

**AUDUBON NATURE INSTITUTE, INC.**

Audits of Financial Statements

December 31, 2019 and 2018



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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, 2019 and 2018, 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, 2019 and 2018, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2020, 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  
June 26, 2020

**AUDUBON NATURE INSTITUTE, INC.**  
**Statements of Financial Position**  
**December 31, 2019 and 2018**

	2019	2018
<b>Assets</b>		
Cash	\$ 2,771,145	\$ 6,164,798
Grants Receivable	410,193	805,646
Promises to Give, Net	3,759,123	1,979,960
Prepaid Expenses	9,590	1,000
Equipment, Net	715	2,861
Investments and Asset Limited as to Use	6,046,106	4,913,032
Due from Audubon Commission	4,760,843	2,330,218
	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 17,757,715</b>	<b>\$ 16,197,515</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accrued Salaries and Benefits	\$ 27,496	\$ 19,624
Deferred Revenue	285,034	454,389
Due to Audubon Nature Institute Foundation	396,211	418,974
Lines of Credit	3,990,000	3,990,000
Deferred Compensation	6,046,106	4,913,032
	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>10,744,847</b>	<b>9,796,019</b>
<b>Net Assets</b>		
Without Donor Restrictions	587,513	1,735,253
With Donor Restrictions	6,425,355	4,666,243
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<b>Total Net Assets</b>	<b>7,012,868</b>	<b>6,401,496</b>
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<b>Total Liabilities and Net Assets</b>	<b>\$ 17,757,715</b>	<b>\$ 16,197,515</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, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue and Other Support</b>			
Government Grants	\$ 138,503	\$ -	\$ 138,503
Gifts and Exhibit/Program Sponsorships	2,371,810	3,564,735	5,936,545
Investment Return, Net	944,343	-	944,343
Fundraising Activities	1,529,031	-	1,529,031
Net Assets Released from Restrictions	1,805,623	(1,805,623)	-
	<hr/>	<hr/>	<hr/>
<b>Total Revenue and Other Support</b>	6,789,310	1,759,112	8,548,422
<b>Expenses</b>			
Grant Expense to Audubon Commission	3,442,931	-	3,442,931
Donation to Audubon Nature Institute Foundation	552,739	-	552,739
Development Expenses	1,582,025	-	1,582,025
Fundraising Activities	613,465	-	613,465
Interest	176,543	-	176,543
Other Expenses	1,569,347	-	1,569,347
	<hr/>	<hr/>	<hr/>
<b>Total Expenses</b>	7,937,050	-	7,937,050
<b>Change in Net Assets</b>	(1,147,740)	1,759,112	611,372
<b>Net Assets, Beginning of Year</b>	1,735,253	4,666,243	6,401,496
	<hr/>	<hr/>	<hr/>
<b>Net Assets, End of Year</b>	\$ 587,513	\$ 6,425,355	\$ 7,012,868
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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
<b>Revenue and Other Support</b>			
Government Grants	\$ 14,100	\$ -	\$ 14,100
Gifts and Exhibit/Program Sponsorships	2,395,849	849,711	3,245,560
Investment Loss, 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)	-
<b>Total Revenue and Other Support</b>	<b>13,668,050</b>	<b>(6,693,130)</b>	<b>6,974,920</b>
<b>Expenses</b>			
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
<b>Total Expenses</b>	<b>11,647,413</b>	<b>-</b>	<b>11,647,413</b>
<b>Change in Net Assets</b>	<b>2,020,637</b>	<b>(6,693,130)</b>	<b>(4,672,493)</b>
<b>Net Assets, Beginning of Year</b>	<b>(285,384)</b>	<b>11,359,373</b>	<b>11,073,989</b>
<b>Net Assets, End of Year</b>	<b>\$ 1,735,253</b>	<b>\$ 4,666,243</b>	<b>\$ 6,401,496</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, 2019 and 2018**

