

**AUDUBON NATURE INSTITUTE, INC.**

Audits of Financial Statements

December 31, 2013 and 2012



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## **Independent Auditor's Report**

To the Board of Directors of  
Audubon Nature Institute, Inc.

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

We have audited the accompanying financial statements of Audubon Nature Institute, Inc. (the Institute), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities 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.

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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 Institute as of December 31, 2013 and 2012, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2014, on our consideration of the Institute'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 Institute's internal control over financial reporting and compliance.

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

A Professional Accounting Corporation

Metairie, LA  
June 5, 2014

**AUDUBON NATURE INSTITUTE, INC.**  
**Statements of Financial Position**  
**December 31, 2013 and 2012**

	2013	2012
<b>Assets</b>		
Cash	\$ 1,363,436	\$ 1,813,914
Grants Receivable	1,175,530	1,313,736
Pledges Receivable, Net	5,623,274	5,841,481
Prepaid Expenses	30,204	27,213
Restricted Assets - LPFA Bonds	115,278	116,533
Equipment	34,121	38,524
Investments and Asset Limited as to Use	3,172,462	2,442,430
Due from Related Party	7,752,876	6,176,956
	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 19,267,181</b>	<b>\$ 17,770,787</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ 560,257	\$ 532,147
Lines of Credit	4,000,000	2,500,000
LPFA Revenue Bonds	590,000	795,000
Accrued Compensation	3,197,951	2,460,065
	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>8,348,208</b>	<b>6,287,212</b>
	<hr/>	<hr/>
<b>Net Assets</b>		
Unrestricted, Including Board Designated	43,932	194,240
Temporarily Restricted	10,875,041	11,289,335
Permanently Restricted	-	-
	<hr/>	<hr/>
<b>Total Net Assets</b>	<b>10,918,973</b>	<b>11,483,575</b>
	<hr/>	<hr/>
<b>Total Liabilities and Net Assets</b>	<b>\$ 19,267,181</b>	<b>\$ 17,770,787</b>
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The accompanying notes are an integral part of these financial statements.

**AUDUBON NATURE INSTITUTE, INC.**  
**Statement of Activities**  
**For the Year Ended December 31, 2013**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and Other Support</b>				
Government Grants	\$ 1,474,988	\$ -	\$ -	\$ 1,474,988
Gifts, Exhibit/Program Sponsorships	114,048	2,998,940	-	3,112,988
Investment Income	526,024	-	-	526,024
Fundraising Activities	1,308,770	-	-	1,308,770
Net Assets Released from Restrictions	3,413,234	(3,413,234)	-	-
<b>Total Revenue and Other Support</b>	<b>6,837,064</b>	<b>(414,294)</b>	<b>-</b>	<b>6,422,770</b>
<b>Expenses</b>				
Grant Expense to the Audubon Commission	4,588,317	-	-	4,588,317
Development and Fundraising Activities	2,239,191	-	-	2,239,191
Interest	64,347	-	-	64,347
Other Expenses	95,517	-	-	95,517
<b>Total Expenses</b>	<b>6,987,372</b>	<b>-</b>	<b>-</b>	<b>6,987,372</b>
<b>Change in Net Assets</b>	<b>(150,308)</b>	<b>(414,294)</b>	<b>-</b>	<b>(564,602)</b>
<b>Net Assets, Beginning of Year</b>	<b>194,240</b>	<b>11,289,335</b>	<b>-</b>	<b>11,483,575</b>
<b>Net Assets, End of Year</b>	<b>\$ 43,932</b>	<b>\$ 10,875,041</b>	<b>\$ -</b>	<b>\$ 10,918,973</b>

