

**BAT CONSERVATION
INTERNATIONAL, INC.**

**Consolidated Financial Statements
and Supplemental Information
for the Year Ended May 31, 2011
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 statements of financial position of Bat Conservation International, Inc. and its affiliate, Bat Conservation International Foundation (collectively, "BCON") as of May 31, 2011 and 2010, the related consolidated statements of activities and functional expenses for the year ended May 31, 2011 and the consolidated statements of cash flows for the years ended May 31, 2011 and 2010. 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 audits. The prior year summarized comparative information in the consolidated statements of activities and functional expenses has been derived from BCON's May 31, 2010 consolidated financial statements and, in our report dated August 18, 2010, we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 audits provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BCON as of May 31, 2011 and 2010, the changes in its net assets for the year ended May 31, 2011, and its cash flows for the years ended May 31, 2011 and 2010 in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in the supplemental consolidating statements of financial position and activities is 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 entities, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplemental consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Maxwell Locke + Ritter LLP

September 8, 2011

BAT CONSERVATION INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION MAY 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 825,744	\$ 1,274,919
Accounts receivable	481,114	97,745
Grants receivable	48,182	160,683
Pledges receivable	300,000	200,000
Inventory	36,621	44,026
Prepaid expenses	2,032	414
Total current assets	<u>1,693,693</u>	<u>1,777,787</u>
PROPERTY AND EQUIPMENT, net	1,986,865	2,074,345
INVESTMENTS	<u>919,791</u>	<u>857,477</u>
TOTAL ASSETS	<u><u>\$ 4,600,349</u></u>	<u><u>\$ 4,709,609</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 98,697	\$ 104,615
Grants payable	13,787	19,083
Accrued expenses	149,189	148,490
Founder's retirement obligation, current portion	116,206	114,557
Deferred revenues	23,947	78,346
Tenant deposit and prepaid rent	15,538	50,526
Total current liabilities	<u>417,364</u>	<u>515,617</u>
FOUNDER'S RETIREMENT OBLIGATION, long-term portion	<u>38,736</u>	<u>152,741</u>
Total liabilities	<u>456,100</u>	<u>668,358</u>
NET ASSETS:		
Unrestricted	1,887,533	2,332,911
Temporarily restricted	1,677,150	1,128,774
Permanently restricted	579,566	579,566
Total net assets	<u>4,144,249</u>	<u>4,041,251</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,600,349</u></u>	<u><u>\$ 4,709,609</u></u>

See notes to consolidated financial statements.

BAT CONSERVATION INTERNATIONAL, INC.**CONSOLIDATED STATEMENT OF ACTIVITIES****YEAR ENDED MAY 31, 2011****(with summarized comparative totals for the year ended May 31, 2010)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2010 Total
REVENUES:					
Contract services revenue	\$ 253,181	1,031,992	-	1,285,173	1,142,235
Grant revenue	300,880	721,139	-	1,022,019	632,246
Contributions	661,296	347,345	-	1,008,641	1,613,677
Membership revenue	729,076	-	-	729,076	710,510
Investment income	12,542	154,602	-	167,144	114,064
Education and workshops revenue	116,438	-	-	116,438	24,988
Rental income	50,270	-	-	50,270	51,555
Catalog sales, net of costs	18,593	-	-	18,593	4,920
Royalty income	10,997	-	-	10,997	7,437
Other revenue	25,259	-	-	25,259	56,441
Net assets released from restrictions	1,706,702	(1,706,702)	-	-	-
Total revenues and net assets released from restrictions	3,885,234	548,376	-	4,433,610	4,358,073
EXPENSES:					
Science and conservation program expenses	2,638,512	-	-	2,638,512	2,689,545
Education program expenses	687,189	-	-	687,189	567,358
Fundraising and development	560,958	-	-	560,958	569,213
General and administrative	443,953	-	-	443,953	474,613
Total expenses	4,330,612	-	-	4,330,612	4,300,729
CHANGE IN NET ASSETS	(445,378)	548,376	-	102,998	57,344
NET ASSETS, beginning of year	2,332,911	1,128,774	579,566	4,041,251	3,983,907
NET ASSETS, end of year	\$ 1,887,533	1,677,150	579,566	4,144,249	4,041,251

See notes to consolidated financial statements.

