FERNBANK, INC.

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

with
INDEPENDENT AUDITORS' REPORT

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SMITH+HOWARD PC

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Fernbank, Inc.

Opinion

We have audited the accompanying financial statements of Fernbank, Inc. (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP; 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date of this report.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Smith and Howard PC

August 17, 2023

FERNBANK, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
Current Assets		
Cash and cash equivalents	$ 9,599,548	$ 9,609,679
Endowment cash and cash equivalents	157,793	197,251
Short-term investments	1,817,109	3,303,323
Pledges receivable, current portion	969,036	196,931
Accounts receivable	180,611	80,325
Employee retention credit grant receivable (Note 7)	127,184	228,070
Inventories	294,481	294,932
Prepaid expenses	249,176	202,197
Total Current Assets	13,394,938	14,112,708
Property and Equipment, Net	22,349,273	21,354,401
Collections	1,091,649	1,091,649
Other Assets		
Pledges receivable, net of current portion	710,637	148,779
Trademarks, net	7,858	10,649
Long term investments	6,914,135	7,585,298
	$ 44,468,490	$ 44,303,484

LIABILITIES AND NET ASSETS

	2022	2021
Current Liabilities		
Accounts payable and accrued expenses	$ 897,710	$ 774,932
Deferred revenues	1,104,265	838,125
Exhibit contracts payable	53,334	293,333
Total Current Liabilities	2,055,309	1,906,390
Exhibit Contracts Payable, Net of Current Portion	66,250	53,334
Net Assets		
Without donor restrictions	30,608,821	31,896,973
With donor restrictions	11,738,110	10,446,787
	42,346,931	42,343,760
	$ 44,468,490	$ 44,303,484

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

FERNBANK, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Museum admissions	$ 3,504,467	$ -	$ 3,504,467
Theatre admissions	486,565	-	486,565
Gifts and grants	2,853,598	3,239,429	6,093,027
Memberships	1,212,917	-	1,212,917
Investment income, net	21,155	2,612	23,767
Museum store	1,080,310	-	1,080,310
Cost of goods sold - museum store	(484,392)	-	(484,392)
Events and food service	1,927,089	-	1,927,089
Cost of goods sold - food store	(375,884)	-	(375,884)
Other	192,316	-	192,316
Net assets released from restrictions	838,874	(838,874)	-
Total Support and Revenues	11,257,015	2,403,167	13,660,182
Expenses			
Program Services			
Museum	7,086,214	-	7,086,214
Theatre	345,932	-	345,932
Marketing	409,684	-	409,684
Museum store	221,679	-	221,679
Food service	698,197	-	698,197
	8,761,706	-	8,761,706
Supporting Services			
Management and general	2,879,371	-	2,879,371
Fundraising	904,090	-	904,090
	3,783,461	-	3,783,461
Total Expenses	12,545,167	-	12,545,167
Other Changes			
Endowment investment loss, net	-	(1,111,844)	(1,111,844)
Change in Net Assets	(1,288,152)	1,291,323	3,171
Net Assets, Beginning of Year	31,896,973	10,446,787	42,343,760
Net Assets, End of Year	$ 30,608,821	$ 11,738,110	$ 42,346,931

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

FERNBANK, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Museum admissions	$ 2,865,718	$ -	$ 2,865,718
Theatre admissions	283,408	-	283,408
Gifts and grants	2,611,719	157,500	2,769,219
Memberships	771,317	-	771,317
Investment income, net	3,558	387	3,945
Museum store	827,118	-	827,118
Cost of goods sold - museum store	(397,568)	-	(397,568)
Events and food service	1,573,215	-	1,573,215
Cost of goods sold - food store	(240,907)	-	(240,907)
Other	210,498	-	210,498
Net assets released from restrictions	848,361	(848,361)	-
Total Support and Revenues	9,356,437	(690,474)	8,665,963
Expenses			
Program Services			
Museum	6,651,398	-	6,651,398
Theatre	203,760	-	203,760
Marketing	450,753	-	450,753
Museum store	195,456	-	195,456
Food service	571,047	-	571,047
	8,072,414	-	8,072,414
Supporting Services			
Management and general	2,569,592	-	2,569,592
Fundraising	761,881	-	761,881
	3,331,473	-	3,331,473
Total Expenses	11,403,887	-	11,403,887
Other Changes			
Employee retention credit grant (Note 7)	789,315	-	789,315
Endowment investment gain, net	-	931,785	931,785
Paycheck Protection Program grant (Note 6)	849,000	-	849,000
Shuttered Venue Operators Grant (Note 1)	2,921,562	-	2,921,562
Increase in Net Assets	2,512,427	241,311	2,753,738
Net Assets, Beginning of Year	29,384,546	10,205,476	39,590,022
Net Assets, End of Year	$ 31,896,973	$ 10,446,787	$ 42,343,760

