

AUDUBON NATURE INSTITUTE, INC.

Audits of Financial Statements

December 31, 2017 and 2016



Contents

Independent Auditor's Report	1 - 2
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Basic Financial Statements

Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 18

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19 - 20
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Schedule of Findings and Responses	21
Summary Schedule of Prior Audit Findings	22
Schedule of Compensation, Benefits, and Other Payments to Agency Head	23



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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, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

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, 2017 and 2016, 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 Matters

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Institute's basic financial statements. The schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits, and other payments to agency head is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to agency head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2018, on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 7, 2018

AUDUBON NATURE INSTITUTE, INC.
Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Cash	\$ 6,734,988	\$ 4,864,775
Grants Receivable	679,290	1,316,794
Pledges Receivable, Net	4,556,007	8,223,389
Prepaid Expenses	13,143	13,209
LPFA Bonds Debt Service	-	7,304
Equipment, Net	5,006	7,152
Investments and Asset Limited as to Use	4,970,005	4,120,026
Due from Audubon Commission	2,616,122	4,037,885
	<hr/>	<hr/>
Total Assets	\$ 19,574,561	\$ 22,590,534
	<hr/>	<hr/>
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 173,908	\$ 266,587
Due to Audubon Nature Institute Foundation	342,923	729,036
Lines of Credit	3,000,000	4,000,000
Deferred Compensation	4,970,005	4,120,026
Accrued Salaries and Benefits	13,736	9,646
	<hr/>	<hr/>
Total Liabilities	8,500,572	9,125,295
	<hr/>	<hr/>
Net Assets		
Unrestricted	(285,384)	(474,932)
Temporarily Restricted	11,359,373	13,940,171
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Total Net Assets	11,073,989	13,465,239
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 19,574,561	\$ 22,590,534
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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, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Support				
Government Grants	\$ 241,860	\$ -	\$ -	\$ 241,860
Gifts, Exhibit/Program Sponsorships	1,407,860	4,394,248	-	5,802,108
Investment Income	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	10,959,827	(2,580,798)	-	8,379,029
Expenses				
Grant Expense to the Audubon Commission	8,333,117	-	-	8,333,117
Development Expenses	873,848	-	-	873,848
Fundraising Activities	618,605	-	-	618,605
Interest	62,985	-	-	62,985
Other Expenses	881,724	-	-	881,724
Total Expenses	10,770,279	-	-	10,770,279
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.
Statement of Activities
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Support				
Government Grants	\$ 16,970	\$ 111,500	\$ -	\$ 128,470
Gifts, Exhibit/Program Sponsorships	1,566,626	10,141,548	-	11,708,174
Investment Income	228,953	-	-	228,953
Fundraising Activities	1,575,627	-	-	1,575,627
Net Assets Released from Restrictions	5,847,963	(5,847,963)	-	-
Total Revenue and Other Support	9,236,139	4,405,085	-	13,641,224
Expenses				
Grant Expense to the Audubon Commission	7,211,962	-	-	7,211,962
Development Expenses	965,364	-	-	965,364
Fundraising Activities	576,696	-	-	576,696
Interest	116,856	-	-	116,856
Other Expenses	453,702	-	-	453,702
Total Expenses	9,324,580	-	-	9,324,580
Change in Net Assets	(88,441)	4,405,085	-	4,316,644
Net Assets, Beginning of Year	(386,491)	9,535,086	-	9,148,595
Net Assets, End of Year	\$ (474,932)	\$ 13,940,171	\$ -	\$ 13,465,239

