FERNBANK, INC.

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

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, 2023 and 2022, 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.

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, 2023 and 2022, 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.

404.874.6244 | smith-howard.com
271 17th Street, NW | Suite 1600 | Atlanta, GA 30363

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

Atlanta, GA
August 9, 2024

FERNBANK, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

ASSETS

	2023	2022
Current Assets		
Cash and cash equivalents	$ 10,045,534	$ 9,599,548
Endowment cash and cash equivalents	245,886	157,793
Short-term investments	2,467,932	1,817,109
Pledges receivable, current portion	1,114,820	969,036
Accounts receivable	136,735	180,611
Employee retention credit grant receivable (Note 6)	-	127,184
Inventories	295,474	294,481
Prepaid expenses	266,812	249,176
Total Current Assets	14,573,193	13,394,938
Property and Equipment, Net	20,500,807	22,349,273
Collections	1,091,649	1,091,649
Other Assets		
Pledges receivable, net of current portion	957,342	710,637
Trademarks, net	5,487	7,858
Long term investments	6,925,171	6,914,135
	$ 44,053,649	$ 44,468,490

LIABILITIES AND NET ASSETS

	2023	2022
Current Liabilities		
Accounts payable and accrued expenses	$ 850,467	$ 897,710
Deferred revenues	1,187,231	1,104,265
Exhibit contracts payable	214,981	53,334
Total Current Liabilities	2,252,679	2,055,309
Exhibit Contracts Payable, Net of Current Portion	94,285	66,250
Net Assets		
Without donor restrictions	28,140,617	30,608,821
With donor restrictions	13,566,068	11,738,110
	41,706,685	42,346,931
	$ 44,053,649	$ 44,468,490

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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Museum admissions	$ 4,146,287	$ -	$ 4,146,287
Theatre admissions	484,545	-	484,545
Gifts and grants	2,132,976	2,346,701	4,479,677
Memberships	1,586,847	-	1,586,847
Investment income, net	279,065	39,834	318,899
Museum store	1,103,350	-	1,103,350
Cost of goods sold - museum store	(479,294)	-	(479,294)
Events and food service	2,014,679	-	2,014,679
Cost of goods sold - food store	(409,958)	-	(409,958)
Other	268,225	-	268,225
Net assets released from restrictions	1,385,124	(1,385,124)	-
Total Support and Revenues	12,511,846	1,001,411	13,513,257
Expenses			
Program Services			
Museum	8,274,591	-	8,274,591
Theatre	398,383	-	398,383
Marketing	641,709	-	641,709
Museum store	307,176	-	307,176
Food service	836,401	-	836,401
	10,458,260	-	10,458,260
Supporting Services			
Management and general	3,558,768	-	3,558,768
Fundraising	963,022	-	963,022
	4,521,790	-	4,521,790
Total Expenses	14,980,050	-	14,980,050
Other Changes			
Endowment investment income, net	-	826,547	826,547
Change in Net Assets	(2,468,204)	1,827,958	(640,246)
Net Assets, Beginning of Year	30,608,821	11,738,110	42,346,931
Net Assets, End of Year	$ 28,140,617	$ 13,566,068	$ 41,706,685

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 FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program Services						Supporting Services		
	Museum	Theatre	Marketing	Museum Store	Food Services	Total Program Services	Management and General	Fundraising	Total
Salaries	$ 1,497,032	$ 72,150	$ 526,813	$ 257,729	$ 475,494	$ 2,829,218	$ 1,290,273	$ 551,462	$ 4,670,953
Temporary assistance	-	-	-	-	81,504	81,504	39,571	-	121,075
Payroll taxes	126,399	5,643	31,178	20,351	37,837	221,408	89,152	38,993	349,553
Employee benefits	167,333	8,222	47,436	17,736	37,769	278,496	135,734	62,012	476,242
Total Personnel Expenses	1,790,764	86,015	605,427	295,816	632,604	3,410,626	1,554,730	652,467	5,617,823
Advertising and promotion	-	-	-	-	-	-	1,197,860	11,974	1,209,834
General and administrative	17,064	991	36,282	2,526	9,471	66,334	523,611	10,759	600,704
Exhibit	1,304,233	-	-	-	-	1,304,233	-	-	1,304,233
Facilities	1,331,946	-	-	-	-	1,331,946	-	-	1,331,946
Theatre	-	309,127	-	-	-	309,127	-	-	309,127
Information technology	-	-	-	-	-	-	281,331	-	281,331
Membership	-	-	-	-	-	-	-	50,888	50,888
Programs and activities	311,554	-	-	8,834	58,398	378,786	1,236	236,934	616,956
Special events	-	-	-	-	123,173	123,173	-	-	123,173
Total Expenses Before Depreciation and Amortization	4,755,561	396,133	641,709	307,176	823,646	6,924,225	3,558,768	963,022	11,446,015
Depreciation and amortization	3,519,030	2,250	-	-	12,755	3,534,035	-	-	3,534,035
Total Expenses 2023	$ 8,274,591	$ 398,383	$ 641,709	$ 307,176	$ 836,401	$ 10,458,260	$ 3,558,768	$ 963,022	$ 14,980,050

