

AUDUBON NATURE INSTITUTE, INC.

Audits of Financial Statements

December 31, 2018 and 2017



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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, 2018 and 2017, 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.

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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, in 2018, the Institute adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2019, 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 solely 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 effectiveness of the Institute's 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 Professional Accounting Corporation

Metairie, LA
May 24, 2019

AUDUBON NATURE INSTITUTE, INC.
Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Cash	\$ 6,164,798	\$ 6,734,988
Grants Receivable	805,646	679,290
Promises to Give, Net	1,979,960	4,556,007
Prepaid Expenses	1,000	13,143
Equipment, Net	2,861	5,006
Investments and Asset Limited as to Use	4,913,032	4,970,005
Due from Audubon Commission	2,330,218	2,616,122
	<hr/>	<hr/>
Total Assets	\$ 16,197,515	\$ 19,574,561
	<hr/>	<hr/>
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	\$ -	\$ 1,163
Deferred Revenue	454,389	172,745
Due to Audubon Nature Institute Foundation	418,974	342,923
Lines of Credit	3,990,000	3,000,000
Deferred Compensation	4,913,032	4,970,005
Accrued Salaries and Benefits	19,624	13,736
	<hr/>	<hr/>
Total Liabilities	9,796,019	8,500,572
	<hr/>	<hr/>
Net Assets		
Without Donor Restrictions	1,735,253	(285,384)
With Donor Restrictions	4,666,243	11,359,373
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Total Net Assets	6,401,496	11,073,989
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Total Liabilities and Net Assets	\$ 16,197,515	\$ 19,574,561
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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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Government Grants	\$ 14,100	\$ -	\$ 14,100
Gifts, Exhibit/Program Sponsorships	2,395,849	849,711	3,245,560
Investment Return, Net	(235,493)	-	(235,493)
Miscellaneous	2,615,202	-	2,615,202
Fundraising Activities	1,335,551	-	1,335,551
Net Assets Released from Restrictions	7,542,841	(7,542,841)	-
Total Revenue and Other Support	13,668,050	(6,693,130)	6,974,920
Expenses			
Grant Expense to Audubon Commission	8,615,419	-	8,615,419
Donation to Audubon Nature Institute Foundation	1,073,718	-	1,073,718
Development Expenses	1,123,792	-	1,123,792
Fundraising Activities	585,424	-	585,424
Interest	117,139	-	117,139
Other Expenses	131,921	-	131,921
Total Expenses	11,647,413	-	11,647,413
Change in Net Assets	2,020,637	(6,693,130)	(4,672,493)
Net Assets, Beginning of Year	(285,384)	11,359,373	11,073,989
Net Assets, End of Year	\$ 1,735,253	\$ 4,666,243	\$ 6,401,496

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

AUDUBON NATURE INSTITUTE, INC.
Statement of Activities
For the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Government Grants	\$ 241,860	\$ -	\$ 241,860
Gifts, Exhibit/Program Sponsorships	1,477,517	4,394,248	5,871,765
Investment Return, Net	657,003	-	657,003
Fundraising Activities	1,678,058	-	1,678,058
Net Assets Released from Restrictions	6,975,046	(6,975,046)	-
Total Revenue and Other Support	11,029,484	(2,580,798)	8,448,686
Expenses			
Grant Expense to Audubon Commission	8,333,117	-	8,333,117
Development Expenses	894,403	-	894,403
Fundraising Activities	618,605	-	618,605
Interest	62,985	-	62,985
Other Expenses	930,826	-	930,826
Total Expenses	10,839,936	-	10,839,936
Change in Net Assets	189,548	(2,580,798)	(2,391,250)
Net Assets, Beginning of Year	(474,932)	13,940,171	13,465,239
Net Assets, End of Year	\$ (285,384)	\$ 11,359,373	\$ 11,073,989

