

BAT CONSERVATION INTERNATIONAL, INC.  
(Nonprofit Corporation)

INDEPENDENT ACCOUNTANTS'  
AUDIT REPORT  
AND  
CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013 and May 31, 2013

BAT CONSERVATION INTERNATIONAL, INC.  
(Nonprofit Corporation)

INDEPENDENT ACCOUNTANTS'  
AUDIT REPORT  
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# Allman & Associates, Inc.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
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 June 30, 2013 and May 31, 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the one month ended June 30, 2013 and the year ended May 31, 2013.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

### Auditors' Responsibility

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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BCON as of June 30, 2013 and May 31, 2013, and the changes in its net assets and cash flows for the one month ended June 30, 2013, and the year ended May 31, 2013, in accordance with accounting principles generally accepted in the United States of America.

*Allman & Associates, Inc.*

Austin, Texas  
September 10, 2013

BAT CONSERVATION INTERNATIONAL, INC.  
(Nonprofit Corporation)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>As of June 30, 2013</u>	<u>As of May 31, 2013</u>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 1,218,858	\$ 1,493,537
Accounts receivable	349,890	339,531
Grants receivable	144,016	137,420
Inventory	19,897	19,897
Prepaid expenses	50,147	21,882
Total Current Assets	<u>1,782,808</u>	<u>2,012,267</u>
Property and Equipment, net	1,954,409	1,897,726
Investments	1,106,628	1,122,612
Grants receivable, long-term portion	100,000	100,000
Total Assets	<u>\$ 4,943,845</u>	<u>\$ 5,132,605</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable	\$ 109,326	\$ 130,363
Accrued expenses	112,954	118,421
Deferred revenues	1,272	-
Tenant deposit and prepaid rent	4,178	20,775
Grants payable	19,767	20,726
Total Current Liabilities	<u>247,497</u>	<u>290,285</u>
Total Liabilities	<u>247,497</u>	<u>290,285</u>
Net Assets		
Unrestricted	1,773,724	1,860,742
Temporarily restricted	820,266	879,220
Permanently restricted	2,102,358	2,102,358
Total Net Assets	<u>4,696,348</u>	<u>4,842,320</u>
Total Liabilities and Net Assets	<u>\$ 4,943,845</u>	<u>\$ 5,132,605</u>

See accompanying notes and independent auditors' report.

BAT CONSERVATION INTERNATIONAL, INC.  
(Nonprofit Corporation)

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Month Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues</b>				
Grant revenue	\$ -	\$ 6,635	\$ -	\$ 6,635
Contributions	41,562	16,190	-	57,752
Contract services revenue	141,550	-	-	141,550
Membership revenue	53,821	-	-	53,821
Education and workshops revenue	16,038	4,679	-	20,717
Rental income	4,225	-	-	4,225
Royalty income	900	-	-	900
Investment (loss) income	-	(13,708)	-	(13,708)
Other revenue	3,529	160	-	3,689
	261,625	13,956	-	275,581
Total Revenue	261,625	13,956	-	275,581
Net assets released from restrictions	72,910	(72,910)	-	-
	334,535	(58,954)	-	275,581
Total revenues and net assets released from restrictions	334,535	(58,954)	-	275,581
<b>Expenses</b>				
Science and conservation program expenses	209,461	-	-	209,461
Education program expenses	100,507	-	-	100,507
Fundraising and development	68,773	-	-	68,773
General and administrative	42,812	-	-	42,812
	421,553	-	-	421,553
Total Expenses	421,553	-	-	421,553
Change in net assets	(87,018)	(58,954)	-	(145,972)
Net assets, beginning of year	1,860,742	879,220	2,102,358	4,842,320
Net assets, end of year	\$ 1,773,724	\$ 820,266	\$ 2,102,358	\$ 4,696,348

See accompanying notes and independent auditors' report.