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.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	$ (640,246)	$ 3,171
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and amortization	3,534,035	3,138,837
Unrealized (gain) loss on investments	(713,634)	1,375,972
Change in discount on pledges receivable	95,241	94,268
Restricted contributions	(2,053,749)	(3,350,816)
(Increase) decrease in assets:		
Pledges receivable	14,125	141,500
Accounts receivable	43,876	(100,286)
Employee retention credit grant receivable (Note 7)	127,184	100,886
Inventories	(993)	451
Prepaid expenses	(17,636)	(46,979)
Increase (decrease) in liabilities:		
Accounts payable, accrued expenses and exhibit contracts payable	114,042	(381,177)
Deferred revenues	82,966	266,140
Net Cash Provided by Operating Activities	585,211	1,241,967
Cash Flows from Investing Activities:		
Proceeds from sale of operating investments	(42,522)	1,500,000
Proceeds from sale of endowment investments	(181,413)	219,782
Purchases of operating investments	-	(11,753)
Purchases of strategic initiatives investments	-	(599,943)
Purchases of long term investments	275,710	(326,682)
Acquisitions of property and equipment	(1,654,801)	(3,854,046)
Net Cash Required by Investing Activities	(1,603,026)	(3,072,642)
Cash Flows from Financing Activities:		
Restricted contributions collected	1,551,894	1,781,086
Net Cash Provided by Financing Activities	1,551,894	1,781,086
Net Increase (Decrease) in Cash and Cash Equivalents	534,079	(49,589)
Cash and Cash Equivalents, Beginning of Year	9,757,341	9,806,930
Cash and Cash Equivalents, End of Year	$ 10,291,420	$ 9,757,341

Summary of Significant Non-Cash Operating and Investing Activities:

At December 31, 2023 and 2022 accounts payable included $28,397 and $294,537 of payables related to property and equipment acquisitions, respectively.

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

	2023	2022
Cash and cash equivalents	$ 10,045,534	$ 9,599,548
Endowment cash and cash equivalents	245,886	157,793
	$ 10,291,420	$ 9,757,341

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”).

New Accounting Policy

During 2023 the Organization adopted the requirements of Accounting Standards Update (ASU) 2016-13, Financial Instruments - Credit Losses (ASC 326). This ASU introduces a "current expected credit loss" ("CECL") model which requires all expected credit losses for financial instruments held at the reporting date to be based on historical experience, current conditions, and reasonable supportable forecasts. The CECL model replaces the existing incurred loss method and is applicable to the measurement of credit losses of financial assets. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in ASC 326 were trade accounts receivable. There was no material impact to the financial statements or footnotes upon adoption of this new accounting policy.

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.

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.

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 $364,816, $323,610, and $324,290 at December 31, 2023 and 2022 and January 1, 2022, respectively.

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.

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 $822,415, $780,655, and $513,835 at December 31, 2023 and 2022 and January 1, 2022, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 two major donors that comprised approximately 70% of pledges receivable at December 31, 2023 and one major donor that comprised approximately 66% of pledges receivable at December 31, 2022.

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. At December 31, 2023, there was a conditional promise to give of $8,000,000. There were no conditional pledges to give at December 31, 2022.