	2019	2018
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 611,372	\$ (4,672,493)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Used in Operating Activities		
Realized and Unrealized (Gains) Losses on Investments	(761,308)	460,085
Receipt of Stock Gifts	(5,044)	(14,220)
Discount on Pledges Receivable	70,913	(55,490)
Allowance for Doubtful Accounts	30,986	(42,739)
Depreciation	2,146	2,145
Changes in Operating Assets and Liabilities		
Grants and Other Receivable	395,453	(126,356)
Promises to Give	(1,881,062)	2,674,276
Due from Audubon Commission	(2,430,625)	285,904
Prepaid Expenses	(8,590)	12,143
Accounts Payable and Accrued Expenses	-	(1,163)
Deferred Revenue	(169,355)	281,644
Due to Audubon Nature Institute Foundation	(22,763)	76,051
Deferred Compensation	1,133,074	(56,973)
Accrued Salaries and Benefits	7,872	5,888
<b>Net Cash Used in Operating Activities</b>	<b>(3,026,931)</b>	<b>(1,171,298)</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from Sales or Maturities of Investments and		
Assets Limited as to Use	1,977,168	14,220
Purchases of Investments and Assets Limited as to Use	(343,619)	(403,112)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>1,633,549</b>	<b>(388,892)</b>
<b>Cash Flows from Financing Activities</b>		
Draws from Lines of Credit	3,990,000	4,980,000
Payments for Lines of Credit	(3,990,000)	(3,990,000)
<b>Net Cash Provided by Financing Activities</b>	<b>-</b>	<b>990,000</b>
<b>Net Decrease in Cash</b>	<b>(1,393,382)</b>	<b>(570,190)</b>
<b>Cash, Beginning of Year</b>	<b>6,164,798</b>	<b>6,734,988</b>
<b>Cash, End of Year</b>	<b>\$ 4,771,416</b>	<b>\$ 6,164,798</b>
<b>Reconciliation of Cash</b>		
Cash	\$ 2,771,145	\$ 6,164,798
Restricted Cash Included in Investments and Assets Limited as to Use	2,000,271	-
	<b>\$ 4,771,416</b>	<b>\$ 6,164,798</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash Paid During the Year for Interest	\$ 176,543	\$ 117,139

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, 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 1<sup>st</sup> 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 \$53,458 and \$52,847 in 2019 and 2018, 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, INC.

### Notes to Financial Statements

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#### Note 1. Organization (Continued)

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.

Summary financial information for the Foundation as of and for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Total Assets	\$ 38,182,713	\$ 32,303,718
Total Liabilities	-	-
Total Net Assets	<u>\$ 38,182,713</u>	<u>\$ 32,303,718</u>
Total Revenues	<u>\$ 7,401,757</u>	<u>\$ 174,922</u>
Total Expenses	<u>\$ 19,416</u>	<u>\$ 20,419</u>
Total Endowment Distributions	<u>\$ 1,503,346</u>	<u>\$ 903,530</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

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.

# AUDUBON NATURE INSTITUTE, INC.

## Notes to Financial Statements

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

#### 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 \$36,881 and \$34,735 at December 31, 2019 and 2018, respectively.

#### Investments and Assets 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 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.

#### 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, 2019 and 2018. 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.

#### Revenue and Revenue Recognition

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.

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

**Revenue and Revenue Recognition (Continued)**

The Institute accounts for a contract with a customer when it has written approval, the contract is committed, the rights of the parties, including payment terms, are identified, the contract has commercial substance and consideration is probable of collection. Revenue is recognized when, or as, control of a promised service transfers to a customer, in an amount that reflects the consideration to which the Institute expects to be entitled in exchange for transferring those services.

The Institute earns revenues from customers for exchange transactions such as sponsorships, fundraisers and sales opportunities related to and at its special events.

Contracts typically require the completion of a defined service and billing for completed services are based on actual amounts. The Institute satisfies the performance obligation and recognizes revenue at a point in time. Revenues obtained through such arrangements are typically billed and recognized, after the service has been delivered. This results in revenue recognition that corresponds with the value to the client of the services transferred to date. The Institute historically collects revenues before or at the time when the sales transaction is entered into. Advanced ticket sales for events and related sponsorships are deferred and recognized as revenue as events occur.

**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).

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.

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

**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.

**Concentrations**

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, 2019 and 2018, the Institute had \$4,521,406 and \$5,914,798, respectively, in excess of the FDIC insured limit.

For the year ended December 31, 2019, one organization provided 23% of total revenue and other support. No concentration was noted for the year ended December 31, 2018. In addition, approximately 94% of promises to give as of December 31, 2019 were from three donors and as of December 31, 2018, approximately 72% of promises to give were from one donor.

**Recent Accounting Pronouncements - Adopted**

Effective January 1, 2019, the Institute adopted the FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* using a modified retrospective method of application to contracts that were not complete as of the date of initial application. The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. We assess the impact of ASU 2014-09 on a contract by contract basis.