BAT CONSERVATION INTERNATIONAL, INC.  
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CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended May 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues</b>				
Grant revenue	\$ 120,000	\$ 362,360	\$ -	\$ 482,360
Contributions	1,186,005	334,373	-	1,520,378
Contract services revenue	2,002,648	-	-	2,002,648
Membership revenue	737,183	-	-	737,183
Education and workshops revenue	44,660	15,218	-	59,878
Rental income	50,021	-	-	50,021
Royalty income	12,090	-	-	12,090
Catalog sales, net of costs	2,668	-	-	2,668
Investment (loss) income	56,400	149,807	-	206,207
Other revenue	12,016	4,513	-	16,529
<b>Total Revenue</b>	<b>4,223,691</b>	<b>866,271</b>	<b>-</b>	<b>5,089,962</b>
Net assets released from restrictions	993,518	(993,518)	-	-
<b>Total revenues and net assets released from restrictions</b>	<b>5,217,209</b>	<b>(127,247)</b>	<b>-</b>	<b>5,089,962</b>
<b>Expenses</b>				
Science and conservation program expenses	2,727,196	-	-	2,727,196
Education program expenses	816,536	-	-	816,536
Fundraising and development	411,735	-	-	411,735
General and administrative	567,355	-	-	567,355
<b>Total Expenses</b>	<b>4,522,822</b>	<b>-</b>	<b>-</b>	<b>4,522,822</b>
<b>Change in net assets</b>	<b>694,387</b>	<b>(127,247)</b>	<b>-</b>	<b>567,140</b>
Net assets, beginning of year	1,166,355	1,006,467	2,102,358	4,275,180
<b>Net assets, end of year</b>	<b>\$ 1,860,742</b>	<b>\$ 879,220</b>	<b>\$ 2,102,358</b>	<b>\$ 4,842,320</b>

See accompanying notes and independent auditors' report.

BAT CONSERVATION INTERNATIONAL, INC.  
(Nonprofit Corporation)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Month Ended June 30, 2013

Expense Category	Science and Conservation	Education	Fundraising and Development	General and Administrative	Total
Salaries, wages and benefits	\$ 105,245	\$ 50,873	\$ 23,642	\$ 25,035	\$ 204,795
Consulting and professional fees	55,419	772	8,699	1,665	66,555
Grants to others and scholarships	3,540	19,656	-	-	23,196
Other operating expenses	16,162	14,085	6,987	12,077	49,311
Travel and related expenses	15,686	4,439	1,316	1,501	22,942
Office and occupancy	2,564	1,307	603	553	5,027
Telecommunications and postage	1,475	705	5,553	1,151	8,884
Printing and publication	36	7,850	1,583	27	9,496
Hospitality and member benefits	3,859	313	20,156	588	24,916
 Total expenses before depreciation	 203,986	 100,000	 68,539	 42,597	 415,122
Depreciation expense	5,475	507	234	215	6,431
 Total	 \$ 209,461	 \$ 100,507	 \$ 68,773	 \$ 42,812	 \$ 421,553

See accompanying notes and independent auditors' report.

BAT CONSERVATION INTERNATIONAL, INC.  
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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended May 31, 2013

Expense Category	Science and Conservation	Education	Fundraising and Development	General and Administrative	Total
Salaries, wages and benefits	\$ 1,096,173	\$ 512,943	\$ 249,593	\$ 350,807	\$ 2,209,516
Consulting and professional fees	669,123	58,808	22,918	116,440	867,289
Grants to others and scholarships	183,862	62,435	-	-	246,297
Other operating expenses	183,583	67,131	35,768	73,136	359,618
Travel and related expenses	395,408	16,962	15,761	9,289	437,420
Office and occupancy	89,610	18,098	8,353	7,657	123,718
Telecommunications and postage	24,372	36,337	29,348	3,153	93,210
Printing and publication	4,096	34,827	24,018	502	63,443
Hospitality and member benefits	16,642	2,380	22,923	3,572	45,517
Habitat Projects	5,366	-	-	-	5,366
Total expenses before depreciation	2,668,235	809,921	408,682	564,556	4,451,394
Depreciation expense	58,961	6,615	3,053	2,799	71,428
Total	<u>\$ 2,727,196</u>	<u>\$ 816,536</u>	<u>\$ 411,735</u>	<u>\$ 567,355</u>	<u>\$ 4,522,822</u>

See accompanying notes and independent auditors' report.

