

**BAT CONSERVATION
INTERNATIONAL, INC.**

**Consolidated Financial Statements
and Supplemental Information
for the Year Ended May 31, 2010
and Independent Auditors' Report**



BAT CONSERVATION INTERNATIONAL, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Bat Conservation International, Inc:

We have audited the accompanying consolidated statement of financial position of Bat Conservation International, Inc. and its affiliate, Bat Conservation International Foundation (collectively, "BCON") as of May 31, 2010, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended. These consolidated financial statements are the responsibility of BCON's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2010 consolidated financial statements referred to above present fairly, in all material respects, the financial position of BCON as of May 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplemental consolidating statement of financial position and supplemental consolidating statement of activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual organizations. Such information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

We also audited the adjustments described in Note 14 that were applied to restate the 2009 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

Maxwell Locke + Ritter LLP

August 18, 2010

Affiliated Companies
ML&R PERSONNEL SOLUTIONS LLC
"The Resource for Direct Hire & Project Staffing"

ML&R WEALTH MANAGEMENT LLC^{*}
"A Registered Investment Advisor"
** This firm is not a CPA firm*

BAT CONSERVATION INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION MAY 31, 2010

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 1,274,919
Accounts receivable	97,745
Grants receivable	160,683
Pledges receivable	200,000
Inventory	44,026
Prepaid expenses	414

Total current assets 1,777,787

PROPERTY AND EQUIPMENT, net 2,074,345

INVESTMENTS 857,477

TOTAL ASSETS \$ 4,709,609

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 104,615
Grants payable	19,083
Accrued expenses	148,490
Founder's retirement obligation, current portion	114,557
Deferred revenues	78,346
Tenant deposit and prepaid rent	50,526

Total current liabilities 515,617

FOUNDER'S RETIREMENT OBLIGATION, long-term portion 152,741

Total liabilities 668,358

NET ASSETS:

Unrestricted net assets:

Invested in property and equipment	2,074,345
Designated for endowment purposes	261,685
Designated for operating reserve	<u>(3,119)</u>

Total unrestricted net assets 2,332,911

Temporarily restricted net assets 1,128,774

Permanently restricted net assets 579,566

Total net assets 4,041,251

TOTAL LIABILITIES AND NET ASSETS \$ 4,709,609

See notes to consolidated financial statements.

BAT CONSERVATION INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES YEAR ENDED MAY 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES:				
Contributions	\$ 1,303,301	310,376	-	1,613,677
Contract services revenue	176,984	965,251	-	1,142,235
Membership revenue	710,510	-	-	710,510
Grant revenue	468,000	164,246	-	632,246
Investment income	15,869	98,195	-	114,064
Rental income	51,555	-	-	51,555
Education and workshops revenue	24,988	-	-	24,988
Royalty income	7,437	-	-	7,437
Catalog sales, net of costs	4,920	-	-	4,920
Other revenue	56,441	-	-	56,441
Net assets released from restrictions	<u>1,549,202</u>	<u>(1,549,202)</u>	<u>-</u>	<u>-</u>
Total revenues and net assets released from restrictions	<u>4,369,207</u>	<u>(11,134)</u>	<u>-</u>	<u>4,358,073</u>
EXPENSES:				
Science and conservation program expenses	2,689,545	-	-	2,689,545
Education program expenses	567,358	-	-	567,358
Fundraising and development	569,214	-	-	569,214
General and administrative	<u>474,613</u>	<u>-</u>	<u>-</u>	<u>474,613</u>
Total expenses	<u>4,300,729</u>	<u>-</u>	<u>-</u>	<u>4,300,729</u>
CHANGE IN NET ASSETS	68,478	(11,134)	-	57,344
NET ASSETS, beginning of year, restated	<u>2,264,433</u>	<u>1,139,908</u>	<u>579,566</u>	<u>3,983,907</u>
NET ASSETS, end of year	<u>\$ 2,332,911</u>	<u>1,128,774</u>	<u>579,566</u>	<u>4,041,251</u>

See notes to consolidated financial statements.