Under ASU 2014-09, the estimated uncollectable amounts due are generally considered implicit price concessions that are a direct reduction to net operating revenues, with a corresponding material reduction in the amounts presented separately as provision for doubtful accounts. For the year ended December 31, 2019, an immaterial amount of implicit price concessions were recorded as a direct reduction of net operating revenues that would have been recorded as provision for doubtful accounts prior to the adoption of ASU 2014-09. The adoption of ASU 2014-09 did not have a material impact on the Institute's results. For further information regarding the adoption of the new standard, see Note 9.

## AUDUBON NATURE INSTITUTE, INC.

### Notes to Financial Statements

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

##### Recent Accounting Pronouncements - Adopted (Continued)

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of the restricted cash and cash equivalents in the statement of cash flows. The Corporation implemented ASU 2016-18, effective January 1, 2019, and have adjusted the presentation of these financial statements accordingly.

#### Note 3. Liquidity and Availability

The following table reflects the Institute's financial assets as of December 30, 2019 and 2018, reduced by amounts not available for general expenditure within one year.

	2019	2018
Financial Assets		
Cash	\$ 2,771,145	\$ 6,164,798
Grants Receivable	410,193	805,646
Promises to Give, Net	3,759,123	1,979,960
Investments and Asset Limited as to Use	6,046,106	4,913,032
Due from Audubon Commission	4,760,843	2,330,218
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Financial Assets at Year End	17,747,410	16,193,654
Less Those Unavailable for General Expenditure Within Within One Year Due to:		
Cash Subject to Satisfaction of Donor Restrictions	(1,063,994)	(914,500)
Promises to Give, Restricted by Donor for Time or Purpose	(3,759,123)	(1,979,960)
Investments Held for Use in Greater Than One Year	(4,045,845)	(4,913,032)
Related Party Receivable Held Greater Than One Year	(4,760,843)	(2,330,218)
	<hr/>	
Financial Assets at Year End Available to Meet Cash Needs for General Expenditures Within One Year	\$ 4,117,605	\$ 6,055,944

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.

# AUDUBON NATURE INSTITUTE, INC.

## Notes to Financial Statements

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### Note 3. Liquidity and Availability (Continued)

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. See Note 9 for a discussion on how affiliated entities are involved in meeting the operating needs of the Institute.

### Note 4. Investments and Assets Limited as to Use

At December 31, 2019 and 2018, investments and assets limited as to use consist of the following:

	2019	2018
Mutual Funds (Invested Primarily in Equity and Bond Funds) <sup>(a)</sup>	\$ 2,903,519	\$ 3,933,502
Cash Surrender Value of Life Insurance	1,142,326	979,530
Cash	2,000,261	-
<b>Total Investments and Asset Limited as to Use</b>	<b>\$ 6,046,106</b>	<b>\$ 4,913,032</b>

<sup>(a)</sup> 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, 2019 and 2018 are expected to be realized as follows:

	2019	2018
In One Year or Less	\$ 1,017,548	\$ 676,691
Between One Year and Five Years	2,967,335	1,427,130
	3,984,883	2,103,821
Less: Discount to Present Value	(158,992)	(88,079)
Less: Allowance for Uncollectible Promises to Give	(66,768)	(35,782)
<b>Promises to Give, Net</b>	<b>\$ 3,759,123</b>	<b>\$ 1,979,960</b>

## AUDUBON NATURE INSTITUTE, INC.

### Notes to Financial Statements

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#### Note 5. Promises to Give (Continued)

Promises to give for the years ended December 31, 2019 and 2018, have restrictions as follows:

	2019	2018
Programs and Capital Projects	\$ 3,249,765	\$ 1,736,484
Other - General Capital and Operating Support	509,358	243,476
<b>Restrictions on Promises to Give, Net</b>	<b>\$ 3,759,123</b>	<b>\$ 1,979,960</b>

#### Note 6. Bank Lines of Credit

At December 31, 2019 and 2018, 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, 2019 and 2018, the credit lines amount to \$2,000,000, \$1,000,000, and \$990,000.

At December 31, 2019, the \$2,000,000 credit line bore interest using the Index calculation designated in the "Money Rates" section of the Wall Street Journal. The interest rate as of December 31, 2018 was LIBOR plus 3%. Amounts outstanding under this credit line totaled \$2,000,000, at both December 31, 2019 and 2018. This credit line was renewed on November 30, 2019, with a maturity date of November 30, 2020.

