUILDING ON **DECEMBER 14, 2021**, AT/OR BEFORE 9:00 AM AND REMAINED SO POSTED CONTINUOUSLY FOR AT LEAST 72 HOURS PRECEDING THE SCHEDULED TIME OF SAID MEETING.

Darla Lapeyre, Executive Director

Agenda: DECEMBER 17, 2021

THIS FACILITY IS WHEELCHAIR ACCESSIBLE, AND ACCESSIBLE PARKING SPACES ARE AVAILABLE. REQUESTS FOR ACCOMMODATIONS OR INTERPRETIVE SERVICES MUST BE MADE 48 HOURS PRIOR TO THIS MEETING. PLEASE CONTACT BUILDING OFFICIAL, BELINDA TARVER AT (956)761-8103.

**CITY OF SOUTH PADRE ISLAND
ECONOMIC DEVELOPMENT CORPORATION
AGENDA REQUEST FORM**

MEETING DATE: December 17, 2021

NAME & TITLE: Darla Lapeyre, EDC Director

DEPARTMENT: Economic Development Council

ITEM

Presentation of the 2020 South Padre Island Birding and Nature Center audit by Melissa Gonzalez with Oscar R. Gonzalez, CPA & Associates, PLLC

ITEM BACKGROUND

Melissa and her team performed an audit of the South Padre Island Birding and Nature Center for 2020 and will present the findings to the EDC and the Birding and Nature Center Boards.