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

**AUDUBON NATURE INSTITUTE, INC.**  
**Statement of Activities**  
**For the Year Ended December 31, 2012**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and Other Support</b>				
Government Grants	\$ 1,847,253	\$ -	\$ -	\$ 1,847,253
Gifts, Exhibit/Program Sponsorships	159,007	7,678,067	-	7,837,074
Investment Income	330,980	-	-	330,980
Fundraising Activities	1,244,129	-	-	1,244,129
Net Assets Released from Restrictions	2,814,387	(2,814,387)	-	-
<b>Total Revenue and Other Support</b>	<b>6,395,756</b>	<b>4,863,680</b>	<b>-</b>	<b>11,259,436</b>
<b>Expenses</b>				
Grant Expense to the Audubon Commission	4,201,347	-	-	4,201,347
Development and Fundraising Activities	1,695,487	-	-	1,695,487
Termite Education Grant	13,630	-	-	13,630
Interest	52,197	-	-	52,197
Other Expenses	421,644	-	-	421,644
<b>Total Expenses</b>	<b>6,384,305</b>	<b>-</b>	<b>-</b>	<b>6,384,305</b>
<b>Change in Net Assets</b>	<b>11,451</b>	<b>4,863,680</b>	<b>-</b>	<b>4,875,131</b>
<b>Net Assets, Beginning of Year</b>	<b>182,789</b>	<b>6,425,655</b>	<b>-</b>	<b>6,608,444</b>
<b>Net Assets, End of Year</b>	<b>\$ 194,240</b>	<b>\$ 11,289,335</b>	<b>\$ -</b>	<b>\$ 11,483,575</b>

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

**AUDUBON NATURE INSTITUTE, INC.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2013 and 2012**

	2013	2012
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ (564,602)	\$ 4,875,131
Adjustments to Reconcile Change in Net Assets to Net Cash		
Used in Operating Activities		
Realized and Unrealized Gains on Investments	(449,237)	(299,783)
Receipt of Stock Gifts	(138,185)	(327,492)
Discount on Pledges Receivable	(7,015)	94,151
Bad Debt Expense	-	99,507
Depreciation	4,403	10,286
Changes in Operating Assets and Liabilities		
Pledges Receivable	225,222	(4,942,970)
Accounts and Grants Receivable	138,206	(623,103)
Due from Related Party	(1,575,920)	766,321
Prepaid Expenses	(2,991)	(10,313)
Accounts Payable and Accrued Expenses	28,110	124,818
Accrued Compensation	737,886	212,096
<b>Net Cash Used in Operating Activities</b>	<b>(1,604,123)</b>	<b>(21,351)</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from Sales or Maturities of Investments and Assets Limited as to Use	828,750	579,977
Purchases of Investments and Asset Limited as to Use Restricted Assets, Net	(971,360)	(158,951)
	1,255	7,719
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(141,355)</b>	<b>428,745</b>
<b>Cash Flows from Financing Activities</b>		
Draws from Lines of Credit	5,500,000	3,500,000
Payments for Lines of Credit	(4,000,000)	(4,000,000)
Repayment of Bonds	(205,000)	(220,000)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>1,295,000</b>	<b>(720,000)</b>
<b>Net Decrease in Cash</b>	<b>(450,478)</b>	<b>(312,606)</b>
<b>Cash, Beginning of Year</b>	<b>1,813,914</b>	<b>2,126,520</b>
<b>Cash, End of Year</b>	<b>\$ 1,363,436</b>	<b>\$ 1,813,914</b>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash Paid During the Year for:		
Interest	\$ 64,684	\$ 52,993

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



# AUDUBON NATURE INSTITUTE, INC.

## Notes to Financial Statements

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### Note 1. Organization

Audubon Nature Institute, Inc. (the Institute) is a nonprofit organization incorporated October 31, 1975. The Institute manages and operates the Audubon Commission (the Commission) and its facilities located at the Audubon Zoo and Park, the Aquarium and Riverfront Park, the Species Survival Center, the Louisiana Nature Center, and the Audubon Insectarium (the Facilities) under a contractual management agreement. The revenues and expenses (including salary expense) of the Facilities are recorded by each facility in accordance with this management agreement. The Facilities had combined operating revenues of approximately \$39,892,000 for the year ended December 31, 2013, and combined total assets of approximately \$151,586,000 at December 31, 2013.