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, 2023 and 2022, 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 or net realizable value using the first-in, first-out (“FIFO”) valuation method.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Property and equipment consist of the following at December 31:

	2023	2022
Museum	$ 30,521,494	$ 30,019,306
Land and other buildings	5,067,781	5,067,781
Museum exhibits	24,918,567	24,512,737
Furniture, fixtures and equipment	4,433,758	3,700,620
Computer hardware	765,474	737,412
Computer software	92,877	92,877
Vehicles	200,811	186,831
	66,000,762	64,317,564
Less accumulated depreciation	(45,499,955)	(41,968,291)
	$ 20,500,807	$ 22,349,273

Depreciation expense for the years ended December 31, 2023 and 2022 was $3,531,664 and $3,136,047 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.

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 and investments in marketable securities.

- 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.

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, 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.

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

	2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Endowment cash and cash equivalents	$ 2,113,876	$ -	$ -	$ 2,113,876
Short-term investments	492,954	-	-	492,954
Bonds	1,920,918	599,943	-	2,520,861
Mutual funds	4,511,298	-	-	4,511,298
	$ 9,039,046	$ 599,943	$ -	$ 9,638,989

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis (Continued)

	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

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 $309,266 and $119,584 at December 31, 2023 and 2022, respectively. At December 31, 2023, the Organization had executed cancellable contracts for future exhibits with estimated exhibit contract costs of $631,000.

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 11,800 and 7,029 hours of service to further the objectives of the Organization during the years ended December 31, 2023 and 2022, respectively.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs totaled approximately $1,210,000 and $803,000 in 2023 and 2022, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023.

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, 2020.

NOTE 2 - PLEDGES RECEIVABLE

At December 31, 2023, pledges receivable are due to be collected in the future years as follows:

2024	$ 1,119,389
2025	411,735
2026	308,333
2027	253,000
2028	200,000
	2,292,457
Unamortized discount	(215,726)
Allowance for uncollectible pledges	(4,569)
	$ 2,072,162

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 2023 and 2022, the Organization made discretionary contributions of approximately $101,000 and $82,000 to the plan, respectively.

NOTE 4 - COLLECTIONS

Collections consist of the following at December 31:

	2023	2022
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, 2023 and 2022, the components of net assets with donor restrictions were as follows:

	2023	2022
Subject to expenditure for specified purposes:		
Across the millennia	$ 663,821	$ 702,241
Nature Generation	141,332	425,787
STEAM Initiatives	603,183	611,082
Thrive: The Nature of Change	4,588,703	3,213,465
Other	208,912	89,044
	6,205,951	5,041,619
Subject to spending policy and appropriation:		
Investment in perpetuity (including accumulated investment gains of $71,261 and $204,256 at December 31, 2023 and 2022 respectively), which, once appropriated, is expendable support for general purposes:	680,918	609,657
Endowment not to be held in perpetuity for purposes of supporting the maintenance of Fernbank Forest and forested areas:	6,679,199	6,086,834
	$ 13,566,068	$ 11,738,110

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions during 2023 and 2022 by incurring expenses satisfying the purpose specified by donors as follows:

	2023	2022
Across the millennia	$ 78,253	$ 96,981
Nature Generation	284,455	267,265
Endowment	162,920	210,670
STEAM Initiatives	7,899	81,106
Thrive: The Nature of Change	498,036	-
Other	353,561	182,852
	$ 1,385,124	$ 838,874

NOTE 6 - 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. The total outstanding ERC receivable at December 31, 2022 was $127,184, and was collected in 2023.

NOTE 7 - LIQUIDITY AND AVAILABILITY

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

	2023	2022
Cash and cash equivalents	$ 10,291,420	$ 9,757,341
Investments	9,393,103	8,731,244
Pledges receivable	2,072,162	1,679,673
Accounts receivable	136,735	180,611
Donor imposed restrictions	(13,566,068)	(11,738,110)
Financial assets available to meet cash needs for general expenditures within one year	$ 8,327,352	$ 8,610,759

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.

NOTE 7 - LIQUIDITY AND AVAILABILITY (Continued)

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 statement of financial position date for these current activities, which approximates $1,000,000, will be funded by cash and short-term investments presently on hand.

NOTE 8 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 9, 2024, the date the financial statements were available to be issued.