NATURESERVE

FINANCIAL STATEMENTS

AND ADDITIONAL INFORMATION

JUNE 30, 2014

MULLEN SONDBERG WIMBISH & STONE, PA

CERTIFIED PUBLIC ACCOUNTANTS

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MULLEN & SONDBERG
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
NatureServe
Arlington, Virginia

We have audited the accompanying financial statements of NatureServe (a non-profit Organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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.

To the Board of Directors of
NatureServe

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NatureServe as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2014, which is bound separately, on our consideration of NatureServe's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NatureServe's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited NatureServe 2013 financial statements, and our report dated October 21, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mullen Sondberg Wimbish & Stone

MULLEN, SONDBERG, WIMBISH & STONE, P.A.

Annapolis, Maryland
October 24, 2014

NatureServe
STATEMENT OF FINANCIAL POSITION
June 30, 2014

ASSETS

	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	$ 434,668	$ 733,444
Accounts receivable, net of allowance (Note 3)	1,455,240	1,611,439
Investments (Note 2)	1,477,796	823,330
Prepaid expenses	39,639	56,733
Total current assets	3,407,343	3,224,946
PROPERTY AND EQUIPMENT		
Net of accumulated depreciation (Note 4)	931,031	459,364
INVESTMENTS (Notes 2)	6,759,131	5,958,783
DEPOSITS	53,207	46,707
Total assets	$ 11,150,712	$ 9,689,800

LIABILITIES AND NET ASSETS

	2014	2013
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 179,617	$ 213,911
Accrued salaries and related liabilities	439,989	456,534
Refundable advances	1,098,839	1,144,378
Deposits	5,462	1,150
Notes payable (Note 8)	34,619	-
Capital lease obligations (Note 9)	29,921	-
Total current liabilities	1,788,447	1,815,973
LONG TERM LIABILITIES		
Notes payable (Note 8)	94,446	-
Capital leases obligations (Note 9)	97,880	-
Deferred rent	293,097	277,002
Total long term liabilities	485,423	277,002
Total liabilities	2,273,870	2,092,975
NET ASSETS		
Unrestricted	1,573,914	1,566,280
Unrestricted - board designated (Note 12)	12,000	-
Temporarily restricted (Note 13)	1,331,845	71,762
Permanently restricted (Note 14)	5,959,083	5,958,783
Total net assets	8,876,842	7,596,825
Total liabilities and net assets	$ 11,150,712	$ 9,689,800

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

NatureServe
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014
With Summarized Financial Information for the Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014	2013
REVENUES, GAINS AND OTHER SUPPORT					
Grants and contracts	$ 6,367,232	$ -	$ -	$ 6,367,232	$ 6,608,510
Contributions	402,677	800,048	300	1,203,025	305,360
Endowment investment activity:					
Appropriated for current operations	383,593	-	-	383,593	345,890
Investment return, net of appropriations	-	460,035	-	460,035	235,530
Other investment income and gains	83,637	-	-	83,637	37,758
Software support	627,613	-	-	627,613	354,458
Data requests and usage training	146,733	-	-	146,733	188,496
Registration fees	105,482	-	-	105,482	89,059
Membership dues	60,950	-	-	60,950	56,341
Conference sponsorship	47,000	-	-	47,000	45,850
Other income	42,456	-	-	42,456	19,167
Rental income	40,360	-	-	40,360	15,611
Royalties and license fees	123	-	-	123	65
Total revenues, gains and other support	8,307,856	1,260,083	300	9,568,239	8,302,095
EXPENSES					
Program activities	6,418,673	-	-	6,418,673	6,158,675
General and administrative	1,594,063	-	-	1,594,063	1,579,583
Fundraising	275,486	-	-	275,486	326,283
Total expenses	8,288,222	-	-	8,288,222	8,064,541
Change in net assets	19,634	1,260,083	300	1,280,017	237,554
NET ASSETS AT BEGINNING OF YEAR	1,566,280	71,762	5,958,783	7,596,825	7,359,271
NET ASSETS AT END OF YEAR	$ 1,585,914	$ 1,331,845	$ 5,959,083	$ 8,876,842	$ 7,596,825