The Institute obtains donations, gifts and grants, and conducts fundraising activities in furtherance of its exempt purpose. The revenues and net assets reflected in these 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 Facilities discussed above.

Audubon Nature Institute Foundation (the Foundation) is a nonprofit organization that is separate and independent of the Institute. The purpose of the Foundation is to raise funds in support of the facilities, programs and other activities managed by the Institute. The Foundation is governed by its own board, with only one member of that board being the Chairman of the Board of the Institute. The Foundation independently administers its assets at its sole discretion but for the benefit of the Institute, and while those assets are not commingled in any way with the funds and assets of the Institute, there is an ongoing economic interest between the Foundation and Institute. Summary financial information for the Foundation as of and for the years ended December 31, 2013 and 2012 is as follows:

	2013	2012
Total Assets	\$ 31,255,635	\$ 28,835,914
Total Liabilities	-	5,088
Total Net Assets	<u>\$ 31,255,635</u>	<u>\$ 28,830,826</u>
Total Revenues	<u>\$ 2,544,264</u>	<u>\$ 1,818,418</u>
Total Expenses	<u>\$ 119,455</u>	<u>\$ 116,053</u>

### Note 2. Summary of Significant Accounting Policies

#### Basis of Presentation

The financial statement presentation is presented in accordance with the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Institute reports information regarding its financial position and activities according to three classes of net assets.

# AUDUBON NATURE INSTITUTE, INC.

## Notes to Financial Statements

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

#### **Basis of Presentation (Continued)**

Unrestricted - Net assets which are free of donor-imposed restrictions, and all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.

Temporarily Restricted - Net assets whose use by the Institute is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Institute pursuant to those stipulations such as completion of construction projects. In most cases, such actions require the expenditure of personnel effort or other costs before such assets can be released. Income and appreciation on permanently restricted net assets that exceed appropriations for expenditures (therefore the restrictions have been satisfied) are included in temporarily restricted net assets.

Permanently Restricted - Net assets whose use by the Institute is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Institute. There were no permanently restricted net assets as of December 31, 2013 and 2012.

The Institute reports gifts of cash and other assets as restricted support if they are received with donor-imposed restrictions or requirements that limit the use of the donation. A donor restriction ends when a time restriction is met or a purpose restriction is accomplished. As restrictions are met, assets are reclassified to unrestricted net assets.

#### **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.

#### **Investments and Asset Limited as to Use**

Assets limited as to use primarily include investments in mutual funds and the cash surrender value of a life insurance policy. These assets are designated for funding the 457(f) Executive Retirement Plan, discussed further in Note 9. The Institute records investments in accordance with the *Not-for-Profit Entities* Topic of the FASB ASC which establishes standards for the recognition of fair value of investments in certain equity and debt securities with gains and losses included in the statements of activities. See Note 3.

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

**Concentrations of Credit and Market Risk**

Financial instruments that potentially expose the Institute to concentrations of credit and market risk consist primarily of cash and investments.

The Institute has not experienced any losses in these accounts. The Federal Deposit Insurance Corporation (FDIC) secures accounts in insured institutions up to \$250,000 per depositor.

**Pledges Receivable and Contributions Received**

The Institute recognizes contributions received as revenue in the period received and as assets, decreases in liabilities or expenses depending on the form of benefits received. Pledges receivable are recorded net of any allowance for uncollectible pledges and at net present value. Pledges which are conditional are recognized as revenue when the conditions are substantially met.

**Equipment**

Equipment with an original cost in excess of \$5,000 is capitalized and depreciated using the straight-line method over a period of five to ten years. Equipment is depreciated using the straight-line method over estimated useful lives ranging from 3 to 10 years. Equipment is presented on the statements of financial position net of accumulated depreciation of \$67,444 and \$63,041 at December 31, 2013 and 2012, respectively.

**Functional Allocation of Expenses**

Expenses are charged directly to program, management and general, or development based on a combination of specific identification and allocation by management.

