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NATURE DISCOVERY CENTER, INC.

Financial Statements

December 31, 2003 and 2002

(With Independent Auditors' Report Thereon)

Nature Discovery Center, Inc.
December 31, 2003 and 2002

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FRIERSON SOLÁ
& ASSOCIATES

Independent Auditors' Report

Board of Directors
Nature Discovery Center, Inc.

We have audited the accompanying statement of financial position of Nature Discovery Center, Inc. (the "Center"), formerly Friends of Bellaire Parks, Inc., as of December 31, 2003 and 2002, and the related statements of activities, program expenses and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits 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 audits provide 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 Nature Discovery Center, Inc. as of December 31, 2003 and 2002, and the changes in net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Frieron Solá & Associates, PC

May 21, 2004

ACCOUNTING • AUDITING • TAX • FINANCIAL, RETIREMENT & ESTATE PLANNING
LITIGATION SERVICES • BUSINESS VALUATIONS

NATURE DISCOVERY CENTER, INC.
Statements of Financial Position
December 31, 2003 and 2002

	December 31, 2003			December 31, 2002		
	Operating Fund	Fixed Assets	Total	Operating Fund	Fixed Assets	Total
Assets						
Current Assets						
Cash and cash equivalents	\$ 39,861	\$ -	\$ 39,861	\$ 14,405	\$ -	\$ 14,405
Investments	607,835	-	607,835	506,144	-	506,144
Furniture and equipment, net of accumulated depreciation of \$1,152 at December 31, 2003 and 2002		1	1		1	1
Art objects		950	950		950	950
Payroll Tax Deposits	-		-	186		186
Total Assets	\$ 647,696	\$ 951	\$ 648,647	\$ 520,735	\$ 951	\$ 521,686
Fund Balances						
Fund balances						
Unrestricted	\$ 35,395	\$ 951	\$ 36,346	\$ 37,689	\$ 951	\$ 38,640
Restricted	612,301	-	612,301	\$ 483,046	-	483,046
Total Fund Balances	\$ 647,696	\$ 951	\$ 648,647	\$ 520,735	\$ 951	\$ 521,686

The accompanying notes are an integral part of these statements.

NATURE DISCOVERY CENTER, INC.
Statements of Activities
For the Years Ended December 31, 2003 and 2002

	December 31, 2003				December 31, 2002			
	Operating Fund		Fixed	Total	Operating Fund		Fixed	Total
	Unrestricted	Restricted	Assets		Unrestricted	Restricted	Assets	
Revenues:								
Contributions	\$ 126,714	\$ -	\$ -	\$ 126,714	\$ 80,258	\$ -	\$ -	\$ 80,258
Member dues	14,250	-	-	14,250	13,492	-	-	13,492
Program fees	52,045	-	-	52,045	46,358	-	-	46,358
Special events	79,416	47,704	-	127,120	53,009	85,978	-	138,987
Interest and dividends, net	31	9,281	-	9,312	23	9,991	-	10,014
Rental income	4,901	-	-	4,901	3,975	-	-	3,975
Other income	-	-	-	-	3,351	-	-	3,351
Total Revenues	<u>277,357</u>	<u>56,985</u>	<u>-</u>	<u>334,342</u>	<u>200,466</u>	<u>95,969</u>	<u>-</u>	<u>296,435</u>
Expenses:								
Program expenses	245,465	-	-	245,465	245,806	-	-	245,806
Special events expenses	34,186	29,428	-	63,614	14,948	58,691	-	73,639
Total Expenses	<u>279,651</u>	<u>29,428</u>	<u>-</u>	<u>309,079</u>	<u>260,754</u>	<u>58,691</u>	<u>-</u>	<u>319,445</u>
Excess (deficiency) of revenues over (under) expenses	(2,294)	27,557	-	25,263	(60,288)	37,278	-	(23,010)
Casualty loss	-	-	-	-	-	-	(750)	(750)
Unrealized gain (loss) on investments	-	101,698	-	101,698	-	(67,659)	-	(67,659)
Fund balances, beginning of year	<u>37,689</u>	<u>483,046</u>	<u>951</u>	<u>521,686</u>	<u>97,977</u>	<u>513,427</u>	<u>1,701</u>	<u>613,105</u>
Fund balances, end of year	<u>\$ 35,395</u>	<u>\$ 612,301</u>	<u>\$ 951</u>	<u>\$ 648,647</u>	<u>\$ 37,689</u>	<u>\$ 483,046</u>	<u>\$ 951</u>	<u>\$ 521,686</u>

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

NATURE DISCOVERY CENTER, INC.
Statements of Program Expenses
For the Years Ended December 31, 2003 and 2002

	2003	2002
Current Funds:		
Salaries and related costs	\$ 188,067	\$ 187,979
Professional fees	5,500	6,139
Program supplies	12,077	15,128
Printing, books and program materials	5,242	6,240
Insurance	7,176	5,824
Maintenance	7,936	7,114
Postage	2,075	4,008
Telephone	3,049	2,768
Office supplies	6,248	5,403
Investment Expense	3,891	-
Miscellaneous	4,204	5,203
	<u>\$ 245,465</u>	<u>\$ 245,806</u>
Total program expenses	\$ 245,465	\$ 245,806

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

NATURE DISCOVERY CENTER, INC.
Statements of Cash Flows
For the Years Ended December 31, 2003 and 2002

