

FERNBANK, INC.

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

with
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees Fernbank, Inc.

We have audited the accompanying financial statements of Fernbank, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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.

Auditors' Responsibility

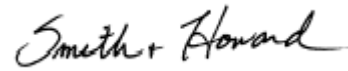
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2014 and 2013, and the results of activities and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Smith & Howard".

August 12, 2015

FERNBANK, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Current Assets		
Cash and cash equivalents	\$ 10,375,617	\$ 4,069,965
Short-term investments	215,792	89,700
Pledges receivable, current portion	1,421,335	5,321,791
Accounts receivable	151,540	92,874
Inventories	280,123	246,993
Prepaid expenses	43,574	48,875
Total Current Assets	12,487,981	9,870,198
Property and Equipment, Net	20,261,427	21,359,611
St. Catherines Collection	1,057,949	1,057,949
Other Assets		
Pledges receivable, net of current portion	259,364	109,268
Other assets	15,838	17,481
Other investments	1,715,562	356,666
	\$ 35,798,121	\$ 32,771,173

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 571,099	\$ 520,549
Accrued expenses	376,629	334,331
Contracts payable, current portion	137,500	50,000
Total Current Liabilities	1,085,228	904,880
Contracts Payable, Net of Current Portion	37,500	-
Net Assets		
Unrestricted	22,006,513	22,830,852
Temporarily restricted (Note 5)	12,263,479	8,630,040
Permanently restricted (Note 5)	405,401	405,401
	34,675,393	31,866,293
	\$ 35,798,121	\$ 32,771,173

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

FERNBANK, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenues				
Museum admissions	\$ 2,097,689	\$ -	\$ -	\$ 2,097,689
IMAX admissions	1,348,150	-	-	1,348,150
Gifts and grants	2,315,579	5,376,916	-	7,692,495
Memberships	1,090,903	-	-	1,090,903
Investment income (loss)	1,561	(2,102)	-	(541)
Museum store	671,105	-	-	671,105
Cost of goods sold - museum store	(297,851)	-	-	(297,851)
Food service	1,465,077	-	-	1,465,077
Cost of goods sold - food store	(315,835)	-	-	(315,835)
Other	74,252	-	-	74,252
Net assets released from restrictions	<u>1,741,375</u>	<u>(1,741,375)</u>	<u>-</u>	<u>-</u>
Total Support and Revenues	10,192,005	3,633,439	-	13,825,444
Expenses				
Program Services				
Museum	6,250,823	-	-	6,250,823
IMAX	698,702	-	-	698,702
Marketing	1,040,018	-	-	1,040,018
Museum store	254,581	-	-	254,581
Food service	<u>665,185</u>	<u>-</u>	<u>-</u>	<u>665,185</u>
	8,909,309	-	-	8,909,309
Supporting Services				
Management and general	1,448,828	-	-	1,448,828
Fundraising	<u>658,207</u>	<u>-</u>	<u>-</u>	<u>658,207</u>
	<u>2,107,035</u>	<u>-</u>	<u>-</u>	<u>2,107,035</u>
Total Expenses	<u>11,016,344</u>	<u>-</u>	<u>-</u>	<u>11,016,344</u>
Increase (Decrease) in Net Assets	(824,339)	3,633,439	-	2,809,100
Net Assets, Beginning of Year (Note 5)	<u>22,830,852</u>	<u>8,630,040</u>	<u>405,401</u>	<u>31,866,293</u>
Net Assets, End of Year	<u>\$ 22,006,513</u>	<u>\$ 12,263,479</u>	<u>\$ 405,401</u>	<u>\$ 34,675,393</u>

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

2013

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 2,145,759	\$ -	\$ -	\$ 2,145,759
1,184,107	-	-	1,184,107
2,033,641	7,703,261	50,027	9,786,929
1,118,161	-	-	1,118,161
1,409	8,601	-	10,010
724,201	-	-	724,201
(332,752)	-	-	(332,752)
1,454,544	-	-	1,454,544
(324,077)	-	-	(324,077)
129,241	-	-	129,241
<u>484,006</u>	<u>(484,006)</u>	<u>-</u>	<u>-</u>
8,618,240	7,227,856	50,027	15,896,123
5,507,545	-	-	5,507,545
636,074	-	-	636,074
1,145,407	-	-	1,145,407
250,385	-	-	250,385
<u>648,216</u>	<u>-</u>	<u>-</u>	<u>648,216</u>
8,187,627	-	-	8,187,627
1,430,913	-	-	1,430,913
<u>649,963</u>	<u>-</u>	<u>-</u>	<u>649,963</u>
<u>2,080,876</u>	<u>-</u>	<u>-</u>	<u>2,080,876</u>
<u>10,268,503</u>	<u>-</u>	<u>-</u>	<u>10,268,503</u>
(1,650,263)	7,227,856	50,027	5,627,620
<u>24,481,115</u>	<u>1,402,184</u>	<u>355,374</u>	<u>26,238,673</u>
<u>\$ 22,830,852</u>	<u>\$ 8,630,040</u>	<u>\$ 405,401</u>	<u>\$ 31,866,293</u>