BAT CONSERVATION INTERNATIONAL, INC.  
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CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>For the Month Ended June 30, 2013</u>	<u>For the Year Ended May 31, 2013</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ (145,972)	\$ 567,140
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,431	71,428
Investment income	(1,110)	(24,822)
Realized loss (gains) on investments	-	(6,442)
Unrealized loss (gains) on investments	14,818	(174,943)
Change in assets and liabilities:		
Accounts receivable	(10,359)	13,935
Grants receivable	(6,596)	206,329
Inventory	-	1,025
Prepaid expenses	(28,265)	(5,236)
Accounts payable	(21,037)	207
Grants payable	(959)	(5,124)
Accrued expenses	(5,467)	(4,619)
Founder's retirement obligation	-	(38,754)
Deferred revenues	1,272	(72,169)
Tenant deposit and prepaid rent	(16,597)	(11,748)
 Net Cash Provided by Operating Activities	 <u>(213,841)</u>	 <u>516,207</u>
 Cash Flows From Investing Activities:		
Proceeds from sale of investments	2,276	296,691
Purchases of investments	-	(280,522)
Purchases of property and equipment	(63,114)	(31,450)
 Net Cash Provided by Investing Activities	 <u>(60,838)</u>	 <u>(15,281)</u>
 Net Change in Cash and Cash Equivalents	 (274,679)	 500,926
Cash and Cash Equivalents, beginning of year	<u>1,493,537</u>	<u>992,611</u>
 Cash and Cash Equivalents, end of year	 <u>\$ 1,218,858</u>	 <u>\$ 1,493,537</u>
 Supplementary Information:		
Cash paid for interest expense	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

See accompanying notes and independent auditors' report.

BAT CONSERVATION INTERNATIONAL, INC.  
(Nonprofit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013 and May 31, 2013

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 predominantly 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 and 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 the 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 direction 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 significant 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013 and May 31, 2013

2. Summary of Significant Accounting Policies (continued)

*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. In addition to the corpus of the endowment funds, permanently restricted net assets include the value of donor contributions totaling \$1,522,792 that were restricted for the purchase and permanent and conservation of the bat habitat at Bracken Cave.

**Basis of Accounting**

BCON's consolidated financial statements have been prepared on the accrual basis of accounting applicable to not-for-profit organizations in accordance with U.S. GAAP.

**Accounting Estimates**

The preparation of consolidated 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, unless designated for investment purposes.

**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 financial activities.

**Fair Value Measurements**

The requirements of Fair Value Measurements and Disclosures of the Accounting Standards Codification apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement is the same in both cases – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price). Fair

BAT CONSERVATION INTERNATIONAL, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013 and May 31, 2013

2. Summary of Significant Accounting Policies (continued)

Value Measurements and Disclosures also establish a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 Inputs – Inputs other than quoted prices included with Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 Inputs – Unobservable inputs for 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, 2013, because management estimates all balances to be collectible. Management closely monitors outstanding balances and write offs.

**Grants Receivable**

Grants receivable are recognized as grant revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Grants receivable are recorded at net realizable value if expected to be collected in one year and at the present value of their estimated future cash flows if expected to be collected in more than one year, unless otherwise noted. Conditional promises to give are recognized when the condition on which they depend is substantially met.

**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.

BAT CONSERVATION INTERNATIONAL, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013 and May 31, 2013

2. Summary of Significant Accounting Policies (continued)

**Property and Equipment**

Purchases of property and equipment are capitalized at cost if purchased and at fair market value at the date of the 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 from private donors is recognized as earned based on grant specifications or as unconditional contributions if no grant specifications exist.

**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 pledges become unconditional.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013 and May 31, 2013

2. Summary of Significant Accounting Policies (continued)

**Functional Allocation of Expenses**

The costs of providing the various program services 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 \$3,281 and \$95 for the periods ending June 30, 2013 and May 31, 2013.