BUDGET/FINANCIAL SUMMARY

n/a

COMPREHENSIVE PLAN GOAL

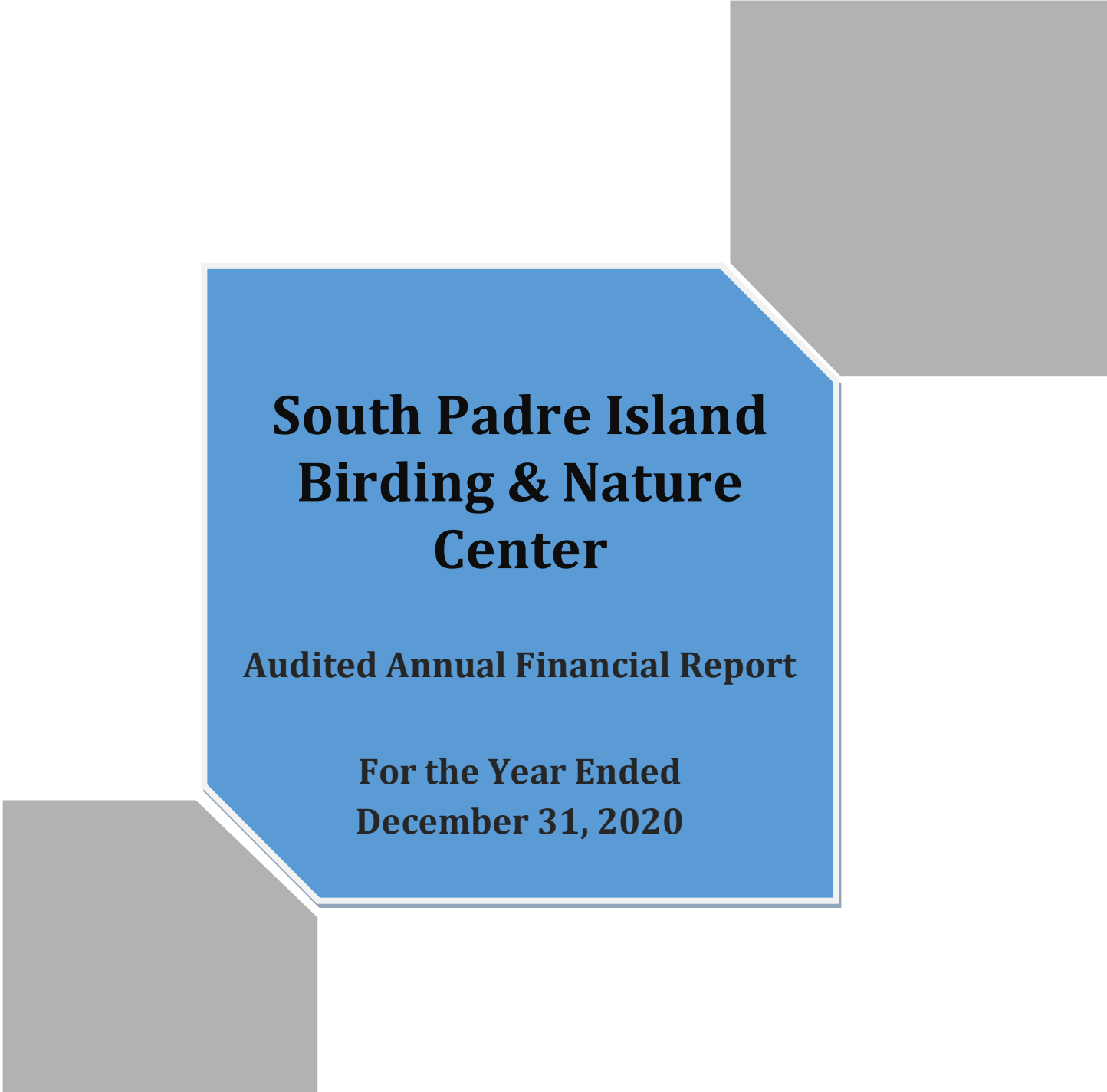
n/a

LEGAL REVIEW

Sent to Legal:

Approved by Legal:

RECOMMENDATIONS/COMMENTS:



**South Padre Island
Birding & Nature
Center**

Audited Annual Financial Report

**For the Year Ended
December 31, 2020**

**Oscar R. Gonzalez, CPA & Associates, PLLC
Certified Public Accountants**

SOUTH PADRE ISLAND BIRDING & NATURE CENTER
Audited Financial Statements
For the Year Ended December 31, 2020

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INTRODUCTORY SECTION

SOUTH PADRE ISLAND BIRDING & NATURE CENTER

Audited Annual Financial Report
Year Ended December 31, 2020

BOARD OF DIRECTORS

Marv Esterly
President

Darla Lapeyre
Member

Jimmy Lawson
Treasurer

Richard Franke, Sr.
Member

Joe Logan
Member

Darrell Mangham
Member

Gary Tate
Member

Pete Moore
Member

Cristin Howard
Executive Director

FINANCIAL SECTION



208 W. Ferguson Unit #1 • Pharr, Texas 78577
Tel: (956) 787-9909 • Fax: (956) 787-3067
Email: org110n@aol.com

Oscar R. González Retired
Melissa González

INDEPENDENT AUDITOR'S REPORT

To the Board of
South Padre Island Birding & Nature Center

We were engaged to audit the accompanying financial statements of South Padre Island Birding & Nature Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

South Padre Island Birding & Nature Center's inventory and fixed asset amounts are presented in the statement of financial position at \$37,419 and \$56,969, respectively, as of December 31, 2020, which represents 26 percent of net assets. The management of South Padre Island Birding & Nature Center does not reconcile inventory to the general ledger, nor did they perform a count of physical inventory at end of the calendar year. As a result, we were unable to determine the correct valuation for inventory held at year end. The management of South Padre Island Birding & Nature Center does not maintain an accurate property and equipment listing that reconciles with the general ledger. As a result, we were unable to determine the accuracy of property and equipment amounts at year end. Furthermore, we have not been provided sufficient information to assure the system of internal control on the financial reporting are effectively maintained by the Organization that we could rely on for the purpose of our audit.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements referred to in the first paragraph.

Oscar R. Gonzalez CPA & Associates PLLC

Oscar R. Gonzalez, CPA & Associates, PLLC
Certified Public Accountants

Pharr, Texas

October 26, 2021

FINANCIAL STATEMENTS

SOUTH PADRE ISLAND BIRDING & NATURE CENTER

Statement of Financial Position

December 31, 2020

	<u>2020</u>
Assets	
Cash and Cash Equivalents	\$ 262,737
Inventory	37,419
Capital Assets, net	56,969
Total Assets	<u><u>\$ 357,125</u></u>
Liabilities	
Accounts Payable	\$ 1,008
Payroll Liabilities	7,578
Current Portion of Long Term Debt	62,532
Long Term Debt	149,359
Total Liabilities	<u><u>220,477</u></u>
Net Assets	
Without Donor Restrictions	136,648
With Donor Restrictions	-
Total Net Assets	<u><u>136,648</u></u>
Total Liabilities and Net Assets	<u><u>\$ 357,125</u></u>