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, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in Net Assets	\$ (2,391,250)	\$ 4,316,644
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities		
Realized and Unrealized Gains on Investments	(491,556)	(131,438)
Receipt of Stock Gifts	(216,106)	(22,531)
Discount on Pledges Receivable	(71,628)	146,182
Allowance for Doubtful Accounts	(70,782)	71,069
Depreciation	2,146	2,146
Changes in Operating Assets and Liabilities		
Pledges Receivable	3,809,792	(4,311,783)
Grants and Other Receivable	637,504	(1,269,009)
Due from Audubon Commission	1,421,763	1,980,497
Prepaid Expenses	66	(4,043)
Accounts Payable and Accrued Expenses	(92,679)	59,323
Due to Audubon Nature Institute Foundation	(386,113)	(59,904)
Accrued Salaries and Benefits	4,090	(3,105)
Deferred Compensation	849,979	423,657
Net Cash Provided by Operating Activities	3,005,226	1,197,705
Cash Flows from Investing Activities		
Proceeds from Sales or Maturities of Investments and		
Assets Limited as to Use	216,106	220,824
Purchases of Investments and Asset Limited as to Use	(358,423)	(490,512)
LPFA Bonds Debt Service, Net	7,304	94,750
Net Cash Used in Investing Activities	(135,013)	(174,938)
Cash Flows from Financing Activities		
Draws from Lines of Credit	3,000,000	3,000,000
Payments for Lines of Credit	(4,000,000)	(3,000,000)
Repayment of Bonds	-	(180,000)
Net Cash Used in Financing Activities	(1,000,000)	(180,000)
Net Increase in Cash	1,870,213	842,767
Cash, Beginning of Year	4,864,775	4,022,008
Cash, End of Year	\$ 6,734,988	\$ 4,864,775
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for:		
Interest	\$ 62,985	\$ 116,856

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 \$51,904 and \$50,576 in 2017 and 2016, 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, 2017 and 2016 is as follows:

	2017	2016
Total Assets	\$ 33,052,745	\$ 29,487,546
Total Liabilities	-	-
Total Net Assets	<u>\$ 33,052,745</u>	<u>\$ 29,487,546</u>
Total Revenues	<u>\$ 4,066,794</u>	<u>\$ 1,591,981</u>
Total Expenses	<u>\$ 133,737</u>	<u>\$ 144,159</u>
Total Endowment Distributions	<u>\$ 367,858</u>	<u>\$ 768,285</u>

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

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

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

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

Permanently Restricted - Net assets whose use by the Institute is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Institute. There were no permanently restricted net assets as of December 31, 2017 and 2016.

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.

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.

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 9. The Institute records investments in accordance with the *Not-for-Profit Entities* Topic of the FASB ASC which establishes standards for the recognition of fair value of investments in certain equity and debt securities with gains and losses included in the statements of activities. See Note 3.

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, 2017 and 2016, the Institute had \$6,484,968 and \$4,608,525, respectively, in excess of the FDIC insured limit.

Pledges Receivable and Contributions Received

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

Equipment

Equipment with an original cost in excess of \$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 \$60,716 and \$58,570 at December 31, 2017 and 2016, respectively.

Functional Allocation of Expenses

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

Note 2. Summary of Significant Accounting Policies (Continued)

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.

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.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions,” and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-05 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Institute is currently evaluating the impact the adoption of this guidance will have on its financial statements.

AUDUBON NATURE INSTITUTE, INC.

Notes to Financial Statements

Note 3. Investments and Asset Limited as to Use

At December 31, 2017 and 2016, investments and asset limited as to use consist of the following:

	2017	2016
Mutual Funds (Invested Primarily in Equity and Bond Funds) (a)	\$ 3,895,061	\$ 3,156,437
Cash Surrender Value of Life Insurance	1,074,944	963,589
Total Investments and Asset Limited as to Use	\$ 4,970,005	\$ 4,120,026

(a) measured at fair value

Investment income of the Institute is comprised of the following:

	2017	2016
Realized and Unrealized Gains on Securities, Net	\$ 491,556	\$ 131,438
Dividend and Interest Income	165,447	97,515
Total Investment Income	\$ 657,003	\$ 228,953

Note 4. Pledges Receivable

Unconditional promises of donors to make contributions to the Institute are included in the financial statements as pledges receivable and revenue of the temporarily restricted net asset class. Pledges are recorded after discounting future cash flows to the present value. Pledges receivable are discounted at rates ranging from 0.72% to 2.20%.

Pledges receivable for the years ended December 31, 2017 and 2016 are expected to be realized as follows:

	2017	2016
In One Year or Less	\$ 1,770,552	\$ 4,027,893
Between One Year and Five Years	2,707,546	3,954,866
Thereafter	300,000	605,133
	4,778,098	8,587,892
Less: Discount to Present Value	(143,571)	(215,200)
Allowance for Uncollectible Pledges	(78,520)	(149,303)
Pledges Receivable, Net	\$ 4,556,007	\$ 8,223,389

AUDUBON NATURE INSTITUTE, INC.