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

NatureServe
STATEMENT OF CASH FLOWS
Year Ended June 30, 2014

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 1,280,017	$ 237,554
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	177,196	57,583
Realized (gain) / loss on investments	(350,024)	(360,166)
Unrealized (gain) / loss on investments	(405,540)	(110,139)
Contributions restricted for long-term purposes	(800,348)	(360)
(Increase) decrease in operating assets:		
Accounts receivable	156,199	1,346,772
Prepaid expenses	17,094	(31,590)
Deposits	(6,500)	(2,436)
(Increase) decrease in operating liabilities:		
Accounts payable and accrued expenses	(34,294)	(195,349)
Accrued salaries and related liabilities	(16,545)	(36,127)
Refundable advances	(45,539)	(727,979)
Deposits	4,312	-
Deferred rent	16,095	27,940
Net cash provided (used) by operating activities	(7,877)	205,703
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments, including reinvestment of dividends	(1,018,296)	(190,539)
Proceeds from sale of investments	319,046	43,295
Purchase of property and equipment	(349,864)	(330,495)
Net cash used by investing activities	(1,049,114)	(477,739)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	(15,447)	-
Principal payments on capital lease obligations	(26,686)	-
Contributions restricted for long-term purposes	800,348	360
Net cash provided by financing activities	758,215	360
Net change in cash and cash equivalents	(298,776)	(271,676)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	733,444	1,005,120
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 434,668	$ 733,444
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 11,170	$ -
Noncash investing and financing activities:		
Acquisition of property and equipment	$ 648,863	$ -
Less amounts financed	(298,999)	-
Net cash paid for property and equipment	$ 349,864	$ -

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

Note 1 - Summary of Significant Accounting Policies

Nature and Organization

NatureServe was incorporated in Washington, D.C. in 1994 as a non-profit Organization. NatureServe's mission is to work in partnership with the Network of Natural Heritage Programs and Conservation Data Centers to manage and distribute authoritative information critical to the conservation of the world's biological diversity.

Basis of Accounting

The financial statements are presented on the accrual basis of accounting, consequently revenue is recorded when earned and expenses are recorded when incurred.

Basis of Presentation

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Cash and Cash Equivalents

The Organization considers all cash and other highly liquid investments, excluding those included in the endowment fund, or included in an investment portfolio with initial maturities of six months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consists of amounts due from government and other funding agencies and amounts due from customers for services provided. The allowance for doubtful accounts is determined by management based on their periodic review of individual account balances. As of June 30, 2014 and 2013 the balances in the allowance for doubtful accounts was $10,043 and $10,512, respectively.

Note 1 - Summary of Significant Accounting Policies (Cont.)

Investments

Investments in marketable securities are stated at current market value. The net realized and unrealized appreciation (depreciation) in market value of investments is reflected in the statement of activities. Investments consist of mutual funds, equities, and cash and money market funds held by a broker.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Assets costing $2,000 or more and having a useful life of more than one year are capitalized. Donations of property and equipment are recorded as support at their estimated fair values. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

Income Tax Status

NatureServe qualifies as a tax-exempt Organization under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Such organizations are taxed only on unrelated business income. The Organization has no unrelated business income and, therefore, no tax provision has been established.

Income Taxes

The Organization follows the guidance of ASC 740-10, "*Accounting for Uncertainty in Income Taxes*" which clarifies the accounting for the recognition and measurement of the benefits of individual tax positions in the financial statements, including those of non-profit organizations. Tax positions must meet a recognition threshold of more-likely-than-not in order for the benefit of those tax positions to be recognized in the Organization's financial statements.