FERNBANK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>Program Services</u>					<u>Supporting Services</u>		<u>Totals</u>		
	<u>Museum</u>	<u>IMAX</u>	<u>Marketing</u>	<u>Museum Store</u>	<u>Food Services</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2014</u>	<u>2013</u>
Salaries	\$ 1,326,464	\$ 77,164	\$ 242,661	\$ 193,689	\$ 430,459	\$ 2,270,437	\$ 880,345	\$ 308,043	\$ 3,458,825	\$ 3,498,759
Temporary assistance	350	-	14,824	-	5,282	20,456	4,880	-	25,336	10,733
Payroll taxes	121,019	5,692	20,150	15,278	37,250	199,389	76,478	28,543	304,410	276,544
Employee benefits	136,490	8,741	27,657	33,609	36,292	242,789	106,111	36,097	384,997	271,250
Total Personnel Expenses	1,584,323	91,597	305,292	242,576	509,283	2,733,071	1,067,814	372,683	4,173,568	4,057,286
Advertising and promotion	-	-	731,093	-	-	731,093	-	-	731,093	830,148
General and administrative	20,319	1,282	2,126	3,096	4,694	31,517	268,494	8,615	308,626	305,726
Exhibit	1,231,019	-	-	-	-	1,231,019	-	-	1,231,019	589,440
Facilities	1,177,447	-	-	-	-	1,177,447	-	-	1,177,447	1,260,535
IMAX film	-	540,828	-	-	-	540,828	-	-	540,828	490,170
Information technology	-	-	-	-	-	-	98,893	-	98,893	117,563
Membership	-	-	-	-	-	-	-	96,987	96,987	131,583
Programs and activities	399,065	-	-	8,716	56,403	464,184	1,567	179,922	645,673	572,187
Special events	-	-	-	-	88,427	88,427	-	-	88,427	85,798
Total Expenses Before Depreciation and Amortization	4,412,173	633,707	1,038,511	254,388	658,807	6,997,586	1,436,768	658,207	9,092,561	8,440,436
Depreciation and amortization	1,838,650	64,995	1,507	193	6,378	1,911,723	12,060	-	1,923,783	1,828,067
Total Expenses 2014	\$ 6,250,823	\$ 698,702	\$ 1,040,018	\$ 254,581	\$ 665,185	\$ 8,909,309	\$ 1,448,828	\$ 658,207	\$ 11,016,344	\$ 10,268,503
Total Expenses 2013	\$ 5,507,545	\$ 636,074	\$ 1,145,407	\$ 250,385	\$ 648,216	\$ 8,187,627	\$ 1,430,913	\$ 649,963		

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

FERNBANK, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 2,809,100	\$ 5,627,620
Adjustments to Reconcile Increase in Net Assets to Net Cash Required by Operating Activities		
Depreciation and amortization	1,923,783	1,828,067
Non-cash contribution of property and equipment	-	(13,025)
Loss on disposal of property and equipment	-	7,333
Bad debt expense	2,800	14,750
Change in discount on pledges receivable	31,452	1,210
Restricted contributions	(5,411,168)	(7,598,138)
(Increase) decrease in assets:		
Accounts receivable	(58,667)	7,113
Pledges receivable	64,598	181,098
Inventories	(33,128)	13,556
Prepaid expenses	5,301	19,865
Increase (decrease) in liabilities:		
Accounts payable and contracts payable	175,550	(417,827)
Accrued expenses	42,298	(103,736)
Net cash required by operating activities	<u>(448,081)</u>	<u>(432,114)</u>
Cash Flows from Investing Activities:		
Increase in other investments	(1,484,988)	(56,853)
Purchase of patents and trademarks	-	(8,400)
Acquisitions of property and equipment	<u>(823,957)</u>	<u>(163,624)</u>
Net cash required by investing activities	<u>(2,308,945)</u>	<u>(228,877)</u>
Cash Flows from Financing Activities:		
Restricted contributions collected	<u>9,062,678</u>	<u>2,420,604</u>
Net cash provided by financing activities	<u>9,062,678</u>	<u>2,420,604</u>
Net Increase in Cash and Cash Equivalents	6,305,652	1,759,613
Cash and Cash Equivalents, Beginning of Year	<u>4,069,965</u>	<u>2,310,352</u>
Cash and Cash Equivalents, End of Year	<u>\$ 10,375,617</u>	<u>\$ 4,069,965</u>

Summary of Significant Non-Cash Investing Activities:

During the year ended December 31, 2013, the Organization received donated property and equipment in the amount of \$13,025.

