

FERNBANK, INC.

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

with
INDEPENDENT AUDITORS' REPORT

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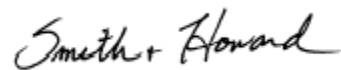
INDEPENDENT AUDITORS' REPORT

The Board of Trustees Fernbank, Inc.

We have audited the accompanying statement of financial position of Fernbank, Inc. (the "Organization"), as of December 31, 2010 and 2009 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 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 the Organization as of December 31, 2010 and 2009 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.



August 5, 2011

FERNBANK, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

ASSETS

	<u>2010</u>	<u>2009</u>
Current Assets		
Cash and cash equivalents	\$ 2,589,428	\$ 2,716,531
Short-term investments (Note 1)	85,702	-
Pledges receivable, current portion (Note 2)	861,961	2,765,980
Accounts receivable	39,228	59,294
Inventories	206,891	187,818
Prepaid expenses	48,925	42,599
Total Current Assets	3,832,135	5,772,222
Property and Equipment, Net (Note 1)	23,852,640	19,664,613
St. Catherines Collection (Note 4)	1,057,949	705,300
Other Assets		
Pledges receivable, net of current portion (Note 2)	608,580	1,042,243
Other assets	11,910	12,713
Other investments (Note 1)	685,322	386,323
	\$ 30,048,536	\$ 27,583,414

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 790,586	\$ 901,650
Accrued expenses	749,552	639,274
Current portion of contracts payable	55,000	393,000
Total Current Liabilities	1,595,138	1,933,924
Contracts Payable, Net of Current Portion	-	16,000
Net Assets (Note 6)		
Unrestricted	25,199,313	20,112,393
Temporarily restricted	2,936,155	5,206,547
Permanently restricted (Note 1)	317,930	314,550
	28,453,398	25,633,490
	\$ 30,048,536	\$ 27,583,414

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, 2010 AND 2009

	2010			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenues				
Museum admissions	\$ 1,702,821	\$ -	\$ -	\$ 1,702,821
IMAX admissions	1,024,193	-	-	1,024,193
Gifts and grants	2,678,078	3,909,034	-	6,587,112
Memberships	843,067	-	-	843,067
Investment income	3,265	3,932	3,380	10,577
Museum store	582,725	-	-	582,725
Cost of goods sold - museum store	(252,386)	-	-	(252,386)
Food service	1,293,439	-	-	1,293,439
Cost of goods sold - food store	(288,860)	-	-	(288,860)
Other	83,469	-	-	83,469
Net assets released from restrictions	<u>6,183,358</u>	<u>(6,183,358)</u>	<u>-</u>	<u>-</u>
Total Support and Revenues	13,853,169	(2,270,392)	3,380	11,586,157
Expenses				
Program Services				
Museum	4,299,821	-	-	4,299,821
IMAX	473,948	-	-	473,948
Marketing	1,076,640	-	-	1,076,640
Museum store	190,423	-	-	190,423
Food service	<u>618,402</u>	<u>-</u>	<u>-</u>	<u>618,402</u>
	6,659,234	-	-	6,659,234
Supporting Services				
Management and general	1,272,064	-	-	1,272,064
Fundraising	<u>834,951</u>	<u>-</u>	<u>-</u>	<u>834,951</u>
	<u>2,107,015</u>	<u>-</u>	<u>-</u>	<u>2,107,015</u>
Total Expenses	<u>8,766,249</u>	<u>-</u>	<u>-</u>	<u>8,766,249</u>
Increase (Decrease) in Net Assets	5,086,920	(2,270,392)	3,380	2,819,908
Net Assets, Beginning of Year	<u>20,112,393</u>	<u>5,206,547</u>	<u>314,550</u>	<u>25,633,490</u>
Net Assets, End of Year	<u>\$ 25,199,313</u>	<u>\$ 2,936,155</u>	<u>\$ 317,930</u>	<u>\$ 28,453,398</u>

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

2009

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 1,728,667	\$ -	\$ -	\$ 1,728,667
1,211,605	-	-	1,211,605
2,316,978	825,108	-	3,142,086
814,981	-	-	814,981
3,135	5,306	99	8,540
668,287	-	-	668,287
(306,292)	-	-	(306,292)
1,494,677	-	-	1,494,677
(305,369)	-	-	(305,369)
54,814	-	-	54,814
<u>1,251,481</u>	<u>(1,251,481)</u>	<u>-</u>	<u>-</u>
8,932,964	(421,067)	99	8,511,996
4,546,321	-	-	4,546,321
525,703	-	-	525,703
1,117,442	-	-	1,117,442
214,462	-	-	214,462
<u>699,080</u>	<u>-</u>	<u>-</u>	<u>699,080</u>
7,103,008	-	-	7,103,008
1,315,787	-	-	1,315,787
<u>736,003</u>	<u>-</u>	<u>-</u>	<u>736,003</u>
<u>2,051,790</u>	<u>-</u>	<u>-</u>	<u>2,051,790</u>
<u>9,154,798</u>	<u>-</u>	<u>-</u>	<u>9,154,798</u>
(221,834)	(421,067)	99	(642,802)
<u>20,334,227</u>	<u>5,627,614</u>	<u>314,451</u>	<u>26,276,292</u>
<u>\$ 20,112,393</u>	<u>\$ 5,206,547</u>	<u>\$ 314,550</u>	<u>\$ 25,633,490</u>