**Income Tax Status**

The Institute is exempt from income tax under Section 501(c)(3) of the United States Internal Revenue Code. In addition, the Institute qualifies for the charitable contribution deductions under Section 170(b)(1)(a)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

Generally accepted accounting principles prescribe rules for the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the Institute's tax returns. Management has determined that the Institute does not have any uncertain tax positions or associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Institute's tax returns will not be challenged by the taxing authorities and that the Institute will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the Institute's tax returns remain open for examination for three years from the date of filing federal returns.

# AUDUBON NATURE INSTITUTE, INC.

## Notes to Financial Statements

### Note 3. Investments and Asset Limited as to Use

At December 31, 2013 and 2012, investments and asset limited as to use consist of the following:

	2013	2012
Mutual Funds (Invested Primarily in Equity and Bond Funds)	\$ 2,381,625	\$ 2,442,430
Cash Surrender Value of Life Insurance	790,837	-
<b>Total Investments and Asset Limited as to Use</b>	<b>\$ 3,172,462</b>	<b>\$ 2,442,430</b>

Investment income of the Institute is comprised of the following:

	2013	2012
Realized and Unrealized Gains on Securities, Net	\$ 449,237	\$ 299,783
Dividend and Interest Income	76,787	31,197
<b>Total Investment Income</b>	<b>\$ 526,024</b>	<b>\$ 330,980</b>

### Note 4. Pledges Receivable

Unconditional promises of donors to make contributions to the Institute are included in the financial statements as pledges receivable and revenue of the temporarily restricted net asset class. Pledges are recorded after discounting future cash flows to the present value. Pledges receivable for the years ended December 31, 2013 and 2012 are expected to be realized as follows:

	2013	2012
In One Year or Less	\$ 1,948,071	\$ 1,355,038
Between One Year and Five Years	3,869,288	4,688,685
	5,817,359	6,043,723
Less: Discount (1.75% and .72% at December 31, 2013 and 2012, respectively)	(95,720)	(102,735)
Allowance for Uncollectible Pledges	(98,365)	(99,507)
<b>Pledges Receivable, Net</b>	<b>\$ 5,623,274</b>	<b>\$ 5,841,481</b>

Pledges receivable for the years ended December 31, 2013 and 2012, have restrictions as follows:

	2013	2012
Specific Capital Projects	\$ 4,699,524	\$ 4,729,739
Other - General Capital and Operating Support	923,750	1,111,742
<b>Total Pledges Receivable, Net</b>	<b>\$ 5,623,274</b>	<b>\$ 5,841,481</b>

# AUDUBON NATURE INSTITUTE, INC.

## Notes to Financial Statements

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### Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2013 and 2012 are available for purposes or periods as follows:

	2013	2012
Pledges and Grants Receivable for Periods after Year-End Capital Projects at Zoo and Park, Insectarium, Aquarium, and Research Center	\$ 6,139,265	\$ 6,675,060
Education Programs at the Zoo, Aquarium, and Nature Center	2,066,648	905,987
Operating Support for the Zoo and Park, Insectarium, Aquarium, and Research Center	367,755	282,783
	<u>2,301,373</u>	<u>3,425,505</u>
<b>Total Temporarily Restricted Assets</b>	<b><u>\$ 10,875,041</u></b>	<b><u>\$ 11,289,335</u></b>

### Note 6. Net Assets Released from Restrictions

Net assets were released from restrictions during the year by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

	2013	2012
<b>Temporarily Restricted</b>		
Pledges and Grants Receivable for Periods after Year-End Capital Projects at Zoo and Park, Insectarium, Aquarium, Research Center	\$ 14,508	\$ 387,569
Education Programs at the Zoo, Aquarium, and Nature Center	1,137,233	942,033
Operating Support for the Zoo and Park, Insectarium, Aquarium, and Research Center	129,226	71,723
	<u>2,132,267</u>	<u>1,413,062</u>
<b>Total Temporarily Restricted Net Assets</b>	<b><u>\$ 3,413,234</u></b>	<b><u>\$ 2,814,387</u></b>

