

# **AUDUBON COMMISSION**

Audits of Financial Statements

December 31, 2017 and 2016



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## **Independent Auditor's Report**

To the Board of Directors of  
Audubon Commission

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Audubon Commission (the Commission), which comprise the statements of net position as of December 31, 2017 and 2016, the related statements of revenues, expenses, and changes in net position and cash flows for the years 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 audits. We conducted our audits 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of December 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 4 through 12, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's financial statements. The combining schedule of revenues, expenses, and changes in net position is presented for purposes of additional analysis and is not a required part of the financial statements. The 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. Such 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 schedule of revenues, expenses, and changes in net position 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 June 4, 2018, on our consideration of the Commission'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 the 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 the Commission's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA  
June 4, 2018

## AUDUBON COMMISSION

### Management's Discussion and Analysis

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The discussion and analysis of the Audubon Commission's (the Commission) financial performance provides an overall review of the Commission's financial activities for the years ended December 31, 2017 and 2016. It should be read in conjunction with the financial statements in this report.

#### Overview of Financial Statements

This annual report consists of six components - Independent Auditor's Report, Management's Discussion and Analysis (this section), Financial Statements, Uniform Guidance, Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, and Other Supplementary Information.

The *Financial Statements* of the Commission present the financial position of the Commission, the results of its operations and its cash flows. The *Financial Statements* are prepared on the accrual basis of accounting.

The *Statements of Net Position* includes all of the Commission's assets and liabilities and provides information about the Commission's investments in resources (assets) and its obligations to creditors (liabilities). It also provides information on the capital structure, liquidity, and financial flexibility of the Commission.

The *Statements of Revenues, Expenses, and Changes in Net Position* reports on the current year's performance of the Commission's operations.

The *Statements of Cash Flows* provides information on the Commission's cash from operations and capital and related financing activities.

The *Notes to Financial Statements* provide information that is essential in order to gain a full understanding of the data in the basic financial statements.

The *Other Supplementary Information* section provides information on the Combining Schedule of Revenues, Expenses, and Changes in Net Position.

#### Financial Highlights

Net position increased by \$8,359,077, or 7%, in 2017. In 2016, net position increased by \$12,727,090, or 12%.

Additions to capital assets totaled \$12,229,953 in 2017 and \$16,137,315 in 2016, respectively.

# AUDUBON COMMISSION

## Management's Discussion and Analysis

### Operating Facilities Net Results for the Year Ended December 31, 2017 with Prior Years and Budget Comparisons

| (in thousands)                          | Actual<br>2017  | Actual<br>2016   | Actual<br>2015  | Budget<br>2017 | Budget<br>2016 |
|---|-----------------|------------------|-----------------|----------------|----------------|
| Aquarium and Riverfront Park            | \$ 6,547        | \$ 6,995         | \$ 6,250        | \$ 6,292       | \$ 6,310       |
| Zoo & Audubon Park                      | (5,767)         | (5,452)          | (4,608)         | (4,955)        | (4,879)        |
| Butterfly Garden and Insectarium        | 401             | (116)            | 39              | 39             | 23             |
| Species Survival Center/Research Center | (621)           | (755)            | (858)           | (748)          | (900)          |
| Louisiana Nature Center                 | (129)           | -                | -               | (257)          | (100)          |
| <b>Total Operations *</b>               | <b>431</b>      | <b>672</b>       | <b>823</b>      | <b>\$ 371</b>  | <b>\$ 454</b>  |
| <b>Net Capital Income and Expense</b>   | <b>7,928</b>    | <b>12,055</b>    | <b>5,603</b>    |                |                |
| <b>Change in Net Position</b>           | <b>\$ 8,359</b> | <b>\$ 12,727</b> | <b>\$ 6,426</b> |                |                |

\*Excludes capital revenues and expenditures and the depreciation associated with buildings and fixed exhibitory.

### Condensed Statement of Revenues, Expenses, and Changes in Net Position

|                            | Year Ended December 31 |                       |                       | Change<br>2016 to 2017 | Change<br>2015 to 2016 |
|----------------------------|------------------------|-----------------------|-----------------------|------------------------|------------------------|
|                            | 2017                   | 2016                  | 2015                  |                        |                        |
| Operating Revenues         | \$ 42,522,381          | \$ 43,349,052         | \$ 42,874,708         | \$ (826,671)           | \$ 474,344             |
| Operating Expenses         | 59,901,493             | 60,091,179            | 60,314,080            | (189,686)              | (222,901)              |
| Operating Loss             | (17,379,112)           | (16,742,127)          | (17,439,372)          | (636,985)              | 697,245                |
| Nonoperating Revenues, Net | 25,738,189             | 29,469,217            | 23,864,925            | (3,731,028)            | 5,604,292              |
| Change in Net Position     | 8,359,077              | 12,727,090            | 6,425,553             | (4,368,013)            | 6,301,537              |
| Beginning Net Position     | 118,515,411            | 105,788,321           | 99,362,768            | 12,727,090             | 6,425,553              |
| Ending Net Position        | <u>\$ 126,874,488</u>  | <u>\$ 118,515,411</u> | <u>\$ 105,788,321</u> | <u>\$ 8,359,077</u>    | <u>\$ 12,727,090</u>   |

# AUDUBON COMMISSION

## Management's Discussion and Analysis

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### Comments on Condensed Statement of Revenues, Expenses, and Changes in Net Position

#### Operating Revenues

Operating revenues decreased by \$826,671 in 2017 mainly due to a reduction in attendance caused by adverse weather during the year. Also, all facilities were impacted by several city mandated closures during the year due to inclement weather. This adversely affected gift shop, concessions, and Cool Zoo revenue. However, admissions revenue grew to \$17,233,646 due to an increase in admissions prices in 2017. Membership revenue totaled \$5,679,097, which was similar to prior year revenue. No new significant exhibits/attractions opened at the Aquarium, Insectarium, or the Zoo, however, Audubon was in the planning stages of several capital projects. In 2016, revenues had increased by \$474,344 due to an increase in admissions prices as well as an increase in membership and concessions revenue coupled with a decrease in gift shop and Cool Zoo revenue.

#### Operating Expenses

Contractual services, materials, supplies, and other expense decreased by \$648,585 due to cost monitoring measures. Salaries and benefits had only a slight increase of \$114,520 due to overall consistency in operations and cost controls.

#### Non-Operating Revenues

Other non-operating revenues decreased mainly due to a reduction in reimbursements for capital projects.

Dedicated tax revenues increased by \$400,000 and \$859,309 in 2017 and 2016, respectively.

#### Net Capital Assets

|                                  | Aquarium<br>and<br>Riverfront<br>Park | Butterfly<br>Garden and<br>Insectarium | Zoo and<br>Audubon Park | Species Survival<br>Center/<br>Research<br>Center | Louisiana<br>Nature<br>Center | Total                 |
|----------------------------------|---------------------------------------|--|-------------------------|---|-------------------------------|-----------------------|
| <b>Balance December 31, 2015</b> | \$ 41,966,353                         | \$ 15,710,163                          | \$ 69,162,147           | \$ 12,169,865                                     | \$ 4,062,319                  | \$ 143,070,847        |
| Additions                        | 1,219,622                             | 18,885                                 | 6,272,006               | 3,329,968   | 5,296,833                     | 16,137,315            |
| Depreciation/Disposals           | (3,449,817)                           | (1,287,501)                            | (4,563,834)             | (757,079)   | -                             | (10,058,232)          |
| <b>Balance December 31, 2016</b> | 39,736,158                            | 14,441,547                             | 70,870,319              | 14,742,754  | 9,359,152                     | 149,149,930           |
| Additions                        | 1,007,216                             | -                                      | 6,622,681               | 2,508,338   | 2,091,718                     | 12,229,953            |
| Depreciation/Disposals           | (3,414,177)                           | (1,289,232)                            | (4,591,698)             | (793,318)   | (17,329)                      | (10,105,754)          |
| <b>Balance December 31, 2017</b> | <u>\$ 37,329,197</u>                  | <u>\$ 13,152,315</u>                   | <u>\$ 72,901,302</u>    | <u>\$ 16,457,774</u>                              | <u>\$ 11,433,541</u>          | <u>\$ 151,274,129</u> |

