

**FERNBANK, INC.**

**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

**with**  
**INDEPENDENT AUDITORS' REPORT**

## TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	3-4
STATEMENT OF FINANCIAL POSITION	5
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	6-7
STATEMENT OF FUNCTIONAL EXPENSES	8
STATEMENT OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10-20

## 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, 2013 and 2012, 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**

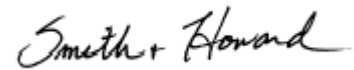
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2013 and 2012, 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".

July 31, 2014

**FERNBANK, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2013 AND 2012**

**ASSETS**

	<u><b>2013</b></u>	<u><b>2012</b></u>
Current Assets		
Cash and cash equivalents	\$ 4,069,965	\$ 2,310,352
Short-term investments	89,700	160,735
Pledges receivable, current portion	5,321,791	323,257
Accounts receivable	92,874	99,988
Inventories	246,993	260,549
Prepaid expenses	48,875	68,740
Total Current Assets	9,870,198	3,223,621
Property and Equipment, Net	21,359,611	23,017,139
St. Catherines Collection	1,057,949	1,057,949
Other Assets		
Pledges receivable, net of current portion	109,268	127,326
Other assets	17,481	10,304
Other investments	356,666	228,777
	<u>\$ 32,771,173</u>	<u>\$ 27,665,116</u>

**LIABILITIES AND NET ASSETS**

Current Liabilities		
Accounts payable	\$ 520,549	\$ 680,724
Accrued expenses	334,331	438,067
Contracts payable, current portion	50,000	257,652
Total Current Liabilities	904,880	1,376,443
Contracts Payable, Net of Current Portion	-	50,000
Net Assets		
Unrestricted	22,830,852	24,481,115
Temporarily restricted	3,589,075	1,368,126
Permanently restricted	5,446,366	389,432
	<u>31,866,293</u>	<u>26,238,673</u>
	<u>\$ 32,771,173</u>	<u>\$ 27,665,116</u>

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, 2013 AND 2012**

	<b>2013</b>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and Revenues</b>				
Museum admissions	\$ 2,145,759	\$ -	\$ -	\$ 2,145,759
IMAX admissions	1,184,107	-	-	1,184,107
Gifts and grants	2,033,641	2,703,261	5,050,027	9,786,929
Memberships	1,118,161	-	-	1,118,161
Investment income	1,409	1,694	6,907	10,010
Museum store	724,201	-	-	724,201
Cost of goods sold - museum store	(332,752)	-	-	(332,752)
Food service	1,454,544	-	-	1,454,544
Cost of goods sold - food store	(324,077)	-	-	(324,077)
Other	129,241	-	-	129,241
Net assets released from restrictions	484,006	(484,006)	-	-
Total Support and Revenues	8,618,240	2,220,949	5,056,934	15,896,123
<b>Expenses</b>				
<b>Program Services</b>				
Museum	5,507,545	-	-	5,507,545
IMAX	636,074	-	-	636,074
Marketing	1,145,407	-	-	1,145,407
Museum store	250,385	-	-	250,385
Food service	648,216	-	-	648,216
	8,187,627	-	-	8,187,627
<b>Supporting Services</b>				
Management and general	1,430,913	-	-	1,430,913
Fundraising	649,963	-	-	649,963
	2,080,876	-	-	2,080,876
Total Expenses	10,268,503	-	-	10,268,503
Increase (Decrease) in Net Assets	(1,650,263)	2,220,949	5,056,934	5,627,620
Net Assets, Beginning of Year	24,481,115	1,368,126	389,432	26,238,673
Net Assets, End of Year	\$ 22,830,852	\$ 3,589,075	\$ 5,446,366	\$ 31,866,293