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, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in Net Assets	\$ (4,672,493)	\$ (2,391,250)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Realized and Unrealized Losses (Gains) on Investments	460,085	(491,556)
Receipt of Stock Gifts	(14,220)	(216,106)
Discount on Pledges Receivable	(55,490)	(71,628)
Allowance for Doubtful Accounts	(42,739)	(70,782)
Depreciation	2,145	2,146
Changes in Operating Assets and Liabilities		
Pledges Receivable	2,674,276	3,809,792
Grants and Other Receivable	(126,356)	637,504
Due from Audubon Commission	285,904	1,421,763
Prepaid Expenses	12,143	66
Accounts Payable and Accrued Expenses	(1,163)	(10,294)
Deferred Revenue	281,644	(82,385)
Due to Audubon Nature Institute Foundation	76,051	(386,113)
Accrued Salaries and Benefits	5,888	4,090
Deferred Compensation	(56,973)	849,979
Net Cash (Used in) Provided by Operating Activities	(1,171,298)	3,005,226
Cash Flows from Investing Activities		
Proceeds from Sales or Maturities of Investments and Assets Limited as to Use	14,220	216,106
Purchases of Investments and Asset Limited as to Use LPFA Bonds Debt Service, Net	(403,112)	(358,423)
	-	7,304
Net Cash Used in Investing Activities	(388,892)	(135,013)
Cash Flows from Financing Activities		
Draws from Lines of Credit	4,980,000	3,000,000
Payments for Lines of Credit	(3,990,000)	(4,000,000)
Net Cash Provided by (Used in) Financing Activities	990,000	(1,000,000)
Net (Decrease) Increase in Cash	(570,190)	1,870,213
Cash, Beginning of Year	6,734,988	4,864,775
Cash, End of Year	\$ 6,164,798	\$ 6,734,988
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for:		
Interest	\$ 117,139	\$ 62,985

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

AUDUBON NATURE INSTITUTE, INC.

Notes to Financial Statements

Note 1. Organization

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 Audubon Commission (Commission), the Institute operates and manages the Audubon Facilities, as defined below, for the benefit of the Commission, an independent agency of the City of New Orleans.

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 the Audubon Facilities are recorded in the Commission's financial statements.

For its services, the Institute shall earn a management fee of \$50,000, adjusted annually in accordance with the Consumer Price Index (CPI) compared to the January 1st CPI of the prior year. The Agreement currently has a term of fifteen years which terminates in 2028 unless extended by both parties. Management fee revenues totaling \$52,847 and \$51,904 in 2018 and 2017, respectively, are included in the statements of activities.

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 by the Institute 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 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 Audubon Facilities, programs, and other activities managed by the Institute. The Foundation is governed by its own board, with one member of that board being the Chairman of the Board of the Institute. The Foundation independently administers its assets at its sole discretion and 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.

AUDUBON NATURE INSTITUTE, INC.

Notes to Financial Statements

Note 1. Organization (Continued)

Summary financial information for the Foundation as of and for the years ended December 31, 2018 and 2017 is as follows:

	2018	2017
Total Assets	\$ 32,303,718	\$ 33,052,745
Total Liabilities	-	-
Total Net Assets	<u>\$ 32,303,718</u>	<u>\$ 33,052,745</u>
Total Revenues	<u>\$ 174,922</u>	<u>\$ 3,951,144</u>
Total Expenses	<u>\$ 20,419</u>	<u>\$ 18,087</u>
Total Endowment Distributions	<u>\$ 903,530</u>	<u>\$ 367,858</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).

Promises to Give and Contributions

Contributions are recognized when cash, securities, or other assets, an unconditional promises to give, or notification of a beneficial interest is received. Contributions which are conditional are recognized as revenue when the conditions are substantially met.

The Institute records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Institute determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2018 and 2017, the allowance was \$35,782 and \$78,521, respectively.

Equipment

Equipment with an original cost in excess of \$10,000 and a useful life of over one year is capitalized and 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 \$34,735 and \$60,716 at December 31, 2018 and 2017, respectively.