# AUDUBON COMMISSION

## Management's Discussion and Analysis

### Condensed Statement of Net Position

|  | 2017                  | 2016                  | 2015                  | Change<br>2016 to 2017 | Change<br>2015 to 2016 |
|--|-----------------------|-----------------------|-----------------------|------------------------|------------------------|
| <b>Assets</b>  |                       |                       |                       |                        |                        |
| Cash and Cash Equivalents                                  | \$ 459,391            | \$ 1,484,928          | \$ 1,318,396          | \$ (1,025,537)         | \$ 166,532             |
| Accounts Receivable, Net                                   | 444,110               | 307,544               | 343,998               | 136,566                | (36,454)               |
| Inventory  | 1,319,527             | 1,417,749             | 1,366,267             | (98,222)               | 51,482                 |
| Prepaid Expenses   | 724,942               | 561,419               | 719,574               | 163,523                | (158,155)              |
| Restricted Assets  | 4,194,011             | 4,296,649             | 3,455,511             | (102,638)              | 841,138                |
| Nondepreciable Capital Assets                              | 18,958,095            | 20,134,433            | 12,856,508            | (1,176,338)            | 7,277,925              |
| Depreciable Capital Assets, Net                            | 132,316,034           | 129,015,497           | 130,214,339           | 3,300,537              | (1,198,842)            |
| Other Assets, Nonrestricted                                | 7,989,458             | 8,105,247             | 8,221,036             | (115,789)              | (115,789)              |
| <b>Total Assets</b>  | <b>166,405,568</b>    | <b>165,323,466</b>    | <b>158,495,629</b>    | <b>1,082,102</b>       | <b>6,827,837</b>       |
| Deferred Outflows of Resources                             | 75,833                | 176,944               | 278,055               | (101,111)              | (101,111)              |
| <b>Total Assets and Deferred<br/>Outflows of Resources</b> | <b>\$ 166,481,401</b> | <b>\$ 165,500,410</b> | <b>\$ 158,773,684</b> | <b>\$ 980,991</b>      | <b>\$ 6,726,726</b>    |
| <b>Liabilities</b>   |                       |                       |                       |                        |                        |
| Unrestricted Current Liabilities                           | \$ 6,775,458          | \$ 5,843,976          | \$ 6,287,641          | \$ 931,482             | \$ (443,665)           |
| Payables from Restricted Assets                            | 6,569,233             | 8,468,800             | 7,233,517             | (1,899,567)            | 1,235,283              |
| Noncurrent Liabilities                                     | 26,262,222            | 32,672,223            | 39,464,205            | (6,410,001)            | (6,791,982)            |
| <b>Total Liabilities</b>                                   | <b>39,606,913</b>     | <b>46,984,999</b>     | <b>52,985,363</b>     | <b>(7,378,086)</b>     | <b>(6,000,364)</b>     |
| <b>Net Position</b>  |                       |                       |                       |                        |                        |
| Net Investment in Capital Assets                           | 125,224,244           | 116,367,601           | 105,781,570           | 8,856,643              | 10,586,031             |
| Unrestricted   | 1,650,244             | 2,147,810             | 6,751                 | (497,566)              | 2,141,059              |
| <b>Total Net Position</b>                                  | <b>126,874,488</b>    | <b>118,515,411</b>    | <b>105,788,321</b>    | <b>8,359,077</b>       | <b>12,727,090</b>      |
| <b>Total Liabilities and Net Position</b>                  | <b>\$ 166,481,401</b> | <b>\$ 165,500,410</b> | <b>\$ 158,773,684</b> | <b>\$ 980,991</b>      | <b>\$ 6,726,726</b>    |

### Comments on Condensed Statement of Net Position

Net capital assets increase of \$2,124,199 in 2017 was due to capital asset additions of \$12,229,953 offset by depreciation and disposals of \$10,105,754.

Noncurrent liabilities decreased by \$6,410,001 and \$6,791,982 in 2017 and 2016, respectively. In each year, the decrease was due to debt service payments on bonds and a reduction in the amount owed to the Institute by the Commission in accordance with the terms of the Agreement between those two parties.

## AUDUBON COMMISSION

### Management's Discussion and Analysis

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#### Condensed Statement of Cash Flows

|  | 2017           | 2016           | 2015           | Change<br>2016 to 2017 | Change<br>2015 to 2016 |
|--|----------------|----------------|----------------|------------------------|------------------------|
| Net Cash Used in Operating Activities                            | \$ (7,953,315) | \$ (9,107,264) | \$ (9,306,589) | \$ 1,153,949           | \$ 199,325             |
| Net Cash Provided by Capital and<br>Related Financing Activities | 6,927,778      | 9,273,796      | 9,399,054      | (2,346,018)            | (125,258)              |
| Net (Decrease) Increase in Cash and<br>Cash Equivalents          | (1,025,537)    | 166,532        | 92,465         | (1,192,069)            | 74,067                 |
| Cash and Cash Equivalents<br>Beginning of Year                   | 1,484,928      | 1,318,396      | 1,225,931      | 166,532                | 92,465                 |
| End of Year  | \$ 459,391     | \$ 1,484,928   | \$ 1,318,396   | \$ (1,025,537)         | \$ 166,532             |

#### Comments on Condensed Statement of Cash Flows

Cash used in operating activities decreased in 2017 compared to 2016 due to normal fluctuations in operations. Cash provided by capital and related financing activities of \$6,927,778 in 2017 was \$2,346,018 less than 2016.

In 2017, there was an overall decrease in cash and cash equivalents of \$1,025,537.

#### General Overview

2017 was marked by many successes for Audubon. With an eye on the future, Audubon remained committed to providing outstanding guest experiences and educational opportunities, while also developing partnerships to protect the wonders of nature.

Audubon looks to the future with optimism, ready to embark on new adventures and new ways to educate and inspire our community.

#### Major Achievements

- Audubon has created a once-in-a-lifetime opportunity to transform the zoo and aquarium industry by forming the **Alliance for Sustainable Wildlife (ASW)** in partnership with San Diego Zoo Global. It officially launched in September 2017 at Freeport-McMoRan Audubon Species Survival Center. The program provides a breeding haven for mammal and bird species declining in population, ensuring animals will engage and inspire future generations.
- **Audubon Louisiana Nature Center**, shuttered since Hurricanes Katrina and Rita destroyed its buildings and surrounding forest in 2005, **reopened in October of 2017** to the delight of New Orleans East residents. The sprawling, 86-acre site has undergone a \$11.5 million restoration that returns the Nature Center to its rightful place as a must-see destination for families throughout the region. Back are many of the popular features that were built in the years following the Nature Center's 1980 opening, including a planetarium, an 8,500-square-foot Exhibit Pavilion, classrooms, interactive educational exhibits, a network of trails and boardwalks, restrooms, animal care space, and parking.

## AUDUBON COMMISSION

### Management's Discussion and Analysis

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- Dazzling new life-sized bronze sculptures were installed in the iconic **Cooper Plaza fountain** just in time for the 2017 Whitney Zoo-To-Do gala fundraiser. The new sculptures include five African elephants and five African lions inside the fountain, two meerkats on benches that ring the fountain, and new rock formations forming the base of the sculptures. Additional upgrades to the beloved New Orleans landmark continued throughout the year, including improved lighting, a geyser-type fountain, and smaller water jets that can be programmed for seasonal displays and special events.
- Audubon Nature Institute was pleased to welcome **Dr. Kyle Burks as its new Vice President and Managing Director of Audubon Zoo and Park**. Kyle was selected from a list of highly qualified candidates from across the country and brings years of experience to Audubon. Burks has more than 20 years of broad-based management and animal care experience. His most recent position was Chief Executive Officer of Sacramento Zoo. Kyle also served as Executive Vice President and Chief Operating Officer of the Denver Zoo and as Insight Integration Manager at The Walt Disney Company. His career uniquely combines animal management with cutting-edge business principles.
- Audubon Aquarium of the Americas and Audubon Zoo were among the winners of the USA TODAY **10 Best Readers' Choice travel award contest**. The **Aquarium ranked 4th** and the **Zoo secured 9th place** among 20 nominees, all accredited by the Association of Zoos and Aquariums (AZA), that were "hand-picked by a panel of zoo and family travel experts."
- Audubon Aquarium of the Americas garnered special recognition from the City of New Orleans in 2017 for efforts to **address the growing plastics crisis in our oceans**. Aquariums across the country are joining forces to shift away from single-use plastics and encourage consumers to demand alternatives as part of the "**In Our Hands**" consumer campaign of the Aquarium Conservation Partnership, a coalition of 19 aquariums, including Audubon Aquarium of the Americas, that are taking action together to advance ocean and freshwater conservation. As part of this initiative, Audubon has discontinued the use of plastic straws and bags in Aquarium concessions and gift shops.
- As part of **Alliance for Sustainable Wildlife (ASW)**, our Audubon experts participated in the release of **12 young endangered whooping cranes into a Louisiana wildlife refuge** as part of a partnership with Chevron and Louisiana Department of Wildlife and Fisheries. Three of those cranes were hatched at Freeport-McMoRan Audubon Species Survival Center. In 2017, Audubon also **released three endangered young Mississippi sandhill cranes** into the free-flying population at the Mississippi sandhill crane refuge in Gautier, Mississippi.
- A young Kemp's ridley sea turtle was found emaciated and dehydrated in Lake Calcasieu and brought to Audubon's Coastal Wildlife Network (CWN) for recovery in 2016. In May of 2017, in partnership with Louisiana Department of Wildlife and Fisheries, **Audubon released the turtle, a federally-protected, critically-endangered species, back into the wild**. It was just the latest in a series of successes for CWN, which has rehabilitated more than 200 sea turtles since 2010.