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

**2012**

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 2,043,063	\$ -	\$ -	\$ 2,043,063
1,064,336	-	-	1,064,336
3,356,738	308,451	-	3,665,189
1,128,922	-	-	1,128,922
1,686	1,576	8,167	11,429
733,968	-	-	733,968
(326,509)	-	-	(326,509)
1,509,578	-	-	1,509,578
(327,497)	-	-	(327,497)
114,741	-	-	114,741
<u>439,537</u>	<u>(439,537)</u>	<u>-</u>	<u>-</u>
9,738,563	(129,510)	8,167	9,617,220
5,764,786	-	-	5,764,786
567,910	-	-	567,910
1,219,533	-	-	1,219,533
253,896	-	-	253,896
<u>668,756</u>	<u>-</u>	<u>-</u>	<u>668,756</u>
8,474,881	-	-	8,474,881
1,480,661	-	-	1,480,661
<u>702,014</u>	<u>-</u>	<u>-</u>	<u>702,014</u>
<u>2,182,675</u>	<u>-</u>	<u>-</u>	<u>2,182,675</u>
<u>10,657,556</u>	<u>-</u>	<u>-</u>	<u>10,657,556</u>
(918,993)	(129,510)	8,167	(1,040,336)
<u>25,400,108</u>	<u>1,497,636</u>	<u>381,265</u>	<u>27,279,009</u>
<u>\$ 24,481,115</u>	<u>\$ 1,368,126</u>	<u>\$ 389,432</u>	<u>\$ 26,238,673</u>

**FERNBANK, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

	Program Services					Supporting Services		Totals		
	Museum	IMAX	Marketing	Museum Store	Food Services	Total Program Services	Management and General	Fundraising	2013	2012
Salaries	\$ 1,303,433	\$ 70,571	\$ 269,891	\$ 197,291	\$ 432,494	\$ 2,273,680	\$ 890,924	\$ 334,155	\$ 3,498,759	\$ 3,776,439
Temporary assistance	1,086	-	1,046	-	8,435	10,567	166	-	10,733	12,328
Payroll taxes	107,124	4,945	21,173	14,935	34,314	182,491	67,480	26,573	276,544	277,470
Employee benefits	113,037	4,062	19,638	23,781	28,087	188,605	71,030	11,615	271,250	281,725
<b>Total Personnel Expenses</b>	<b>1,524,680</b>	<b>79,578</b>	<b>311,748</b>	<b>236,007</b>	<b>503,330</b>	<b>2,655,343</b>	<b>1,029,600</b>	<b>372,343</b>	<b>4,057,286</b>	<b>4,347,962</b>
Advertising and promotion	-	-	830,148	-	-	830,148	-	-	830,148	873,187
General and administrative	15,553	1,332	2,004	3,643	1,964	24,496	265,637	15,593	305,726	271,164
Exhibit	589,440	-	-	-	-	589,440	-	-	589,440	1,144,623
Facilities	1,260,535	-	-	-	-	1,260,535	-	-	1,260,535	1,135,831
IMAX film	-	490,170	-	-	-	490,170	-	-	490,170	408,726
Information technology	-	-	-	-	-	-	117,563	-	117,563	76,370
Membership	-	-	-	-	-	-	-	131,583	131,583	145,068
Programs and activities	375,510	-	-	10,227	54,362	440,099	2,012	130,076	572,187	393,626
Special events	3,035	-	-	-	82,763	85,798	-	-	85,798	91,195
<b>Total Expenses Before Depreciation and Amortization</b>	<b>3,768,753</b>	<b>571,080</b>	<b>1,143,900</b>	<b>249,877</b>	<b>642,419</b>	<b>6,376,029</b>	<b>1,414,812</b>	<b>649,595</b>	<b>8,440,436</b>	<b>8,887,752</b>
Depreciation and amortization	1,738,792	64,994	1,507	508	5,797	1,811,598	16,101	368	1,828,067	1,769,804
<b>Total Expenses 2013</b>	<b>\$ 5,507,545</b>	<b>\$ 636,074</b>	<b>\$ 1,145,407</b>	<b>\$ 250,385</b>	<b>\$ 648,216</b>	<b>\$ 8,187,627</b>	<b>\$ 1,430,913</b>	<b>\$ 649,963</b>	<b>\$ 10,268,503</b>	<b>\$ 10,657,556</b>
<b>Total Expenses 2012</b>	<b>\$ 5,764,786</b>	<b>\$ 567,910</b>	<b>\$ 1,219,533</b>	<b>\$ 253,896</b>	<b>\$ 668,756</b>	<b>\$ 8,474,881</b>	<b>\$ 1,480,661</b>	<b>\$ 702,014</b>		