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

FERNBANK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services						Supporting Services		
	Museum	Theatre	Marketing	Museum Store	Food Services	Total Program Services	Management and General	Fundraising	Total
Salaries	$ 1,278,234	$ 70,439	$ 313,837	$ 182,123	$ 441,719	$ 2,286,352	$ 1,224,638	$ 521,770	$ 4,032,760
Temporary assistance	-	-	40,814	-	12,494	53,308	-	-	53,308
Payroll taxes	113,360	5,524	24,252	14,599	34,662	192,397	82,132	37,461	311,990
Employee benefits	145,618	7,745	28,552	7,390	49,975	239,280	111,804	44,117	395,201
Total Personnel Expenses	1,537,212	83,708	407,455	204,112	538,850	2,771,337	1,418,574	603,348	4,793,259
Advertising and promotion	-	-	-	-	-	-	785,775	16,990	802,765
General and administrative	13,514	846	2,229	2,809	4,778	24,176	459,085	12,045	495,306
Exhibit	866,717	-	-	-	-	866,717	-	-	866,717
Facilities	1,284,992	-	-	-	-	1,284,992	-	-	1,284,992
Theatre	-	255,277	-	-	-	255,277	-	-	255,277
Information technology	-	-	-	-	-	-	215,370	-	215,370
Membership	-	-	-	-	-	-	-	39,508	39,508
Programs and activities	265,940	-	-	14,758	40,932	321,630	567	232,199	554,396
Special events	-	-	-	-	98,740	98,740	-	-	98,740
Total Expenses Before Depreciation and Amortization	3,968,375	339,831	409,684	221,679	683,300	5,622,869	2,879,371	904,090	9,406,330
Depreciation and amortization	3,117,839	6,101	-	-	14,897	3,138,837	-	-	3,138,837
Total Expenses 2022	$ 7,086,214	$ 345,932	$ 409,684	$ 221,679	$ 698,197	$ 8,761,706	$ 2,879,371	$ 904,090	$ 12,545,167

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

FERNBANK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services						Supporting Services		
	Museum	Theatre	Marketing	Museum Store	Food Services	Total Program Services	Management and General	Fundraising	Total
Salaries	$ 1,000,480	$ 55,661	$ 361,807	$ 152,495	$ 357,286	$ 1,927,729	$ 1,039,617	$ 473,294	$ 3,440,640
Temporary assistance	-	-	4,000	-	11,668	15,668	27,937	-	43,605
Payroll taxes	94,853	4,336	27,724	12,298	28,319	167,530	73,815	35,074	276,419
Employee benefits	149,538	8,474	54,678	17,316	44,958	274,964	130,725	49,191	454,880
Total Personnel Expenses	1,244,871	68,471	448,209	182,109	442,231	2,385,891	1,272,094	557,559	4,215,544
Advertising and promotion	-	-	-	-	-	-	729,610	-	729,610
General and administrative	5,145	1,032	2,229	1,632	4,191	14,229	360,386	5,847	380,462
Exhibit	1,026,300	-	-	-	-	1,026,300	-	-	1,026,300
Facilities	1,256,400	-	-	-	-	1,256,400	-	-	1,256,400
Theatre	-	121,387	-	-	-	121,387	-	-	121,387
Information technology	-	-	-	-	-	-	207,437	-	207,437
Membership	-	-	-	-	-	-	-	41,079	41,079
Programs and activities	249,895	-	-	11,715	23,062	284,672	65	157,396	442,133
Special events	-	-	-	-	86,564	86,564	-	-	86,564
Total Expenses Before Depreciation and Amortization	3,782,611	190,890	450,438	195,456	556,048	5,175,443	2,569,592	761,881	8,506,916
Depreciation and amortization	2,868,787	12,870	315	-	14,999	2,896,971	-	-	2,896,971
Total Expenses 2021	$ 6,651,398	$ 203,760	$ 450,753	$ 195,456	$ 571,047	$ 8,072,414	$ 2,569,592	$ 761,881	$ 11,403,887