BAT CONSERVATION INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED MAY 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 102,998	\$ 57,344
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation expense	97,582	115,241
Net unrealized gains on investments	(110,411)	(91,702)
Change in assets and liabilities that provided (used) cash:		
Accounts receivable	(383,369)	18,803
Grants receivable	112,501	(79,346)
Pledges receivable	(100,000)	100,000
Inventory	7,405	(15,799)
Prepaid expenses	(1,618)	54,055
Accounts payable	(5,918)	19,378
Grants payable	(5,296)	(14,626)
Accrued expenses	699	(31,492)
Founder's retirement obligation	(112,356)	267,298
Deferred revenues	(54,399)	62,455
Tenant deposit and prepaid rent	(34,988)	31,493
	<u>(487,170)</u>	<u>493,102</u>
Net cash (used in) provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net sales (purchases) of investments	48,097	(77,877)
Purchases of property and equipment	(10,102)	(63,188)
	<u>37,995</u>	<u>(141,065)</u>
Net cash provided by (used in) investing activities		
NET CHANGE IN CASH AND CASH EQUIVALENTS	(449,175)	352,037
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,274,919</u>	<u>922,882</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 825,744</u></u>	<u><u>\$ 1,274,919</u></u>

See notes to consolidated financial statements.

BAT CONSERVATION INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MAY 31, 2011

(with summarized comparative totals for the year ended May 31, 2010)

	Science and Conservation	Education	Fundraising and Development	General and Administrative	Total	2010 Total
Salaries, wages and benefits	\$ 964,052	335,850	350,879	313,216	1,963,997	2,289,541
Consulting and professional fees	970,256	86,765	44,172	35,626	1,136,819	957,223
Travel and related expenses	295,530	16,844	14,074	7,590	334,038	198,003
Other operating expenses	80,363	89,385	24,920	61,313	255,981	140,982
Office and occupancy	109,447	26,192	28,246	17,150	181,035	206,029
Grants to others and scholarships	50,095	55,872	-	-	105,967	110,656
Telecommunications and postage	20,865	21,820	41,028	2,985	86,698	88,908
Printing and publication	3,732	32,644	30,374	33	66,783	58,299
Habitat projects	55,770	-	-	-	55,770	91,198
Hospitality and member benefits	9,996	12,636	20,839	2,471	45,942	44,649
Total expenses before depreciation	2,560,106	678,008	554,532	440,384	4,233,030	4,185,488
Depreciation expense	78,406	9,181	6,426	3,569	97,582	115,241
Total	\$ 2,638,512	687,189	560,958	443,953	4,330,612	4,300,729

See notes to consolidated financial statements.

BAT CONSERVATION INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED MAY 31, 2011 AND 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 Accounting Standards Codification. 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. 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.

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

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

Investments - Investments in equity and debt securities are reported at their fair values based on quoted market prices in the consolidated statement of financial position. The investment in the closely-held stock is recorded at fair value based on its audited financial statements. Realized gains or losses on the sale of securities are based on specific identification of the cost of securities sold. Unrealized and realized gains and losses are included in the consolidated statement of activities.

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. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 - Inputs based on quoted prices in active markets for identical assets or liabilities. 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 - Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 - Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

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, 2011 and 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. Revenue from grants received in advance from private donors are recognized as earned based on grant specifications.

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.

Functional Allocation of Expenses - The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising - Advertising costs are expensed when incurred. Advertising expense was \$2,169 and \$11,413 for the years ended May 31, 2011 and 2010, respectively.

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.

Summarized Comparative Totals - The consolidated statements of activities and functional expenses include prior year summarized comparative information in total, but not by net asset class or functional category; therefore such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunctions with BCON's consolidated financial statements for the year ended May 31, 2010, from which the summarized information was derived.

Reclassifications - Certain amounts in the prior year have been reclassified to conform to the presentation adopted in the current year.

3. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject BCON to credit risk consist 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 may exceed the amount of insurance provided on such deposits. Management believes no significant risk exists with respect to cash and cash equivalents. Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the consolidated statement of financial position. BCON does not maintain collateral for its accounts receivable and does not believe significant risk exists. 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 difference geographic areas. At May 31, 2011, the balances due from five donors represented 84% of the total receivables balance. At May 31, 2010, the balance due from one donor represented 44% of the total receivables balance.