**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.

**Fiscal Year End**

BCI and the Foundation changed their fiscal year end from May 31<sup>st</sup> to June 30<sup>th</sup>. Therefore, the financial statements have been audited through the year ended May 31, 2013, and the short-period through June 30, 2013. The organizations will file tax returns for the same periods.

3. Concentration of Credit Risk

Financial instruments which potentially subject BCON to credit risk consist of cash and cash equivalents, investments, and grants receivable. 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 receivables are limited due to the number of donors comprising BCON's donor base and their dispersion across different geographic areas. At June 30, 2013, the balances due from one donor represented 82% of the total grant receivables balance. At May 31, 2013, the balances due from one donor represented 84% of the total grant receivables balance.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013 and May 31, 2013

4. Grants Receivable

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

Amounts due in:	June 30, 2013	May 31, 2013
Less than one year	\$ 100,000	\$ 100,000
One to five years	<u>100,000</u>	<u>100,000</u>
Total	<u>\$ 200,000</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 grants receivable are fully collectible; therefore, no allowance for uncollectable grants receivable was recorded for the periods ending June 30, 2013 and May 31, 2013.

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

	June 30, 2013	May 31, 2013
Beginning Balance	\$ 200,000	\$ 400,000
New grants	-	-
Payments on grants	<u>-</u>	<u>(200,000)</u>
Balance, May 31	<u>\$ 200,000</u>	<u>\$ 200,000</u>

BAT CONSERVATION INTERNATIONAL, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013 and May 31, 2013

5. Investments

Investments consisted of the following at June 30, 2013:

Description	Fair Value	Fair Value Measurements Using:		
		Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable inputs (Level 3)
Domestic equities	\$ 476,587	\$ 476,587	\$ -	\$ -
International equities	113,847	113,847	-	-
Government agencies	48,097	-	48,097	-
Municipal bonds	23,313	-	23,313	-
Mortgage-backed securities	4,683	-	4,683	-
Schwab Advisor Cash reserves	237,700	-	237,700	-
Closely-held stock	202,401	-	-	202,401
Total Investments	<u>\$ 1,106,628</u>	<u>\$ 590,434</u>	<u>\$ 313,793</u>	<u>\$ 202,401</u>

Investments consisted of the following at May 31, 2013:

Description	Fair Value	Fair Value Measurements Using:		
		Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable inputs (Level 3)
Domestic equities	\$ 482,129	\$ 482,129	\$ -	\$ -
International equities	120,515	120,515	-	-
Government agencies	49,019	-	49,019	-
Municipal bonds	25,059	-	25,059	-
Mortgage-backed securities	4,656	-	4,656	-
Schwab Advisor Cash reserves	238,833	-	238,833	-
Closely-held stock	202,401	-	-	202,401
Total Investments	<u>\$ 1,122,612</u>	<u>\$ 602,644</u>	<u>\$ 317,567</u>	<u>\$ 202,401</u>

BAT CONSERVATION INTERNATIONAL, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013 and May 31, 2013

5. Investments (continued)

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:

	June 30, 2013	May 31, 2013
Beginning balance	\$ 202,401	\$ 153,000
Total gains or losses (realized/unrealized)	-	49,401
Purchases (sales)	-	-
Ending balance	<u>\$ 202,401</u>	<u>\$ 202,401</u>

Investment (loss) income consisted of the following:

	June 30, 2013	May 31, 2013
Interest and dividends	\$ 1,110	\$ 24,822
Net realized (losses) gains	-	6,442
Net unrealized (losses) gains	<u>(14,818)</u>	<u>174,943</u>
Investment (loss) income	<u>\$ (13,708)</u>	<u>\$ 206,207</u>

Investment management fees paid were \$2,276 and \$9,170, respectively, for the periods ended June 30, 2013 and May 31, 2013. These fees are included in the General and Administrative expenses.