The Organization analyzes tax positions taken, including those related to the requirements set forth in IRC Sec. 501(c) to qualify as a tax exempt organization, activities performed by volunteers and Board members, the reporting of unrelated business income, and its status as a tax-exempt organization under District of Columbia statute. The Organization does not know of any tax benefits arising from uncertain tax positions and there was no effect on the Organizations' financial position or changes in net assets as a result of analyzing its tax positions. Fiscal years ending on or after June 30, 2011 remain subject to examination by federal and State authorities.

Note 1 - Summary of Significant Accounting Policies (Cont.)

Concentration of Cash Balances

At June 30, 2014 and 2013 and at various times during the fiscal years then ended, NatureServe maintained cash balances in excess of the federally insured limit. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Amounts held in excess of FDIC insurance coverage as of June 30, 2014 and 2013 were approximately $151,000 and $282,000, respectively.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor-imposed restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Grants, cooperative agreements and contracts that are awarded to the Organization are accounted for as exchange transactions, and accordingly, revenue is recognized when the qualifying expenditures are incurred. Any funds received in advance of incurring qualifying expenditures are recorded as refundable advances.

Functional Expenses

The costs of providing various program and supporting services has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs including salaries and rent have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the statement of financial position date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Note 2 - Investments / Fair Value Measurements

Investments at June 30 are reported in the statement of financial position as follows:

	2014	2013
Investments reported as current assets	$ 1,477,796	$ 823,330
Investments held for long-term purposes	6,759,131	5,958,783
Total investments	$ 8,236,927	$ 6,782,113

The total investments of $8,236,927 and $6,782,113 at the end of June 30, 2014 and 2013, respectively, include $781,941 and $826,423, respectively that was appropriated from the endowment to support operations of the Organization but has not been transferred out of investments.

The following schedule summarizes investment income, gains and losses for the years ended June 30:

	2014	2013
Interest, dividends and other income, net	$ 171,701	$ 148,873
Net realized and unrealized gains on investments	755,564	470,305
	$ 927,265	$ 619,178

Interest and dividend income is reported net of related expenses of $44,046 and $43,295 for the years ended June 30, 2014 and 2013, respectively.

Note 2 - Investments / Fair Value Measurements (Cont.)

ASC 820, Fair Value Measurements and Disclosures, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The Organization measures fair value as 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. The Organization also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability at the measurement date. The three levels of the fair value hierarchy are as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable and supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Organization. The Association considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The classification of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Organization's perceived risk of that instrument.

Investments whose values are based on quoted market prices in active markets, and are, therefore classified with Level 1, include active listed mutual funds, exchange traded funds, equity securities, and money market funds.

There have been no changes in investment valuation techniques or inputs.

Note 2 - Investments / Fair Value Measurements (Cont.)

The table below presents the balances of investments measured at fair value on a recurring basis by level within the hierarchy as of the year ended:

June 30, 2014	Level 1	Level 2	Level 3	Total
Money market funds	$ 230,230	$ -	$ -	$ 230,230
Equity securities				
Consumer cyclical	396,659	-	-	396,659
Technology	303,986	-	-	303,986
Financial services	274,257	-	-	274,257
Healthcare	252,006	-	-	252,006
Energy	188,362	-	-	188,362
Communication services	151,144	-	-	151,144
Industrials	147,539	-	-	147,539
Consumer services	51,852	-	-	51,852
Basic material	38,728	-	-	38,728
Real estate	37,891	-	-	37,891
Consumer defensive	27,034	-	-	27,034
Utilities	20,860	-	-	20,860
Mutual funds				
Intermediate term bond	1,764,463	-	-	1,764,463
High yield bond	1,416,131	-	-	1,416,131
Foreign large value	330,980	-	-	330,980
Small blend	291,535	-	-	291,535
Real estate	254,694	-	-	254,694
Mid cap growth	239,666	-	-	239,666
Nontraditional bond	171,607	-	-	171,607
Emerging market bond	84,040	-	-	84,040
Bank loan	8,084	-	-	8,084
Exchange Traded Funds				
Foreign large blend	475,561	-	-	475,561
Large blend	369,911	-	-	369,911
Diversified emerging markets	312,434	-	-	312,434
Global real estate	238,217	-	-	238,217
Foreign large growth	159,056	-	-	159,056
Total	$ 8,236,927	$ -	$ -	$ 8,236,927

Note 2 - Investments / Fair Value Measurements (Cont.)