AUDUBON NATURE INSTITUTE, INC.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Investments and Asset Limited as to Use

Assets limited as to use primarily include investments in mutual funds measured at fair value 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 10. 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 4.

Deferred Revenue

Advanced ticket sales for events and related sponsorships are deferred and recognized as revenue as events occur.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the 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. Other donor-imposed restrictions are perpetual in nature (also referred to as an endowment fund), where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. As restrictions are met or until released in accordance with the Institute's spending policy, assets are reclassified to net assets without donor restrictions. There were no net asset restrictions that were perpetual in nature as of December 31, 2018 and 2017. 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.

Functional Allocation of Expenses

Expenses are charged directly to program services, management and general, or development/fundraising based on specific identification.

Income Tax

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)(2).

Note 2. Summary of Significant Accounting Policies (Continued)

Income Tax (Continued)

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Institute believes that it has taken appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

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. At December 31, 2018 and 2017, the Institute had \$5,914,798 and \$6,484,968, respectively, in excess of the FDIC insured limit.

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.

Recent Accounting Pronouncements - Not Yet Adopted

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled to when products are transferred to customers. ASU 2014-09 will be effective for the Institute beginning in the year ended December 31, 2019, though early adoption is permitted. The new revenue standard may be applied retrospectively as of the date of adoption. The Institute is currently evaluating the impact of adopting the new revenue standard on its financial statements and does not expect to experience a significant impact.

Recent Accounting Pronouncements - Adopted

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Institute implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. Implementation did not result in a change in net assets.

AUDUBON NATURE INSTITUTE, INC.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Reclassification

Certain reclassifications have been made to prior year amounts to conform with the current presentation. The reclassifications have no effect on the classes of net assets or the change in net assets for the prior year.

Note 3. Liquidity and Availability

The following table reflects the Institute's financial assets as of December 30, 2018 and 2017, reduced by amounts not available for general expenditure within one year.

	2018	2017
Financial Assets		
Cash	\$ 6,164,798	\$ 6,734,988
Grants Receivable	805,646	679,290
Promises to Give, Net	1,979,960	4,556,007
Investments and Asset Limited as to Use	4,913,032	4,970,005
Due from Audubon Commission	<u>2,330,218</u>	<u>2,616,122</u>
Financial Assets at Year End	16,193,654	19,556,412
Less Those Unavailable for General Expenditure Within One Year Due to:		
Cash Subject to Satisfaction of Donor Restrictions	(914,500)	(1,189,844)
Promises to Give, Restricted by Donor for Time or Purpose	(1,979,960)	(4,556,007)
Investments Held for Use in Greater Than One Year	(4,913,032)	(4,970,005)
Related Party Receivable Held Greater Than One Year	<u>(2,330,218)</u>	<u>(2,616,122)</u>
Financial Assets at Year End Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 6,055,944</u>	<u>\$ 6,224,434</u>

The Institute receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its operations to be available to meet cash needs for general expenditures. The Institute monitors its liquidity so that it is able to meet its operating needs and other contractual commitments. The Institute uses its budget to help manage cash flow needs by monitoring expenses and revenues during the year. The Institute also has lines of credit available to meet short term needs.

Although not expected to be needed, the Institute is allowed to borrow funds directly from Audubon Nature Institute Foundation. The Institute is authorized to borrow up to \$5,000,000 from the Foundation. Please see note #9 for a discussion on how affiliated entities are involved in meeting the operating needs of the Institute.

AUDUBON NATURE INSTITUTE, INC.

Notes to Financial Statements

Note 4. Investments and Asset Limited as to Use

At December 31, 2018 and 2017, investments and asset limited as to use consist of the following:

	2018	2017
Mutual Funds (Invested Primarily in Equity and Bond Funds) (a)	\$ 3,933,502	\$ 3,895,061
Cash Surrender Value of Life Insurance	979,530	1,074,944
Total Investments and Asset Limited as to Use	\$ 4,913,032	\$ 4,970,005

(a) measured at fair value

Note 5. Promises to Give

Unconditional promises of donors to make contributions to the Institute are included in the statements of financial position as promises to give and as revenue and other support with donor restrictions. Promises to give are recorded after discounting future cash flows to the present value and are discounted at rates ranging from 1.65% to 2.51%.