### Note 7. Functional Reporting of Expenses

The Institute's expenses, by functional classification, for the years ended December 31, 2013 and 2012, are as follows:

	2013	2012
<b>Expenses</b>		
<b>Program Services</b>		
Grants to the Audubon Commission	\$ 4,588,317	\$ 4,201,347
Termite Grant Expenses	-	13,630
<b>Supporting Services</b>		
Management and General	159,864	473,841
Fundraising	2,239,191	1,695,487
	<u>2,239,191</u>	<u>1,695,487</u>
<b>Total Expenses</b>	<b><u>\$ 6,987,372</u></b>	<b><u>\$ 6,384,305</u></b>

## AUDUBON NATURE INSTITUTE, INC.

### Notes to Financial Statements

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#### Note 8. Related Party Transactions

The Institute and the Commission are related through interaction of their Board of Directors and the contractual management agreement under which the Institute manages and operates the Facilities. As a result, these entities often engage in operations through one organization that benefits the other organization to achieve economies of scale. One example of this is the use of common or central bank accounts. 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. At December 31, 2013 and 2012, the amount due from the Commission for operating advances totaled approximately \$9,260,000 and \$6,520,000, respectively. These advances due from the Commission are a component of Due from Related Party on the statements of financial position. The Institute has no plans in the next twelve months to demand payment on the amounts due from the Commission at December 31, 2013.

Specific gifts and grants provided by the Institute to the Commission for its Facilities to pay operating expenses and fund certain capital projects for the years ended December 31, 2013 and 2012, are summarized as follows:

	<b>2013</b>	2012
Audubon Zoo and Park	<b>\$ 1,494,797</b>	\$ 653,336
Aquarium of the Americas and Riverfront Park	<b>1,456,357</b>	1,549,195
Survival Center/Research Center	<b>1,190,021</b>	967,352
Insectarium	<b>447,142</b>	1,031,464
<b>Total</b>	<b>\$ 4,588,317</b>	\$ 4,201,347

As mentioned in Note 1, the Foundation raises funds in support of the facilities, programs and other activities managed by the Institute. At December 31, 2013, and 2012, the Foundation has advanced funds to the Institute to support the Institute's operations, totaling approximately \$1,500,000 and \$345,000, respectively. These advances due to the Foundation are a component of Due from Related Party on the statements of financial position.

#### Note 9. Employee Benefit Plans

The Institute has established a tax-deferred annuity plan (the Annuity Plan) for the benefit of all full-time employees. The Annuity Plan provides for the purchase of annuities which qualify for tax deferral. Employees may participate on an optional basis by contributing between 2% and 15% of their salary, not to exceed limits established by the Internal Revenue Service. The Institute matches employee contributions up to 3% of base salary. Contributions are not subject to Federal income taxes and accumulate on a tax-deferred basis until withdrawn.

## AUDUBON NATURE INSTITUTE, INC.

### Notes to Financial Statements

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#### **Note 9. Employee Benefit Plans (Continued)**

The Institute also has a discretionary 457(f) Executive Retirement Plan (the 457(f) Plan) for certain officers. The 457(f) Plan provides additional compensation based on years of service and estimated pay at retirement. Total contributions amounted to approximately \$226,000 for both 2013 and 2012. The liability related to the 457(f) Plan totaled approximately \$3,172,000 and \$2,442,000, at December 31, 2013 and 2012, respectively, and is included in accrued compensation in the accompanying financial statements.

#### **Note 10. Bank Lines of Credit**

At December 31, 2013 and 2012, the Institute has three unsecured revolving lines of credit with three commercial banks totaling \$4,000,000. One of the credit lines is in the amount of \$2,000,000 and the other two credit lines total \$1,000,000 each. In addition, standby letters of credit total \$1,267,690 at December 31, 2013 and December 31, 2012, respectively.

At December 31, 2013 and 2012, the first \$1,000,000 credit line bore interest of prime plus 2%. Amounts outstanding under this line of credit were \$1,000,000 at both December 31, 2013 and 2012. Effective March 11, 2014, this line of credit was renewed for \$1,000,000 with a maturity date of March 15, 2015, and an interest rate of 2% above the prime rate.