June 30, 2013	Level 1	Level 2	Level 3	Total
Money market funds	$ 57,562	$ -	$ -	$ 57,562
Equity securities				
Technology	294,103	-	-	294,103
Consumer cyclical	279,306	-	-	279,306
Financial services	265,458	-	-	265,458
Industrials	220,932	-	-	220,932
Healthcare	219,713	-	-	219,713
Energy	182,462	-	-	182,462
Consumer defensive	144,767	-	-	144,767
Communication services	109,399	-	-	109,399
Utilities	46,012	-	-	46,012
Real estate	43,981	-	-	43,981
Basic material	36,993	-	-	36,993
Mutual funds				
Intermediate term bond	2,065,428	-	-	2,065,428
High yield bond	497,347	-	-	497,347
Emerging market bond	312,367	-	-	312,367
Foreign large value	272,847	-	-	272,847
Real estate	204,257	-	-	204,257
Small blend	198,549	-	-	198,549
Mid cap growth	198,381	-	-	198,381
Nontraditional bond	66,341	-	-	66,341
Exchange Traded Funds				
Diversified emerging markets	409,287	-	-	409,287
Foreign large blend	293,834	-	-	293,834
Global real estate	192,171	-	-	192,171
Large blend	170,616	-	-	170,616
Total	$ 6,782,113	$ -	$ -	$ 6,782,113

Note 3 - Accounts Receivable

Accounts receivable consisted of the following at June 30:

	2014	2013
Grants - billed	$ 679,097	$ 680,060
Grants - unbilled	781,077	941,891
Miscellaneous	5,109	-
Allowance for doubtful accounts	(10,043)	(10,512)
	$ 1,455,240	$ 1,611,439

Note 4 - Property and Equipment

Property and equipment consisted of the following at June 30:

	Estimated Lives	2014	2013
Leasehold improvements	10 years	$ 44,624	$ 40,535
Equipment	3 - 7 years	708,148	437,179
Software	3 - 5 years	785,425	411,619
Furniture and fixtures	7 years	12,457	12,457
		1,550,654	901,790
Less accumulated depreciation		(619,623)	(442,426)
Net property and equipment		$ 931,031	$ 459,364

Depreciation and amortization expense for the years ended June 30, 2014 and 2013 was $177,196 and $57,583, respectively.

Note 5 - Defined Contribution Retirement Plan

The Organization has established a safe harbor 401(k) retirement plan. All full-time employees with at least one month of service are eligible to participate in the Plan. The Organization matches up to six percent of the participant's eligible compensation. During the year ended June 30, 2014 and 2013, the Organization contributed $205,998 and $271,419, respectively to the plan.

Note 6 - Compensated Absences

As of June 30, 2014 and 2013, the Organization accrued $201,795 and $210,050, respectively, in compensated absences. Employees accrue leave based on years of service. Leave may be accumulated up to a maximum of one hundred forty hours after which remaining days will be forfeited. Sick leave is not payable upon termination of employment. Therefore, no provision for unused sick leave has been made.

Note 7 - Line of Credit

The Organization has an unsecured line of credit with a bank with a maximum borrowing potential of $500,000. The line bears interest at the bank's prime lending rate and expires in March 2016. There were no amounts outstanding as of June 30, 2014 and 2013.

Note 8 - Notes Payable

During 2014 the Organization purchased several pieces of office equipment financed through a note obtained from a local bank. The notes are for 36 to 60 month expiring in 2017 to 2019. Aggregate monthly payments are $3,255, including principal and interest at rates ranging from 3.66% to 3.99%. The balance of these notes payable at June 30, 2014 and 2013 was $129,065 and $-0-, respectively.