BAT CONSERVATION INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED MAY 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 57,344
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	115,241
Net unrealized gains on investments	(91,702)
Change in assets and liabilities that provided (used) cash:	
Accounts receivable	18,803
Grants receivable	(79,346)
Pledges receivable	100,000
Inventory	(15,799)
Prepaid expenses	54,055
Accounts payable	19,378
Grants payable	(14,626)
Accrued expenses	(31,492)
Founder's retirement obligation	267,298
Deferred revenues	62,455
Tenant deposit and prepaid rent	31,493
	<hr/>
Net cash provided by operating activities	493,102

CASH FLOWS FROM INVESTING ACTIVITIES:

Net purchases of investments	(77,877)
Purchases of property and equipment	(63,188)
	<hr/>
Net cash used in investing activities	(141,065)

NET CHANGE IN CASH AND CASH EQUIVALENTS

352,037

CASH AND CASH EQUIVALENTS, beginning of year

922,882

CASH AND CASH EQUIVALENTS, end of year

\$ 1,274,919

See notes to consolidated financial statements.

BAT CONSERVATION INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED MAY 31, 2010

	Science and Conservation	Education	Fundraising and Development	General and Administrative	Total
Salaries, wages and benefits	\$ 1,314,398	347,550	388,877	238,716	2,289,541
Consulting and professional fees	752,922	37,421	26,341	140,539	957,223
Travel and related expenses	175,191	3,452	3,861	15,499	198,003
Office and occupancy	130,905	25,181	28,602	21,341	206,029
Other operating expenses	58,777	15,448	19,904	46,853	140,982
Grants to others and scholarships	40,995	69,661	-	-	110,656
Habitat projects	91,198	-	-	-	91,198
Telecommunications and postage	22,076	26,255	37,229	3,348	88,908
Printing and publication	3,741	28,410	24,497	1,651	58,299
Hospitality and member benefits	7,494	1,794	32,771	2,590	44,649
Total expenses before depreciation	2,597,697	555,172	562,082	470,537	4,185,488
Depreciation expense	91,848	12,186	7,132	4,076	115,241
Total	\$ 2,689,545	567,358	569,214	474,613	4,300,729

See notes to consolidated financial statements.

BAT CONSERVATION INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MAY 31, 2010

1. ORGANIZATION

Bat Conservation International, Inc (“BCI”) is a non-profit organization formed to promote bat conservation worldwide, educate the public, and foster public awareness of the ecological impact and importance of bat species. BCI was originally incorporated in 1982 in the state of Wisconsin and was reincorporated in the state of Texas during 1991. BCI’s conservation efforts focus predominately on protection of key bat habitats, especially those required for roosting and feeding. BCI also places major emphasis on education through its public lectures and the development of distribution of books, slide shows, videos, and exhibits. BCI’s focus on research, through financial scholarships for students and professionals, is equally important. Revenue to support those programs is derived primarily from contracts, grants and donations from individuals, foundations, corporations, and organizational memberships. Grants from state and federal governments supplement public support.

A separate trust, Bat Conservation International Foundation (the “Foundation”) was created by the Board of Trustees of BCI in 1990. The income from the Foundation is devoted solely to the programs and purposes of BCI. The Board of Trustees of BCI elects the Board of Trustees for the Foundation. The Foundation’s Board of Trustees maintains discretion over the investment of the funds. Accordingly, the consolidated financial statements include the accounts of BCI and the Foundation and are collectively referred to as “BCON”. All intercompany transactions have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as defined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). Net assets and revenues, expenses, gains, and losses are classified based on the existence of donor-imposed restrictions. Accordingly, net assets of BCON and changes therein are classified and reported as follows:

Unrestricted net assets - These types of net assets are not subject to donor-imposed stipulations. This also includes Board-designated net assets for specific purposes, since these restrictions may be reversed by the Board at any time in the future. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Temporarily restricted net assets - These types of net assets are subject to donor imposed stipulations, which limit their use by BCON to a specific purpose and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - These types of net assets are subject to donor-imposed stipulations, which require them to be maintained permanently by BCON. Generally, the donors of these assets permit BCON to use all or part of the income earned on any related investments for general or specific use.