## AUDUBON COMMISSION

### Management's Discussion and Analysis

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- Audubon's Gulf United for Lasting Fisheries (G.U.L.F.) partnered with **Abita Brewing Company and Dirty Coast Press** to help amplify their efforts to build a community that is knowledgeable and invested in Gulf seafood through a regional marketing campaign designed to educate consumers about the Gulf Coast seafood industry and its positive impact during **National Seafood Month** in October of 2017. The month kicked off at Scales & Ales, the Aquarium's fundraising event, on September 29, where Abita was the Exclusive Beer Sponsor, exclusive Dirty Coast t-shirts supporting G.U.L.F. were sold, and G.U.L.F. Restaurant Partners served up dishes crafted with local, sustainable seafood.
- Audubon's **Community Outreach Program**, connected with minorities and underserved families in the Greater New Orleans Area to "celebrate the wonders of nature" at Audubon attractions in 2017. These are guests who otherwise may not have been able to experience the thrill of an Audubon visit. In addition, thanks to the **Taylor/Audubon Students and Scholars Program**, more than 211,000 high-achieving students in grades 7 through 12 statewide received free Audubon memberships as part of the ongoing initiative established by the Patrick F. Taylor Foundation to reward Louisiana students who work hard and earn good grades.
- From **military discounts** to **Parish Appreciation Days** and **half-price admission to Audubon Butterfly Garden and Insectarium during Mardi Gras**, there were many ways for all members of the community to enjoy an Audubon visit in 2017. For example, at Audubon Zoo, moms were admitted free on **Mother's Day** and dads were welcomed free on **Father's Day**.
- As a member of the Association of Zoos and Aquariums (AZA), Audubon participated in their "**Invest in the Nest**" fundraising campaign launched in 2017, which raised more than \$190,000 for artificial nests for African penguins through crowdfunding on Kickstarter. The AZA partnership brought together scientists, engineers, accredited zoos and aquariums, and the public to construct nests for penguins in South Africa.
- Audubon has continued to strengthen its **social media initiatives**, adding fans, friends, and followers daily. At year end, our social media network included more than **255,100 Facebook** friends across four Facebook pages (including the newly-launched pages for Audubon Zoo and Audubon Aquarium of the Americas); **18,691 Twitter** followers; **22,779 Instagram** followers; and **116,250 email** subscribers.

## AUDUBON COMMISSION

### Management's Discussion and Analysis

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#### New Arrivals and Programs

- In September of 2017, the first new animal residents of the **Alliance for Sustainable Wildlife** (ASW) arrived at Freeport-McMoRan Audubon Species Survival Center to begin their new lives bolstering the populations of endangered and vulnerable species. The **first arrivals include reticulated giraffe, sable, bongo, okapi, common eland, and yellow-backed duiker**. Based on the conservation premise that a few hundred is a few hundred too few, ASW focuses on animals that live in large herds or flocks. These are species that by their very nature need space for large populations to be viable, sustainable breeding groups. In December, ASW experienced its first success with the birth of a **critically-endangered Eastern bongo—the first animal conceived and born at ASW**.
- An intriguing sculpture popped up on Zoo grounds mid-year, and before long, Zoo visitors were learning about dwindling bee populations and pollinator conservation. The **Bee Palace**, an oversized sculpture of a stylized beehive, is not only a home where solitary bees can lay their eggs, but also the perfect way to start a **conversation about the importance of pollinators**, which are crucial to maintaining our food supply.
- Audubon Zoo celebrated **new births** throughout the year, including a **colobus monkey**, a **critically-endangered black-and-white ruffed lemur**, a **Barasingha deer** fawn, and a **flamingo** chick that hatched on the 4<sup>th</sup> of July. Across the river at Freeport-McMoRan Audubon Species Survival Center, three **critically-endangered Mississippi sandhill crane** chicks hatched in May.
- And, the Zoo welcomed some new members of the Audubon family from other conservation organizations. **Okpara, a male silverback Western lowland gorilla**, came to us from Zoo New England's Franklin Park Zoo in Boston and **Tumani, a female Western lowland gorilla**, joined the Audubon troop from the Cheyenne Mountain Zoo. A pair of **female and male Brazilian ocelots** (a wild cat species about twice the size of the average domestic feline known for their striking, dappled coat) named Milagre and Joaquin moved into a new exhibit in Audubon Zoo's Jaguar Jungle from Dallas Zoo. Jaguar Jungle also added a new resident to match its name—a **male jaguar named Valerio** that was born at San Diego Zoo.
- A **young endangered sea otter** enjoyed a warm New Orleans welcome in March at **Audubon Aquarium of the Americas**. Ruby was just a day old when she was found abandoned off the coast of Monterey, California. After nursing her back to health, Monterey Bay Aquarium experts determined she wouldn't survive if released back into the wild, so Audubon was fortunate enough to bring her into our sea otter program. Ruby quickly fit right in and is a favorite with staff and guests, teaching visitors about the fragile nature of the Pacific coast eco-system.
- Audubon Butterfly Garden and Insectarium debuted a small collection of **tarantula hawks**, a beautiful insect that is the largest member of the **spider wasp** family Pompilidae, a family of thousands of species that prey only on spiders.

## **AUDUBON COMMISSION**

### **Management's Discussion and Analysis**

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#### **Economic Factors and Next Year's Budget**

The 2018 operating budget is substantially comparable to the 2017 operating budget, which reflects management's intent and expectations that operations will remain consistent.

#### **Contacting the Commission**

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Commission's finances. If you have any questions about this report or need additional financial information, please contact the President of the Commission, 6500 Magazine Street, New Orleans, LA 70118.

**AUDUBON COMMISSION**  
**Statements of Net Position**  
**December 31, 2017 and 2016**

|  | 2017                  | 2016                  |
|--|-----------------------|-----------------------|
| <b>Assets and Deferred Outflows of Resources</b>   |                       |                       |
| <b>Current Assets</b>  |                       |                       |
| Cash and Cash Equivalents  | \$ 459,391            | \$ 1,484,928          |
| Accounts Receivable, Net of Allowance for Uncollectible<br>Accounts of \$35,986 in 2017 and \$13,196 in 2016 | 444,110               | 307,544               |
| Inventory  | 1,319,527             | 1,417,749             |
| Prepaid Expenses   | 724,942               | 561,419               |
| <b>Total Current Assets</b>  | <b>2,947,970</b>      | <b>3,771,640</b>      |
| <b>Noncurrent Assets</b>   |                       |                       |
| <b>Capital Assets</b>  |                       |                       |
| Land   | 800,000               | 800,000               |
| Buildings and Fixed Exhibitory   | 268,964,702           | 256,986,856           |
| Equipment  | 22,552,190            | 21,199,734            |
| Construction in Progress   | 18,158,095            | 19,334,433            |
| Less: Accumulated Depreciation   | (159,200,858)         | (149,171,093)         |
| <b>Net Capital Assets</b>  | <b>151,274,129</b>    | <b>149,149,930</b>    |
| <b>Other Assets</b>  |                       |                       |
| Prepaid Rent - Dock Board  | 7,989,458             | 8,105,247             |
| Cash and Cash Equivalents Restricted for Capital Projects  | 3,694,330             | 1,634,419             |
| Receivables Restricted for Capital Improvements  | 499,681               | 2,662,230             |
| <b>Total Other Assets</b>  | <b>12,183,469</b>     | <b>12,401,896</b>     |
| <b>Total Assets</b>  | <b>166,405,568</b>    | <b>165,323,466</b>    |
| <b>Deferred Outflows of Resources</b>  | <b>75,833</b>         | <b>176,944</b>        |
| <b>Total Assets and Deferred Outflows of Resources</b>   | <b>\$ 166,481,401</b> | <b>\$ 165,500,410</b> |

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

**AUDUBON COMMISSION**  
**Statements of Net Position (Continued)**  
**December 31, 2017 and 2016**

|   | 2017                  | 2016                  |
|---|-----------------------|-----------------------|
| <b>Current Liabilities Payable from Unrestricted Assets</b>       |                       |                       |
| Accounts Payable and Other Accrued Liabilities                    | \$ 6,671,060          | \$ 5,691,189          |
| Capital Lease Obligations   | 104,398               | 152,787               |
| <b>Total Current Liabilities Payable from Unrestricted Assets</b> | <b>6,775,458</b>      | <b>5,843,976</b>      |
| <b>Current Liabilities Payable from Restricted Assets</b>         |                       |                       |
| Accrued Interest  | 587,614               | 628,831               |
| Limited Tax Bonds, Current Portion                                | 3,185,000             | 3,025,000             |
| Gulf Opportunity Zone Loan, Current Portion                       | 1,468,985             | 1,403,844             |
| Construction Payables   | 1,327,634             | 3,411,125             |
| <b>Total Current Liabilities Payable from Restricted Assets</b>   | <b>6,569,233</b>      | <b>8,468,800</b>      |
| <b>Total Current Liabilities</b>                                  | <b>13,344,691</b>     | <b>14,312,776</b>     |
| <b>Noncurrent Liabilities</b>                                     |                       |                       |
| Limited Tax Bonds   | 11,266,957            | 14,681,812            |
| Gulf Opportunity Zone Loan  | 12,379,143            | 13,848,128            |
| Due to Audubon Nature Institute, Inc.                             | 2,616,122             | 4,037,885             |
| Capital Lease Obligations   | -                     | 104,398               |
| <b>Total Noncurrent Liabilities</b>                               | <b>26,262,222</b>     | <b>32,672,223</b>     |
| <b>Total Liabilities</b>  | <b>39,606,913</b>     | <b>46,984,999</b>     |
| <b>Net Position</b>   |                       |                       |
| Net Investment in Capital Assets                                  | 125,224,244           | 116,367,601           |
| Unrestricted  | 1,650,244             | 2,147,810             |
| <b>Total Net Position</b>   | <b>126,874,488</b>    | <b>118,515,411</b>    |
| <b>Total Liabilities and Net Position</b>                         | <b>\$ 166,481,401</b> | <b>\$ 165,500,410</b> |