Among other restrictions, the aforementioned agreements list certain financial covenants, which must be maintained by the Organization. This includes:

a. The Organization must maintain a ratio of Minimum Cash Flow to Debt Service ratio in excess of 1.25 to 1.00, which shall be evaluated at the end of each year. Minimum Cash Flow equates to the change in net assets plus interest, taxes, depreciation and amortization. Debt Service equates to interest plus current portion of long term debt.

Future maturities of the mortgage are as follows:

Year Ending June 30:	
2015	$ 34,619
2016	35,978
2017	35,648
2018	19,496
2019	3,324
	$ 129,065

Interest expense for the year ended June 30, 2014 and 2013 was $11,170 and $-0-, respectively.

Note 9 - Capital Leases Obligation

In August 2013 the Organization leased office equipment which is accounted for as a capital lease. The lease dictates 60 monthly payments of $2,768 beginning on September 20, 2013. The capital lease obligation is discounted at a 2.89% interest rate and has a capitalized cost of $154,487. The remaining book value of the office equipment at June 30, 2014 is $128,739. Amortization of the office equipment is included in depreciation expense.

Future minimum lease payments under the lease are as follows:

Year Ending June 30:	
2015	$ 33,221
2016	33,221
2017	33,221
2018	33,221
2019	2,761
	135,645
Less payments representing interest	(7,844)
Present value of future lease payments (including current portion of $29,921)	$ 127,801

Note 10 - Operating Leases

The Organization is obligated under a lease agreement for its premises in Arlington, Virginia. The lease was signed during 2011 and terminates on December 31, 2021. The Organization is also obligated under long term leases for office space in Boulder, Colorado and Durham, North Carolina which expire in September 2017 and April 2016, respectively.

Additionally, the Organization has various non-cancellable operating leases for office equipment. The lease terms range from three to ten years.

Rent expense is recognized on the straight line basis and amounts to $566,453 and $545,322 for the years ended June 30, 2014 and 2013, respectively. Actual cash paid for rent expense was $550,358 and $517,382 for the years ended June 30, 2014 and 2013, respectively. The Organization has recorded a liability for deferred rent amounting to $293,097 and $277,002 at June 30, 2014 and 2013, respectively which represents the future differences between actual rent paid and rent recorded on the straight-line basis.

Note 10 - Operating Leases (Cont.)

The following is a schedule of future minimum lease payments due on operating leases:

Year Ending June 30:		
2015	$	525,795
2016		536,701
2017		528,003
2018		505,434
2019		506,855
Thereafter		1,330,825
	$	3,933,613

Note 11 - Contingency

The Organization receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2014. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

Note 12 - Board Designated Net Assets

The Board of Directors has designated funds in the year ended June 30, 2014 towards future employee training and travel costs. The Organization maintained $12,000 and $-0- as of June 30, 2014 and 2013, respectively towards this purpose.

Note 13 - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2014 and 2013 consisted of the following.

	2014	2013
Unappropriated endowment earnings	$ 498,245	$ 71,762
Innovative Fund	833,600	-
Total temporarily restricted net assets	$ 1,331,845	$ 71,762

The Innovative Fund is restricted for a specific purpose until December 31, 2017. Thereafter, the funds will be used as directed by the Board of Directors.

Note 14 - Endowment Funds

The Organization has established an endowment fund. Management follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) of Virginia. As a result, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies: The Organization has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term.

Note 14 - Endowment Funds (Cont.)