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

FERNBANK, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash Flows from Operating Activities:		
Increase in Net Assets	$ 3,171	$ 2,753,738
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and amortization	3,138,837	2,896,971
Unrealized (gain) loss on investments	1,375,972	(421,472)
Change in discount on pledges receivable	94,268	21,325
Restricted contributions	(3,350,816)	(172,500)
(Increase) decrease in assets:		
Accounts receivable	(100,286)	(25,543)
Pledges receivable	141,500	1,287,699
Employee retention credit grant receivable	100,886	148,451
Inventories	451	(47,192)
Prepaid expenses	(46,979)	56,160
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(381,177)	98,114
Deferred revenues	266,140	219,244
Net Cash Provided by Operating Activities	1,241,967	6,814,995
Cash Flows from Investing Activities:		
Proceeds from sale of operating investments	1,500,000	-
Proceeds from sale of endowment investments	219,782	209,669
Purchases of operating investments	(11,753)	(3,000,000)
Purchases of strategic initiatives investments	(599,943)	-
Purchases of long term investments	(326,682)	(819,158)
Acquisitions of property and equipment	(3,854,046)	(670,132)
Net Cash Required by Investing Activities	(3,072,642)	(4,279,621)
Cash Flows from Financing Activities:		
Restricted contributions collected	1,781,086	204,004
Net Cash Provided by Financing Activities	1,781,086	204,004
Net Increase (Decrease) in Cash and Cash Equivalents	(49,589)	2,739,378
Cash and Cash Equivalents, Beginning of Year	9,806,930	7,067,552
Cash and Cash Equivalents, End of Year	$ 9,757,341	$ 9,806,930

Summary of Significant Non-Cash Operating and Investing Activities:

At December 31, 2022 and 2021 accounts payable included $294,537 and $17,665 of payables related to property and equipment acquisitions, respectively.

Reconciliation of Cash and Cash Equivalents to the Statement of Financial Position:

	2022	2021
Cash and cash equivalents	$ 9,599,548	$ 9,609,679
Endowment cash and cash equivalents	157,793	197,251
	$ 9,757,341	$ 9,806,930

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

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 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, along with revenues, expenses, gains and losses, are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.

- Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity.

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").

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.

Functional Allocation of Expenses

The costs of providing the Organization's various programs and other activities are tracked on a functional basis. Expenses are charged directly to program, management and general or fundraising based on a combination of specific identification and allocation by management. Accordingly, certain costs have been allocated between program and supporting services benefited.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Museum and Theatre Admissions, Museum Store, Events and Food Service

The Organization's museum and theatre admissions, museum store, events and food service sales include a single performance obligation with no variable considerations for which revenue is recognized at a point in time. Included within deferred revenues are contract liabilities associated with events and prepaid admissions dues of $323,610 and $324,290 at December 31, 2022 and 2021.

Gifts and Grants

Gifts and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Gifts and grants that are restricted by the donor are reported as increases in net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in donor restricted net assets depending on the nature of the restrictions.

In July 2021, the Organization received a federal grant, Shuttered Venue Operators Grant (SVOG), from the Small Business Administration in the amount of $2,921,562. The SVOG grant is conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. During 2021, the Organization recorded revenue from the SVOG in the amount of $2,921,562.