At December 31, 2013 and 2012, the second \$1,000,000 line of credit bore interest at Libor plus 3%. Amounts outstanding under this credit line at December 31, 2013 and 2012 were \$1,000,000 and \$-0-, respectively. This credit line expires in December 2014 at which time a renewal will be sought.

At December 31, 2013 and 2012, the \$2,000,000 credit line bore interest at one month Libor plus 3%. Amounts outstanding under this credit line totaled \$2,000,000 and \$1,500,000, at December 31, 2013 and 2012, respectively. This credit line expires in September 2014 at which time a renewal will be sought.

The Institute does not believe there are any conditions that would change its ability to renew any of the credit lines. The credit lines are short-term in nature and, consequently, their carrying values are considered representative of their approximate fair values.

## AUDUBON NATURE INSTITUTE, INC.

### Notes to Financial Statements

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#### Note 11. Revenue Bonds

The Institute borrowed \$3,060,000 under an Equipment and Capital Facilities Pooled Loan Program in connection with Revenue Bonds Series 2001 B issued by the Louisiana Public Facilities Authority (LPFA). Monthly principal payments of \$17,000 plus interest (1.11% and 1.23% at December 31, 2013 and 2012, respectively) are paid into a debt service fund under the arrangement based on a 15 year amortization; however, bond and interest payments are made to bondholders semi-annually. The bonds mature in full in 2016. Amounts held in the escrow fund for payment by the trustee are included in restricted assets at December 31, 2013 and 2012. The balances outstanding under the LPFA bonds were \$590,000 and \$795,000, at December 31, 2013 and 2012, respectively.

Future debt payments due under the above borrowings are as follows:

Years Ending December 31,	Amount
2014	\$ 205,000
2015	205,000
2016	<u>180,000</u>
<b>Total</b>	<b><u>\$ 590,000</u></b>

#### Note 12. Other Trusts

The Institute and the University of New Orleans (the University) have established four funded trusts to support four endowed chairs at the University. Under an affiliation agreement with the University, the chair-holders will conduct research at Audubon Center for Research of Endangered Species and discharge academic responsibilities at the University. These trusts were funded by private donations totaling \$2,400,000 and \$1,600,000 in matching funds from the Louisiana Trust Fund for Eminent Scholars. This funding allows for four \$1,000,000 chairs. The trust assets are not included in the Institute's assets. The Institute and the University jointly benefit from trust distributions that fund the chair-holder's research and academic responsibilities. At December 31, 2013 and 2012, the chairs controlled by Audubon Center for Research of Endangered Species were still in place, but unoccupied.

#### Note 13. Contingencies

Certain claims and suits have been filed against the Institute. The majority of these claims are covered by insurance. Management does not believe the ultimate resolution of these matters will have a significant effect on the Institute's financial position, results of operations, or cash flows.



## AUDUBON NATURE INSTITUTE, INC.

### Notes to Financial Statements

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#### Note 14. Fair Value of Financial Instruments

The Institute follows the *Fair Value Measurement* Topic of the FASB ASC which establishes a common definition of fair value of fair value, a framework for measuring fair value, and expands disclosures about fair value measurements.

The *Fair Value Measurement* Topic establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. ASC 820 requires that assets and liabilities earned at fair value be classified and disclosed in one of the following three categories:

Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2 - Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices are observable for the asset or liability.

Level 3 - Unobservable inputs for the asset or liability.

The Institute endeavors to utilize the best available information in measuring fair value. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement.