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

SOUTH PADRE ISLAND BIRDING & NATURE CENTER

Statement of Activities

For the Year Ended December 31, 2020

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:

	<u>2020</u>
Revenues and Gains	
Admissions	\$ 409,107
Alligator Sanctuary	94,515
Contributions	33,517
Gift Shop Sales	201,358
Interest	625
In-Kind	113,775
Other Income	1,192
Total Revenues and Gains Without Donor Restrictions	<u>854,089</u>
Net Assets Released from Restrictions	
Restriction Satisfied by Expenditures	12,500
Total Net Assets Released from Restrictions	<u>12,500</u>
Total Revenue, Gains, and Other Support Without Donor Restrictions	866,589
Expenses	
Program Services	654,354
Support Services	
Management and General	250,956
Fundraising	10,667
TOTAL EXPENSES	<u>915,977</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	(49,388)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS:	
Grants	(12,500)
Net Assets Released from Restrictions	12,500
Increase (Decrease) in Net Assets With Donor Restrictions	<u>-</u>
Change in Net Assets	(49,388)
Net Assets, Beginning of Year	200,397
Prior Period Adjustment	(14,361)
Net Assets, End of Year	<u><u>\$ 136,648</u></u>

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

SOUTH PADRE ISLAND BIRDING & NATURE CENTER

Statement of Cash Flows

For the Year Ended December 31, 2020

Cash Flows from Operating Activities

Change in Net Assets \$ (49,388)

Adjustments to Reconcile Change in Net Assets to
Net Cash Provided (Used) by Operating Activities:

Depreciation 11,295

Changes in Assets and Liabilities

(Increase) Decrease in Inventory \$ 4,346

(Increase) Decrease in Undeposited Funds 1,786

Increase (Decrease) in Accounts Payable (11,721)

Increase (Decrease) in Payroll Liabilities (487)

(6,076)

Net Cash Provided (Used) by Operating Activities

(44,169)

Cash Flows from Investing Activities

-

Cash Flows from Financing Activities

Proceeds from Loans 203,500

Principal paid on Loans (14,420)

189,080

Net Cash Provided (Used) by Financing Activities

Net Increase (Decrease) in Cash

144,911

Cash and Cash Equivalents at Beginning of Year

117,826

Cash and Cash Equivalents at End of Year

\$ 262,737

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

NOTES TO THE FINANCIAL STATEMENTS

SOUTH PADRE ISLAND BIRDING & NATURE CENTER

Notes to Financial Statements For the Year Ended December 31, 2020

NOTE 1 – NATURE OF ACTIVITIES

Nature of Activities

The South Padre Island Birding & Nature Center (“Center”) is the Rio Grande Valley's premier destination for birdwatching. The unique location on South Padre Island is the perfect place to observe the birds, butterflies and natural wildlife in coastal South Texas.

The mission of the South Padre Island Birding & Nature Center is to educate the public about birds of South Padre Island and its environs: the flora, fauna and the natural environment of South Padre Island, the Laguna Madre Coastal area, with an emphasis on conservation and environmental awareness.

The Center is a non-profit organization under the Texas Non-Profit Corporation Act created by the Town of South Padre Island’s Economic Development Corporation in response to the researched desires of residents and visitors.

The affairs of the Center are managed by the Board of Directors. The governing and policy-making responsibilities of the Center are vested in the Board of Directors, who control its’ property, and are responsible for the Center’s finances.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

The Center is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restrictions.

- (a) *Net Assets Without Donor Restrictions* - Net assets that are not subject to or are no longer subject to donor-imposed stipulations.
- (b) *Net Assets With Donor Restrictions* - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SOUTH PADRE ISLAND BIRDING & NATURE CENTER

Notes to Financial Statements For the Year Ended December 31, 2020

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

In accordance with ASC 958-605, contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions.