At December 31, 2019 and 2018, 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, 2019 and 2018. Effective September 24, 2019, this line of credit was renewed for \$1,000,000 with a maturity date of December 31, 2020 and an interest rate of 2% above the prime rate.

At December 31, 2019 and 2018, the \$990,000 line of credit bore interest of LIBOR plus 3%. Amounts outstanding under this credit line were \$990,000 at December 31, 2019 and 2018. Effective September 28, 2019 this line of credit was renewed for \$990,000 with a maturity date of September 28, 2020 and an interest rate of one month LIBOR plus 3%.

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 7. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2019 and 2018:

	2019	2018
Promises to Give and Grants Receivable for Periods After Year End	\$ 3,825,895	\$ 2,015,742
Capital Projects at the Audubon Facilities	1,791,013	1,918,573
Education Programs at the Audubon Facilities	119,072	152,015
Operating Support for the Audubon Facilities	689,375	579,913
<b>Total Net Assets With Donor Restrictions</b>	<b>\$ 6,425,355</b>	<b>\$ 4,666,243</b>

### Note 8. 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:

	2019	2018
Promises to Give and Grants Receivable for Periods After Year End	\$ 100,093	\$ 84,752
Capital Projects at the Audubon Facilities	968,288	5,475,900
Education Programs at the Audubon Facilities	82,429	196,254
Operating Support for the Audubon Facilities	654,813	1,785,935
<b>Total Net Assets Released from Restrictions</b>	<b>\$ 1,805,623</b>	<b>\$ 7,542,841</b>

### Note 9. Revenue from Contracts with Customers

The following table provides information about significant changes in deferred revenue for the years ended December 31, 2019 and 2018:

	2019	2018
<b>Deferred Revenue, Beginning of Year</b>	<b>\$ 454,389</b>	<b>\$ 172,746</b>
Sponsorship and Special Events Cash Received During the Year	116,700	460,788
Sponsorship and Special Events Revenue Recognized	(286,055)	(179,145)
<b>Deferred Revenue, End of Year</b>	<b>\$ 285,034</b>	<b>\$ 454,389</b>

# AUDUBON NATURE INSTITUTE, INC.

## Notes to Financial Statements

### Note 10. Functional Reporting of Expenses

The Institute's expenses, by functional classification, for the year ended December 31, 2019 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	\$ 3,442,931	\$ -	\$ -	\$ -	\$ 3,442,931
Donation to Audubon Nature Institute Foundation	552,739	-	-	-	552,739
Salaries and Benefits	-	740,441	203,831	337,829	1,282,101
Deferred Compensation, Net of Market Adjustment	-	-	-	1,133,074	1,133,074
Contractual Services	-	450,151	18,929	14,036	483,116
Event Production	-	59,832	320,675	-	380,507
Interest Expense	-	-	-	176,544	176,544
Bad Debt	-	131,083	-	-	131,083
Printing and Photography	-	46,237	26,247	-	72,484
Fees	-	2,270	10,081	53,157	65,508
Donor Relations	-	50,685	3,351	-	54,036
Professional Services	-	16,337	-	31,250	47,587
Conferences, Conventions, and Meetings	-	26,696	-	-	26,696
Postage	-	12,801	11,220	-	24,021
Advertising	-	11,600	6,163	-	17,763
Miscellaneous	-	14,815	2,118	-	16,933
Dues	-	9,451	944	-	10,395
Security Services	-	-	7,623	-	7,623
Office Supplies	-	4,178	1,399	-	5,577
Equipment	-	3,302	884	-	4,186
Depreciation	-	2,146	-	-	2,146
	<u>\$ 3,995,670</u>	<u>\$ 1,582,025</u>	<u>\$ 613,465</u>	<u>\$ 1,745,890</u>	<u>\$ 7,937,050</u>

# AUDUBON NATURE INSTITUTE, INC.

## Notes to Financial Statements

### Note 10. Functional Reporting of Expenses (Continued)

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 and 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 and Photography	-	51,654	21,116	-	72,770
Fees	-	1,459	7,438	49,001	57,898
Conferences, Conventions, and 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)
	<u>\$ 9,689,137</u>	<u>\$ 1,123,792</u>	<u>\$ 585,424</u>	<u>\$ 249,060</u>	<u>\$ 11,647,413</u>

### Note 11. 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, 2019 and 2018, 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, 2019 and 2018, the amount due to the Institute from the Commission totaled \$4,760,843 and \$2,330,218, respectively.