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

FERNBANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Fernbank, Inc. (the "Organization") is a not-for-profit organization devoted to advancing knowledge and promoting an appreciation of the natural history of Georgia and the southeastern United States. The primary activity of the Organization is the operation of The Fernbank Museum of Natural History that opened to the general public on October 5, 1992.

Financial Statement Presentation

The Organization prepares its financial statements using the accrual method of accounting; consequently, revenues and the related assets are recognized when earned and expenditures are recognized when the obligation is incurred.

Net assets are recorded in the accompany statement of financial position as follows:

- Unrestricted net assets are resources that are neither permanently nor temporarily restricted by donor-imposed stipulations. The only limits on unrestricted net assets are those resulting from the nature of the Organization and its purposes.
- Temporarily restricted net assets are resources that are used by the Organization and limited by donor-imposed restrictions that either expire by the passage of time, use for intended purpose or removal by actions of the Organization (see Note 5).
- Permanently restricted net assets are resources that are limited by donor-imposed stipulations that neither expire by the passage of time nor can be removed by actions of the Organization (see Note 5).

Basis of Accounting

The Organization follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("GAAP").

Reclassifications

Certain reclassifications of temporarily and permanently restricted net assets have been made to the 2013 financial statements to conform with the 2014 presentation.

Financial Information for 2013

The financial statements include certain prior-year summarized comparative information in total, but not by functional expense class. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

FERNBANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in these financial statements. Actual results may differ from these estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Pledges Receivable

Unconditional promises to give (pledges) are recognized as assets and support when the pledges are received. Pledges expected to be collected in more than one year are recorded at their net realizable value and are separately identified as long term on the statement of financial position. Management periodically reviews the collectability of outstanding pledges and records an estimated allowance based on known facts and historical trends. Pledges are written off at the time they are deemed uncollectible.

The Organization has one major donor that comprised approximately 56% of pledges receivable at December 31, 2014 and one major donor that comprised approximately 92% of pledges receivable at December 31, 2013.

Conditional promises to give are not recorded until the conditions are substantially met and bequests are recorded only when amounts are determinable and collection is reasonably assured. The Organization has conditional promises to give totaling \$6,800,000 at December 31, 2014 and 2013. These promises to give bear certain pledge gift conditions be met associated with the Organization's Nature Generation campaign.

Financial Instruments and Concentrations of Credit Risk

The Organization has two sources of accounts receivable: pledges receivable and customer group receivables. Accounts receivable from pledges are primarily from donors and organizations in the Atlanta, Georgia area and are uncollateralized pledges. Substantially all of the customer group receivables are from groups in the local area and are unsecured. The Organization performs on-going credit evaluation of its customers and donors and has adjusted accounts receivable for all known uncollectible accounts. At December 31, 2014 and 2013, there was an allowance for doubtful accounts of \$9,250 and \$6,450 respectively.

FERNBANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments and Concentrations of Credit Risk (Continued)

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash on deposit and other short term investments with three financial institutions. At times, these balances may exceed federally insured limits. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying financial statements.

Inventories

Inventories consisting of gift shop items, food and beverage products, and supplies are stated at the lower of cost (first-in, first-out) or market.

Property and Equipment

Assets acquired by purchase are valued at cost. Donated assets are valued at the fair market value on the date of gift. Expenditures for maintenance, repairs, and renewals of minor items are charged to expense as incurred. All property and equipment purchases greater than \$500 are capitalized. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in the statement of activities and changes in net assets.

Property and equipment consist of the following at December 31:

	<u>2014</u>	<u>2013</u>
Museum	\$ 28,319,849	\$ 28,319,849
Land and other buildings	2,550,406	2,550,406
Museum exhibits	10,200,077	9,470,995
IMAX film production	327,500	327,500
Furniture, fixtures and equipment	2,170,063	2,120,099
Computer hardware	727,527	682,617
Computer software	921,409	921,409
Vehicles	31,990	31,990
	<u>45,248,821</u>	<u>44,424,865</u>
Less accumulated depreciation	<u>(24,987,394)</u>	<u>(23,065,254)</u>
	<u>\$ 20,261,427</u>	<u>\$ 21,359,611</u>

FERNBANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Depreciation expense for the years ended December 31, 2014 and 2013 was \$1,922,140 and \$1,826,844, respectively.