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. When restrictions expire (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 restriction.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Disclosures About Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- (a) Cash, accounts receivable, accounts payable and accrued liabilities: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Fair Value Measurements

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a hierarchy that prioritizes the inputs to valuation techniques. Fair value is 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.

SOUTH PADRE ISLAND BIRDING & NATURE CENTER

Notes to Financial Statements For the Year Ended December 31, 2020

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (continued)

A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset and liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income, or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Center has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the assets or liability, which are typically based on the entity's own assumptions, as there is little, if any, related market value.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There is no valuation allowance presented in these financial statements.

Property and Equipment

The Center does not currently have a capitalization policy. Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions, unless the donor has restricted the donated asset for 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 contributions with donor restrictions. The Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the asset classes below:

Furniture	3-5 years
Vehicles	5 years
Improvements	10-20 years

SOUTH PADRE ISLAND BIRDING & NATURE CENTER

Notes to Financial Statements For the Year Ended December 31, 2020

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realizable value on a first-in, first-out basis. Inventories consist primarily of gift shop merchandise.

Expense Allocation

The costs of providing various programs and supporting services have been summarized on a functional basis in the statement of activities and in the notes to the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Federal Income Tax Status

The Center is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. It does not conduct any activities that are subject to federal income tax. In addition, the Center qualifies for the charitable contribution deduction under Section 170(b) (1) (A) and has been classified as an organization other than a private foundation under Section 509(a) (2).

The Center's Form 990, Return of Organization Exempt from Income Tax, for the years ending 2018, 2019, and 2020 are subject to examination by the IRS, generally for three years after they were filed.

Contributed Services

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized.

Advertising Cost

The Center expenses advertising costs as incurred. Total advertising costs incurred for the year ended December 31, 2020 was \$11,363.

NOTE 3 – CONCENTRATIONS OF CREDIT RISK RELATED TO CASH DESPOSITS

The Center maintains cash balances at one financial institution, First National Bank. Accounts at this institution are insured by the Federal Deposit Insurance Corporation for up to \$250,000. At December 31, 2020, the Center had a bank balance of \$264,179 with an uninsured cash balance of \$14,179.

Cash Account	Carrying Amount	Bank Balance
First National Bank - Operating	\$ 31,626	\$ 36,596
First National Bank - MMA	214,006	214,022
First National Bank - Grant	11,757	11,757
First National Bank - COVID	1,804	1,804
Cash on Hand	3,544	-
Total Cash and Cash Equivalents	<u>\$ 262,737</u>	<u>\$ 264,179</u>

SOUTH PADRE ISLAND BIRDING & NATURE CENTER

Notes to Financial Statements For the Year Ended December 31, 2020

NOTE 4 – AVAILABILITY AND LIQUIDITY

The following represents the Center’s financial assets at December 31, 2020.

	<u>12/31/2020</u>
Financial assets at year end:	
Cash and cash equivalents	\$ 262,737
Inventory	37,419
Total Financial assets	300,156
Less amounts not available to be used within one year:	
Funds restricted by donors	-
Investments designated for capital purchases	-
	-
Financial assets available to meet general expenditures over the next twelve months	\$ 300,156

NOTE 5 – PROPERTY AND EQUIPMENT

Capital assets at December 31, 2020 consisted of the following:

Group Classification	<i>Restated</i> Beginning Balance 1/1/2020	Additions	Deletions	Ending Balance 12/31/2020
Equipment	\$ 10,600	\$ -	\$ -	\$ 10,600
Furniture and Fixtures	96,468	-	-	96,468
Improvements	19,562	-	-	19,562
Total Capital Assets	126,630	-	-	126,630
Less: Accumulated Depreciation for				
Equipment	10,600	-	-	10,600
Furniture and Fixtures	38,136	9,991	-	48,127
Improvements	9,630	1,304	-	10,934
Total Accumulated Depreciation	58,366	11,295	-	69,661
Total Capital Assets, Net of Depreciation	\$ 68,264	\$ (11,295)	\$ -	\$ 56,969

Depreciation expense for the year ended December 31, 2020 was \$11,295.