6. Property and Equipment

Property and equipment consisted of the following:

	June 30, 2013	May 31, 2013
Real property and improvements (bat habitat)	\$ 1,849,390	\$ 1,809,520
Buildings and improvements	634,567	634,567
Furniture and equipment	549,933	526,689
Vehicles	<u>38,400</u>	<u>38,400</u>
	3,072,290	3,009,176
Accumulated depreciation	<u>(1,117,881)</u>	<u>(1,111,450)</u>
Total Property and Equipment, net	<u>\$ 1,954,409</u>	<u>\$ 1,897,726</u>

BAT CONSERVATION INTERNATIONAL, INC.  
(Nonprofit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013 and May 31, 2013

6. Property and Equipment (continued)

The bat habitat at Bracken Cave includes depreciable improvements for land clearing, fencing, roads, and water wells with a value of \$286,728 at June 30, 2013 and May 31, 2013. Total accumulated depreciation related to these improvements was \$211,746 and \$209,934 at June 30, 2013 and May 31, 2013, respectively.

Depreciation expense for property and equipment was \$6,431 and \$71,428 for the periods ended June 30, 2013 and May 31, 2013, respectively.

7. Endowments

BCON's endowments consist solely of two donor restricted funds established for science, 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 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 endowments 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 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 time as well as to provide additional real growth through new gifts and investment return.

BAT CONSERVATION INTERNATIONAL, INC.  
(Nonprofit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013 and May 31, 2013

7. Endowments (continued)

Changes in endowment net assets were as follows for the month ended June 30, 2013:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at May 31, 2013	\$ 340,645	\$ 579,566	\$ 920,211
Investment income (loss)	(13,708)		(13,708)
Appropriated for expense	(2,276)		(2,276)
Endowment net assets at June 30, 2013	<u>\$ 324,661</u>	<u>\$ 579,566</u>	<u>\$ 904,227</u>

Changes in endowment net assets were as follows for the year ended May 31, 2013:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at May 31, 2012	\$ 200,008	\$ 579,566	\$ 779,574
Investment income	149,807	-	149,807
Appropriated for expense	(9,170)	-	(9,170)
Endowment net assets at May 31, 2013	<u>\$ 340,645</u>	<u>\$ 579,566</u>	<u>\$ 920,211</u>

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

	June 30, 2013	May 31, 2013
Permanently restricted net assets -		
The portion of perpetual endowments funds that is required to be retained permanently either by explicit donor stipulations or by UPMIFA with the following purpose restrictions:		
Science and conservation	\$ 199,779	\$ 199,779
Education	379,787	379,787
	<u>\$ 579,566</u>	<u>\$ 579,566</u>

BAT CONSERVATION INTERNATIONAL, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013 and May 31, 2013

7. Endowments (continued)

	June 30, 2013	May 31, 2013
Temporarily restricted net assets -		
The portion of perpetual endowments funds subject to a restriction under UPMIFA with the following purpose restrictions:		
Science and conservation	\$ 111,912	\$ 117,422
Education	212,749	223,223
	\$ 324,661	\$ 340,645

8. In-kind Donations

Donated services are recognized as contributions if the services (1) create or enhance non-financial assets, or (2) require special 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 statement of activities during the periods ended June 30, 2013 and May 31, 2013:

	June 30, 2013	May 31, 2013
Science and conservation:		
Donated services including professional fees, advertising, travel, and rental fees	\$ 540	\$ 123,389
Donated materials	-	3,371
	\$ 540	\$ 126,760

In addition, many individuals volunteer their time and perform a variety of tasks that assist BCON with their programs. Volunteers donated approximately 60 and 3,157 hours during the periods ended June 30, 2013 and May 31, 2013, respectively, that did not meet the recognition criteria above and thus their value was not recorded in the consolidated financial statements.

BAT CONSERVATION INTERNATIONAL, INC.  
(Nonprofit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013 and May 31, 2013

8. 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 \$3,118 and \$33,873 during the periods ended June 30, 2013 and May 31, 2013, respectively.