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



**FERNBANK, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	\$ 5,627,620	\$ (1,040,336)
Adjustments to Reconcile Increase (Decrease) in Net Assets to		
Net Cash Required by Operating Activities		
Depreciation and amortization	1,828,067	1,769,804
Non-cash contribution of property and equipment	(13,025)	(890,573)
Loss on disposal of property and equipment	7,333	-
Bad debt expense	14,750	2,111
Change in discount on pledges receivable	1,210	(9,706)
Restricted contributions	(7,769,248)	(300,856)
(Increase) decrease in assets:		
Accounts receivable	7,113	(32,170)
Pledges receivable	201,099	(74,873)
Inventories	13,556	(19,001)
Prepaid expenses	19,865	1,780
Increase (decrease) in liabilities:		
Accounts payable and contracts payable	(417,827)	324,600
Accrued expenses	(103,736)	(481,586)
Net cash required by operating activities	<u>(583,223)</u>	<u>(750,806)</u>
Cash Flows from Investing Activities:		
Proceeds from sale of investments	-	495,405
Increase in other investments	(56,853)	(9,167)
Purchase of patents and trademarks	(8,400)	-
Acquisitions of property and equipment	(163,624)	(288,999)
Net cash provided (required) by investing activities	<u>(228,877)</u>	<u>197,239</u>
Cash Flows from Financing Activities:		
Payments under line of credit, net	-	(465,000)
Restricted contributions collected	2,571,713	824,582
Net cash provided by financing activities	<u>2,571,713</u>	<u>359,582</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,759,613	(193,985)
Cash and Cash Equivalents, Beginning of Year	<u>2,310,352</u>	<u>2,504,337</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,069,965</u>	<u>\$ 2,310,352</u>

Summary of Significant Non-Cash Investing Activities:

During the years ended December 31, 2013 and 2012, the Organization received donated property and equipment in the amount of \$13,025 and \$890,573, respectively.

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

**FERNBANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**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 6).
- 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 6).

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 have been made to the 2012 financial statements to conform with the 2013 presentation.

**FERNBANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Information for 2012

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, 2012, from which the summarized information was derived.

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 92% of pledges receivable at December 31, 2013 and five major donors that comprised approximately 69% of pledges receivable at December 31, 2012.

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 a conditional promise to give totaling \$5,000,000 at December 31, 2013.

**FERNBANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2013 and 2012, there was an allowance for doubtful accounts of \$6,450 and \$1,030 respectively.

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.

**FERNBANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property and Equipment (Continued)

Property and equipment consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Museum	\$ 28,319,849	\$ 28,319,849
Land and other buildings	2,550,406	2,550,406
Museum exhibits	9,470,995	9,445,883
IMAX film production	327,500	327,500
Furniture, fixtures and equipment	2,120,099	2,101,999
Computer hardware	682,617	557,179
Computer software	921,409	924,409
Vehicles	<u>31,990</u>	<u>31,990</u>
	44,424,865	44,259,215
Less accumulated depreciation	<u>(23,065,254)</u>	<u>(21,242,076)</u>
	<u>\$ 21,359,611</u>	<u>\$ 23,017,139</u>

Depreciation expense for the years ended December 31, 2013 and 2012 was \$1,826,844 and \$1,769,000, 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.

**FERNBANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 permanently restricted for a specific purpose.

- 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 as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment 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 endowment 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, 2013 AND 2012**

**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

The Organization has an endowment policy, approved by the Organization's Executive Board, and provided to donors. This policy prohibits spending from the general endowment fund until a minimum threshold of \$1,000,000 (including the endowment and earnings) is reached. At December 31, 2013 and 2012, the general endowment balance was \$446,366 and \$389,512, respectively. Upon reaching the threshold of \$1,000,000 a spending policy becomes effective which allows for the Organization to budget for, and make, annual disbursements from earnings of this endowment fund for operating expenses or capital expenditures, including any interest or fees, in an amount up to 5% of a three-year moving average. Spending is limited to the earnings of the endowment.

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, 2013 AND 2012**

**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.

Total investments, consisting of certificates of deposit, at fair value classified within Level 1 were \$446,366 and \$389,512, as of December 31, 2013 and 2012, respectively. The Organization had no Level 2 or 3 assets or liabilities at December 31, 2013 and 2012.

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 \$50,000 and \$307,652 at December 31, 2013 and 2012, respectively. At December 31, 2013, the Organization had executed cancellable contracts for future exhibits with estimated contract costs of \$225,000.



**FERNBANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 18,500 and 17,500 hours of service to further the objectives of the Organization during the years ended December 31, 2013 and 2012, respectively.

Compensated Absences

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

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs totaled approximately \$1,144,000 and \$1,219,000 in 2013 and 2012, respectively.

Donated Property and Equipment

During the year ended December 31, 2013 and 2012, the Organization received donated property and equipment in the amount of \$13,025 and \$890,573, respectively.

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.

**FERNBANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Income Taxes (Continued)

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 have any uncertain tax positions as of December 31, 2013.

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, 2010.

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.

**NOTE 2 - PLEDGES RECEIVABLE**

At December 31, 2013, pledges receivable are due to be collected in the future years as follows:

2014	\$ 5,328,241
2015	<u>121,152</u>
	5,449,393
Unamortized discount	(11,884)
Allowance for uncollectible pledges	<u>(6,450)</u>
	<u>\$ 5,431,059</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 \$2,812,388 as of December 31, 2013. Of this amount, \$2,551,119 in cash has been received through December 31, 2013. The campaign's goal is to raise \$20,000,000. However, the ultimate amount of pledges and collections is not known at this time.

**FERNBANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**NOTE 3 - EMPLOYEE RETIREMENT PLANS**

The Organization sponsors a 403(b) plan for its eligible employees. During 2013 and 2012, the Organization elected to suspend contributions 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.

**NOTE 5 - LINE OF CREDIT**

The Organization maintained a revolving line of credit agreement with a bank whereby the Organization could borrow up to \$2,000,000 with an additional \$500,000 guidance line of credit. Borrowings under the agreement bore interest at LIBOR plus 3% and were collateralized by pledges receivable. The borrowings on this line were paid in full and the line was closed during 2012.

**NOTE 6 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**

At December 31, 2013 and 2012, the components of temporarily restricted net assets were as follows:

	<u>2013</u>	<u>2012</u>
NatureQuest	\$ 92,149	\$ 114,041
Across the millennia	842,558	849,905
Open the doors of discovery	311,187	347,846
Nature Generation	2,277,671	-
Other	65,510	56,334
	<u>\$ 3,589,075</u>	<u>\$ 1,368,126</u>

**FERNBANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**NOTE 6 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (Continued)**

Net assets were released from donor restrictions during 2013 and 2012 by incurring expenses satisfying the purpose specified by donors as follows:

	<u><b>2013</b></u>	<u><b>2012</b></u>
NatureQuest	\$ 22,841	\$ 38,334
Across the millennia	12,111	69,837
Open the doors of discovery	36,659	26,890
Other	91,927	90,226
Nature Generation	<u>320,468</u>	<u>214,250</u>
	<u><u>\$ 484,006</u></u>	<u><u>\$ 439,537</u></u>

At December 31, 2013 and 2012, the components of permanently restricted net assets were as follows:

	<u><b>2013</b></u>	<u><b>2012</b></u>
General	\$ 446,366	\$ 389,432
Forest and Preserve	<u>5,000,000</u>	<u>-</u>
	<u><u>\$ 5,446,366</u></u>	<u><u>\$ 389,432</u></u>