Use of Estimates - The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and certain disclosures. Accordingly, actual results could differ from these estimates.

Cash Equivalents - BCON considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Investments - Investments are recorded at fair market value based on quoted market prices. The investment in the closely-held stock is recorded at fair value based on its audited financial statements. Any changes in market value are reported in the consolidated statement of activities as unrealized gains or losses.

Fair Value Measurements - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three general valuation techniques that may be used to measure fair value, as described below:

- A) Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources;
- B) Cost approach - Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
- C) Income approach - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques, and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Within the three valuation techniques, fair value accounting requires characterization of the inputs used to determine fair value into a three-level fair value hierarchy as follows:

- Level 1 - These inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market BCON has the ability to access. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - These inputs relate to adjusting information from similar items that are traded in active markets or from identical or similar items in markets that are not active.
- Level 3 - These inputs reflect BCON's own assumptions about the assumptions market participants would use in pricing the asset or liability.

Accounts Receivable - Accounts receivable are recorded at the amount BCON expects to collect on outstanding balances. BCON has not set up an allowance for uncollectible receivables at May 31, 2010 because management estimates all balances to be collectible. Management closely monitors outstanding balances and write offs.

Inventory - Inventory consists of merchandise sold through catalog sales and is stated at the lower of cost or market determined by the first-in, first-out method.

Property and Equipment - Purchases of property and equipment are capitalized at cost if purchased and at fair market value at the date of receipt if donated. BCON capitalizes all acquisitions in excess of \$1,000 with a useful life greater than one year. Depreciation is computed using the straight-line method and the following estimated useful lives:

Buildings	33 years
Property improvements	10-15 years
Vehicles	5 years
Furniture and equipment	3-5 years

Grant Revenue Recognition - Revenue from grants received from federal, state, and local governments are earned based on BCON incurring allowable costs or providing services. Therefore, revenue is recognized as those costs are incurred or the services are provided.

Contract Services Revenue - Contract services revenues are earned and recognized when the contract services have been provided.

Education and Workshops Revenue and Deferred Revenue - Education and workshops revenue is earned and recognized when the event, seminar or workshop has been held. Deferred revenue consists of cash that has been received for future events or workshops and will be recognized once the event has taken place.

Contributions - All contributions are recorded at their fair value and are considered to be available for operations of BCON unless specifically restricted by the donor. Unconditional pledges to give cash and other assets are reported as either temporarily or permanently restricted net assets, if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or restricted purpose is accomplished, the related temporarily restricted net assets are reclassified to unrestricted net assets. This is reported in the consolidated statement of activities and change in net assets as net assets released from restrictions. Conditional pledges to give are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional.

Board Designated Unrestricted Net Assets - The Executive Committee of the Board of Trustees for BCI has designated that up to \$500,000 of the unrestricted net assets be set aside as a reserve for operations. The Board of Trustees of BCI has designated that a portion of the unrestricted net assets be treated in the same manner as the donor restricted endowment corpus. Accordingly, \$261,685 of the unrestricted net assets is reported as “designated for endowment purposes” in these consolidated financial statements.

Functional Allocation of Expenses - The expense information contained in the consolidated statement of activities is presented on a functional basis. Accordingly, certain expenses are allocated between functional categories.

Advertising - Advertising costs are expensed when incurred. Advertising expense was \$11,413 for the year ended May 31, 2010.

Federal Income Taxes - BCI and the Foundation are exempt from federal income taxes under Internal Revenue Code Section 501(c)(3), except to the extent of unrelated business income, if any. No provision for income taxes was made in the accompanying consolidated financial statements. BCI and the Foundation are considered to be tax-exempt organizations other than private foundations.