FERNBANK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2010 AND 2009

	Program Services						Supporting Services		Totals	
	Museum	IMAX	Marketing	Museum Store	Food Services	Total Program Services	Management and General	Fundraising	2010	2009
Salaries	\$ 1,284,918	\$ 66,043	\$ 235,226	\$ 154,680	\$ 412,330	\$ 2,153,197	\$ 836,266	\$ 374,531	\$ 3,363,994	\$ 3,733,478
Temporary assistance	1,405	-	4,970	-	2,846	9,221	150	-	9,371	2,976
Payroll taxes	112,835	5,161	18,454	13,520	34,051	184,021	67,195	34,282	285,498	308,434
Employee benefits	96,201	7,067	16,537	16,125	39,923	175,853	62,918	21,131	259,902	327,534
Total Personnel Expenses	1,495,359	78,271	275,187	184,325	489,150	2,522,292	966,529	429,944	3,918,765	4,372,422
Advertising and promotion	-	-	789,938	-	-	789,938	-	-	789,938	828,450
General and administrative	19,961	2,519	3,105	1,561	5,687	32,833	216,108	35,184	284,125	339,683
Exhibit	347,453	-	-	-	-	347,453	-	-	347,453	487,627
Facilities	1,036,549	-	-	-	-	1,036,549	-	-	1,036,549	937,369
IMAX film	-	321,672	-	-	-	321,672	-	-	321,672	378,357
Information technology	-	-	-	-	-	-	60,611	1,295	61,906	55,325
Membership	-	-	-	-	-	-	-	88,000	88,000	120,154
Programs and activities	227,980	-	-	1,934	39,409	269,323	3,070	277,690	550,083	322,013
Special events	-	-	-	-	73,534	73,534	-	-	73,534	82,851
Total expenses before depreciation	3,127,302	402,462	1,068,230	187,820	607,780	5,393,594	1,246,318	832,113	7,472,025	7,924,251
Depreciation (Note 1)	1,172,519	71,486	8,410	2,603	10,622	1,265,640	25,746	2,838	1,294,224	1,230,547
Total Expenses	\$ 4,299,821	\$ 473,948	\$ 1,076,640	\$ 190,423	\$ 618,402	\$ 6,659,234	\$ 1,272,064	\$ 834,951	\$ 8,766,249	\$ 9,154,798
Total Expenses 2009	\$ 4,546,321	\$ 525,703	\$ 1,117,442	\$ 214,462	\$ 699,080	\$ 7,103,008	\$ 1,315,787	\$ 736,003		

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

FERNBANK, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	\$ 2,819,908	\$ (642,802)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and amortization	1,295,027	1,231,351
(Gain) loss on disposal of equipment	(1,548)	2,716
Contributions of equipment	(6,400)	(353,369)
Bad debt expense	50,000	-
Change in discount on pledges receivable	(21,413)	25,455
Unrealized loss on investments	-	137,500
Increase in value of St. Catherines collection	(352,649)	-
(Increase) decrease in assets:		
Accounts receivable	20,066	(21,733)
Pledges receivable	292,035	(270,324)
Inventories	(19,073)	71,329
Prepaid expenses	(6,326)	3,233
Increase (decrease) in liabilities:		
Accounts payable and contracts payable	(520,879)	445,830
Accrued expenses	74,009	(47,680)
Net cash provided by operating activities	<u>3,622,757</u>	<u>581,506</u>
Cash Flows from Investing Activities:		
Proceeds from sale of property and equipment	1,548	-
Investment in employment contract	(30,500)	(32,375)
Increase in other investments	(317,931)	-
Acquisitions of property and equipment	<u>(5,420,037)</u>	<u>(680,296)</u>
Net cash required by investing activities	<u>(5,766,920)</u>	<u>(712,671)</u>
Cash Flows from Financing Activities:		
Restricted pledges collected	<u>2,017,060</u>	<u>554,424</u>
Net cash provided by financing activities	<u>2,017,060</u>	<u>554,424</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(127,103)	423,259
Cash and Cash Equivalents, Beginning of Year	<u>2,716,531</u>	<u>2,293,272</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,589,428</u>	<u>\$ 2,716,531</u>

Summary of Significant Non-Cash Investing Activities:

During the year ended December 31, 2010, the Organization financed acquisitions of property and equipment with accounts payable in the amount of \$55,815.

During the year ended December 31, 2010, the Organization received donated collections in the amount of \$352,649, as discussed further in Note 4. During the year ended December 31, 2009, the Organization received donated property and equipment in the amount of \$353,369.