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

**AUDUBON COMMISSION**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended December 31, 2017 and 2016**

|   | 2017                  | 2016           |
|---|-----------------------|----------------|
| <b>Operating Revenues</b>   |                       |                |
| Charges for Services  | \$ 41,275,966         | \$ 41,817,868  |
| Other Revenues  | 1,246,415             | 1,531,184      |
| <b>Total Operating Revenues</b>   | <b>42,522,381</b>     | 43,349,052     |
| <b>Operating Expenses</b>   |                       |                |
| Salaries and Benefits   | 27,182,388            | 27,067,868     |
| Contractual Services, Materials, Supplies, and Other  | 22,533,759            | 23,182,344     |
| Depreciation and Amortization   | 10,185,346            | 9,840,967      |
| <b>Total Operating Expenses</b>   | <b>59,901,493</b>     | 60,091,179     |
| <b>Operating Loss</b>   | <b>(17,379,112)</b>   | (16,742,127)   |
| <b>Nonoperating Revenues (Expenses)</b>   |                       |                |
| Support for Capital Projects, Education, and Operating<br>Support from Audubon Nature Institute, Inc. | 8,333,117             | 7,211,962      |
| Dedicated Tax Revenues  | 11,319,256            | 10,919,256     |
| Intergovernmental Grants  | 4,378,366             | 9,787,980      |
| Contributions to Facilities Managed by<br>Audubon Nature Institute, Inc.                              | 367,858               | 768,285        |
| Other Revenue   | 2,684,213             | 2,364,486      |
| Interest Expense  | (1,330,114)           | (1,568,245)    |
| Amortization - Debt Costs   | (14,507)              | (14,507)       |
| <b>Total Nonoperating Revenues, Net</b>   | <b>25,738,189</b>     | 29,469,217     |
| <b>Change in Net Position</b>   | <b>8,359,077</b>      | 12,727,090     |
| <b>Net Position, Beginning of Year</b>  | <b>118,515,411</b>    | 105,788,321    |
| <b>Net Position, End of Year</b>  | <b>\$ 126,874,488</b> | \$ 118,515,411 |

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

**AUDUBON COMMISSION**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2017 and 2016**

|   | 2017                  | 2016                  |
|---|-----------------------|-----------------------|
| <b>Cash Flows from Operating Activities</b>   |                       |                       |
| Cash Received from Customers  | \$ 42,385,816         | \$ 43,385,506         |
| Cash Paid to or on Behalf of Employees  | (27,107,243)          | (27,011,308)          |
| Cash Paid for Supplies and Services   | (23,231,888)          | (25,481,462)          |
| <b>Net Cash Used in Operating Activities</b>  | <b>(7,953,315)</b>    | <b>(9,107,264)</b>    |
| <b>Cash Flows from Capital and Related Financing Activities</b>                                     |                       |                       |
| Support From Audubon Nature Institute, Inc.   | 8,333,117             | 7,211,962             |
| Payments for Design, Construction, and Equipment Purchases  | (14,277,247)          | (14,370,412)          |
| Decrease/(Increase) in Restricted Assets  | 102,638               | (841,138)             |
| Decrease in Liabilities Payable from Restricted Assets  | (229,855)             | (229,855)             |
| Dedicated Tax Revenues  | 11,319,256            | 10,919,256            |
| Interest Paid   | (1,270,220)           | (1,507,949)           |
| Payment of Bond Principal   | (4,428,844)           | (4,586,593)           |
| Payment of Capital Lease Obligations  | (152,787)             | (343,503)             |
| Contributions to Facilities Managed by Audubon Nature Institute, Inc.                               | 367,858               | 768,285               |
| Intergovernmental and Other Grants  | 4,378,366             | 9,787,980             |
| Contractual Debt Reduction  | 2,111,535             | 2,111,535             |
| Cash Received from Insurance Proceeds   | 572,678               | 252,950               |
| Other   | 101,283               | 101,278               |
| <b>Net Cash Provided by Capital and Related Financing Activities</b>                                | <b>6,927,778</b>      | <b>9,273,796</b>      |
| <b>Net (Decrease) Increase in Cash and Cash Equivalents</b>   | <b>(1,025,537)</b>    | <b>166,532</b>        |
| <b>Cash and Cash Equivalents, Beginning of Year</b>   | <b>1,484,928</b>      | <b>1,318,396</b>      |
| <b>Cash and Cash Equivalents, End of Year</b>   | <b>\$ 459,391</b>     | <b>\$ 1,484,928</b>   |
| <b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>                    |                       |                       |
| Operating Loss  | \$ (17,379,112)       | \$ (16,742,127)       |
| Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities                    |                       |                       |
| Depreciation and Amortization   | 10,185,346            | 9,840,967             |
| (Increase) Decrease in Accounts Receivable and Other Current Assets                                 | (317,654)             | 27,338                |
| Decrease in Accounts Payable and Other Current Liabilities  | (441,895)             | (2,233,442)           |
| <b>Net Cash Used in Operating Activities</b>  | <b>\$ (7,953,315)</b> | <b>\$ (9,107,264)</b> |
| <b>Non-Cash Items</b>   |                       |                       |
| Purchases for Design, Construction, and Equipment in Accounts Payable and Other Current Liabilities | \$ 1,327,634          | \$ 3,411,125          |

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

# AUDUBON COMMISSION

## Notes to Financial Statements

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### Note 1. Organization

#### General Information

Audubon Park is located on a 400-acre tract within the City of New Orleans (the City) that includes the Audubon Zoo, trails for jogging, biking, and horseback riding, an 18-hole golf course and numerous athletic fields. Act 83 passed by the Louisiana Legislature (the Legislature) in 1871 authorized the Board of Park Commissioners to acquire the land which is now known as Audubon Park. In 1914, the Legislature passed Act 191 which created a Commission to be entrusted with the management and control of Audubon Park. Act 191, as amended, is the current authority for the present Audubon Park Commission which is composed of 24 members who are appointed by the Mayor of the City with the approval of the City Council. Each member serves a six-year term, with four members' terms expiring each year. On January 1, 1996, the Commission's name was changed from Audubon Park Commission to Audubon Commission (the Commission) effective with the City's adoption of amendments to its Home Rule Charter.

On November 4, 1986, City voters approved the levy of a three and four-fifths (3-4/5) mills property tax to finance the construction and certain operating expenses of the Audubon Aquarium of the Americas (the Aquarium). The vote was taken pursuant to Act 309, passed by the Legislature earlier in 1986, which provided that the Commission would develop, construct and operate the Aquarium, and authorized the City to levy and collect the aforementioned ad valorem tax, subject to voter approval, on behalf of the Commission. The City acts through the Commission in the issuance of bonds authorized by Act 309, and through the Board of Liquidation, City Debt, in the sale of its bonds. Construction of the Aquarium of the Americas and Woldenberg Riverfront Park was begun in 1987 and the bonds (Audubon Park Commission Aquarium Bonds, Series 1988 - \$25,000,000) were issued in 1988. Construction was completed and the Aquarium was opened to the public in September 1990. Phase II of the Aquarium was completed in 1995.

On June 1, 1990, the Commission and the City entered into an agreement to lease approximately 128 acres of City-owned property as part of construction and operation of a Wilderness Park, Species Survival Center and Research Center. The agreement, which terminates on February 28, 2040, requires an annual payment to the City's General Fund of one dollar (\$1.00) per year for a period of fifty (50) years, payable in a lump sum on June 1, 1990. Adjacent to the City property is 986 acres of United States Coast Guard (Coast Guard) property for which the Coast Guard granted the Commission a 25-year land use license on June 1, 1990. A 25 year renewal option was executed on July 1, 2010, and started on June 1, 2015; the renewal ends on May 31, 2040 with an option for renewal for 25 years thereafter. Together, these sites comprise Freeport-McMoRan Audubon Species Survival Center and Wilderness Park. This site houses the Alliance for Sustainable Wildlife, a partnership with the San Diego Zoo, to devise strategies to ensure sustainable populations of unique and endangered zoo animals. Improvements completed by the Commission include Audubon Center for Research of Endangered Species (a 36,000 square foot scientific research facility); Audubon Aquatics Center (houses aquatic wildlife rehabilitation and aquarium husbandry operations); Freeport-McMoRan Audubon Species Survival Center (large-scale animal enclosures and barns in forested settings); and Audubon Wilderness Park (education space, restrooms, trails, and picnic shelters).

# AUDUBON COMMISSION

## Notes to Financial Statements

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### Note 1. Organization (Continued)

#### General Information (Continued)

Effective October 1, 1994, the Commission received assignment of a facility lease by the Society for Environmental Education (as lessee) with the City (as lessor). The Society for Environmental Education operates as the Audubon Louisiana Nature Center.

The Audubon Butterfly Garden and Insectarium opened in the summer of 2008 and is located in the Custom House building in New Orleans.

Audubon Nature Institute, Inc. (the Institute) is a nonprofit organization incorporated October 31, 1975, exclusively for educational purposes, including for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code. Pursuant to a Management and Cooperative Endeavor Agreement (Agreement) between the Institute and the Commission, the Institute operates and manages the Audubon Facilities, as defined below, for the benefit of the Audubon Commission (Commission), an independent agency of the City of New Orleans.