Spending Policy: The payout rate from the Organization's endowment should provide a stable, predictable level of spending for the endowed purposes, and should achieve a proper balance between present and future needs. The amount available for payout each fiscal year will be up to a maximum of 6% of the average of the market value of the endowment on December 31st of the current fiscal year, and the end of each quarter of the three years immediately preceding that date. The amount available for payout each fiscal year shall not exceed the actual value of any income, dividend, interest and capital appreciation, both realized and unrealized, in excess of the administrative fee. In the event that the endowment sustains unrealized losses resulting from a drop in market value, the Organization may continue to pay out income from dividends, interest and realized gains earned each quarter. A decision to pay out additional funds beyond dividends and interest up to 6% in periods of market decline may be made by the Board of Directors, as long as they feel it is prudent, in the long-term interest of the Organization, and the rationale for the Board of Director's decision is properly documented.

Endowment net asset consist of the following for the year ended June 30:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 498,245	$ 5,959,083	$ 6,457,328
Innovative endowment funds	-	833,600	-	833,600
Total endowed net assets	$ -	$ 1,331,845	$ 5,959,083	$ 7,290,928

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 71,762	$ 5,958,783	$ 6,030,545

Note 14 - Endowment Funds (Cont.)

Changes in endowment net assets are as follows for the year ended June 30:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	$ -	$ 71,762	$ 5,958,783	$ 6,030,545
Contributions	-	800,048	300	800,348
Investment income	-	153,075	-	153,075
Net appreciation	-	357,853	-	357,853
Realized gains	-	332,700	-	332,700
Amounts appropriated for expenditure	-	(383,593)	-	(383,593)
Endowment net assets, end of year	$ -	$ 1,331,845	$ 5,959,083	$ 7,290,928

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	$ (163,768)	$ -	$ 5,958,423	$ 5,794,655
Contributions	-	-	360	360
Investment income	138,153	-	-	138,153
Net appreciation	-	117,375	-	117,375
Realized gains	25,615	300,277	-	325,892
Amounts appropriated for expenditure	-	(345,890)	-	(345,890)
Endowment net assets, end of year	$ -	$ 71,762	$ 5,958,783	$ 6,030,545

Note 15 - Subsequent Events

The Organization has evaluated the impact of significant subsequent events. There have been no subsequent events through October 24, 2014, the date the financial statements were available to be issued, that require recognition or disclosure.

ADDITIONAL INFORMATION

NatureServe
SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended June 30, 2014
With Summarized Financial Information for the Year Ended June 30, 2013

	Program Activities	General and Administrative	Fundraising	Total 2014	Total 2013
Salaries and benefits	$ 4,712,253	$ 919,361	$ 232,194	$ 5,863,808	$ 5,778,464
Rent	371,742	194,711	-	566,453	545,630
Subagreements	407,769	-	-	407,769	517,549
Travel	332,120	23,604	13,572	369,296	240,530
Internet and computer expenses	303,771	30,722	2,586	337,079	480,216
Depreciation and amortization	56,506	120,690	-	177,196	57,583
Professional fees	109,121	51,550	3,985	164,656	97,793
In-kind expenses	-	87,360	-	87,360	65,074
Telephone	22,806	40,891	974	64,671	44,041
Meetings	47,387	7,505	3,443	58,335	64,752
Insurance	8,600	20,113	-	28,713	18,395
Equipment, rental, repairs & maint.	13,925	14,276	-	28,201	15,884
Office expense	3,440	18,248	1,225	22,913	35,581
Payroll fees	-	22,168	-	22,168	23,248
Printing	13,226	1,270	6,111	20,607	25,796
Dues and subscriptions	7,225	4,346	6,307	17,878	21,400
Bank fees	2,956	7,905	891	11,752	10,109
Interest expense	-	11,170	-	11,170	-
Postage and delivery	4,524	1,998	2,927	9,449	7,399
Taxes, licenses and permits	-	7,537	-	7,537	-
Advertising - recruiting	-	4,702	-	4,702	4,955
Bad debts	-	3,544	-	3,544	6,321
Miscellaneous	1,302	392	1,271	2,965	3,821
Total expenses	$ 6,418,673	$ 1,594,063	$ 275,486	$ 8,288,222	$ 8,064,541