9. Temporarily Restricted Net Assets

Temporarily restricted net assets were restricted for the following purposes:

	June 30, 2013	May 31, 2013
International programs	\$ 83,479	\$ 90,810
Education programs	39,188	46,774
Wind programs	62,020	90,545
Subterranean programs	24,855	23,145
Granting programs	-	7,770
White nose syndrome programs	21,992	14,696
Workshops	42,398	42,398
Imperiled species	21,673	22,437
Endowment earnings	324,661	340,645
Subsequent periods	200,000	200,000
	<u>\$ 820,266</u>	<u>\$ 879,220</u>

10. Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. BCON has evaluated subsequent events through the date the financial statements were available to be issued, September 10, 2013, and there were no subsequent events to be disclosed.

SUPPLEMENTAL INFORMATION

# Allman & Associates, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

9600 GREAT HILLS TRAIL  
SUITE 150W  
AUSTIN, TX 78759  
(512) 502-3077  
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To Board of Trustees  
Bat Conservation International, Inc.

We have audited the financial statements of Bat Conservation International, Inc. as of June 30, 2013 and May 31, 2013, and for the month ended June 30, 2013 and the year ended May 31, 2013, and have issued our report thereon dated September 10, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The following supplemental schedules: Supplemental Consolidating Statements of Financial Position as of June 30, 2013 and May 31, 2013, and Supplemental Consolidating Statements of Activities for the one month ended June 30, 2013 and the year ended May 31, 2013, are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*Allman & Associates, Inc.*

Austin, Texas  
September 10, 2013

BAT CONSERVATION INTERNATIONAL, INC.  
(Nonprofit Corporation)

SUPPLEMENTAL CONSOLIDATING STATEMENT OF FINANCIAL POSITION

As of June 30, 2013

	BCI	Foundation	Eliminations	Consolidated Totals
<b>Assets</b>				
Cash and cash equivalents	\$ 1,218,858	\$ -	\$ -	\$ 1,218,858
Accounts receivable	349,890	-	-	349,890
Grants receivable, current portion	144,016	-	-	144,016
Inventory	19,897	-	-	19,897
Prepaid expenses	50,147	-	-	50,147
Total current assets	1,782,808	-	-	1,782,808
Property and equipment, net	1,954,409	-	-	1,954,409
Investments	202,401	904,227	-	1,106,628
Grants receivable, long-term portion	100,000	-	-	100,000
Total Assets	\$ 4,039,618	\$ 904,227	\$ -	\$ 4,943,845
<b>Liabilities</b>				
Accounts payable	\$ 109,326	\$ -	\$ -	\$ 109,326
Accrued expenses	112,954	-	-	112,954
Deferred revenues	1,272	-	-	1,272
Tenant deposit and prepaid rent	4,178	-	-	4,178
Grants payable	19,767	-	-	19,767
Total current liabilities	247,497	-	-	247,497
Total Liabilities	247,497	-	-	247,497
<b>Net Assets</b>				
Unrestricted	1,773,725	-	-	1,773,725
Temporarily restricted	495,604	324,661	-	820,265
Permanently restricted	1,522,792	579,566	-	2,102,358
Total Net Assets	3,792,121	904,227	-	4,696,348
Total Liabilities and Net Assets	\$ 4,039,618	\$ 904,227	\$ -	\$ 4,943,845

See accompanying independent auditors' report.

BAT CONSERVATION INTERNATIONAL, INC.  
(Nonprofit Corporation)