As described above, the Commission owns, controls, and manages various facilities in the State of Louisiana in fulfillment of its goals, purposes, and objectives, including, but not limited to Audubon Park, the Audubon Zoo, the Aquarium of the Americas, Woldenberg Riverfront Park, the Entergy Giant Screen Theater, the Freeport-McMoRan Audubon Species Survival Center, the Alliance for Sustainable Wildlife, the Audubon Center for Research of Endangered Species, the Audubon Louisiana Nature Center, Audubon Wilderness Park, and the Audubon Butterfly Garden and Insectarium, collectively the Audubon Facilities as referred to above.

Per the Agreement, the Commission shall pay for the cost and operation of the Audubon Facilities, with the Commission reimbursing the Institute for all expenses that it incurs on behalf of the Commission in furtherance of the Agreement.

The Institute employs individuals to operate and maintain the Commission's facilities; however, all operating revenues and expenses, including salary and employee benefits expenses, related to these facilities are recorded in the records of the related facility within the Commission's financial statements.

For its services, the Institute shall earn a management fee of \$50,000, annually, adjusted in accordance with the Consumer Price Index (CPI) as compared to the CPI for January 1<sup>st</sup> of the prior year. The Agreement currently has a term of fifteen years which terminates in 2028 unless extended by both parties. Management fee expenses totaling \$51,904 in 2017 and \$50,576 in 2016 are included in the statements of revenues, expenses, and changes in net position.

The Institute obtains donations, gifts and grants, and conducts fundraising activities in furtherance of its exempt purpose. The revenues and net assets reflected in the Institute's financial statements are the result of these activities. Specific grants to the Commission consist of donations received and grants obtained by the Institute for operating support and capital improvements of the Audubon Facilities discussed above.

# AUDUBON COMMISSION

## Notes to Financial Statements

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### Note 1. Organization (Continued)

#### Environmental Risks

The Commission is insured for natural disasters and has property damage insurance and business interruption insurance limits of approximately \$75,000,000 for all Audubon Facilities.

### Note 2. Summary of Significant Accounting Policies

#### Basis of Presentation - Fund Accounting

The proprietary fund is used to account for the Commission's ongoing operations and activities which are similar to those in the private sector. Proprietary funds are accounted for using a flow of economic resource measurement focus under which assets and liabilities associated with the operation of these funds are included in the statements of net position. The statements of revenues, expenses and changes in net position present increases (revenues) and decreases (expenses) in net position. The Commission maintains one proprietary fund type - the enterprise fund.

#### 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 contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Basis of Reporting

In accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended*, net position is classified into three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of capital position, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets".

# AUDUBON COMMISSION

## Notes to Financial Statements

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### Note 2. Summary of Significant Accounting Policies (Continued)

#### **Restricted Assets**

Restricted assets consist primarily of investments maintained in the applicable enterprise fund in accordance with bond indentures. This category is also used to report amounts receivable from public agencies in connection with the funding of capital projects.

#### **Inventory**

Inventory is stated at the lower of cost, determined by the average cost method, or market.

#### **Capital Assets**

Capital assets greater than \$10,000 and a useful life of over one year are recorded at historical cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives (ranging from 20 to 40 years for buildings and fixed exhibitory, and 3 to 20 years for equipment) of the assets. Equipment under capital leases is amortized using the straight-line method over the shorter of the lease term or its useful life. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in revenue or expense for the period. The cost of maintenance and repairs is charged to operations as incurred and significant renewals and betterments are capitalized.

The Commission reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset might not be recoverable through future utilization. An impairment change is recognized when the fair value of an asset is less than its carrying value.

#### **Cash and Cash Equivalents**

The enterprise fund considers all short-term and highly liquid investments with an original maturity of ninety days or less to be cash equivalents. Cash and cash equivalents at December 31, 2017 and 2016, consisted of unrestricted cash and money market accounts of \$459,391 and \$1,484,928, respectively.

#### **Budgeting**

Operating and capital expenditure budgets are presented to the Commission by the Institute and are prepared on a basis consistent with accounting principles generally accepted in the United States. Budget information is utilized for analytical purposes, and the budget process is a key component of the Commission's management control environment.

#### **Reclassification**

Certain amounts in the prior year financial statements have been reclassified in order to be comparable with current year presentation.

# AUDUBON COMMISSION

## Notes to Financial Statements

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### Note 2. Summary of Significant Accounting Policies (Continued)

#### Adoption of New Accounting Principles

For the year ended December 31, 2017, the following was implemented:

#### Governmental Accounting Standards Board Statement No. 77 (GASB 77)

The objective of GASB Statement No. 77, *Tax Abatement Disclosures*, is to improve financial reporting by providing financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through abatement programs. As a result of implementation of this statement, additional disclosures related to tax abatements is included in Note 10.

### Note 3. Cash and Cash Equivalents

#### Cash on Deposit

The Commission's deposits at financial institutions at December 31, 2017 and 2016, were \$310,471 and \$1,336,208, respectively, (excluding \$148,920 and \$148,720 of cash on hand at December 31, 2017 and 2016, respectively).

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. The Commission periodically maintains cash in bank accounts in excess of insured limits. The Federal Deposit Insurance Corporation (FDIC) secures accounts in insured institutions up to \$250,000 per depositor. As of December 31, 2017, the Commission had \$3,491,144 of deposits in excess of the FDIC insured limit which were secured from risk by \$5,382,408 of pledged securities held by the custodial bank in the name of the Commission and fiscal agent bank which serves to mitigate the custodial credit risk of the Commission's deposits. As of December 31, 2017 and 2016, no funds were exposed to custodial credit risk.

#### Restricted Cash and Cash Equivalents

The carrying and market values of the Commission's cash and cash equivalents as of December 31, 2017 and 2016 were \$3,694,330 and \$1,634,419, respectively. At December 31, 2017 and 2016 the total was comprised of cash. These assets are presented as Cash and Cash Equivalents Restricted for Capital Projects.

Per GASB authoritative guidance, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

#### Interest Rate Risk

It is not the Commission's policy to limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

# AUDUBON COMMISSION

## Notes to Financial Statements

### Note 4. Other Assets

#### Prepaid Rent - Dock Board

On April 30, 1992, the Commission, the City and the Board of Commissioners of the Port of New Orleans (the Port) entered into an agreement titled "Riverfront Economic Development Agreement" (the Riverfront Agreement). The Riverfront Agreement included a provision for paying the Port \$11,000,000, which the Commission funded through its Aquarium Revenue Bonds, Series 1992 A.

The \$11,000,000 payment relieves the Commission of all rents and fees associated with the development and occupancy of the Aquarium and its related facilities for the 99 year term of the Riverfront Agreement. This payment is presented as prepaid rent – dock board on the statements of financial position and is being amortized on a straight-line basis over the term of the Riverfront Agreement.

### Note 5. Capital Assets

Capital assets are summarized as follows by major classification at December 31, 2017:

|   | Balance<br>January 1,<br>2017 | Additions/<br>Increases | Transfers           | Disposals/<br>Retirements | Balance<br>December 31,<br>2017 |
|---|-------------------------------|-------------------------|---------------------|---------------------------|---------------------------------|
| <b>Capital Assets Not Depreciated</b>             |                               |                         |                     |                           |                                 |
| Land  | \$ 800,000                    | \$ -                    | \$ -                | \$ -                      | \$ 800,000                      |
| Construction in Progress                          | 19,334,433                    | 11,609,191              | (12,785,529)        | -                         | 18,158,095                      |
| <b>Total Capital Assets Not<br/>Depreciated</b>   | <b>20,134,433</b>             | <b>11,609,191</b>       | <b>(12,785,529)</b> | <b>-</b>                  | <b>18,958,095</b>               |
| <b>Capital Assets Being Depreciated</b>           |                               |                         |                     |                           |                                 |
| Buildings and Fixed Exhibitory                    | 256,986,856                   | -                       | 11,977,846          | -                         | 268,964,702                     |
| Equipment   | 21,199,734                    | 620,762                 | 807,683             | (75,989)                  | 22,552,190                      |
| <b>Total Capital Assets<br/>Being Depreciated</b> | <b>278,186,590</b>            | <b>620,762</b>          | <b>12,785,529</b>   | <b>(75,989)</b>           | <b>291,516,892</b>              |
| <b>Less Accumulated Depreciation</b>              | <b>(149,171,093)</b>          | <b>(10,060,756)</b>     | <b>-</b>            | <b>30,991</b>             | <b>(159,200,858)</b>            |
| <b>Total Capital Assets, Net</b>                  | <b>\$ 149,149,930</b>         | <b>\$ 2,169,197</b>     | <b>\$ -</b>         | <b>\$ (44,998)</b>        | <b>\$ 151,274,129</b>           |