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

FERNBANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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 2009 financial statements in order to conform to the 2010 presentation.

FERNBANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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 three major donors that comprised approximately 70% of pledges receivable at December 31, 2010 and five major donors that comprised approximately 72% of pledges receivable at December 31, 2009. During the years ended December 31, 2010 and 2009, the Organization had four donors that comprised approximately 51% of gifts and grants and four donors that comprised approximately 32% of gifts and grants, respectively.

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, 2010 and 2009, there was an allowance for doubtful accounts of \$28,579 and \$23,390, respectively.

FERNBANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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. As a result of liquidity issues experienced in the global credit and capital markets, it is at least reasonably possible that changes in risks in the near term could occur which in turn could further 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>2010</u>	<u>2009</u>
Museum	\$ 28,319,849	\$ 28,132,526
Land and other buildings	2,550,406	2,777,680
Museum exhibits	7,947,885	3,545,002
IMAX film production	327,500	327,500
Furniture, fixtures and equipment	2,014,889	2,922,008
Computer hardware	173,273	346,730
Computer software	339,861	365,196
Vehicles	<u>31,990</u>	<u>25,590</u>
	41,705,653	38,442,232
Less accumulated depreciation	<u>(17,853,013)</u>	<u>(18,777,619)</u>
	<u>\$ 23,852,640</u>	<u>\$ 19,664,613</u>

Depreciation expense for the years ended December 31, 2010 and 2009 was \$1,294,224 and \$1,230,547, respectively.

FERNBANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

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

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 permanently restricted for a specific purpose.

FERNBANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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 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, 2010 AND 2009

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 endowment fund until a minimum threshold of \$1,000,000 (including the endowment and earnings) is reached. At December 31, 2010 and 2009, the endowment balance was \$317,930 and \$314,550, 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 its 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. Additional investments include amounts held in a trust account ("Rabbi Trust") for the benefit of the Organization's executive director.

FERNBANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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 shares of registered investment companies, government securities, and certificates of deposit, at fair value classified within Level 1 were \$771,024 and \$386,323, as of December 31, 2010 and 2009, respectively. The Organization had no Level 2 or 3 assets or liabilities at December 31, 2010 and 2009.

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended December 31, 2010 and 2009:

Beginning balance, January 1, 2009	\$ 137,500
Changes in market value	<u>(137,500)</u>
Ending balance, December 31, 2009	-
Changes in market value	<u>-</u>
Ending balance, December 31, 2010	<u><u>\$ -</u></u>

FERNBANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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 over 18,675 and 20,150 hours of service to further the objectives of the Organization during the years ended December 31, 2010 and 2009, 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 \$1,168,000 and \$1,108,000 in 2010 and 2009, 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.

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, 2010.

FERNBANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through August 5, 2011, the date which the financial statements were available to be issued.

NOTE 2 - PLEDGES RECEIVABLE

At December 31, 2010, pledges receivable are due to be collected in the future years as follows:

2011	\$ 890,540
2012	505,994
2013	72,071
2014	58,000
2015	6,000
Thereafter	<u>4,000</u>
	1,536,605
Unamortized discount	(37,485)
Allowance for uncollectible pledges	<u>(28,579)</u>
	<u>\$ 1,470,541</u>

Receivables to be collected after one year from the statement of financial position date are discounted at 2%.

NOTE 3 - EMPLOYEE RETIREMENT PLANS

The Organization made contributions totaling \$66,691 in 2009, on behalf of its eligible employees to simplified employee pension and 403(b) plan accounts. During 2010 and 2009, the Organization elected to suspend contributions to the 403(b) plan on behalf of eligible employees.

**FERNBANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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 maintains a revolving line of credit agreement with a bank whereby the Organization may borrow up to \$2,000,000 with an additional \$500,000 guidance line of credit. Borrowings under the agreement bear interest at LIBOR plus 3% (an effective rate of 3.25% at December 31, 2010) and are collateralized by pledges receivable. There were no outstanding borrowings under the agreement at December 31, 2010. The agreement matures in October 2012.

NOTE 6 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

At December 31, 2010 and 2009, the components of temporarily restricted net assets were as follows:

	<u>2010</u>	<u>2009</u>
NatureQuest	\$ 1,528,869	\$ 3,766,410
Across the millennia	843,901	778,554
Open the doors of discovery	487,234	588,779
Other	<u>76,151</u>	<u>72,804</u>
	<u>\$ 2,936,155</u>	<u>\$ 5,206,547</u>

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

Net assets were released from donor restrictions during 2010 and 2009 by incurring expenses satisfying the purpose specified by donors as follows:

	<u>2010</u>	<u>2009</u>
NatureQuest	\$ 5,136,654	\$ 52,858
Across the millennia	875,371	513,096
Open the doors of discovery	101,545	638,221
Other	69,788	47,306
	<u>\$ 6,183,358</u>	<u>\$ 1,251,481</u>

Permanently restricted net assets are donor-restricted for use by the endowment fund as more fully described in Note 1.