# AUDUBON NATURE INSTITUTE, INC.

## Notes to Financial Statements

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### Note 11. Transactions with Audubon Commission and Audubon Nature Institute Foundation (Continued)

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.

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, 2019 and 2018, are summarized as follows:

	2019	2018
Audubon Zoo and Park	\$ 1,977,179	\$ 6,325,637
Aquarium of the Americas and Riverfront Park	196,610	322,653
Species Survival Center/Research Center	1,233,225	1,880,788
Butterfly Garden/Insectarium	8,766	1,459
Louisiana Nature Center	27,151	84,882
<b>Total</b>	<b>\$ 3,442,931</b>	<b>\$ 8,615,419</b>

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, 2019, and 2018, the Foundation has loaned funds to the Institute totaling \$396,211 and \$418,974, respectively. During the year ended December 31, 2019 the Institute donated \$552,739 to the Foundation funds.

### Note 12. 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 Plan, are recorded in the Commission's financial statements.

## AUDUBON NATURE INSTITUTE, INC.

### Notes to Financial Statements

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#### **Note 12. Employee Benefit Plans (Continued)**

The Institute also has a discretionary 457 Executive Retirement Plan (the 457 Plan) for certain officers. The 457 Plan provides additional compensation based on the dollar amount or percentage specified in a salary deferral agreement with the officers. The deferred compensation is to be paid to the individuals or their beneficiaries/survivors in a lump sum upon death, disability or established vesting date. Deferred compensation expense includes total contributions totaling approximately \$226,000 for 2019 and 2018 and net market adjustment gain (loss) related to the associated assets totaling \$907,499 and \$(282,548) for 2019 and 2018, respectively. The liability related to the 457 Plan totaled \$6,046,106 and \$4,913,032 at December 31, 2019 and 2018, respectively, and is included in deferred compensation in the accompanying statement of financial position.

#### **Note 13. 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.

As of December 31, 2019 and 2018, Audubon received payment from the University based on an invoice and narrative report. A total of \$92,000 was distributed for each of the years ended December 31, 2019 and 2018.

#### **Note 14. 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.

## AUDUBON NATURE INSTITUTE, INC.

### Notes to Financial Statements

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#### Note 15. 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.

#### 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:

<b>December 31, 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Large/Mid/Small Cap Equities</b>	<b>\$ 2,903,519</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,903,519</b>
<b>Total</b>	<b>\$ 2,903,519</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,903,519</b>
<b>December 31, 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Large/Mid/Small Cap Equities</b>	<b>\$ 3,933,502</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,933,502</b>
<b>Total</b>	<b>\$ 3,933,502</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,933,502</b>

**Note 16. Subsequent Events**

The Institute completed its subsequent events review through June 26, 2020, the date on which the financial statements were available to be issued and determined that the following matters require disclosure:

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern," and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Institute operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the entity, to date, the Institute has experienced and anticipates it will continue to experience decreased revenues since the March 14, 2020, closure of admissions-based facilities to the public.

The closure began shortly before the Institute's largest fundraisers, HancockWhitney Zoo-to-Do (the Gala) and Zoo-to-Do for Kids presented by Children's Hospital. The Lexus luxury raffle was suspended due to the Governor's executive order. The Gala and kids' event have been cancelled for 2020, while the raffle and an auction will be moved to September 2020. This uncertainty has diminished sponsorship and general admission ticket purchases. Cancellation of Scales and Ales, a fall fundraiser is being considered based on city and state government restrictions on gatherings.

The Institute's fundraising priority has shifted to a recovery campaign with on-line and major gifts components. While response has been wide-spread, funds raised have been negatively impacted by potential donors' changed economic circumstances. The Institute is working with donors with outstanding promises to give to release restrictions for upcoming pledge payments and for restricted net asset balances. The Institute has also increased its total Lines of Credit by \$3 million to address potential needs.

It is reasonably possible that the Institute is vulnerable to the risk of a near-term severe impact. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be materially and adversely impacted in the near term as a result of these conditions, including event cancellation refunds, terminated promises to give and sponsorships.

No other subsequent events occurring after June 26, 2020 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, 2019, 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 26, 2020.

**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 "LaForte".

A Professional Accounting Corporation

Metairie, LA  
June 26, 2020

**AUDUBON NATURE INSTITUTE, INC.**  
**Schedule of Findings and Responses**  
**For the Year Ended December 31, 2019**

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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**

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, 2019**

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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) audit.