# AUDUBON COMMISSION

## Notes to Financial Statements

### Note 5. Capital Assets (Continued)

Capital assets are summarized as follows by major classification at December 31, 2016:

|   | Balance<br>January 1,<br>2016 | Additions/<br>Increases | Transfers          | Disposals/<br>Retirements | Balance<br>December 31,<br>2016 |
|---|-------------------------------|-------------------------|--------------------|---------------------------|---------------------------------|
| <b>Capital Assets Not Depreciated</b>         |                               |                         |                    |                           |                                 |
| Land  | \$ 800,000                    | \$ -                    | \$ -               | \$ -                      | \$ 800,000                      |
| Construction in Progress                      | 12,056,508                    | 15,117,879              | (7,784,810)        | (55,144)                  | 19,334,433                      |
| <b>Total Capital Assets Not Depreciated</b>   | <b>12,856,508</b>             | <b>15,117,879</b>       | <b>(7,784,810)</b> | <b>(55,144)</b>           | <b>20,134,433</b>               |
| <b>Capital Assets Being Depreciated</b>       |                               |                         |                    |                           |                                 |
| Buildings and Fixed Exhibitory                | 249,315,477                   | 40,728                  | 7,630,651          | -                         | 256,986,856                     |
| Equipment                                     | 21,102,275                    | 978,708                 | 154,159            | (1,035,408)               | 21,199,734                      |
| <b>Total Capital Assets Being Depreciated</b> | <b>270,417,752</b>            | <b>1,019,436</b>        | <b>7,784,810</b>   | <b>(1,035,408)</b>        | <b>278,186,590</b>              |
| <b>Less Accumulated Depreciation</b>          | <b>(140,203,413)</b>          | <b>(9,716,675)</b>      | <b>-</b>           | <b>748,995</b>            | <b>(149,171,093)</b>            |
| <b>Total Capital Assets, Net</b>              | <b>\$ 143,070,847</b>         | <b>\$ 6,420,640</b>     | <b>\$ -</b>        | <b>\$ (341,557)</b>       | <b>\$ 149,149,930</b>           |

Depreciation expense for the years ended December 31, 2017 and 2016, related to these assets amounted to approximately \$10,061,000 and \$9,717,000, respectively.

### Note 6. Long-Term Debt

Bonds and other debt payable at December 31, 2017 and 2016, are comprised of the following:

|  | 2017                 | 2016          |
|--|----------------------|---------------|
| <b>Limited Tax Bonds</b>   |                      |               |
| Audubon Commission Aquarium Bonds Series 2011 A-1, due in annual installments of \$3,185,000 to \$3,630,000 from October 2017 through October 2021; 3.276% | <b>\$ 13,590,000</b> | \$ 16,615,000 |
| <b>Other Debt</b>  |                      |               |
| State of Louisiana, Office of Community Development Gulf Opportunity Zone Act Loan   | <b>13,848,128</b>    | 15,251,972    |
| <b>Total Bonds Payable and Other Debt</b>  | <b>27,438,128</b>    | 31,866,972    |
| <b>Unamortized Premium, Net</b>  | <b>861,957</b>       | 1,091,812     |
| <b>Total</b>   | <b>28,300,085</b>    | 32,958,784    |
| <b>Less: Current Maturities</b>  | <b>(4,653,985)</b>   | (4,428,844)   |
| <b>Bonds Payable and Other Debt, Noncurrent</b>  | <b>\$ 23,646,100</b> | \$ 28,529,940 |

## AUDUBON COMMISSION

### Notes to Financial Statements

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#### Note 6. Long-Term Debt (Continued)

Details of the bonds and loans payable are as follows:

##### Limited Tax Bonds – Series 2011 A-1 and 2011 A-2

On September 22, 2011, the Commission issued \$24,370,000 Aquarium Refunding Bonds Series 2011 A-1 with a net interest cost of 3.276%. The bonds were issued for the purpose of defeasing the Aquarium Refunding Bonds, Series 2001 A and Series 2001 B Bonds and providing amounts for capital improvements to the Aquarium and related facilities and paying costs of issuance of the bonds. On the same date the Commission issued \$630,000 Aquarium Refunding Bonds, Taxable Series 2011 A-2 with a net interest rate of 1.867%.

##### Gulf Opportunity Zone Act Loan

In July 2006, pursuant to the Public Law 109-135 of the United States Congress, the Gulf Opportunity Zone Act of 2005 was enacted to provide tax relief and tax credit bond authority designed to aid the State with recovery efforts from Hurricane Katrina and Hurricane Rita. Accordingly, the State of Louisiana, Office of Community Development loaned the Commission \$4,907,500 to make the scheduled debt payments for the Aquarium Revenue Refunding Bonds, Series 1997 and \$11,851,006 to make scheduled debt payments for the Improvement and Refunding Zoo Bonds, Series 1997, Aquarium Refunding Bonds, Series 2001 A, Aquarium Bonds, Series 2001 B, and Aquarium Refunding Bonds, Series 2003 A through 2009.

Per the agreement the funds were maintained at the State identified trustee and disbursed according to the debt schedule. Once funds were disbursed by the State, the debt service payments were made with the proceeds and amounts recorded as loans payable by the Commission. No principal or interest was payable during the initial five year period of the loan. An extension was requested in 2011 to defer the payment of principal and interest for an additional five years, but was denied. In 2015, the loan was reamortized as part of a cooperative endeavor agreement explained below. As part of the reamortization of the loan which matures November 1, 2025, \$1,223,438 of accrued interest on the loan was reclassified as principal for a total of \$16,593,565 which bears interest at 4.64%.

On October 1, 2015, the Commission and the State entered into a cooperative endeavor agreement (CEA) whereby the Commission agreed to invest in the Woldenberg Riverside Park (the Park) an amount of not less than \$1 million per year for ten years for the purpose of capital improvements, advertising, marketing, maintenance, and food and beverage service to increase the use of the park for annual festivals and other events based on multi-year contracts for such events.

# AUDUBON COMMISSION

## Notes to Financial Statements

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### Note 6. Long-Term Debt (Continued)

#### Gulf Opportunity Zone Act Loan (Continued)

It is anticipated that the investment of funds into the Park would increase tax revenues annually for the State. Each July 1st, the Commission shall submit a report to the Louisiana Division of Administration that demonstrates that the number of visitors to events directly associated with the Park is consistent with 800,000 visitors (820,000 for each succeeding year) and average spending of \$700 per visitor. In addition, the Commission shall identify long-term contracts related to the festivals directly associated with the Park and the revenues expected to be generated by these festivals for the State and the infrastructure that was undertaken by the Commission in the prior years. If the Commission meets the criteria of spending a minimum of \$1 million on the Park, as well as the threshold of visitors and visitor spending, the State will accept the stream of net new Park tax revenues as payment for the annual amounts owed per the reamortized loan. If the visitor criteria are not met, the Commission will pay any insufficiency to the State, calculated using a ratio set forth in the CEA, by August 15<sup>th</sup> of that same year. If the minimum \$1 million spending criteria is not met, the Commission shall pay an additional proportionate amount of the loans to the State based on the insufficiency. If greater than \$1 million is spent, the excess may be carried forward for use in any future year toward the spending requirement. The term of this contract terminates on July 15, 2026.

The Commission's total expenditures associated with Woldenberg Riverfront Park for the period July 1, 2016 to June 30, 2017 was \$1,367,629. The park hosted 855,651 visitors during this time period with each visitor spending an estimated \$709. Based on these factors, the Commission met the criteria established by the CEA for the period July 1, 2016 to June 30, 2017.

As noted above, if the expenditures associated with Woldenberg Riverfront Park are in excess of \$1,000,000 in any year, the excess may be carried forward for use in any future year toward the required \$1,000,000 yearly expenditure.

The expenditure and carryover balance as of December 31, 2017 is the following:

|  |                   |
|--|-------------------|
| Balance January 1, 2017                              | \$ 323,161        |
| Expenditures from July 1, 2016 through June 30, 2017 | <u>1,367,629</u>  |
| Total Expenditures                                   | 1,690,790         |
| CEA Annual Requirement                               | <u>1,000,000</u>  |
| Carryover to Next Fiscal Year                        | <u>\$ 690,790</u> |

The Commission reduced its gulf opportunity zone loan balance by the principal and interest amount due in 2017 per the CEA, in the amount of \$2,111,535. This amount is recorded in other revenue on the statement of revenues, expenses, and changes in net position.

# AUDUBON COMMISSION

## Notes to Financial Statements

### Note 6. Long-Term Debt (Continued)

A summary of changes in bonds payable and other debt during 2017 and 2016, is as follows:

|                           | Limited<br>Tax<br>Bonds | Gulf<br>Opportunity<br>Zone Loan | Total                |
|---------------------------|-------------------------|----------------------------------|----------------------|
| Balance January 1, 2017   | \$ 16,615,000           | \$ 15,251,972                    | \$ 31,866,972        |
| Additions                 | -                       | -                                | -                    |
| Reductions                | (3,025,000)             | (1,403,844)                      | (4,428,844)          |
| Balance December 31, 2017 | <u>\$ 13,590,000</u>    | <u>\$ 13,848,128</u>             | <u>\$ 27,438,128</u> |
| Due within One Year       | <u>\$ 3,185,000</u>     | <u>\$ 1,468,985</u>              | <u>\$ 4,653,985</u>  |
|                           | Limited<br>Tax<br>Bonds | Gulf<br>Opportunity<br>Zone Loan | Total                |
| Balance January 1, 2016   | \$ 19,860,000           | \$ 16,593,565                    | \$ 36,453,565        |
| Additions                 | -                       | -                                | -                    |
| Reductions                | (3,245,000)             | (1,341,593)                      | (4,586,593)          |
| Balance December 31, 2016 | <u>\$ 16,615,000</u>    | <u>\$ 15,251,972</u>             | <u>\$ 31,866,972</u> |
| Due within One Year       | <u>\$ 3,025,000</u>     | <u>\$ 1,403,844</u>              | <u>\$ 4,428,844</u>  |