Notes to Financial Statements

Note 4. Pledges Receivable (Continued)

Pledges receivable for the years ended December 31, 2017 and 2016, have restrictions as follows:

	2017	2016
Programs and Capital Projects	\$ 4,291,696	\$ 7,791,410
Other - General Capital and Operating Support	264,311	431,979
Total Pledges Receivable, Net	\$ 4,556,007	\$ 8,223,389

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2017 and 2016 are available for purposes or periods as follows:

	2017	2016
Pledges and Grants Receivable for Periods after Year-End	\$ 4,684,527	\$ 8,372,694
Capital Projects at the Audubon Facilities	4,665,843	3,517,998
Education Programs at the Audubon Facilities	239,332	307,121
Operating Support for the Audubon Facilities	1,769,671	1,742,358
Total Temporarily Restricted Assets	\$ 11,359,373	\$ 13,940,171

Note 6. Net Assets Released from Restrictions

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

	2017	2016
Temporarily Restricted		
Pledges and Grants Receivable for Periods after Year-End	\$ 81,125	\$ 157,864
Capital Projects at the Audubon Facilities	6,195,678	4,655,953
Education Programs at the Audubon Facilities	171,815	312,307
Operating Support for the Audubon Facilities	526,428	721,839
Total Temporarily Restricted Net Assets	\$ 6,975,046	\$ 5,847,963

AUDUBON NATURE INSTITUTE, INC.

Notes to Financial Statements

Note 7. Functional Reporting of Expenses

The Institute's expenses, by functional classification, for the years ended December 31, 2017 and 2016, are as follows:

	2017	2016
Expenses		
Program Services		
Grant Expense to the Audubon Commission	\$ 8,333,117	\$ 7,211,962
Total Program Services	<u>8,333,117</u>	<u>7,211,962</u>
Supporting Services		
Development	873,848	965,364
Fundraising	618,605	576,696
Management and General	944,709	570,558
Total Supporting Services	<u>2,437,162</u>	<u>2,112,618</u>
Total Expenses	<u>\$ 10,770,279</u>	<u>\$ 9,324,580</u>

Note 8. 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, 2017 and 2016, the Institute has incurred expenses on behalf of the Commission in amounts exceeding the reimbursements received from the Commission for those expenses. At December 31, 2017 and 2016, the amount due to the Institute from the Commission totaled \$2,616,122 and \$4,037,885, respectively.

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

AUDUBON NATURE INSTITUTE, INC.

Notes to Financial Statements

Note 8. 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, 2017 and 2016, are summarized as follows:

	2017	2016
Audubon Zoo and Park	\$ 3,945,265	\$ 3,063,364
Aquarium of the Americas and Riverfront Park	286,140	271,825
Species Survival Center/Research Center	3,864,389	3,715,940
Butterfly Garden/Insectarium	41,973	60,833
Louisiana Nature Center	195,350	100,000
Total	\$ 8,333,117	\$ 7,211,962

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, 2017, and 2016, the Foundation has loaned funds to the Institute totaling \$342,923 and \$729,036, respectively.

Note 9. 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 both 2017 and 2016. The liability related to the 457(f) Plan totaled \$4,970,005 and \$4,120,026, at December 31, 2017 and 2016, respectively, and is included in deferred compensation in the accompanying financial statements.

AUDUBON NATURE INSTITUTE, INC.

Notes to Financial Statements

Note 10. Bank Lines of Credit

At December 31, 2017 and 2016, the Institute has three unsecured revolving lines of credit with three commercial banks totaling \$3,990,000 and \$4,000,000, respectively. Funds may be used by the Institute for the general operating needs and capital improvements for Audubon Facilities. As of December 31, 2017, the credit lines amount to \$2,000,000, \$1,000,000, and \$990,000. As of December 31, 2016, one of the credit lines amounted to \$2,000,000, and the other two credit lines total \$1,000,000 each.

At December 31, 2017 and 2016, 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, 2017 and 2016. Effective November 30, 2017, this line of credit was renewed for \$1,000,000 with a maturity date of November 30, 2018 and an interest rate of 2% above the prime rate.

At December 31, 2017, the \$990,000 line of credit bore interest at LIBOR plus 3%. At December 31, 2016, the second \$1,000,000 line of credit bore interest at LIBOR plus 3%. Amounts outstanding under this credit line were \$-0- and \$1,000,000 at December 31, 2017 and 2016, respectively. Effective August 31, 2017 this line of credit was renewed for \$990,000 with a maturity date of August 31, 2018 and an interest rate of one month LIBOR plus 3%.