Membership Dues

The Organization's membership dues consist of a single performance obligation for which revenue is recognized over time, as the performance obligation is satisfied during the year in which the dues are paid. The membership agreements do not have multiple performance obligations or variable consideration. Included within deferred revenues are contract liabilities associated with Membership dues of $780,655 and $513,835 at December 31, 2022 and 2021.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable (Continued)

The Organization has one major donor that comprised approximately 66% of pledges receivable at December 31, 2022 and four major donors that comprised approximately 86% of pledges receivable at December 31, 2021.

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. There were no conditional pledges to give at December 31, 2022 and 2021.

Risk and Uncertainties

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, 2022 and 2021, there was an allowance for doubtful accounts of $4,569.

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 $2,500 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Property and equipment consist of the following at December 31:

	2022	2021
Museum	$ 30,019,306	$ 29,986,217
Land and other buildings	5,067,781	4,871,689
Museum exhibits	24,512,737	22,672,725
Furniture, fixtures and equipment	3,700,620	1,768,030
Computer hardware	737,412	634,677
Computer software	92,877	66,477
Vehicles	186,831	186,831
	64,317,564	60,186,646
Less accumulated depreciation	(41,968,291)	(38,832,245)
	$ 22,349,273	$ 21,354,401

Depreciation expense for the years ended December 31, 2022 and 2021 was $3,136,047 and $2,894,181 and 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 gemstone 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.

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 restricted for a specific purpose.

- Interpretation of Relevant Law

  The Organization has interpreted the State of Georgia's 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 net assets with donor restrictions (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 MSCI All Country World Index for Equities and Barclays Aggregate Index for fixed income investments. Actual returns in any given year may vary from this amount.

- 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 and investments in marketable securities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment (Continued)

- Spending Policy

  The Organization's revised endowment policy, which was approved by the Organization's Executive Board, and is provided to donors, 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 donor restricted endowment fund for specified Organizational purposes.

- Underwater Endowment Funds

  The Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

Endowment Investments

The Organization's endowment investments in marketable securities with readily determinable fair values and all endowment 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. Endowment investment income and gains on assets restricted by a donor are reported as increases in net assets without donor restriction 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.

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, 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.

FERNBANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis (Continued)

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.

The following tables represent the fair value measurement hierarchy of the assets at fair value as of December 31:

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Endowment cash and cash equivalents	$ 460,124	$ -	$ -	$ 460,124
Short-term investments	1,759,260	-	-	1,759,260
Bonds	1,892,737	599,943	-	2,492,680
Mutual funds	4,176,973	-	-	4,176,973
	$ 8,289,094	$ 599,943	$ -	$ 8,889,037

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Endowment cash and cash equivalents	$ 497,549	$ -	$ -	$ 497,549
Short-term investments	3,003,025	-	-	3,003,025
Money market fund	188,080	-	-	188,080
Mutual funds	7,397,218	-	-	7,397,218
	$ 11,085,872	$ -	$ -	$ 11,085,872

Exhibit Contracts Payable

In the normal course of business, the Organization has exhibit contracts with third parties for special exhibits to showcase at various dates throughout the year. These exhibit 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 exhibit contract costs relating to the special exhibits are accrued once the executed exhibit contract becomes non-cancellable. The Organization had special exhibits under contract with exhibit contracts payable of $119,584 and $346,667 at December 31, 2022 and 2021, respectively. At December 31, 2022, the Organization had executed cancellable contracts for future exhibits with estimated exhibit contract costs of $823,000.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 7,029 and 2,700 hours of service to further the objectives of the Organization during the years ended December 31, 2022 and 2021, 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 $803,000 and $730,000 in 2022 and 2021, 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 believe it has any uncertain tax positions as of December 31, 2022.

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, 2019.

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, 2022, pledges receivable are due to be collected in the future years as follows:

2023	$ 973,605
2024	724,529
2025	97,593
2026	7,000
2027	2,000
	1,804,727
Unamortized discount	(120,485)
Allowance for uncollectible pledges	(4,569)
	$ 1,679,673

Receivables to be collected after one year from the statement of financial position date are discounted at 5.0%.

NOTE 3 - EMPLOYEE RETIREMENT PLAN

The Organization sponsors a 403(b) plan for its eligible employees. During 2022 and 2021, the Organization made discretionary contributions of approximately $82,000 and $165,000 to the plan, respectively.