Property and equipment are depreciated using the straight-line method over their estimated lives as follows:

Buildings	15-35 years
Equipment	3-15 years
Furniture and fixtures	5-10 years
Computer hardware and software	3-5 years

Collections

In accordance with GAAP, donated collections are recorded at commercial market value, determined by independent appraisal. Purchased collection items are recorded at cost. Collections are not depreciated.

The value of collections donated by individuals prior to the current method of recording donated collections, including the gem stone collection and other works of art, are not recorded. However, the Organization's gem stone collection is extensive and has substantial value based upon appraisals of the items at the time of their donation.

Endowment

GAAP requires the following financial statement disclosures for the Organization:

- Classification of net assets

Endowment funds are used to account for investments in which the principal is restricted for a specific purpose.

FERNBANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment (Continued)

- Interpretation of Relevant Law

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies endowments as temporarily and permanently restricted net assets (a) the original value of gifts donated to the endowments, (b) the original value of subsequent gifts to the endowments, and (c) accumulations to the endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

- Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Organization, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

FERNBANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment (Continued)

- Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through current yields on certificate of deposits.

- Spending Policy

During 2014, the Organization revised their endowment policy, which was approved by the Organization's Executive Board, and is provided to donors. This policy was implemented to achieve returns in excess of the rate of inflation to preserve the purchasing power of the temporarily restricted assets as well as emphasize growth of principal while avoiding excessive risk. This policy allows for spending up to 4.5% of a trailing three year average of the market value of the temporarily restricted endowment fund for specified Organizational purposes.

Other Investments

The Organization's 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 statement of activities and changes in net assets. Investment income and gains on assets restricted by a donor are reported as increases in unrestricted net assets 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.

Contributions of assets other than cash are recorded at their estimated fair value. Assets other than cash are adjusted to their current fair market value when current valuations are made available.

FERNBANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis

FASB establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs in which little or no market data exists (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Basis of Fair Value Measurement

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

FERNBANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis (Continued)

The table below represents fair value measurement hierarchy of the assets (short-term investments and other investments) at fair value as of December 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>2014</u>			
Cash and Cash Equivalents				
Cash	\$ 1,845	\$ -	\$ -	\$ 1,845
Certificates of Deposit	361,124	-	-	361,124
Total Cash and Cash Equivalents	<u>362,969</u>	<u>-</u>	<u>-</u>	<u>362,969</u>
Money Market Fund				
Money Market Fund	<u>60,390</u>	<u>-</u>	<u>-</u>	<u>60,390</u>
Mutual Funds:				
Intermediate Term Bond	110,006	-	-	110,006
Bank Loan	39,101	-	-	39,101
Intermediate Government Bond	48,557	-	-	48,557
Corporate Bond	31,644	-	-	31,644
High Yield Bond	38,533	-	-	38,533
Inflation Protected Bond	31,556	-	-	31,556
World Bond	58,568	-	-	58,568
Foreign Small/Mid Value	29,688	-	-	29,688
Mid-Cap Value	79,956	-	-	79,956
Mid-Cap Blend	48,609	-	-	48,609
Small Growth	203,580	-	-	203,580
Large Value	12,215	-	-	12,215
Large Growth	215,313	-	-	215,313
Small Blend	31,819	-	-	31,819
Foreign Large Value	97,792	-	-	97,792
Foreign Large Blend	148,585	-	-	148,585
Diversified Emerging Markets	101,332	-	-	101,332
Real Estate	32,429	-	-	32,429
Total Mutual Funds	<u>1,359,283</u>	<u>-</u>	<u>-</u>	<u>1,359,283</u>
Other Funds				
Long/Short Equity	87,992	-	-	87,992
World Allocation	60,720	-	-	60,720
	<u>148,712</u>	<u>-</u>	<u>-</u>	<u>148,712</u>
Total Assets at Fair Value	<u>\$ 1,931,354</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,931,354</u>

FERNBANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis (Continued)

Total investments, consisting of certificates of deposit, at fair value classified within Level 1 were \$446,366 as of December 31, 2013. The Organization had no level 2 or 3 assets or liabilities at December 31, 2013.