SOUTH PADRE ISLAND BIRDING & NATURE CENTER

Notes to Financial Statements For the Year Ended December 31, 2020

NOTE 6 – LONG-TERM LIABILITIES

On April 15, 2020, the Center received an unsecured SBA Paycheck Protection Program loan for \$53,500 to be used for payroll and payroll tax expenditures. This is a non-precomputed fixed rate (1.000%) non-disclosable installment loan due on April 15, 2022, if not forgiven.

On December 29, 2020, the Center received an SBA Economic Injury Disaster Loan (EIDL) for \$150,000. The proceeds were to be used for working capital and normal expenses. The terms are 20 years at 2.75% with the first payment due 5 months after closing.

	Beginning Balance 1/1/2020	Additions	Payments	Ending Balance 12/31/2020	Due within One Year
EDC Loan #0101	\$ 20,783	\$ -	\$ (12,392)	\$ 8,391	\$ 8,391
Entrance Gate Loan #2226	2,028	-	(2,028)	-	-
First National Bank #7004 (PPP)	-	53,500	-	53,500	53,500
SBA EDIL Loan #7402	-	150,000	-	150,000	641
	<u>\$ 22,811</u>	<u>\$ 203,500</u>	<u>\$ (14,420)</u>	<u>\$ 211,891</u>	<u>\$ 62,532</u>

NOTE 7 – NET ASSETS

Net assets with and without donor restrictions at December 31, 2020 are as follows:

<u>Net Assets</u>	<u>Total</u>
Without Donor Restrictions	<u>\$ 136,648</u>
Total Net Assets	<u>\$ 136,648</u>

NOTE 8 – REVENUE CONCENTRATIONS

The Center's main source of income comes from their admissions and gift shop sales which totaled \$610,465 for the year ended December 31, 2020. This represents 70% of total revenue for the year.

The Alligator Sanctuary contributed \$94,515, or about 11%, of total revenue.

The remaining revenue came from contributions from different individuals, grants, and other income which totaled to \$47,834, or about 6%, of total revenue. In addition, \$113,775 was reported as In-kind which was 13% of total revenue.

NOTE 9 – IN-KIND

As of December 31, 2020, the Center had reported \$113,775 in In-kind pertaining to rent and insurance expenses covered by the South Padre Island Economic Development Corporation.

SOUTH PADRE ISLAND BIRDING & NATURE CENTER

Notes to Financial Statements For the Year Ended December 31, 2020

NOTE 10 – CENTER GIFT SHOP

The following is a summary of gift shop activity as of December 31, 2020:

Net Sales	\$ 201,358
Beginning inventory	41,765
Purchases	86,870
Subtotal	128,635
Less: ending inventory	(37,419)
Cost of Sales	91,216
Gross profit	\$ 110,142

NOTE 11 – OPERATING LEASE

The South Padre Island Economic Development Corporation (SPI EDC) owns the building in which the Center is located and had granted the Center an operating lease on the building at \$1,000 per month for a 12-month term to automatically renew for an additional 12 months on the same terms and conditions unless either party gives the other party written notice of its intent to terminate at least sixty (60) days before the end of the current Term or any Renewal Term. Building repairs and maintenance, as stipulated in the operating lease agreement, are to be paid by the SPI EDC. General liability insurance on the building is paid by the SPI EDC which is reported as in-kind on the financial statements. Rent expense for the year at December 31, 2020 was \$12,000.

NOTE 12 – RELATED PARTY TRANSACTIONS

During the year, total rent paid on the building was \$12,000, which was collected by one board member who also holds the position as the Executive Director of the South Padre Island Economic Development Corporation, the Center's main operating contributor.

NOTE 13 – FAIR VALUE OF FINANCIALS

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification (FASB ASC 825-10) require disclosure of the fair value information about financial instruments, whether or not recognized in the balance sheet. In case where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows.

In the regard, the derived fair value estimates cannot be sustained by comparison to independent markets and, cases could not be realized in immediate settlement of the instruments. Certain financial instruments and all nonfinancial instruments are excluded from these disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The following methods and assumptions were used by the Center in estimating its fair value disclosure for financial instruments:

Cash and Cash Equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents is the fair value.