#### Recurring Fair Value Measurements

The fair value of assets and liabilities measured at estimated fair value on a recurring basis, including those items for which the Institute has elected the fair value option, are estimated as described in the preceding section. These estimated fair values and their corresponding fair value hierarchy are summarized as follows:

December 31, 2013	Level 1	Level 2	Level 3	Total
Large/Mid/Small Cap Equities	\$ 3,172,462	\$ -	\$ -	\$ 3,172,462
Total	\$ 3,172,462	\$ -	\$ -	\$ 3,172,462

December 31, 2012	Level 1	Level 2	Level 3	Total
Large/Mid/Small Cap Equities	\$ 2,442,430	\$ -	\$ -	\$ 2,442,430
Total	\$ 2,442,430	\$ -	\$ -	\$ 2,442,430

#### Note 15. Subsequent Events

The Institute completed its subsequent events review through June 5, 2014, the date on which the financial statements were available to be issued. There were no events that required adjustments to, or disclosures in, the financial statements.

**OMB CIRCULAR A-133**

**Report on Compliance for Each Major Federal Award Program; Report on Internal Control Over Compliance; and Report on Scheduled of Expenditures of Federal Awards Required by OMB Circular A-133**

Independent Auditor's Report

To the Board of Directors of  
Audubon Nature Institute, Inc.

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

We have audited Audubon Nature Institute, Inc.'s (the Institute) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Institute's major federal programs for the year ended December 31, 2013. The Institute'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibilities***

Our responsibility is to express an opinion on the Institute's compliance for each of the Institute'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Institute'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 Institute's compliance.

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

In our opinion, the Institute 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, 2013.

### **Internal Control Over Compliance**

Management of the Institute 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 Institute'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 each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Institute'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the Institute as of and for the year ended December 31, 2013, and have issued our report thereon dated June 5, 2014 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 OMB Circular A-133 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 5, 2014

**AUDUBON NATURE INSTITUTE, INC.**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2013**

Federal Grantor or Pass-Trough Grantor and Program Title	CFDA Number	Contract Number	Total Award	Expenditures Incurred During the Year Ended December 31, 2013
National Oceanic and Atmospheric Administration B-WET Program	11.463	NA12NMF4630052	\$ 30,940	\$ 14,679
Gulf States Marine Fisheries Commission	11.477	SSC-925-034-2013-AUD	828,000	13,918
National Oceanic and Atmospheric Administration Passed through National Fish & Wildlife Foundation Enhancing Necropsy Capacity for Unusual Mortality Events	11.463	0312.12.040047	62,500	34,936
U.S. Department of the Interior Fish & Wildlife Service Endangered Species Conservation - Recovery Implementation Funds	15.657	40181AG120	500,000	51,374
U.S. Department of Housing and Urban Development - Insectarium - 2006	14.246	B-06-SP-LA-0401	495,000	390,260
Insectarium - 2009	14.246	B-09-SP-LA-0024	190,000	56,883
U.S. Department of Housing and Urban Development - Community Development Block Grant	14.228	695553	<u>4,500,000</u>	<u>899,756</u>
<b>Total</b>			<u>\$ 6,606,440</u>	<u>\$ 1,461,806</u>

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

**AUDUBON NATURE INSTITUTE, INC.**  
**Note to Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2013**

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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 Institute and is presented on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the Institute has met the qualifications for the respective grants.

**Accrued Reimbursement**

Various reimbursement procedures are used for federal awards received by the Institute. 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.

**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 Nature Institute, Inc.

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 Nature Institute, Inc. (the Institute) which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 5, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Institute'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute'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 Institute's financial statements are free of 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 with 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 5, 2014

**AUDUBON NATURE INSTITUTE, INC.**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2013**

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

**Financial Statements**

Type of Auditor's Report Issued	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 Programs:	Unmodified
Any Audit Findings disclosed that are required to be reported in Accordance with Section 510(a) of Circular A-133?	No
Identification of Major Programs:	
<u>Name of Federal Program or Cluster</u>	<u>CFDA Numbers</u>
Community Development Block Grants	14.228
Dollar threshold used to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**Part II - Financial Statement Findings**

None

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

None

**AUDUBON NATURE INSTITUTE, INC.**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended December 31, 2013**

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**Part I - Financial Statement Findings**

None

**Part II - Federal Award Findings and Questioned Costs**

None