Adopted and Recently Issued Accounting Pronouncements - In June 2009, the FASB issued ASC 105, *Generally Accepted Accounting Principles*, effective for years ending after September 15, 2009. ASC 105 did not change current U.S. GAAP, but was intended to simplify user access by providing all authoritative non-governmental U.S. GAAP in an organized, single source. On the effective date of this Statement, the ASC superseded all then-existing non-SEC accounting and reporting standards, and all other non-grandfathered non-SEC accounting literature not included in the ASC became non-authoritative. BCON adopted ASC 105 during the year ended May 31, 2010. This standard had no effect on BCON's consolidated financial position, results of operations or cash flows, but impacted BCON's financial reporting process by replacing all references to pre-ASC standards with references to the applicable ASC topic.

The FASB issued new guidance within ASC 740-10, *Income Taxes*, effective for years beginning after December 15, 2008. It clarified the accounting for uncertainty in income taxes recognized in the financial statements. BCON adopted the amended provisions during the year ended May 31, 2010. This standard had no effect on BCON's consolidated financial position, results of operations or cash flows.

3. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject BCON to concentrations of credit risk consist principally of cash and cash equivalents, investments, and receivables. BCON places its cash and cash equivalents with a limited number of high quality financial institutions and at times may exceed the amount of insurance provided on such deposits. Management believes no significant risk exists with respect to cash and cash equivalents. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the statement of financial position. BCON does not maintain collateral for its accounts receivable and does not believe significant risk exists at May 31, 2010. Concentrations of credit risk with respect to grants and pledges receivables are limited due to the number of donors comprising BCON's donor base and their dispersion across different geographic areas. At May 31, 2010, the balance due from one donor represented 44% of the total receivables balance.

4. PLEDGES RECEIVABLE

Pledges receivable consist of one unconditional promise to give in which \$100,000 will be collected in July 2010 and \$100,000 will be collected in July 2011. The present value of estimated future cash flows using a discount rate of 3.25% was not significant. Therefore, a present value discount was not recorded.

5. INVESTMENTS

Investments consisted of the following at May 31, 2010:

	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Stocks	\$ 598,215	\$ 598,215	\$ -	\$ -
Mortgage pools	8,420	8,420	-	-
Government bonds	165,242	165,242	-	-
Closely-held stock	85,600	-	-	85,600
Total Investments	<u>\$ 857,477</u>	<u>\$ 771,877</u>	<u>\$ -</u>	<u>\$ 85,600</u>

All investments were valued using the market approach. Investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Balance, May 31, 2009	\$ 85,600
Total gains or losses (realized/unrealized)	-
Purchases (sales)	-
Balance, May 31, 2010	<u>\$ 85,600</u>

Investment income consisted of the following for the years ended May 31, 2010:

Interest and dividends	\$ 14,051
Net realized gains	8,311
Net unrealized gains	91,702
Investment income	<u>\$ 114,064</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at May 31, 2010:

Real property (bat habitat)	\$ 1,796,404
Buildings and improvements	647,683
Furniture and equipment	528,769
Vehicles	26,748
	<u>2,999,604</u>
Accumulated depreciation	(925,259)
Property and equipment, net	<u>\$ 2,074,345</u>

The bat habitat at Bracken Cave includes depreciable improvements for land clearing, fencing, roads and water wells with a value of \$280,000 at May 31, 2010. Total accumulated depreciation related to these improvements was \$136,043 at May 31, 2010.

7. ENDOWMENTS

BCON's endowments consist of two donor restricted funds established for Science and Conservation and Education and a board designated endowment. The corpus of the permanently restricted endowments consisted of the following at May 31, 2010:

Science and Conservation	\$ 199,779
Education	<u>379,787</u>
	<u>\$ 579,566</u>

The Board of Trustees of BCI and the Foundation interpret 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. Permanently restricted net assets are classified at the original value of gifts donated to the permanent endowment, plus the original value of subsequent gifts to the permanent endowment. Also included are accumulations to the permanent endowment if directed by the donor gift instrument. The remaining portion of the donor restricted endowment fund is classified as temporarily restricted net assets until those funds are appropriated for expenditure by BCON in a manner consistent with the standard of prudence prescribed by UPMIFA.