SUPPLEMENTAL CONSOLIDATING STATEMENT OF FINANCIAL POSITION

As of May 31, 2013

	BCI	Foundation	Eliminations	Consolidated Totals
<b>Assets</b>				
Cash and cash equivalents	\$ 1,493,537	\$ -	\$ -	\$ 1,493,537
Accounts receivable	339,531	-	-	339,531
Grants receivable, current portion	137,420	-	-	137,420
Inventory	19,897	-	-	19,897
Prepaid expenses	21,882	-	-	21,882
Total current assets	2,012,267	-	-	2,012,267
Property and equipment, net	1,897,726	-	-	1,897,726
Investments	202,401	920,211	-	1,122,612
Grants receivable, long-term portion	100,000	-	-	100,000
Total Assets	\$ 4,212,394	\$ 920,211	\$ -	\$ 5,132,605
<b>Liabilities</b>				
Accounts payable	\$ 130,363	\$ -	\$ -	\$ 130,363
Accrued expenses	118,421	-	-	118,421
Tenant deposit and prepaid rent	20,775	-	-	20,775
Grants payable	20,726	-	-	20,726
Total current liabilities	290,285	-	-	290,285
Total Liabilities	290,285	-	-	290,285
<b>Net Assets</b>				
Unrestricted	1,860,742	-	-	1,860,742
Temporarily restricted	538,575	340,645	-	879,220
Permanently restricted	1,522,792	579,566	-	2,102,358
Total Net Assets	3,922,109	920,211	-	4,842,320
Total Liabilities and Net Assets	\$ 4,212,394	\$ 920,211	\$ -	\$ 5,132,605

See accompanying independent auditors' report.

BAT CONSERVATION INTERNATIONAL, INC.  
(Nonprofit Corporation)

SUPPLEMENTAL CONSOLIDATING STATEMENT OF ACTIVITIES

For One Month Ended June 30, 2013

	BCI	Foundation	Eliminations	Consolidated Totals
<b>Revenues</b>				
Grant revenue	\$ 6,635	\$ -	\$ -	\$ 6,635
Contributions	57,752	-	-	57,752
Contract services revenue	141,550	-	-	141,550
Membership revenue	53,821	-	-	53,821
Education and workshops revenue	20,717	-	-	20,717
Rental income	4,225	-	-	4,225
Royalty income	900	-	-	900
Investment (loss) income, net	-	(13,708)	-	(13,708)
Other revenue	3,689	-	-	3,689
<b>Total revenues</b>	<b>289,289</b>	<b>(13,708)</b>	<b>-</b>	<b>275,581</b>
<b>Expenses</b>				
Science and conservation program expenses	209,461	-	-	209,461
Education program expenses	100,507	-	-	100,507
Fundraising and development	68,773	-	-	68,773
General and administrative	40,536	2,276	-	42,812
<b>Total expenses</b>	<b>419,277</b>	<b>2,276</b>	<b>-</b>	<b>421,553</b>
Change in net assets	(129,988)	(15,984)	-	(145,972)
Net assets, beginning of year	3,922,109	920,211	-	4,842,320
Net assets, end of year	\$ 3,792,121	\$ 904,227	\$ -	\$ 4,696,348

See accompanying independent auditors' report.

BAT CONSERVATION INTERNATIONAL, INC.  
(Nonprofit Corporation)

SUPPLEMENTAL CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended May 31, 2013

	BCI	Foundation	Eliminations	Consolidated Totals
<b>Revenues</b>				
Grant revenue	\$ 482,360	\$ -	\$ -	\$ 482,360
Contributions	1,520,378	-	-	1,520,378
Contract services revenue	2,002,648	-	-	2,002,648
Membership revenue	737,183	-	-	737,183
Education and workshops revenue	59,878	-	-	59,878
Rental income	50,021	-	-	50,021
Royalty income	12,090	-	-	12,090
Catalog sales, net of costs	2,668	-	-	2,668
Investment (loss) income, net	56,400	149,807	-	206,207
Other revenue	16,529	-	-	16,529
<b>Total revenues</b>	<b>4,940,155</b>	<b>149,807</b>	<b>-</b>	<b>5,089,962</b>
<b>Expenses</b>				
Science and conservation program expenses	2,727,196	-	-	2,727,196
Education program expenses	816,536	-	-	816,536
Fundraising and development	411,735	-	-	411,735
General and administrative	558,185	9,170	-	567,355
<b>Total expenses</b>	<b>4,513,652</b>	<b>9,170</b>	<b>-</b>	<b>4,522,822</b>
Change in net assets	426,503	140,637	-	567,140
Net assets, beginning of year	3,495,606	779,574	-	4,275,180
<b>Net assets, end of year</b>	<b>\$ 3,922,109</b>	<b>\$ 920,211</b>	<b>\$ -</b>	<b>\$ 4,842,320</b>

See accompanying independent auditors' report.