NOTE 4 - COLLECTIONS

Collections consist of the following at December 31:

	2022	2021
St. Catherine's Collection	$ 1,057,949	$ 1,057,949
Other	33,700	33,700
	$ 1,091,649	$ 1,091,649

In an agreement signed in November, 2003, the Organization received a significant donation of archaeological artifacts found on St. Catherine's, 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 - NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2022 and 2021, the components of net assets with donor restrictions were as follows:

	2022	2021
Subject to expenditure for specified purposes:		
Across the millennia	$ 702,241	$ 796,610
Nature Generation	425,787	693,052
STEAM Initiatives	611,082	692,188
Thrive: The Nature of Change	3,213,465	115,000
Other	89,044	130,931
	5,041,619	2,427,781
Subject to spending policy and appropriation:		
Investment in perpetuity (including accumulated investment gains of $204,256 and $295,171 at December 31, 2022 and 2021 respectively), which, once appropriated, is expendable support for general purposes:	609,657	700,572
Endowment not to be held in perpetuity for purposes of supporting the maintenance of the Nature Generation exhibit:	6,086,834	7,318,434
	$ 11,738,110	$ 10,446,787

Net assets were released from donor restrictions during 2022 and 2021 by incurring expenses satisfying the purpose specified by donors as follows:

	2022	2021
Across the millennia	$ 96,981	$ 96,424
Nature Generation	267,265	280,498
Endowment	210,670	167,079
STEAM Initiatives	81,106	250,294
Other	182,852	54,066
	$ 838,874	$ 848,361

NOTE 6 - PAYCHECK PROTECTION PROGRAM

In March 2021, the Organization obtained a Small Business Administration loan under the Paycheck Protection Program Flexibility Act (“PPPFA”) in the amount of $849,000. The Paycheck Protection Program loan bore interest at 1% and may have required repayment under certain circumstances under the terms outlined by the Coronavirus Aid, Relief, and Economic Securities Act (the “CARES Act”) and PPPFA. The Organization fulfilled the requirements necessary to record the funds in the statement of activities and changes in net assets in 2021. In May 2022, the Organization received notification of forgiveness of the loan.

NOTE 7 - EMPLOYEE RETENTION CREDIT

As part of the Coronavirus Aid, Relief and Economic Stabilization Act (the "CARES" Act), employers are provided the Employee Retention Credit ("ERC"). The ERC is a benefit provided through payroll tax credits to encourage maintaining employee headcounts throughout the Coronavirus pandemic. The Organization is treating the ERC as a conditional grant and revenue is recorded when the conditions are substantially met. During 2021, the Organization met the conditions required by the ERC and recognized grant revenue of $789,315, which is reflected as Employee Retention Credit grant in the accompanying statement of activities and changes in net assets. The total outstanding ERC receivable at December 31, 2022 and 2021, is $127,184 and $228,070, respectively, and is included as a current asset in the accompanying balance sheet.

NOTE 8 - LIQUIDITY AND AVAILABILITY

The Organization's financial assets available within one year for general expenditures are as follows for December 31:

	2022	2021
Cash and cash equivalents	$ 9,757,341	$ 9,806,930
Investments	8,731,244	10,888,621
Pledges receivable	1,679,673	345,710
Accounts receivable	180,611	80,325
Donor imposed restrictions	(11,738,110)	(10,446,787)
Financial assets available to meet cash needs for general expenditures within one year	$ 8,610,759	$ 10,674,799

The Organization has a financial structure comprised of three components: general operations, financial activities conducted for specified purposes to meet strategic initiative goals, and endowment activities. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. This policy includes maintaining financial assets, which consist of cash and short-term investments, on hand to meet at least 60 days of normal operating expenses, which are, on average, approximately $1,800,000.

Over the past few years, the Organization has performed fund-raising activities for capital and programming goals within the strategic initiative plan. The anticipated expenditures within one year of the balance sheet date for these current activities, which approximates $1,000,000, will be funded by cash and short-term investments presently on hand.