BCON has 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. Under the investment policy approved by the Board of Trustees the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results as stated in BCON's policy while assuming a moderate level of investment risk. BCON expects its endowment funds, over time, to provide an average rate of return of approximately 3 percent over the Consumer Price Index ("CPI") annually. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, BCON relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). BCON targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

BCON has a policy of appropriating for distribution each year no more than 5 percent of its endowment fund's fair value through the fiscal year in which the distribution is planned based on the distribution policy. In establishing this policy, BCON considered the long-term expected return on its endowment. Accordingly, over the long term, BCON expects the current spending policy to allow its endowment to grow at an average of 5 percent annually. This is consistent with BCON's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets were as follows for the year ended May 31, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year, restated	\$ 261,685	\$ 22,732	\$ 579,566	\$ 863,983
Investment income	-	98,195	-	98,195
Endowment net assets, end of year	<u>\$ 261,685</u>	<u>\$ 120,927</u>	<u>\$ 579,566</u>	<u>\$ 962,178</u>

Endowment net asset composition by type of fund as of May 31, 2010 consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowments funds	\$ 261,685	\$ -	\$ -	\$ 261,685
Donor-restricted endowment funds	-	120,927	579,566	700,493
	<u>\$ 261,685</u>	<u>\$ 120,927</u>	<u>\$ 579,566</u>	<u>\$ 962,178</u>

A description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowments only) as of May 31, 2010 is as follows:

Permanently Restricted Net Assets-

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA

\$ 579,566

Temporarily Restricted Net Assets-

The portion of perpetual endowment funds subject to a restriction under UPMIFA with the following purpose restrictions:

Science and conservation

\$ 41,684

Education

79,243

\$ 120,927

8. IN-KIND DONATIONS

Donated services are recognized as contributions if the services (1) create or enhance non-financial assets, or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by BCON. Under those criteria, donated professional services and materials are reflected as contribution revenue at their estimated fair value at the date of receipt and are expensed or capitalized as appropriate. Donated services and materials were valued using the market approach and the inputs were considered level 2 under the fair value hierarchy. BCON received the following in-kind donations included in the statement of activities:

Science and conservation:	
Donated services	\$ 40,472
Donated materials	<u>100</u>
Total in-kind donations	<u>\$ 40,572</u>

In addition, many individuals volunteer their time and perform a variety of tasks that assist BCON with their programs. Volunteers donated approximately 3,100 hours during the year ended May 31, 2010, that did not meet the recognition criteria and thus their value was not recorded in the consolidated financial statements.

9. RETIREMENT PLAN

BCI maintains a contributory benefit plan, which covers all employees of BCI with six months of service. Employees may make contributions to the plan up to the maximum allowable by law. BCI will make a matching contribution to the plan equal to 50% of the employee's contribution up to 3% of their base salary. BCI made contributions to the plan of approximately \$28,000 during the year ended May 31, 2010.

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at May 31, 2010 were restricted for the following purposes:

Science and Conservation	\$ 1,049,531
Education	<u>79,243</u>
	<u>\$ 1,128,774</u>

11. RELATED PARTY TRANSACTIONS

Board of Trustees members contributed approximately \$33,000 during the year ended May 31, 2010. Four trustees' family foundations contributed a total of \$198,500 during the year ended May 31, 2010.

12. FOUNDER'S RETIREMENT OBLIGATION

Future payments under the terms of the agreement including estimated payroll taxes are as follows for the year ended May 31:

2011	\$	114,557
2012		114,557
2013		<u>38,184</u>
	\$	<u>267,298</u>

13. PRIOR PERIOD ADJUSTMENT

The previously issued consolidated financial statements have been restated in order to correct errors related to recording receivables and the restricted classification of net assets. During the year ended May 31, 2009, contract revenue and accounts receivable were recorded before revenue had been earned. Additionally, income from restricted net assets was not properly classified. The effect to the consolidated financial statement line items was as follows:

	<u>May 31, 2009</u> <u>as Reported</u>	<u>Adjustment</u>	<u>May 31, 2009</u> <u>Restated</u>
Consolidated Statement of Activities:			
Change in net assets:			
Temporarily restricted	\$ (302,187)	\$ (75,500)	\$ (377,687)
Total net assets	(831,801)	(75,500)	(907,301)
Beginning net assets:			
Unrestricted net assets	2,287,165	(22,732)	2,264,433
Temporarily restricted	1,192,676	(52,768)	1,139,908
Total net assets	4,059,407	(75,500)	3,983,907

14. SUBSEQUENT EVENTS

BCON has evaluated subsequent events through August 18, 2010 (the date that the consolidated financial statements were available to be issued), and no events have occurred from the consolidated statement of financial position date through that date that would impact the consolidated financial statements.