Promises to give for the years ended December 31, 2018 and 2017 are expected to be realized as follows:

	2018	2017
In One Year or Less	\$ 676,691	\$ 1,770,552
Between One Year and Five Years	1,427,130	2,707,546
Thereafter	-	300,000
	2,103,821	4,778,098
Less: Discount to Present Value	(88,079)	(143,571)
Less: Allowance for Uncollectible Promises to Give	(35,782)	(78,520)
Promises to Give, Net	\$ 1,979,960	\$ 4,556,007

Promises to give for the years ended December 31, 2018 and 2017, have restrictions as follows:

	2018	2017
Programs and Capital Projects	\$ 1,736,484	\$ 4,291,696
Other - General Capital and Operating Support	243,476	264,311
Restrictions on Promises to Give, Net	\$ 1,979,960	\$ 4,556,007

AUDUBON NATURE INSTITUTE, INC.

Notes to Financial Statements

Note 6. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2018 and 2017:

	2018	2017
Promises to Give and Grants Receivable for Periods After Year End	\$ 2,015,742	\$ 4,684,527
Capital Projects at the Audubon Facilities	1,918,573	4,665,843
Education Programs at the Audubon Facilities	152,015	239,332
Operating Support for the Audubon Facilities	579,913	1,769,671
Total Net Assets With Donor Restrictions	\$ 4,666,243	\$ 11,359,373

Note 7. 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:

	2018	2017
Promises to Give and Grants Receivable for Periods After Year End	\$ 84,752	\$ 81,125
Capital Projects at the Audubon Facilities	5,475,900	6,195,678
Education Programs at the Audubon Facilities	196,254	171,815
Operating Support for the Audubon Facilities	1,785,935	526,428
Total Net Assets Released from Restrictions	\$ 7,542,841	\$ 6,975,046

Note 8. Functional Reporting of Expenses

The Institute's expenses, by functional classification, for the year ended December 31, 2018, are as follows:

	Program Services		Supporting Services			Total
	Operation and Management of Audubon Commission Facilities and Programs	Development	Fundraising	Management and General		
Grant Expenses to Audubon Commission	\$ 8,615,419	\$ -	\$ -	\$ -	\$ -	\$ 8,615,419
Donation to Audubon Nature Institute Foundation	1,073,718	-	-	-	-	1,073,718
Salaries & Benefits	-	671,831	167,283	-	-	839,114
Event Production	-	119,759	324,620	-	-	444,379
Contractual Services	-	163,146	21,728	112,165	-	297,039
Interest Expense	-	-	-	117,139	-	117,139
Printing & Photography	-	51,654	21,116	-	-	72,770
Fees	-	1,459	7,438	49,001	-	57,898
Conferences, Conventions, Meetings	-	28,961	4,323	-	-	33,284
Professional Services	-	1,001	-	27,505	-	28,506
Dues	-	27,187	395	-	-	27,582
Donor Relations	-	12,724	12,159	-	-	24,883
Equipment	-	18,487	889	-	-	19,376
Postage	-	7,634	9,795	223	-	17,652
Advertising	-	4,774	5,813	-	-	10,587
Office Supplies	-	7,419	949	-	-	8,368
Security Services	-	983	7,289	-	-	8,272
Miscellaneous	-	4,627	1,627	-	-	6,254
Depreciation	-	2,146	-	-	-	2,146
Deferred Compensation, Net of Market Adjustment	-	-	-	(56,973)	-	(56,973)
	\$ 9,689,137	\$ 1,123,792	\$ 585,424	\$ 249,060	\$ -	\$ 11,647,413

AUDUBON NATURE INSTITUTE, INC.