SOUTH PADRE ISLAND BIRDING & NATURE CENTER

Notes to Financial Statements For the Year Ended December 31, 2020

NOTE 13 – FAIR VALUE OF FINANCIALS (CONTINUED)

Time deposits: Fair values of certificates of deposit are at cost plus accrued interest.

Accounts Receivable – The carrying amount approximates fair value because of the short maturity of these instruments.

Payable and Accruals - The carrying amounts approximate fair value because of the short maturity period.

<u>Financial Assets:</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and Cash Equivalents	\$ 262,737	\$ 262,737
Inventory	37,419	37,419
<u>Financial Liabilities:</u>		
Accounts Payable	1,008	1,008
Payroll Liabilities	7,578	7,578

NOTE 14 – PRIOR PERIOD

Total prior period adjustment as of December 31, 2020 is as follows:

<u>Prior Period Adjustment</u>	<u>Amount</u>
To correct fixed assets beginning balance	\$ (20,545)
To correct payroll liabilities carried over from prior years	5,536
To clear old outstanding checks carried over from prior years	648
Total Prior Period Adjustment	<u>\$ (14,361)</u>

NOTE 15 - SUBSEQUENT EVENTS

The COVID-19 pandemic sweeping across the country has resulted in mandatory closure of many businesses resulting in layoffs of much of the workforce. The economic effects of those closures are not yet known but could potentially affect collectability of future revenue billings of the organization due to the significant economic impact on unemployment of the organizations' customers.

No subsequent events were noted as of October 26, 2021, the date the report was available to be issued.

SUPPLEMENTARY INFORMATION

SOUTH PADRE ISLAND BIRDING & NATURE CENTER
Schedule of Functional Expenses
For the Year Ended December 31, 2020

	Program Sevices	Support Services		Totals
		Management and General	Fundraising	
Expenses				
Advertising	\$ 7,954	\$ 3,409	\$ -	\$ 11,363
Alligator Sanctuary	119,957	-	-	119,957
Bank and Credit Card Fees	15,355	6,581	-	21,936
BNC Animal Exhibits	29,862	-	-	29,862
Computer Maintenance	17,264	7,399	-	24,663
Conference and Trainings	2,163	2,164	-	4,327
Cost of Good Sold	91,216	-	-	91,216
Depreciation	-	11,295	-	11,295
Dues and Subscriptions	-	3,527	-	3,527
Education	1,994	-	-	1,994
Employee Health Insurance	-	2,932	-	2,932
Fundraising Events	-	-	10,667	10,667
Insurance	930	620	-	1,550
Interest	-	601	-	601
In-Kind	68,265	45,510	-	113,775
Maintenance and Repairs	23,894	10,240	-	34,134
Mileage Allowance	-	682	-	682
Miscellaneous	-	1,280	-	1,280
Office Supplies	-	2,749	-	2,749
Operational Expenses	3,268	3,267	-	6,535
Payroll Taxes	16,979	7,277	-	24,256
Pest Control	-	872	-	872
Postage	-	821	-	821
Professional Fees	-	12,691	-	12,691
Rent	7,200	4,800	-	12,000
Security	1,344	1,345	-	2,689
Supplies	1,965	-	-	1,965
Telephone and Internet	2,073	2,074	-	4,147
Travel	-	2,978	-	2,978
Utilities	20,719	20,719	-	41,438
Wages	221,952	95,123	-	317,075
Total Expenses	<u>\$ 654,354</u>	<u>\$ 250,956</u>	<u>\$ 10,667</u>	<u>\$ 915,977</u>

See Independent Auditor's Report.

 *Oscar R. González, CPA
&
Associates, P.L.L.C.*
Certified Public Accountants

208 W. Ferguson Unit #1 • Pharr, Texas 78577

Tel: (956) 787-9909 • Fax: (956) 787-3067

Email: org110n@aol.com

*Oscar R. González Retired
Melissa González*

To the Board of
South Padre Island Birding & Nature Center

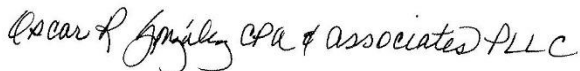
In planning and performing our audit of the financial statements of South Padre Island Birding & Nature Center, as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered South Padre Island Birding & Nature Center's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated October 26, 2021, on the financial statements of South Padre Island Birding & Nature Center.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with the Organization's personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, board of directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