SUPPLEMENTAL INFORMATION

BAT CONSERVATION INTERNATIONAL, INC.**SUPPLEMENTAL CONSOLIDATING STATEMENT OF FINANCIAL POSITION
MAY 31, 2010**

	<u>BCI</u>	<u>Foundation</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 1,274,919	-	1,274,919
Accounts receivable	97,745	-	97,745
Grants receivable	160,683	-	160,683
Pledges receivable	200,000	-	200,000
Inventory	44,026	-	44,026
Prepaid expenses	414	-	414
Total current assets	<u>1,777,787</u>	-	<u>1,777,787</u>
PROPERTY AND EQUIPMENT, net	2,074,345	-	2,074,345
INVESTMENTS	<u>156,984</u>	<u>700,493</u>	<u>857,477</u>
TOTAL ASSETS	<u>\$ 4,009,116</u>	<u>700,493</u>	<u>4,709,609</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable	\$ 104,615	-	104,615
Grants payable	19,083	-	19,083
Accrued expenses	148,490	-	148,490
Founder's retirement obligation, current portion	114,557	-	114,557
Deferred revenues	78,346	-	78,346
Advance deposits and prepaid rent	50,526	-	50,526
Total current liabilities	<u>515,617</u>	-	<u>515,617</u>
FOUNDER'S RETIREMENT OBLIGATION, long-term portion	<u>152,741</u>	-	<u>152,741</u>
Total liabilities	<u>668,358</u>	-	<u>668,358</u>
NET ASSETS:			
Unrestricted net assets:			
Invested in property and equipment	2,074,345	-	2,074,345
Designated for endowment purposes	261,685	-	261,685
Designated for operating reserve	(3,119)	-	(3,119)
Total unrestricted net assets	<u>2,332,911</u>	-	<u>2,332,911</u>
Temporarily restricted net assets	1,007,847	120,927	1,128,774
Permanently restricted net assets	-	579,566	579,566
Total net assets	<u>3,340,758</u>	<u>700,493</u>	<u>4,041,251</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,009,116</u>	<u>700,493</u>	<u>4,709,609</u>

BAT CONSERVATION INTERNATIONAL, INC.

SUPPLEMENTAL CONSOLIDATING STATEMENT OF ACTIVITIES YEAR ENDED MAY 31, 2010

	<u>BCI</u>	<u>Foundation</u>	<u>Total</u>
REVENUES:			
Contributions	\$ 1,613,677	-	1,613,677
Contract services revenue	1,142,235	-	1,142,235
Membership revenue	710,510	-	710,510
Grant revenue	632,246	-	632,246
Investment income	15,869	98,195	114,064
Rental income	51,555	-	51,555
Education and workshops revenue	24,988	-	24,988
Royalty income	7,437	-	7,437
Catalog sales, net of costs	4,920	-	4,920
Other revenue	56,441	-	56,441
	<u>4,259,878</u>	<u>98,195</u>	<u>4,358,073</u>
Total revenues			
EXPENSES:			
Science and conservation program expenses	2,689,545	-	2,689,545
Education program expenses	567,358	-	567,358
Fundraising and development	569,214	-	569,214
General and administrative	474,613	-	474,613
	<u>4,300,729</u>	<u>-</u>	<u>4,300,729</u>
Total expenses			
CHANGE IN NET ASSETS	(40,851)	98,195	57,344
NET ASSETS, beginning of year, restated	<u>3,381,609</u>	<u>602,298</u>	<u>3,983,907</u>
NET ASSETS, end of year	<u>\$ 3,340,758</u>	<u>700,493</u>	<u>4,041,251</u>