Notes to Financial Statements

Note 8. Functional Reporting of Expenses (Continued)

The Institute's expenses, by functional classification, for the year ended December 31, 2017, are as follows:

	Program Services		Supporting Services		Total
	Operation and Management of Audubon Commission Facilities and Programs	Development	Fundraising	Management and General	
Grant Expenses to Audubon Commission	\$ 8,333,117	\$ -	\$ -	\$ -	\$ 8,333,117
Deferred Compensation, Net of Market Adjustment	-	-	-	849,979	849,979
Salaries & Benefits	-	505,416	187,473	-	692,889
Event Production	-	41,535	339,514	-	381,049
Contractual Services	-	119,273	27,835	17,134	164,242
Printing & Photography	-	55,761	27,809	-	83,570
Professional Services	-	50,760	50	18,087	68,897
Interest Expense	-	-	-	62,985	62,985
Fees	-	976	8,793	45,626	55,395
Donor Relations	-	47,329	6,638	-	53,967
Dues	-	27,553	49	-	27,602
Conferences, Conventions, Meetings	-	22,528	1,096	-	23,624
Postage	-	8,567	10,861	-	19,428
Miscellaneous	-	3,029	3,609	-	6,638
Office Supplies	-	6,456	145	-	6,601
Security Services	-	-	4,091	-	4,091
Equipment	-	3,074	-	-	3,074
Depreciation	-	2,146	-	-	2,146
Advertising	-	-	642	-	642
	<u>\$ 8,333,117</u>	<u>\$ 894,403</u>	<u>\$ 618,605</u>	<u>\$ 993,811</u>	<u>\$10,839,936</u>

Note 9. Transactions with Audubon Commission and Audubon Nature Institute Foundation

As mentioned in Note 1, the Institute operates and manages the Audubon Facilities on behalf 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, 2018 and 2017, 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, 2018 and 2017, the amount due to the Institute from the Commission totaled \$2,330,218 and \$2,616,122, 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.

AUDUBON NATURE INSTITUTE, INC.

Notes to Financial Statements

Note 9. Transactions with Audubon Commission and Audubon Nature Institute Foundation (Continued)

Specific gifts and grants provided by the Institute to the Commission for the Audubon Facilities to pay operating expenses and fund certain capital projects for the years ended December 31, 2018 and 2017, are summarized as follows:

	2018	2017
Audubon Zoo and Park	\$ 6,325,637	\$ 3,945,265
Aquarium of the Americas and Riverfront Park	322,653	286,140
Species Survival Center/Research Center	1,880,788	3,864,389
Butterfly Garden/Insectarium	1,459	41,973
Louisiana Nature Center	84,882	195,350
Total	\$ 8,615,419	\$ 8,333,117

As mentioned in Note 1, the Foundation raises funds in support of the Audubon Facilities, programs, and other activities managed by the Institute. In addition to that support and in the event of the Institute's inability to gain access to capital through other lines of credit, the Foundation's Board of Directors authorized the loaning of funds on a revolving basis to the Institute in an amount not to exceed \$5,000,000. Funds may be used by the Institute for the repayment of debt obligations in favor of a commercial lending institution incurred directly by the Institute, general operating needs, and capital improvements for Audubon Facilities. At December 31, 2018, and 2017, the Foundation has loaned funds to the Institute totaling \$418,974 and \$342,923, respectively. During the year ended December 31, 2018, the Institute donated \$1,073,718 to the Foundation funds to help support marine life rehabilitation.

Note 10. Employee Benefit Plans

The Institute has established a 403(b) retirement plan (the 403(b) Plan) to provide eligible employees, with a systematic means of saving and investing for the future. The 403(b) Plan is a defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended. Participants may contribute up to 15% of their pretax annual compensation, as defined by the 403(b) Plan. The Institute contributes a discretionary match amount to be determined by the Institute each year. Contributions are subject to certain limitations. As mentioned in Note 1, salary and employment benefit expenses, with the exception of the 457(f) Plan, are recorded in the Commission's financial statements.