Expected debt service requirements on all debt outstanding as of December 31, 2017, are as follows:

| Year Ending<br>December 31, | Limited Tax Bonds    |                     | Gulf Opportunity Zone Loan |                     | Total                |                     |
|-----------------------------|----------------------|---------------------|----------------------------|---------------------|----------------------|---------------------|
|                             | Principal            | Interest            | Principal                  | Interest            | Principal            | Interest            |
| 2018                        | \$ 3,185,000         | \$ 647,650          | \$ 1,468,985               | \$ 642,553          | \$ 4,653,985         | \$ 1,290,203        |
| 2019                        | 3,305,000            | 520,250             | 1,537,143                  | 574,392             | 4,842,143            | 1,094,642           |
| 2020                        | 3,470,000            | 355,000             | 1,608,466                  | 503,069             | 5,078,466            | 858,069             |
| 2021                        | 3,630,000            | 181,500             | 1,683,099                  | 428,436             | 5,313,099            | 609,936             |
| 2022                        | -                    | -                   | 1,761,195                  | 350,340             | 1,761,195            | 350,340             |
| 2023 to 2025                | -                    | -                   | 5,789,240                  | 545,361             | 5,789,240            | 545,361             |
| <b>Total</b>                | <u>\$ 13,590,000</u> | <u>\$ 1,704,400</u> | <u>\$ 13,848,128</u>       | <u>\$ 3,044,151</u> | <u>\$ 27,438,128</u> | <u>\$ 4,748,551</u> |

## AUDUBON COMMISSION

### Notes to Financial Statements

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#### **Note 7. Transactions with Audubon Nature Institute and Audubon Nature Institute Foundation**

As mentioned in Note 1, the Institute operates and manages the Audubon Facilities for the benefit of the Commission as evidenced by an Agreement. The Agreement provides that all monies from the operation of the Audubon Facilities, and all tax revenues, shall be collected by the Institute on behalf of the Commission and deposited in an account maintained and administered by the Commission; however, the Commission shall pay for the cost and operation of the Audubon Facilities as detailed annually in a budget submitted to the Commission. The Commission is to also reimburse the Institute for all expenses that it incurs on behalf of the Commission in furtherance of the Agreement, as well as pay the Institute an annual management fee.

At December 31, 2017 and 2016, the Institute has incurred expenses on behalf of the Commission in amounts exceeding the reimbursements received from the Commission for those expenses. At December 31, 2017 and 2016, the amount due to the Institute from the Commission totaled \$2,616,122 and \$4,037,885, respectively.

The Institute has committed that it has the intent and ability to continue funding the operations of the Commission through operating advances, donations, and grants, if necessary, in order to provide the required level of financial support to enable the Commission to discharge its liabilities in the normal course of business as they become due.

The Institute has provided support to the Commission to fund certain capital projects, education programs and operational support. For the years ended December 31, 2017 and 2016, those amounts totaled \$8,333,117 and \$7,211,962, respectively.

Audubon Nature Institute Foundation (Foundation) is a nonprofit organization that raises funds in support of the facilities, programs, and other activities managed by the Institute. During the years ended December 31, 2017 and 2016, the Foundation donated funds for the direct benefit of the facilities managed by the Institute. These contributions totaled approximately \$368,000 and \$768,000 for 2017 and 2016, respectively.

#### **Note 8. Commitments and Contingencies**

##### **Long-Term Leases**

The Commission leases its Audubon Butterfly Garden and Insectarium premises under an operating lease. A three year step rent plan was introduced in August 2009. The rent will be reset to market every five years, beginning August 2014, instead of 10 years as stated in the lease. The Commission also leases two additional properties in Jefferson and Orleans Parishes. Rent expense for the years ending December 31, 2017 and 2016 totaled \$727,775 and \$675,414, respectively.

## AUDUBON COMMISSION

### Notes to Financial Statements

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#### Note 8. Commitments and Contingencies (Continued)

Future lease payments required under the operating leases are as follows:

| <b>Years Ending<br/>December 31,</b> | <b>Lease<br/>Payments</b> |
|--------------------------------------|---------------------------|
| 2018                                 | \$ 668,118                |
| 2019                                 | 647,328                   |
| 2020                                 | 103,530                   |
| 2021                                 | 69,786                    |
| 2022                                 | 53,673                    |
| <b>Total</b>                         | <b>\$ 1,542,435</b>       |

As of December 31, 2017, the Commission was obligated under capital leases, each with non-cancelable terms in excess of one year. The assets under capital lease as of December 31, 2017 had a cost of \$584,239 and accumulated amortization of \$491,322.

Future minimum lease payments under the capital leases are as follows:

| <b>Year Ending<br/>December 31,</b>                         | <b>Lease<br/>Payments</b> |
|---|---------------------------|
| 2018  | \$ 106,243                |
| <b>Total Minimum Lease Payments</b>                         | 106,243                   |
| <b>Less: Amounts Representing Interest</b>                  | 1,845                     |
| <b>Present Value of Future Minimum Lease Payments</b>       | 104,398                   |
| <b>Less: Current Portion of Capital Leases Obligation</b>   | 104,398                   |
| <b>Capital Lease Obligations, Excluding Current Portion</b> | <b>\$ -</b>               |

#### **Construction in Progress**

As of December 31, 2017 the Commission has approximately \$1,214,029 remaining on construction projects still ongoing.

#### **Contractual Debt Reduction**

As disclosed in Note 6 in the Gulf Opportunity Zone Act Loan section, the Commission recognizes revenue under the CEA wherein the liability is canceled after meeting certain requirements. The Commission asserts all necessary components for revenue recognition are met, and recognized the liability reduction in the current year. While the Commission has fulfilled obligations under the CEA to substantiate revenue recognition and liability reduction, acknowledgement by the State of Louisiana is pending.

## AUDUBON COMMISSION

### Notes to Financial Statements

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#### **Note 9. Litigation**

Certain claims and suits have been filed against the Commission. The majority of these claims are covered by insurance and, based on all available information and consultation with the Commission's legal counsel; management does not believe the ultimate resolution of these matters will have a significant effect on the Commission's financial position, results of operations, or cash flows.

#### **Note 10. Tax Abatements**

The City of New Orleans maintains a Restoration Tax Abatement Program that provides commercial property owners and homeowners who expand, restore, or develop an existing structure in a downtown development district, economic development district, or historic district the right to pay ad valorem taxes based on the assessed valuation of the property for the year prior to the commencement of the project for five years after completion of the work. During the fiscal year ended December 31, 2017, there were twenty tax abatements under the Restoration Tax Abatement Program with exemptions. During the fiscal year ended December 31, 2017, ad valorem taxes abated applicable to the Commission totaled \$19,367.

#### **Note 11. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued June 4, 2018, and determined that the following events occurred that required disclosure.

Audubon Commission entered into three Cooperative Endeavor Agreements (CEA) with the City of New Orleans related to the development of public green space on the Governor Nicholls and Esplanade wharves and to a pedestrian access bridge adjacent to Audubon Aquarium of the Americas that facilitates entry to a new ferry terminal building. The projects will offer over three miles of continuous public access to the Mississippi River, revitalizing New Orleans' downtown riverfront.

On February 6, 2018, the City of New Orleans and Audubon Commission entered into a CEA allowing the Commission to redevelop the Governor Nicholls and Esplanade Wharves into a public park and recreational facilities. Upon completing construction, the Commission will operate and assume responsibility for the property. The CEA's term runs from February 6, 2018 to October 23, 2086. Schematic design must be presented to the City and public for review no later than August 6, 2019. The minimal value of initial improvements is \$15 million. The first payment of Audubon Equity of \$10 million was made in three deposits in March and April 2018 to fund an escrow account; the remaining payment of \$5 million is due February 6, 2019.

## AUDUBON COMMISSION

### Notes to Financial Statements

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#### Note 11. Subsequent Events (Continued)

The Commission is obligated to honor terms of two leases between the Port of New Orleans and TCI Packaging, LLC that expire February 6, 2020. The termination date can be negotiated to end earlier. Construction of the new park and recreational facilities must begin two years after the agreed upon termination date. In addition, the Commission is responsible for maintaining a U.S. Coast Guard Vessel Tracking System Watch Tower in its existing location and for maintaining an appropriate warning system and devices connected to the U.S. Coast Guard's Riverfront Alert Network.

To raise initial improvement funds, Audubon Commission entered into a separate CEA with the Ernest M. Morial New Orleans Exhibition Hall Authority and the New Orleans Convention and Visitors Bureau on November 22, 2017. The parties agreed that the Exhibition Hall Authority will provide \$9 million total investment, the CVB will provide \$2 million, and the Commission will provide or raise \$4 million. This CEA is considered a subsequent event because although it was signed in 2017, it was not activated until Governor Nicholls and Esplanade Wharves was signed on February 6, 2018. The parties also entered into an escrow agreement with IBERIABANK to serve as escrow agent. The first payment was completed April 17, 2018.

On February 22, 2018, the Commission entered into an agreement with the City of New Orleans and the Regional Transit Authority (RTA) to construct a pedestrian access bridge on Audubon property adjacent to Audubon Aquarium of the Americas. The bridge across railroad tracks replaces an existing structure planned for demolition as part of the development of a new ferry terminal at the foot of Canal Street.