At December 31, 2017 and 2016, the \$2,000,000 credit line bore interest at one month LIBOR plus 3%. Amounts outstanding under this credit line totaled \$2,000,000, at both December 31, 2017 and 2016. This credit line expires in November 1, 2018, 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 11. Revenue Bonds

The Institute borrowed \$3,060,000 under an Equipment and Capital Facilities Pooled Loan Program in connection with Revenue Bonds Series 2001 B issued by the Louisiana Public Facilities Authority (LPFA). Monthly principal payments of \$17,000 were paid into a debt service fund under the arrangement based on a 15 year amortization; however, bond and interest payments were made to bondholders semi-annually. The bonds matured in full in 2016. As a result, amounts held in the escrow fund for payment by the trustee are unrestricted at December 31, 2016. The balance outstanding under the LPFA bonds was \$-0- at December 31, 2016.

AUDUBON NATURE INSTITUTE, INC.

Notes to Financial Statements

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.

As of December 31, 2017, the new program was operational and Audubon received payment from the University based on an invoice and narrative report. A total of \$46,000 was distributed for the year ended December 31, 2017. At December 31, 2016, the chairs controlled by Audubon Center for Research of Endangered Species were still in place, but unoccupied. There were no distributions to the Institute related to these chairs for the year ended December 31, 2016.

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.

AUDUBON NATURE INSTITUTE, INC.

Notes to Financial Statements

Note 14. Fair Value of Financial Instruments (Continued)

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:

<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

<u>December 31, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Large/Mid/Small Cap Equities	\$ 3,156,437	\$ -	\$ -	\$ 3,156,437
Total	\$ 3,156,437	\$ -	\$ -	\$ 3,156,437

Note 15. Subsequent Events

The Institute has evaluated subsequent events through the date that the financial statements were available to be issued, June 7, 2018, and determined the following events occurred which required disclosure:

On April 9, 2018, Audubon Nature Institute entered into a Cooperative Endeavor Agreement (CEA) with New Orleans Building Corporation, The French Market Corporation, and The New Orleans Regional Transit Authority to develop a unified signage and directional program for parties charged with operation and maintenance of facilities from Crescent Park upriver to the Canal Street Ferry Terminal. The CEA followed months of preliminary discussions in 2017 during which the parties determined that Audubon would take the lead in the project, estimated to cost a total of \$72,500 for design fees. Each party will place \$18,125 into an attorney trust account managed by Kinney and Ellinghausen. Design fees will be disbursed from the attorney trust account. Each party will fund production and installation of signage on the property for which it is responsible.

Note 15. Subsequent Events (Continued)

In April 2018, the Institute accepted the neutral counsel's recommendation for the settlement of business economic loss claims in the amount of \$2,557,899, which was paid to the Institute in May 2018.

No further subsequent events occurring after June 7, 2018 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, 2017, 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 7, 2018.

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 7, 2018

AUDUBON NATURE INSTITUTE, INC.
Schedule of Findings and Responses
For the Year Ended December 31, 2017

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, 2017

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.

AUDUBON NATURE INSTITUTE, INC.
Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended December 31, 2017

Louisiana Revised Statute 24:513(A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expense, per diem, and registration fees to be reported as a supplemental report within the financial statement of local government and quasi-public auditees. In 2015, Act 462 of the 2015 Regular Session of the Louisiana Legislature further amended R.S. 24:513(A)(3) to clarify that nongovernmental entities or not-for-profit entities that received public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

Agency Head Name: L. Ronald Forman, Chief Executive Officer of Audubon Nature Institute, Inc.

Purpose	Amount
Salary	\$ 542,286
Benefits-Insurance	\$ 12,660
Benefits-Retirement	\$ 6,883
Car Allowance	\$ 8,400
Cell Phone	\$ 791
Dues and Registration Fees	\$ 800
Travel- Conference	\$ 2,235
Special Meals	\$ 1,316

As discussed in Note 1, pursuant to a Management and Cooperative Endeavor Agreement (Agreement) between the Institute and the Audubon Commission (the Commission), the Institute operates and manages the Audubon Facilities for the benefit of the Commission, an independent agency of the City of New Orleans. The Institute employs individuals, including L. Ronald Forman, 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.