Contracts Payable

In the normal course of business, the Organization has contracts with third parties for special exhibits to showcase at various dates throughout the year. These contracts require that all costs associated with the exhibit contract are paid in full prior to the exhibit opening over an agreed upon period of time. All contract costs relating to the special exhibits are accrued once the executed contract becomes non-cancellable. The Organization had special exhibits under contract with contracts payable of \$170,000 and \$50,000 at December 31, 2014 and 2013, respectively. At December 31, 2014, the Organization had executed cancellable contracts for future exhibits with estimated contract costs of \$225,000.

Contributions

The Organization records contributions in accordance with GAAP. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of 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.

Donated Services

Donated services have not been reflected in the financial statements because no objective basis is available to measure the value of such services. A number of volunteers have donated approximately 22,000 and 18,500 hours of service to further the objectives of the Organization during the years ended December 31, 2014 and 2013, respectively.

Compensated Absences

The costs of employee vacations are not accrued as they are earned, but are recorded when actually used.

FERNBANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs totaled approximately \$1,039,000 and \$1,144,000 in 2014 and 2013, respectively.

Donated Property and Equipment

During the year ended December 31, 2013, the Organization received donated property and equipment in the amount of \$13,025.

Income Taxes

Fernbank, Inc. is a not-for-profit organization which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

The Organization annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Organization takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. The Organization does not believe it has any uncertain tax positions as of December 31, 2014.

In the normal course of business, the Organization is subject to examination by the federal and state taxing authorities. In general, the Organization is no longer subject to tax examinations for tax years ending before December 31, 2011.

Subsequent Events

Management has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued.

FERNBANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 2 - PLEDGES RECEIVABLE

At December 31, 2014, pledges receivable are due to be collected in the future years as follows:

2015		\$ 1,430,585
2016		<u>302,700</u>
		1,733,285
Unamortized discount		(43,336)
Allowance for uncollectible pledges		<u>(9,250)</u>
		<u>\$ 1,680,699</u>

Beginning January 1, 2013, management increased the discount rate to 3.0% due to rising interest rates. Receivables to be collected after one year from the statement of financial position date that were pledged before January 1, 2013 are discounted at 2.5%.

During 2013, the Organization initiated its Nature Generation multi-year capital campaign and has generated revenues totaling \$7,993,575 as of December 31, 2014. Of this amount, \$6,320,316 has been received in cash through December 31, 2014. The campaign's goal is to raise \$20,000,000. However, the ultimate amount of pledges and collections is not known at this time.

NOTE 3 - EMPLOYEE RETIREMENT PLANS

The Organization sponsors a 403(b) plan for its eligible employees. During 2013, the Organization elected to suspend contributions to the 403(b) plan on behalf of eligible employees. During 2014, the Organization contributed \$66,046 to the 403(b) plan on behalf of eligible employees.

NOTE 4 - ST. CATHERINES COLLECTION

In an agreement signed in November, 2003, the Organization received a significant donation of archaeological artifacts found on St. Catherines, a Georgia coastal island. The items were accumulated by the donor during excavations over the past 30 years and have a commercial market value of \$1,057,949, based on appraisals. On January 2, 2010 in accordance with the donation agreement, the Organization took title and full ownership of the collection since it achieved benchmarks related to storing and displaying the artifacts.

FERNBANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 5 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

At December 31, 2014 and 2013, the components of temporarily restricted net assets were as follows:

	<u>2014</u>	<u>2013</u> <u>(As Reclassified)</u>
NatureQuest	\$ 75,763	\$ 92,149
Across the millennia	841,690	842,558
Open the doors of discovery	286,886	311,187
Nature Generation	5,950,404	2,277,671
Endowment	5,032,179	5,040,965
Other	76,557	65,510
	<u>\$ 12,263,479</u>	<u>\$ 8,630,040</u>

Net assets were released from donor restrictions during 2014 and 2013 by incurring expenses satisfying the purpose specified by donors as follows:

	<u>2014</u>	<u>2013</u>
NatureQuest	\$ 16,386	\$ 22,841
Across the millennia	7,624	12,111
Open the doors of discovery	24,301	36,659
Nature Generation	1,508,453	320,468
Endowment	1,595	-
Other	183,016	91,927
	<u>\$ 1,741,375</u>	<u>\$ 484,006</u>

At December 31, 2014 and 2013, permanently restricted net assets totaled \$405,401. All permanently restricted net assets were in the general fund at December 31, 2014 and 2013.

During 2014, management of the Organization and the Board of Trustees, after careful consideration and review of all related documentation, determined that contributions originally designated as permanently restricted net assets were actually given with the intention of containing temporary restrictions. As such, during 2014 the Board of Trustees authorized the reclassification of the contribution to temporarily restricted net assets.