	2003	2002
Cash Flows from Operating Activities		
Excess of revenues over (under) expenses	\$ 25,263	\$ (23,010)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
(Increase) decrease in account receivables	186	113
Total adjustments	186	113
Net cash provided (used) by operating activities	25,449	(22,897)
Cash Flows from Investing Activities		
Net (purchases) sales of investments	7	36,195
Net cash provided (used) by investing activities	7	36,195
Net increase (decrease) in cash	25,456	13,298
Cash and cash equivalents, beginning of year	14,405	1,107
Cash and cash equivalents, end of year	\$ 39,861	\$ 14,405

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

NATURE DISCOVERY CENTER, INC.
Notes to Financial Statements
December 31, 2003 and 2002

Note 1 - Summary of Significant Accounting Policies

Description and History of Organization

Nature Discovery Center, Inc. (the "Center") formerly Friends of Bellaire Parks, Inc. is a Texas nonprofit corporation which was formed in 1979 for the purposes of raising and maintaining funds to apply to the development, use, beautification, preservation and upkeep of public parks in the City of Bellaire, Harris County, Texas (the "City").

With private contributions and matching government grants, the Center acquired the property that is now Russ Pitman Park (the "Park"), which was named in honor of a major donor. After acquisition of the Park, the Center utilized volunteer labor and donated materials to renovate the Henshaw House (the "House") which is located in the Park. Today the first floor of the House provides classroom space for classes taught by the Center and is available to Bellaire citizens and citizen groups for meetings and other activities. The second floor of the House contains the Center's Discovery Rooms.

The mission statement of the Center is as follows:

To kindle urban dwellers' curiosity and wonder about the interdependent world of nature of which we are a part, and to foster, through education, their responsibility toward our environment.

The Nature Discovery Center

The Center is located in the Henshaw House. The Center is a hands-on science museum for children and adults. Through its exhibits and classes, children are taught about the natural sciences and engenders an appreciation and understanding of the natural world. Paid staff, part-time teachers, and volunteers teach classes. The Center is active during the school year, as well as in the summer, as an approved field trip site for Houston Independent School District classes.

Russ Pitman Park

The Park is a naturally landscaped green space in the heart of the City that offers citizens an opportunity to experience a natural environment that is nestled within a densely populated community in the heart of one of the nation's largest cities. The Center assists the City with the maintenance of the Park and with the development in the Park of projects that integrate with the educational activities of the Center. The Park provides a natural classroom in which many of the Center's classes are taught.

NATURE DISCOVERY CENTER, INC.
Notes to Financial Statements
December 31, 2003 and 2002

Note 1 - Summary of Significant Accounting Policies - (continued)

Fund Accounting

To ensure the observance of limitations and restrictions on the use of resources available to the Center, the accounts of the Center are maintained in accordance with the principles of fund accounting.

The unrestricted fund accounts for all resources over which the Board of Directors has discretionary control to use in carrying on the operations of the Center, including maintenance of Russ Pitman Park.

The restricted fund accounts for those resources currently available for use, but which may be expended only for purposes specified by the donor. Such resources may originate from gifts, grants or similar sources where the donor has specified the operating purpose for which the funds are to be used.

The fixed assets fund accumulates the net investment in furniture and equipment.

Investments

Investments in marketable securities are carried at market value at December 31, 2003 and 2002.

Property, Plant, and Equipment

Property, plant, and equipment is recorded at cost if purchased, or fair value if contributed. It is the policy of the Center to capitalize betterments and improvements to fixed assets. Depreciation is recorded using the straight line method over a useful life of five years.

NATURE DISCOVERY CENTER, INC.
Notes to Financial Statements
December 31, 2003 and 2002

Note 2 - Designated Cash and Fund Balance

In June 1994, the Board of Directors established the Hana and Arthur Ginzburg Fund, a permanent investment fund, by setting aside net proceeds of a special event, *Twilight in the Park*, held in the Spring. The fund's investment income is to be used to support day-to-day operations of the Center. The revenues and expenses of *Twilight in the Park* from December 31, 2003 and 2002 are as follows:

	<u>2003</u>	<u>2002</u>
Revenues	\$ 47,704	\$ 85,978
Expenses	<u>(29,428)</u>	<u>(58,691)</u>
	<u>\$ 18,276</u>	<u>\$ 27,287</u>

The net amounts of \$27,287 and \$74,892 are included in investments at December 31, 2003 and 2002, respectively.

Note 3 - Lease Agreement

In December 1994, The Center entered into an agreement with the City of Bellaire to lease the Henshaw House for \$1 per annum. As part of the agreement, The Center will provide ordinary maintenance to the building. To assist with repairs and maintenance the City of Bellaire provides \$2,000 per annum; any unexpended portion is carried forward to succeeding years. Additionally, The Center pays all utilities in excess of \$4,200. Utilities for the years ended December 31, 2003 and 2002 did not exceed \$4,200.

Note 4 - Income Taxes

The Center has been determined to be exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation.

Note 5 - Reclassifications

Certain amounts from the prior years have been reclassified to conform with current year presentation. Prior year net income did not change.

NATURE DISCOVERY CENTER, INC.
Notes to Financial Statements
December 31, 2003 and 2002

Note 6 - In Kind Donations

The Center receives \$3,000 of food items from ChevronTexaco Corporation for Pumpkin Patch event and \$5,000 equivalent value of advertisement posted in Bellaire Buzz from Joni Hoffman for Home Tour event during 2003.