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 2018 and 2017. The liability related to the 457(f) Plan totaled \$4,913,032 and \$4,970,005, at December 31, 2018 and 2017, respectively, and is included in deferred compensation in the accompanying financial statements.

AUDUBON NATURE INSTITUTE, INC.

Notes to Financial Statements

Note 11. Bank Lines of Credit

At December 31, 2018 and 2017, the Institute has three unsecured revolving lines of credit with three commercial banks totaling \$3,990,000. Funds may be used by the Institute for the general operating needs and capital improvements for Audubon Facilities. As of December 31, 2018 and 2017, the credit lines amount to \$2,000,000, \$1,000,000, and \$990,000.

At December 31, 2018 and 2017, 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, 2018 and 2017. Effective November 30, 2018, this line of credit was renewed for \$1,000,000 with a maturity date of December 31, 2019 and an interest rate of 2% above the prime rate.

At December 31, 2018 and 2017, the \$990,000 line of credit bore interest of LIBOR plus 3%. Amounts outstanding under this credit line were \$990,000 and \$0 at December 31, 2018 and 2017, respectively. Effective September 28, 2018 this line of credit was renewed for \$990,000 with a maturity date of September 28, 2019 and an interest rate of one month LIBOR plus 3%.

At December 31, 2018 and 2017, the \$2,000,000 credit line bore interest of LIBOR plus 3%. Amounts outstanding under this credit line totaled \$2,000,000, at both December 31, 2018 and 2017. This credit line expires in November 30, 2019, 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.

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. 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 provides four \$1,000,000 chairs. The trust assets are not included in the Institute's assets but are maintained and administered by the University of New Orleans Foundation. The Institute and the University jointly benefit from trust distributions that fund the UNO/Audubon Nature Institute Sustainable Wildlife Program.

In 2016 the University and Audubon were authorized to create the UNO/Audubon Nature Institute Sustainable Wildlife Program. A revised affiliation agreement repurposes endowed chairs to allow funds to be utilized for University professorships, graduate student fellowships, internships and research related to sustainable wildlife initiatives conducted at facilities managed by Audubon Nature Institute.

AUDUBON NATURE INSTITUTE, INC.

Notes to Financial Statements

Note 12. Other Trusts (Continued)

As of December 31, 2018 and 2017, Audubon received payment from the University based on an invoice and narrative report. A total of \$92,000 and \$46,000 was distributed for the years ended December 31, 2018 and 2017, respectively.

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, changes in net assets, or cash flows.

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 financial instruments, 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. Includes mutual funds valued at the net asset value of shares on the last trading day of the fiscal year, which is the basis for transactions at that date.

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.

AUDUBON NATURE INSTITUTE, INC.

Notes to Financial Statements

Note 14. Fair Value of Financial Instruments (Continued)

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:

<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Large/Mid/Small Cap Equities	\$ 3,933,502	\$ -	\$ -	\$ 3,933,502
Total	\$ 3,933,502	\$ -	\$ -	\$ 3,933,502

<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Large/Mid/Small Cap Equities	\$ 3,895,061	\$ -	\$ -	\$ 3,895,061
Total	\$ 3,895,061	\$ -	\$ -	\$ 3,895,061

Note 15. Subsequent Events

The Institute has evaluated subsequent events through the date that the financial statements were available to be issued, May 24, 2019, and determined that no events occurred that required disclosure. No further subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**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, 2018, 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 May 24, 2019.

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 control) 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 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 a 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 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 "LaPorte".

A Professional Accounting Corporation

Metairie, LA
May 24, 2019

AUDUBON NATURE INSTITUTE, INC.
Schedule of Findings and Responses
For the Year Ended December 31, 2018

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

Not Applicable

Part II - Financial Statement Findings

No matters were reported.

Part III - Findings and Questioned Costs for Federal Awards

Not applicable.

AUDUBON NATURE INSTITUTE, INC.
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2018

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) audit.