Oscar R. Gonzalez, CPA & Associates, PLLC
Certified Public Accountants

October 26, 2021

RECOMMENDATIONS

1. Formal Accounting Policies and Procedures

During the audit, it was noted that there are no formal Accounting Policies and Procedures for the following areas that are part of the Birding Center's operations

- a. Cash administration
- b. Payroll and time tracking
- c. Contributions/ donations (including contributed services)
- d. Admissions
- e. Gift shop sales
- f. Inventory
- g. Capital assets (asset tagging, capitalization, depreciation)
- h. Employee trainings for animal control
- i. Program and management expenses

Recommendation:

The auditor recommends an immediate need for the policies listed in the section above. Policies and procedures should follow accounting policies set forth by Generally Accepted Accounting Principles for Non-Profit Entities, as well as abide with local, state, federal regulations, and the governing documents. All policies and procedures should have controls related to review and approval, processes for detecting and preventing errors or omissions, and documentation retention procedures to ensure accountability.

2. Safekeeping of assets around visitor areas

While on-site, the auditor observed opportunities for improvement in preventing assets from being stolen by the general public. For example, while conducting walk-throughs, the auditor noticed the Square® terminal was left outside, unattended on the table that separates the customers from the Birding Center. Information that is held within the terminal's database, including the Birding Center's bank information, the customer's banking information, and the Square® device itself may be subject to theft.

Additionally, the auditor observed the safe box that was used to collect cash and change was also unattended, and not locked throughout the day. The safe boxes had a key and lock system, but through inquiry with the front-end representatives these are not usually locked.

The auditor inquired regarding gift-shop inventory shrink, as noted by the blind spots behind the wall which are not available for observation by the gift-shop attendee from the cashier station. The Birding Center has security cameras in place where blind spots are, however, the lack of timely inventory management does not facilitate timely identification of shrinkage around inventory items for the gift shop sales.

Recommendation:

The auditor recommends that Square® terminal not be left unattended and the safe box used to collect cash not be left unattended and locked when not in use with the lock systems included in the safety boxes via physical key. It is also recommended that the Birding Center take periodic inventories in the gift shop to determine if shrinkage is occurring. These recommendations are to limit the risk of theft and loss which could impact the Birding Center's profitability.

3. **Limit use of personal resources for Birding Center's operations**

During auditor inquiries with the Director, the auditor learned the Director utilized her social security number to register the Square® terminals, a third-party service, that processes credit and debit card transactions for admissions to the Birding Center. The Director may seem liable for admission revenues to taxing authorities should the third-party report the income in relation to her personal social security number.

Additionally, while inspecting the QuickBooks account, the auditor noted the email used to access the vendor account (Intuit) was a personal email address for a person who was no longer involved with the Birding Center.

Finally, the auditor was informed the computer on which the QuickBooks program is installed was a personal computer donated by a previous Board Member. The auditor was informed the computer was not restored to factory settings before it was utilized as part of the Birding Center's operations.

Recommendation:

Auditors recommend that the Birding Center limit the use of personal information and segregate the entity from its Board of Director's or employee's resources. If donation of assets is made to the Birding Center's, they must be accounted for in the financial records and should be restored to factory settings when possible.

4. **Controls should be enforced in relation to third-party services and employee's authorization level, including authorized users / signers with the bank and QuickBooks' vendor Intuit**

During auditor inquiries of cash procedures, the auditor requested an authorized listing of employees who had access to the bank account, including authorized signers and authorization of users to view and perform transactions via the bank portal. The listing that was obtained included names of members who were no longer associated with the Birding Center according to the Birding Center's operations. The list of accounts pertaining to the Birding Center provided by the banking institution included an account which was not recognized by the Director. Through follow-up procedures, the auditor was informed the Birding Center did not communicate and perform verification procedures to make the changes needed when there was a change in operations from previous Board Member to the current Director.