4. PLEDGES RECEIVABLE

Included in pledges receivable were the following unconditional promises to give:

	<u>2011</u>	<u>2010</u>
Amounts due in:		
Less than one year	\$ 200,000	\$ 100,000
One to five years	<u>100,000</u>	<u>100,000</u>
Total	<u>\$ 300,000</u>	<u>\$ 200,000</u>

The present value discount of estimated future cash flows was not significant. Therefore, a present value discount was not recorded. Management has determined that the pledges receivable are fully collectible; therefore, no allowance for uncollectable pledges receivable was recorded at May 31, 2011 and 2010.

Pledges receivable are classified as level 3 in accordance with the fair value accounting hierarchy and have been valued using an income approach as follows:

	2011	2010
Balance, June 1	\$ 200,000	\$ 300,000
New pledges	300,000	538,000
Payments on receivables	(200,000)	(638,000)
Balance, May 31	<u>\$ 300,000</u>	<u>\$ 200,000</u>

5. INVESTMENTS

Investments consisted of the following at May 31, 2011:

	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)
Domestic equities	\$ 543,514	\$ 543,514	\$ -	\$ -
International equities	171,337	171,337	-	-
Government agencies	113,366	113,366	-	-
Mortgage-backed securities	5,974	5,974	-	-
Closely-held stock	85,600	-	-	85,600
Total Investments	<u>\$ 919,791</u>	<u>\$ 834,191</u>	<u>\$ -</u>	<u>\$ 85,600</u>

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)
Domestic equities	\$ 473,527	\$ 473,527	\$ -	\$ -
International equities	124,905	124,905	-	-
Government agencies	165,147	165,147	-	-
Mortgage-backed securities	8,298	8,298	-	-
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) were as follows for the years ended May 31:

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 85,600	\$ 85,600
Total gains or losses (realized/unrealized)	-	-
Purchases (sales)	-	-
Balance, end of year	<u>\$ 85,600</u>	<u>\$ 85,600</u>

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

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 18,912	\$ 14,051
Net realized gains	37,821	8,311
Net unrealized gains	110,411	91,702
Investment income	<u>\$ 167,144</u>	<u>\$ 114,064</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at May 31:

	<u>2011</u>	<u>2010</u>
Real property and improvements (bat habitat)	\$ 1,809,520	\$ 1,796,404
Buildings and improvements	634,567	647,683
Furniture and equipment	501,660	528,769
Vehicles	26,748	26,748
	<u>2,972,495</u>	<u>2,999,604</u>
Accumulated depreciation	(985,630)	(925,259)
Property and equipment, net	<u>\$ 1,986,865</u>	<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, 2011 and 2010. Total accumulated depreciation related to these improvements was \$162,297 and \$136,043 at May 31, 2011 and 2010, respectively.

7. ENDOWMENTS

BCON's endowments consist solely of two donor restricted funds established for science and conservation and education. 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, 2011:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 1, 2009, restated	\$ 22,732	\$ 579,566	\$ 602,298
Investment income	98,195	-	98,195
Endowment net assets, May 31, 2010	120,927	579,566	700,493
Investment income	154,602	-	154,602
Endowment net assets, May 31, 2011	<u>\$ 275,529</u>	<u>\$ 579,566</u>	<u>\$ 855,095</u>

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

	<u>2011</u>	<u>2010</u>
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 with the following purpose restrictions:		
Science and conservation	\$ 199,779	\$ 199,779
Education	<u>379,787</u>	<u>379,787</u>
	<u>\$ 579,566</u>	<u>\$ 579,566</u>
Temporarily Restricted Net Assets-		
The portion of perpetual endowment funds subject to a restriction under UPMIFA with the following purpose restrictions:		
Science and conservation	\$ 94,975	\$ 41,684
Education	<u>180,554</u>	<u>79,243</u>
	<u>\$ 275,529</u>	<u>\$ 120,927</u>

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. BCON received the following in-kind donations included in the statements of activities during the years ended May 31:

	<u>2011</u>	<u>2010</u>
Science and conservation:		
Donated services	\$ 94,110	\$ 40,472
Donated materials	<u>1,540</u>	<u>100</u>
Total in-kind donations	<u>\$ 95,650</u>	<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 3,500 hours and 3,100 hours during the years ended May 31, 2011 and 2010, respectively, 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 \$31,000 and \$28,000 during the years ended May 31, 2011 and 2010, respectively.

10. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2011</u>	<u>2010</u>
Science and conservation	\$ 1,475,058	\$ 1,049,531
Education	202,092	79,243
	<u>\$ 1,677,150</u>	<u>\$ 1,128,774</u>

11. RELATED PARTY TRANSACTIONS

Board of Trustees members contributed approximately \$17,000 and \$33,000 during the years ended May 31, 2011 and 2010, respectively. Board trustees' family foundations and family members contributed a total of \$405,000 and \$198,500 during the years ended May 31, 2011 and 2010, respectively.

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:

2012	\$ 116,206
2013	<u>38,736</u>
	<u>\$ 154,942</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 September 8, 2011 (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, 2011

	<u>BCI</u>	<u>Foundation</u>	<u>Total</u>	<u>2010 Total</u>
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 783,824	41,920	825,744	1,274,919
Accounts receivable	481,114	-	481,114	97,745
Grants receivable	48,182	-	48,182	160,683
Pledges receivable	300,000	-	300,000	200,000
Inventory	36,621	-	36,621	44,026
Prepaid expenses	2,032	-	2,032	414
Total current assets	<u>1,651,773</u>	<u>41,920</u>	<u>1,693,693</u>	<u>1,777,787</u>
PROPERTY AND EQUIPMENT, net	1,986,865	-	1,986,865	2,074,345
INVESTMENTS	<u>106,616</u>	<u>813,175</u>	<u>919,791</u>	<u>857,477</u>
TOTAL ASSETS	<u>\$ 3,745,254</u>	<u>855,095</u>	<u>4,600,349</u>	<u>4,709,609</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	\$ 98,697	-	98,697	104,615
Grants payable	13,787	-	13,787	19,083
Accrued expenses	149,189	-	149,189	148,490
Founder's retirement obligation, current portion	116,206	-	116,206	114,557
Deferred revenues	23,947	-	23,947	78,346
Tenant deposit and prepaid rent	15,538	-	15,538	50,526
Total current liabilities	<u>417,364</u>	<u>-</u>	<u>417,364</u>	<u>515,617</u>
FOUNDER'S RETIREMENT OBLIGATION, long-term portion	<u>38,736</u>	<u>-</u>	<u>38,736</u>	<u>152,741</u>
Total liabilities	<u>456,100</u>	<u>-</u>	<u>456,100</u>	<u>668,358</u>
NET ASSETS:				
Unrestricted	1,887,533	-	1,887,533	2,332,911
Temporarily restricted	1,401,621	275,529	1,677,150	1,128,774
Permanently restricted	-	579,566	579,566	579,566
Total net assets	<u>3,289,154</u>	<u>855,095</u>	<u>4,144,249</u>	<u>4,041,251</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,745,254</u>	<u>855,095</u>	<u>4,600,349</u>	<u>4,709,609</u>

BAT CONSERVATION INTERNATIONAL, INC.

SUPPLEMENTAL CONSOLIDATING STATEMENT OF ACTIVITIES YEARS ENDED MAY 31, 2011

	<u>BCI</u>	<u>Foundation</u>	<u>Total</u>	<u>2010 Total</u>
REVENUES:				
Contract services revenue	\$ 1,285,173	-	1,285,173	1,142,235
Grant revenue	1,022,019	-	1,022,019	632,246
Contributions	1,008,641	-	1,008,641	1,613,677
Membership revenue	729,076	-	729,076	710,510
Investment income	12,542	154,602	167,144	114,064
Education and workshops revenue	116,438	-	116,438	24,988
Rental income	50,270	-	50,270	51,555
Catalog sales, net of costs	18,593	-	18,593	4,920
Royalty income	10,997	-	10,997	7,437
Other revenue	25,259	-	25,259	56,441
Total revenues	<u>4,279,008</u>	<u>154,602</u>	<u>4,433,610</u>	<u>4,358,073</u>
EXPENSES:				
Science and conservation program expenses	2,638,512	-	2,638,512	2,689,545
Education program expenses	687,189	-	687,189	567,358
Fundraising and development	560,958	-	560,958	569,213
General and administrative	443,953	-	443,953	474,613
Total expenses	<u>4,330,612</u>	<u>-</u>	<u>4,330,612</u>	<u>4,300,729</u>
CHANGE IN NET ASSETS	(51,604)	154,602	102,998	57,344
NET ASSETS, beginning of year	<u>3,340,758</u>	<u>700,493</u>	<u>4,041,251</u>	<u>3,983,907</u>
NET ASSETS, end of year	<u>\$ 3,289,154</u>	<u>855,095</u>	<u>4,144,249</u>	<u>4,041,251</u>