The Commission assumes responsibility for design direction, bidding and construction of the bridge, which must be completed by April 20, 2019. Upon completion, the Commission will enter into a sixty-year Use Agreement with RTA, providing RTA with the right to operate the bridge on Audubon property. The City and RTA will provide design and construction funds not to exceed \$7.3 million.

The Commission, City of New Orleans and RTA entered into an escrow agreement with IBERIABANK as escrow agent. The City's payment of \$5.9 million, per the agreement, was received April 16, 2018. The RTA's portion totaled \$1.4 million, which consists of \$55,886 previously paid in architectural fees for the conceptual design, and \$1,344,114 paid to the escrow account on April 24, 2018.

On March 16, 2018, Audubon Commission and the French Market Corporation entered into a CEA outlining terms of a change order to improvements of the Moonwalk, currently under construction. The change order will provide for better connectivity between the Moonwalk and the new Governor Nicholls and Esplanade park. The value of the change order is \$109,730 and will be funded by the escrow account created for the Governor Nicholls and Esplanade Wharves project.

No further subsequent events occurring after June 4, 2018 have been evaluated for inclusion in these financial statements.

## **UNIFORM GUIDANCE**

**Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

Independent Auditor's Report

To the Board of Directors of  
Audubon Commission

**Report on Compliance for Each Major Federal Program**

We have audited Audubon Commission's (the Commission) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Commission's major federal programs for the year ended December 31, 2017. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibilities***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibilities***

Our responsibility is to express an opinion on compliance for the Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Commission's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

### **Report on Internal Control Over Compliance**

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charge with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Commission as of and for the year ended December 31, 2017, and have issued our report thereon dated June 4, 2018 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA  
June 4, 2018

**AUDUBON COMMISSION**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

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| <b>Federal Grantor or Pass-Trough<br/>Grantor and Program Title</b>   | <b>CFDA<br/>Number</b> | <b>Pass-Through<br/>Grantor's<br/>Number</b> | <b>Expenditures<br/>Incurred During the<br/>Year Ended<br/>December 31, 2017</b> |
|---|------------------------|--|--|
| U.S. Department of Homeland Security<br>Passed through Louisiana Military Department,<br>Office of Homeland Security and Emergency Preparedness - |                        |  |  |
| Public Assistance Grant   | 97.036                 | FEMA-1603-DR-LA                              | \$ 1,076,269   |
| <b>Total</b>  |                        |  | <b>\$ 1,076,269</b>  |

See accompanying note to the schedule of expenditures of federal awards.

**AUDUBON COMMISSION**  
**Note to Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

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**Note 1. Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Commission and is presented on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the Commission has met the qualifications for the respective grants.

**Accrued Reimbursement**

Various reimbursement procedures are used for federal awards received by the Commission. Consequently, timing differences between expenditures and program reimbursements may exist at the beginning and end of the year. Any accrued balances at year-end represent an excess of reimbursable expenditures over reimbursements received.

**De Minimis Cost Rate**

The Commission uses an indirect cost rate which has been established by the Federal Emergency Organization for managing the Public Assistance awards, and has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

Independent Auditor's Report

To the Board of Directors of  
Audubon Commission

We have audited, in accordance with the 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, the financial statements of Audubon Commission (the Commission) which comprise the statement of net position as of and for the year ended December 31, 2017, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 4, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA  
June 4, 2018

**AUDUBON COMMISSION**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2017**

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**Part I - Summary of Auditor's Results**

**Financial Statements**

|  |               |
|--|---------------|
| Type of Auditor's Report Issued on Whether the Financial Statements Audited were Prepared in Accordance with GAAP: | Unmodified    |
| Internal Control Over Financial Reporting:   |               |
| • Material Weakness(es) Identified?  | No            |
| • Significant Deficiency(ies) Identified?  | None Reported |
| Noncompliance Material to Financial Statements Noted?  | No            |

**Federal Awards**

|   |               |
|---|---------------|
| Internal Control Over Major Programs:     |               |
| • Material Weakness(es) Identified?       | No            |
| • Significant Deficiency(ies) Identified? | None Reported |

|   |            |
|---|------------|
| Type of Auditor's Report Issued on Compliance for Major Federal Programs: | Unmodified |
|---|------------|

|   |    |
|---|----|
| Any Audit Findings disclosed that are required to be reported in Accordance with Section 2 CFR 200.516(a) | No |
|---|----|

Identification of Major Programs:

| <u>Name of Federal Program or Cluster</u> | <u>CFDA Numbers</u> |
|---|---------------------|
| Public Assistance Grant                   | 97.036              |

|  |           |
|--|-----------|
| Dollar threshold used to distinguish between Type A and Type B Programs: | \$750,000 |
|--|-----------|

|  |     |
|--|-----|
| Auditee qualified as low-risk auditee? | Yes |
|--|-----|

**Part II - Financial Statement Findings**

No matters were reported.

**Part III - Findings and Questioned Costs for Federal Awards**

No matters were reported.

**AUDUBON COMMISSION**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended December 31, 2017**

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The prior year single (or organization-wide) audit disclosed no significant findings, and no significant uncorrected or unresolved findings exist from prior single (or organization-wide) audits.

## **OTHER SUPPLEMENTARY INFORMATION**

**AUDUBON COMMISSION**  
**Other Supplementary Information**  
**Combining Schedule of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended December 31, 2017**

|  | Aquarium<br>and<br>Riverfront<br>Park | Butterfly<br>Garden and<br>Insectarium | Zoo and<br>Audubon Park | Species Survival<br>Center/<br>Research<br>Center | Louisiana<br>Nature<br>Center | Total                 |
|--|---------------------------------------|--|-------------------------|---|-------------------------------|-----------------------|
| <b>Operating Revenues</b>  |                                       |  |                         |   |                               |                       |
| Charges for Services   | \$ 17,494,645                         | \$ 2,861,050                           | \$ 20,907,980           | \$ 830  | \$ 11,461                     | \$ 41,275,966         |
| Other Revenues   | 853,423                               | 11,239                                 | 361,580                 | 20,173  | -                             | 1,246,415             |
| <b>Total Operating Revenues</b>  | <b>18,348,068</b>                     | <b>2,872,289</b>                       | <b>21,269,560</b>       | <b>21,003</b>                                     | <b>11,461</b>                 | <b>42,522,381</b>     |
| <b>Operating Expenses</b>  |                                       |  |                         |   |                               |                       |
| Salaries and Benefits  | 8,068,635                             | 1,204,315                              | 16,684,203              | 1,179,460   | 45,775                        | 27,182,388            |
| Contractual Services, Materials, Supplies, and Other                     | 7,493,084                             | 1,706,292                              | 12,285,966              | 952,643   | 95,774                        | 22,533,759            |
| Depreciation and Amortization  | 3,529,964                             | 1,289,232                              | 4,550,168               | 798,651   | 17,331                        | 10,185,346            |
| <b>Total Operating Expenses</b>  | <b>19,091,683</b>                     | <b>4,199,839</b>                       | <b>33,520,337</b>       | <b>2,930,754</b>                                  | <b>158,880</b>                | <b>59,901,493</b>     |
| <b>Operating Loss</b>  | <b>(743,615)</b>                      | <b>(1,327,550)</b>                     | <b>(12,250,777)</b>     | <b>(2,909,751)</b>                                | <b>(147,419)</b>              | <b>(17,379,112)</b>   |
| <b>Nonoperating Revenues (Expenses)</b>                                  |                                       |  |                         |   |                               |                       |
| Support from Audubon Nature Institute, Inc.                              | 286,140                               | 41,973                                 | 3,945,265               | 3,864,389   | 195,350                       | 8,333,117             |
| Dedicated Tax Revenues   | 9,824,880                             | 400,000                                | 1,094,376               | -   | -                             | 11,319,256            |
| Intergovernmental Grants   | 280,318                               | -                                      | 3,382,200               | 196,238   | 519,610                       | 4,378,366             |
| Contributions to Facilities Managed by<br>Audubon Nature Institute, Inc. | 269,452                               | -                                      | 98,406                  | -   | -                             | 367,858               |
| Other Revenue  | 2,111,535                             | -                                      | 572,678                 | -   | -                             | 2,684,213             |
| Interest Expense   | (1,323,122)                           | -                                      | (6,992)                 | -   | -                             | (1,330,114)           |
| Amortization - Debt Costs  | (13,507)                              | -                                      | (1,000)                 | -   | -                             | (14,507)              |
| <b>Total Nonoperating Revenues, Net</b>                                  | <b>11,435,696</b>                     | <b>441,973</b>                         | <b>9,084,933</b>        | <b>4,060,627</b>                                  | <b>714,960</b>                | <b>25,738,189</b>     |
| <b>Change in Net Position</b>  | <b>10,692,081</b>                     | <b>(885,577)</b>                       | <b>(3,165,844)</b>      | <b>1,150,876</b>                                  | <b>567,541</b>                | <b>8,359,077</b>      |
| <b>Net Position, Beginning of Year</b>                                   | <b>53,121,089</b>                     | <b>15,102,051</b>                      | <b>32,820,583</b>       | <b>9,688,105</b>                                  | <b>7,783,583</b>              | <b>118,515,411</b>    |
| <b>Net Position, End of Year</b>   | <b>\$ 63,813,170</b>                  | <b>\$ 14,216,474</b>                   | <b>\$ 29,654,739</b>    | <b>\$ 10,838,981</b>                              | <b>\$ 8,351,124</b>           | <b>\$ 126,874,488</b> |