Additionally, as previously mentioned, the Intuit account is not assigned to the Birding Center, and instead is using a previous Board Member's personal email account. The Director accidentally created a second QuickBooks account and had issues with syncing the information posted to the second account to the original QuickBooks which held activity for all fiscal year. The Intuit account (which is the account at the vendor level) should have preventive controls to prevent accidental purchase of other bookkeeping products, such as a second set of QuickBooks. It should be noted that QuickBooks allows for separate user-accounts to enforce parking and posting of transactions or include an additional level of accountability through review and approval of postings through multiple-users.

Recommendation:

The auditor recommends controls be implemented and documented at an enterprise-level, which include third-party risk management. This includes verifying that the vendors, creditors, financial institutions, or other third-parties which are significant to the Birding Center are updated when operational changes occur within the Birding Center (addition or removal of key employees). Additionally, a periodic control should be performed by the Birding Center to verify no unauthorized users are listed on the products or accounts. Communication with third-parties should be

documented as part of retaining evidence of control performance. Finally, training of QuickBooks and other bookkeeping processes is recommended for staff and employees who will be posting transactions to the program.

5. Hire QuickBooks specialist to remediate automatic postings of inventory valuation which are incorrectly designed; not aligned to the operations of the Birding Center.

Through auditor inquiries, the auditor learned the current version of QuickBooks is posting inventory adjustments automatically, which are not aligned with the Birding Center's operations. These include adjustments such as accounting for inventory methods such as first-in, first-out (FIFO) or weighted-average in computing the cost of goods sold. However, the Birding Center does not have a set inventory accounting method, so adjustments made by QuickBooks are not accurate. Currently, the Director is following instructions set forth by the previous CPA to manually reverse the entry that QuickBooks is automatically posting but would not completely reverse the impact to the cost of inventory when considering which item was sold in relation to the timing and cost of the inventory when purchased.

Recommendation:

As mentioned in Item 1, formalization of the inventory to include cost of goods sold procedures should be documented, to define categories of inventory items and the method of accounting for cost of goods sold. In addition to defining an inventory accounting policy, the auditor recommends hiring a QuickBooks specialist to update the design of the adjusting entry so the system can accurately account for inventory sales via the gift shop. Being that gift shop sales are a material revenue stream to the Birding Center's operations; the auditor recommends inventory and cost of goods sold to be a topic within management's agenda for improving bottom-line profit.

6. Payroll accountability should be documented in a formal manner, using employee contracts for agreements between management and the employee, as well as computation of hours worked to be standardized across all employees.

During auditor inspection of timecards and recalculation of employee hours worked, the auditor noted variances of about an hour above or below the time worked due to rounding errors. However, if extrapolated to the total number of hours at an absolute value amount, the variance may be material to employees. The auditor provided options for time tracking of employee hours, including outsourcing to ADP or other payroll services, as well as provided an excel template which would consistently calculate hours worked and is able to be reviewed against manual timesheets for additional accuracy.

Additionally, the auditor noted larger variances, such as an hour and half decrease for certain employees. These variances were explained by the Director as being agreements with employees who do not manually clock out for lunches and are automatically deducted time for lunch on each timecard. While having different payroll agreements with individual employees is not incorrect, the lack of documentation of the employee agreement would be a red flag while inspecting and recalculating payroll accountability.

Recommendation:

The auditor recommends that all individuals clock in and out for lunch. While automatic deductions for lunch are legal, it is not always the most accurate way to track time as an employee may end up taking a longer or shorter duration than deducted. In addition, if the employee believes their time is not valid, they can start an investigation with the Department of Labor. Additionally, a consistent method of calculating total hours in each timecard is recommended.

**CITY OF SOUTH PADRE ISLAND
ECONOMIC DEVELOPMENT CORPORATION
AGENDA REQUEST FORM**

MEETING DATE: December 17, 2021

NAME & TITLE: Darla Lapeyre, EDC Director

DEPARTMENT: Economic Development Council

ITEM

Discussion regarding the 2020 audit of the South Padre Island Birding and Nature Center

ITEM BACKGROUND

The two boards will discuss the audit findings.

BUDGET/FINANCIAL SUMMARY

n/a

COMPREHENSIVE PLAN GOAL

n/a

LEGAL REVIEW

Sent to Legal:

Approved by Legal:

RECOMMENDATIONS/COMMENTS: