AUDUBON NATURE INSTITUTE, INC. AND AUDUBON NATURE INSTITUTE FOUNDATION

Audits of Consolidated Financial Statements

December 31, 2012 and 2011

LAPORTE
CPAs & BUSINESS ADVISORS

Contents

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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 consolidated financial statements of Audubon Nature Institute, Inc. and Audubon Nature Institute Foundation (the Institute), which comprise the consolidated statement of financial position as of December 31, 2012, and the related consolidated statements of activities and cash flows for the year 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 consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of December 31, 2012, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters
Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The additional consolidating information for 2012 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies, and is not a required part of the consolidated financial statements. Such information is the responsibility of the Institute's management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, when considered in relation to the consolidated financial statements as a whole.

The financial statements of the Institute, as of and for the year ended December 31, 2011, were audited by other auditors whose report dated June 8, 2012 expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2013, on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institute's internal control over financial reporting and compliance.

LaPorte

A Professional Accounting Corporation

Metairie, LA
June 3, 2013

AUDUBON NATURE INSTITUTE, INC. AND
AUDUBON NATURE INSTITUTE FOUNDATION
Consolidated Statements of Financial Position
December 31, 2012 and 2011

	2012	2011
Assets		
Cash and Cash Equivalents	$ 1,813,914	$ 2,126,520
Accounts and Grants Receivable	1,313,736	690,633
Pledges Receivable, Net	5,888,489	1,119,178
Prepaid Expenses	27,213	16,900
Due from Audubon Commission	6,521,477	7,560,378
Restricted Assets - LPFA Bonds	116,533	124,252
Equipment Less Accumulated Depreciation of $63,041 and $54,745 at 2012 and 2011, Respectively	38,524	48,810
Investments and Assets Limited as to Use	30,886,815	28,720,699
Total Assets	$ 46,606,701	$ 40,407,370
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	$ 537,235	$ 407,497
Lines of Credit	2,500,000	3,000,000
LPFA Revenue Bonds	795,000	1,015,000
Accrued Compensation	2,460,065	2,247,968
Total Liabilities	6,292,300	6,670,465
Net Assets		
Unrestricted, Including Board Designated	7,242,854	6,643,937
Temporarily Restricted	16,524,496	10,705,927
Permanently Restricted	16,547,051	16,387,041
Total Net Assets	40,314,401	33,736,905
Total Liabilities and Net Assets	$ 46,606,701	$ 40,407,370

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

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Support				
Government Grants	$ 1,847,253	$ -	$ -	$ 1,847,253
Gifts, Exhibit/Program Sponsorships	159,006	7,678,067	160,178	7,997,251
Investment Income	2,415,259	954,889	-	3,370,148
Fundraising Activities	1,244,129	-	-	1,244,129
Endowment Income Transferred to Audubon Commission Funds	(1,380,925)	-	-	(1,380,925)
Net Assets Released from Restrictions	2,814,555	(2,814,387)	(168)	-
Total Revenue and Other Support	7,099,277	5,818,569	160,010	13,077,856
Expenses				
Grant Expense to the Audubon Commission	4,201,347	-	-	4,201,347
Development and Fundraising Activities	1,695,487	-	-	1,695,487
Termite Education Grant	13,630	-	-	13,630
Interest	52,197	-	-	52,197
Investment Expenses	116,053	-	-	116,053
Other Expenses	421,646	-	-	421,646
Total Expenses	6,500,360	-	-	6,500,360
Change in Net Assets	598,917	5,818,569	160,010	6,577,496
Net Assets, Beginning of Year	6,643,937	10,705,927	16,387,041	33,736,905
Net Assets, End of Year	$ 7,242,854	$ 16,524,496	$ 16,547,051	$ 40,314,401

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

AUDUBON NATURE INSTITUTE, INC. AND
AUDUBON NATURE INSTITUTE FOUNDATION
Consolidated Statement of Activities
For the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Support				
Government Grants	$ 1,405,849	$ 190,942	$ -	$ 1,596,791
Gifts, Exhibit/Program Sponsorships	174,891	3,303,487	-	3,478,378
Investment Income (Loss)	(882,490)	-	20,348	(862,142)
Fundraising Activities	1,257,382	-	-	1,257,382
Endowment Income Transferred to Audubon Commission Funds	(1,067,478)	-	(31,156)	(1,098,634)
Net Assets Released from Restrictions	2,216,245	(2,216,077)	(168)	-
Total Revenue and Other Support	3,104,399	1,278,352	(10,976)	4,371,775
Expenses				
Grant Expense to the Audubon Commission	3,306,057	-	-	3,306,057
Development and Fundraising Activities	1,451,212	-	-	1,451,212
Termite Education Grant	120,679	-	-	120,679
Interest	88,070	-	-	88,070
Investment Expenses	124,608	-	-	124,608
Other Expenses	103,643	-	-	103,643
Total Expenses	5,194,269	-	-	5,194,269
Change in Net Assets	(2,089,870)	1,278,352	(10,976)	(822,494)
Net Assets, Beginning of Year	8,733,807	9,427,575	16,398,017	34,559,399
Net Assets, End of Year	$ 6,643,937	$ 10,705,927	$ 16,387,041	$ 33,736,905

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

AUDUBON NATURE INSTITUTE, INC. AND
AUDUBON NATURE INSTITUTE FOUNDATION
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Change in Net Assets	$ 6,577,496	$ (822,494)
Adjustments to Reconcile Change in Net Assets to Net Cash		
(Used in) Provided by Operating Activities		
Realized and Unrealized (Gains) Losses on Investments	(2,694,272)	1,390,820
Receipt of Stock Gifts	(327,492)	(7,639)
Discount on Pledges Receivable	94,151	(11,624)
Bad Debt Expense	99,507	-
Depreciation	10,286	8,312
Changes in Operating Assets and Liabilities:		
Pledges Receivable	(4,962,969)	890,826
Accounts and Grants Receivable	(623,103)	219,937
Due from Audubon Commission	1,038,901	(90,371)
Prepaid Expenses	(10,313)	3,688
Accounts Payable and Accrued Expenses	129,738	159,357
Accrued Compensation	212,097	40,391
Net Cash (Used in) Provided by Operating Activities	(455,973)	1,781,203
Cash Flows from Investing Activities		
Proceeds from Sales or Maturities of Investments and Assets Limited as to Use	8,897,205	5,452,249
Purchases of Investments and Assets Limited as to Use	(8,041,557)	(4,479,096)
Equipment Additions	-	(44,027)
Restricted Assets, Net	7,719	(1,723)
Net Cash Provided by Investing Activities	863,367	927,403
Cash Flows from Financing Activities		
Draws from Lines of Credit	3,500,000	3,000,000
Payments for Lines of Credit	(4,000,000)	(3,000,000)
Payments on the Packard Foundation Loan	-	(818,182)
Repayment of Bonds	(220,000)	(205,000)
Net Cash Used in Financing Activities	(720,000)	(1,023,182)
Net (Decrease) Increase in Cash and Cash Equivalents	(312,606)	1,685,424
Cash and Cash Equivalents, Beginning of Year	2,126,520	441,096
Cash and Cash Equivalents, End of Year	$ 1,813,914	$ 2,126,520

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

Note 1. Description of the Organization

Audubon Nature Institute, Inc. (ANI) is a nonprofit organization incorporated October 31, 1975. ANI manages and operates the Audubon Commission (the Commission) facilities located at the Audubon Zoo and Park, the Aquarium and Riverfront Park, the Species Survival Center, the Louisiana Nature Center, and the Audubon Insectarium (the Facilities) under a contractual management agreement. Facility revenues and expenses (including salary expense) are recorded by each facility in accordance with this management agreement. The Facilities had combined operating revenues of approximately $38,427,000 for the year ended December 31, 2012, and combined total assets of approximately $147,896,000 at December 31, 2012.

Audubon Nature Institute Foundation (the Foundation), is a separate nonprofit organization which was incorporated February 8, 1991. Its mission is to raise funds to support the education programs and other activities managed by ANI, but the Foundation remains a separate legal entity. Since ANI and the Foundation (collectively referred to herein as the "Institute") are related through common mission, board representation and common management, the accompanying consolidated financial statements include the accounts of ANI and the Foundation.

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

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. Investment earnings appropriated for expenditure in accordance with the Institute's endowment policy are included in unrestricted 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.

Note 2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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.

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. The permanently restricted classification is also referred to as an endowment fund. Earnings from these assets are periodically transferred to the Commission's operating fund.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents include short-term investments with an original maturity of three months or less, except cash invested in money market accounts that are classified as assets limited as to use.

Investments

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.

Assets Limited as to Use

Assets limited as to use primarily include cash invested in money market accounts which are designated assets set aside by the board to provide additional financial support to the Commission when needed, over which the board retains control and may at its discretion subsequently use for other purposes.

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 cash equivalents and investments.

Note 2. Summary of Significant Accounting Policies (Continued)

Concentrations of Credit and Market Risk (Continued)

Cash and cash equivalents are maintained at various financial institutions so as to reduce the credit exposure at any one institution. 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.

The Institute maintains a portion of its cash balances in money market funds at financial institutions. Such balances are not FDIC insured. The money market balances at December 31, 2012 and 2011, were $715,957 and $828,343, respectively. The Institute has not experienced any losses in these accounts.

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 that originally costs over $5,000 is capitalized at cost and depreciated using the straight-line method over a period of five to ten years.

Functional Allocation of Expenses

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

Income Tax Status

ANI and the Foundation are exempt from income tax under Section 501(c)(3) of the United States Internal Revenue Code. In addition, both entities qualify for the charitable contribution deduction under Section 170(b)(1)(a)(vi) and have been classified as organizations other than a private foundation under Section 509(a)(1).

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

Note 2. Summary of Significant Accounting Policies (Continued)

Reclassifications

The Institute has reclassified certain amounts for prior periods to conform to the current year presentation.

Note 3. Investments and Assets Limited as to Use

Investments and assets limited as to use are stated at fair value which was determined by reference to market information and published sources. At December 31, 2012 and 2011, investments and assets limited as to use consist of the following:

	2012	2011
Audubon Nature Institute, Inc.		
Mutual Funds (Invested Primarily in Equity and Bond Funds)	**$ 2,442,430**	$ 2,236,181
Foundation		
Fixed Income and Domestic, International and Global Equities	**21,691,146**	20,030,863
Alternative Investments	**6,037,282**	5,625,312
Internally Designated - Money Market Accounts	**715,957**	828,343
	28,444,385	26,484,518
Total Investments and Assets Limited as to Use	**$ 30,886,815**	$ 28,720,699

Alternative Investments

Alternative investments include private equity funds and hedge funds structured as limited liability corporations or partnerships or trusts. These funds invest in certain types of financial instruments, including, among others, futures and forward contracts, options, and securities sold not yet purchased, intended to hedge against changes in the market value of investments. These financial instruments, which involve varying degrees of off-balance-sheet risk, may result in loss due to changes in the market (market risk). These investments, without readily marketable fair values, are accounted for under the equity method, which approximates fair value.

Investment income of the Institute is comprised of the following:

	2012	2011
Realized and Unrealized Gains (Losses) on Securities, Net	**$ 2,694,272**	$ (1,390,820)
Dividend and Interest Income	**675,876**	528,678
Total Investment Income (Loss)	**$ 3,370,148**	$ (862,142)

Note 3. Investments and Assets Limited as to Use (Continued)

Board designated assets are unrestricted funds that are invested on a pooled basis with permanently restricted assets in accordance with Board approved plans. These funds are collectively invested as the Foundation's endowment fund. Board designated net assets totaled approximately $7,049,000 and $6,461,000, as of December 31, 2012 and 2011, respectively.

Note 4. Pledges Receivable

Unconditional promises of donors to make contributions to the Institute are included in the financial statements as pledges receivable and revenue of the temporarily restricted net asset class. Pledges are recorded after discounting future cash flows to the present value. Pledges receivable for the years ended December 31, 2012 and 2011, are expected to be realized as follows:

	2012	2011
In One Year or Less	**$ 1,392,046**	$ 453,804
Between One Year and Five Years	**4,698,685**	673,958
	6,090,731	1,127,762
Less: Discount (.72% and .36% at December 31, 2012 and 2011, Respectively)	**(102,735)**	(8,584)
Allowance for Uncollectible Pledges	**(99,507)**	-
Pledges Receivable, Net	**$ 5,888,489**	$ 1,119,178

Pledges receivable for the years ended December 31, 2012 and 2011, have restrictions as follows:

	2012	2011
Specific Capital Projects	**$ 4,729,739**	$ 896,958
Other - General Capital and Operating Support	**1,158,750**	222,220
Total Pledges Receivable, Net	**$ 5,888,489**	$ 1,119,178

Note 5. Endowments and Temporarily and Permanently Restricted Net Assets

The Institute has fourteen temporarily restricted funds and nineteen permanently restricted funds established for a variety of purposes. These funds are classified and reported based on the existence or absence of donor-imposed restrictions. Restricted net assets include funds dedicated to the Facilities.

Note 5. Endowments and Temporarily and Permanently Restricted Net Assets (Continued)

Interpretation of Relevant Law

The Institute accounts for donor-restricted funds consistent with the provisions of Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as adopted by the state of Louisiana. The Institute seeks to preserve the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. Accordingly, the Institute classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor agreement at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until appropriated for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds.

1) The duration and preservation of the fund
2) The purposes of the Institute and the donor restricted endowment fund
3) General economic conditions
4) The possible effect of inflation and deflation
5) The expected total return from income and the appreciation of investments
6) Other resources of the Institute
7) The investment policies of the Institute

Return Objectives, Risk Parameters and Spending Policy

The Institute invests its funds in companies and opportunities whose operational philosophy and management activities are consistent with the overall mission and objectives of the Institute. The primary objective is the long-term growth of the fund's assets. It is recognized that short-term fluctuations may result in the loss of capital earned on occasion. However, in the absence of contributions and withdrawals, the asset value of the funds should grow in the long run and earn rates of return greater than those of an appropriate market index, while avoiding excess risk. The next objective is the preservation of purchasing power. Asset growth, exclusive of contributions and withdrawals, should exceed the rate of inflation as measured by the Consumer Price Index. The final objective is to preserve the value of the assets by earning a positive return over the investment time horizon. The Institute has a policy of appropriating for distribution, each year, 5% of the endowment funds, based on a 3-year rolling average of the fair market value of the funds.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Institute targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Note 5. Endowments and Temporarily and Permanently Restricted Net Assets (Continued)

Funds with Deficits

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or UPMIFA requires the Institute to maintain as a fund of perpetual duration. Deficiencies of this nature are required to be reported in unrestricted net assets. There were no such deficiencies at December 31, 2012 and 2011.

Composition and Purpose

Endowment net assets composition by type of fund as of December 31, 2012 and 2011, is as follows:

December 31, 2012	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor Restricted Endowment Funds	**$ -**	**$ 5,235,161**	**$ 16,547,051**	**$ 21,782,212**
Board Designated Endowment Funds	**7,048,614**	**-**	**-**	**7,048,614**
Total	**$ 7,048,614**	**$ 5,235,161**	**$ 16,547,051**	**$ 28,830,826**

December 31, 2011	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	$ -	$ 4,280,272	$ 16,387,041	$ 20,667,313
Board Designated Endowment Funds	6,461,147	-	-	6,461,147
Total	$ 6,461,147	$ 4,280,272	$ 16,387,041	$ 27,128,460

A summary of changes in the Institute's endowment net assets for the year ended December 31, 2012, is as follows:

December 31, 2012	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment Net Assets, Beginning of Year	**$ 6,461,147**	**$ 4,280,272**	**$ 16,387,041**	**$ 27,128,460**
Investment Return				
Investment Income	**644,677**	**-**	**-**	**644,677**
Net Appreciation (Realized and Unrealized)	**1,439,600**	**954,889**	**-**	**2,394,489**
Total Investment Return	**2,084,277**	**954,889**	**-**	**3,039,166**
Contributions	**-**	**-**	**160,178**	**160,178**
Other Expense	**(115,885)**	**-**	**(168)**	**(116,053)**
Appropriation of Endowment Asset for Expenditure	**(1,380,925)**	**-**	**-**	**(1,380,925)**
Endowment Net Assets, End of Year	**$ 7,048,614**	**$ 5,235,161**	**$ 16,547,051**	**$ 28,830,826**

Note 5. Endowments and Temporarily and Permanently Restricted Net Assets (Continued)

Composition and Purpose (Continued)

A summary of changes in the Institute's endowment net assets for the year ended December 31, 2011, is a follows:

December 31, 2011	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	$ 8,441,049	$ 4,280,272	$ 16,398,017	$ 29,119,338
Investment Return				
Investment Income	469,127	-	31,156	500,283
Net Depreciation (Realized and Unrealized)	(1,292,111)	-	(10,808)	(1,302,919)
Total Investment Return	(822,984)	-	20,348	(802,636)
Contributions	35,000	-	-	35,000
Other Expense	(124,440)	-	(168)	(124,608)
Appropriation of Endowment Asset for Expenditure	(1,067,478)	-	(31,156)	(1,098,634)
Endowment Net Assets, End of Year	$ 6,461,147	$ 4,280,272	$ 16,387,041	$ 27,128,460

Temporarily restricted net assets as of December 31, 2012 and 2011 are available for purposes or periods as follows:

	2012	2011
Audubon Nature Institute, Inc.		
Pledges and Grants Receivable for Periods after Year-End	**$ 6,675,060**	$ 1,572,733
Capital Projects at Zoo and Park, Insectarium, Aquarium, and Research Center	**905,987**	320,118
Education Programs at the Zoo, Aquarium, and Nature Center	**282,783**	255,506
Operating Support for the Zoo and Park, Insectarium, Aquarium, and Research Center	**3,425,505**	4,277,298
	11,289,335	6,425,655
Foundation		
Other Temporary Restricted Funds for the Zoo and Park, Insectarium, Aquarium, and Research Center	**5,235,161**	4,280,272
Total Temporarily Restricted Assets	**$ 16,524,496**	$ 10,705,927

Note 5. Endowments and Temporarily and Permanently Restricted Net Assets (Continued)

Composition and Purpose (Continued)

Permanently restricted net assets as of December 31, 2012 and 2011 must be invested in perpetuity, but the income from these investments is available to support the following:

	Permanently Restricted Net Assets		Income Transferred to	
	2012	2011	**2012**	2011
Aquarium of the Americas and Riverfront Park	**$ 5,059,341**	$ 5,016,163	**$ 460,797**	$ 475,565
Survival Center/Research Center	**7,921,659**	7,921,659	**65,750**	420,554
Audubon Zoo and Park	**2,325,418**	2,208,586	**854,378**	202,515
Louisiana Nature Center	**1,240,633**	1,240,633	**-**	-
Total	**$ 16,547,051**	$ 16,387,041	**$ 1,380,925**	$ 1,098,634

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:

	2012	2011
Temporarily Restricted		
Pledges and Grants Receivable for Periods after Year-End	**$ 387,569**	$ -
Capital Projects at Zoo and Park, Insectarium, Aquarium, Research Center	**942,033**	969,094
Education Programs at the Zoo, Aquarium, and Nature Center	**71,723**	355,164
Operating Support for the Zoo and Park, Insectarium, Aquarium, and Research Center	**1,413,062**	891,819
	2,814,387	2,216,077
Permanently Restricted		
Other Restricted Funds for the Zoo and Park, Insectarium, Aquarium, and Research Center	**168**	168
Total Temporarily Restricted Net Assets	**$ 2,814,555**	$ 2,216,245

Note 7. Functional Reporting of Expenses

The Institute's expenses, by functional classification, for the years ended December 31, 2012 and 2011, are as follows:

	2012	2011
Expenses		
Program Services		
Grants to the Audubon Commission	**$ 4,201,347**	$ 3,306,057
Termite Grant Expenses	**13,630**	120,679
Supporting Services		
Management and General	**589,896**	316,321
Fundraising	**1,695,487**	1,451,212
Total Expenses	**$ 6,500,360**	$ 5,194,269

Note 8. Related Party Transactions

The Institute and the Commission are related through interaction of their Board of Directors and the contractual management agreement under which the Institute manages and operates the Facilities. As a result, these entities often engage in operations through one organization that benefits the other organization to achieve economies of scale. One example of this is the use of common or central bank accounts. The Institute has committed that it has the intent and ability to continue funding the operations of the Commission through operating advances, donations and grants, if necessary, in order to provide the required level of financial support to enable the Commission to discharge its liabilities in the normal course of business as they become due through January 1, 2013. The Institute has no plans in the next 12 months to demand payment on the amounts receivable from the Commission at December 31, 2012.

At December 31, 2012 and 2011, the Institute's receivables from the Commission are summarized as follows:

	2012	2011
Due from Audubon Commission	**$ 6,521,477**	$ 7,560,378

Note 8. Related Party Transactions (Continued)

Specific gifts and grants provided by the Institute to the Facilities to pay operating expenses and fund certain capital projects for the years ended December 31, 2012 and 2011, are summarized as follows:

	2012	2011
Audubon Zoo and Park	**$ 653,336**	$ 1,355,926
Aquarium of the Americas and Riverfront Park	**1,549,195**	916,597
Survival Center/Research Center	**967,352**	1,001,034
Insectarium	**1,031,464**	32,500
Total	**$ 4,201,347**	$ 3,306,057

Note 9. Employee Benefit Plans

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

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 and $423,000 for 2012 and 2011, respectively. The liability related to the 457(f) Plan totaled approximately $2,442,000 and $2,236,000, at December 31, 2012 and 2011, respectively, and is included in accrued compensation in the accompanying consolidated financial statements.

Note 10. Bank Lines of Credit

At December 31, 2012 and 2011, the Institute has three unsecured revolving lines of credit with three commercial banks totaling $4,000,000. One of the credit lines is in the amount of $2,000,000 and the other two credit lines total $1,000,000 each. In addition, standby letters of credit total $1,267,690 at December 31, 2012 and December 31, 2011.

At December 31, 2012 and 2011, 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, 2012 and 2011. Effective March 8, 2013, this line of credit was renewed for $1,000,000 with a maturity date of March 12, 2014, and an interest rate of 2% above the prime rate.

Note 10. Bank Lines of Credit (Continued)

At December 31, 2012 and 2011, the second $1,000,000 line of credit bore interest at Libor plus 3%. Amounts outstanding under this credit line at December 31, 2012 and 2011 were $-0- and $1,000,000, respectively. This credit line expires in December 2013 at which time a renewal will be sought.

At December 31, 2012 and 2011, the $2,000,000 credit line bore interest at one month Libor plus 3%. Amounts outstanding under this credit line totaled $1,500,000 and $1,000,000, at December 31, 2012 and 2011, respectively. This credit line expires in September 2013 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). Under this arrangement, proceeds from the note were deposited into a separate project capital fund maintained on behalf of the Institute by a trustee. The restricted funds were released to cover the cost of certain defined capital projects as such project costs were incurred. As of December 31, 2008, all funds had been disbursed. Monthly principal payments of $17,000 plus interest (1.23% and 1.29% at December 31, 2012 and 2011, respectively) are paid into a debt service fund under the arrangement based on a 15 year amortization; however, bond and interest payments are made to bondholders semi-annually. Bonds are due in 2016. Amounts held in the escrow fund for payment by the trustee are included in restricted assets at December 31, 2012 and 2011. The balances outstanding under the LPFA bonds were $795,000 and $1,015,000, at December 31, 2012 and 2011, respectively.

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

Years Ending December 31,	Amount
2013	$ 204,000
2014	204,000
2015	204,000
2016	183,000
Total	$ 795,000

Note 12. Other Trusts

The Institute and the University of New Orleans (the University) have established four funded trusts to support four endowed chairs at the University. Under an affiliation agreement with the University, the chairholders will conduct research at Audubon Center for Research of Endangered Species and discharge academic responsibilities at the University. These trusts were funded by private donations totaling $2,400,000 and combined with $1,600,000 in matching funds from the Louisiana Trust Fund for Eminent Scholars. This funding set up four $1,000,000 chairs. The trust assets are not included in the Institute's assets. The Institute and the University jointly benefit from trust distributions that fund the chairholder’s research and academic responsibilities. At December 31, 2012 and 2011, the chairs controlled by Audubon Center for Research of Endangered Species were still in place, but unoccupied.

Note 13. Contingencies

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

Note 14. Fair Value of Financial Instruments

The Institute follows the *Fair Value Measurement and Disclosures* Topic of the FASB ASC which establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring use of fair value establishes a framework for measuring fair value and expands disclosures about such fair value measurements.

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

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

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

Level 3 - Unobservable inputs for the asset or liability.

Note 14. Fair Value of Financial Instruments (Continued)

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

Recurring Fair Value Measurements

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

December 31, 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Large/Mid/Small Cap Equities	**$ 8,051,184**	**$ -**	**$ -**	**$ 8,051,184**
Fixed Income Equities	**6,048,416**	**-**	**-**	**6,048,416**
Money Market Accounts	**715,957**	**-**	**-**	**715,957**
International Equities	**3,689,316**	**-**	**-**	**3,689,316**
Emerging Markets	**4,134,569**	**-**	**-**	**4,134,569**
Hedge Funds	**-**	**5,160,119**	**-**	**5,160,119**
REIT	**1,420,082**	**-**	**-**	**1,420,082**
Commodities	**790,009**	**-**	**-**	**790,009**
Total Return Assets/Inflation Hedges	**-**	**-**	**877,163**	**877,163**
Total	**$ 24,849,533**	**$ 5,160,119**	**$ 877,163**	**$ 30,886,815**

December 31, 2011	Level 1	Level 2	Level 3	Total
Large/Mid/Small Cap Equities	$ 7,504,723	$ -	$ -	$ 7,504,723
Fixed Income Equities	5,587,093	-	-	5,587,093
Money Market Accounts	828,343	-	-	828,343
International Equities	3,296,076	-	-	3,296,076
Emerging Markets	3,707,430	-	-	3,707,430
Hedge Funds	-	4,802,821	-	4,802,821
REIT	1,308,036	-	-	1,308,036
Commodities	863,686	-	-	863,686
Total Return Assets/Inflation Hedges	-	-	822,491	822,491
Total	$ 23,095,387	$ 4,802,821	$ 822,491	$ 28,720,699

Note 14. Fair Value of Financial Instruments (Continued)

Alternative Investments

The FASB issued a standards update pertaining to *Fair Value Measurements and Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share*. Fair values are determined by the use of calculated net asset value per ownership share. The Institute's investments at December 31, 2012, that feature net asset value per share in Level 2 and Level 3, are as follows:

	Fair Value (in Thousands)	Unfunded Commitments	Redemption Frequency if Currently Eligible	Redemption Notice Period
Long/Short Hedge Funds (a)	$ 5,160,119	N/A	Quarterly	95 Days
Total Return Assets/Inflation Hedges (b)	877,163	N/A	N/A	N/A
Total	$ 6,037,282			

(a) This category includes investments in a fund of hedge funds which, through a number of underlying investment managers and funds, invests in traditional securities such as common stocks and corporate and government bonds, but certain types of other financial instruments as well, including, among others, futures and forward contracts, options, and securities sold not yet purchased, intended to hedge against changes in the market value of investments.

(b) This includes investments in a well diversified asset mix, which includes equity securities, fixed income and investments in hedge funds which primarily invest in commodities. Investments in this category were not available to be redeemed because of lockup restrictions as of December 31, 2012.

A roll forward of the fair value measurements for all assets and liabilities measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs for years ended December 31, 2012 and 2011, is as follows:

December 31, 2012	**Balance January 1, 2012**	**Earnings (Loss)**	**Purchases, Sales Issuances, and Settlements**	**Transfer In and/or Out of Level 3**	**Balance December 31, 2012**
Total Return Assets/Inflation Hedges	**$ 822,491**	**$ 54,672**	**$ -**	**$ -**	**$ 877,163**
Total	**$ 822,491**	**$ 54,672**	**$ -**	**$ -**	**$ 877,163**

December 31, 2011	Balance January 1, 2011	Earnings (Loss)	Purchases, Sales Issuances, and Settlements	Transfer In and/or Out of Level 3	Balance December 31, 2011
Total Return Assets/Inflation Hedges	$ 833,299	$ (10,808)	$ -	$ -	$ 822,491
Total	$ 833,299	$ (10,808)	$ -	$ -	$ 822,491

Note 15. Subsequent Events

The Institute completed its subsequent events review through June 3, 2013, the date on which the consolidated financial statements were available to be issued. Except as disclosed in Note 10 to the consolidated financial statements, there were no events that required adjustments to, or disclosures in, the consolidated financial statements.

ADDITIONAL INFORMATION

AUDUBON NATURE INSTITUTE, INC. AND
AUDUBON NATURE INSTITUTE FOUNDATION
Consolidating Schedule of Financial Position
December 31, 2012

	Audubon Nature Institute, Inc.	Audubon Nature Institute Foundation	Total
Assets			
Cash and Cash Equivalents	$ 1,813,914	$ -	$ 1,813,914
Accounts and Grants Receivable	1,313,736	-	1,313,736
Pledges Receivable, Net	5,841,481	47,008	5,888,489
Prepaid Expenses	27,213	-	27,213
Due from Audubon Commission	6,176,956	344,521	6,521,477
Restricted Assets - LPFA Bonds	116,533	-	116,533
Equipment Less Accumulated Depreciation of $63,041	38,524	-	38,524
Investments and Assets Limited as to Use	2,442,430	28,444,385	30,886,815
Total Assets	$ 17,770,787	$ 28,835,914	$ 46,606,701
Liabilities and Net Assets			
Liabilities			
Accounts Payable and Accrued Expenses	$ 532,147	$ 5,088	$ 537,235
Lines of Credit	2,500,000	-	2,500,000
LPFA Revenue Bonds	795,000	-	795,000
Accrued Compensation	2,460,065	-	2,460,065
Total Liabilities	6,287,212	5,088	6,292,300
Net Assets			
Unrestricted, Including Board Designated	194,240	7,048,614	7,242,854
Temporarily Restricted	11,289,335	5,235,161	16,524,496
Permanently Restricted	-	16,547,051	16,547,051
Total Net Assets	11,483,575	28,830,826	40,314,401
Total Liabilities and Net Assets	$ 17,770,787	$ 28,835,914	$ 46,606,701

See independent auditor's report.

AUDUBON NATURE INSTITUTE, INC. AND
AUDUBON NATURE INSTITUTE FOUNDATION
Consolidating Schedule of Activities
For the Year Ended December 31, 2012

	Audubon Nature Institute, Inc.	Audubon Nature Institute Foundation	Total
Revenue and Other Support			
Government Grants	$ 1,847,253	$ -	$ 1,847,253
Gifts, Exhibit/Program Sponsorships	7,837,074	160,178	7,997,252
Investment Income	330,980	3,039,167	3,370,147
Fundraising Activities	1,244,129	-	1,244,129
Endowment Income Transferred to Audubon Commission Funds	-	(1,380,925)	(1,380,925)
Total Revenue and Other Support	11,259,436	1,818,420	13,077,856
Expenses			
Grant Expense to the Audubon Commission	4,201,347	-	4,201,347
Development and Fundraising Activities	1,695,487	-	1,695,487
Termite Education Grant	13,630	-	13,630
Interest	52,197	-	52,197
Investment Expenses	-	116,053	116,053
Other Expenses	421,646	-	421,646
Total Expenses	6,384,307	116,053	6,500,360
Change in Net Assets	4,875,129	1,702,367	6,577,496
Net Assets, Beginning of Year	6,608,444	27,128,461	33,736,905
Net Assets, End of Year	$ 11,483,573	$ 28,830,828	$ 40,314,401

See independent auditor's report.

OMB CIRCULAR A-133

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Audubon Nature Institute, Inc.'s (ANI) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Institute's major federal programs for the year ended December 31, 2012. ANI's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibilities
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibilities
Our responsibility is to express an opinion on ANI's compliance for each of the Institute's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Institute's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program
In our opinion, the Institute complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Internal Control Over Compliance

Management of the Institute is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing our audit of compliance, we considered the Institute's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A·133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Institute's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

We have audited the consolidated financial statements of the Institute as of and for the year ended December 31, 2012, and have issued our report thereon dated June 3, 2013 which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepared the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

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

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Metairie, LA
June 3, 2013

AUDUBON NATURE INSTITUTE, INC. AND
AUDUBON NATURE INSTITUTE FOUNDATION

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2012

Federal Grantor or Pass-Trough Grantor and Program Title	CFDA Number	Contract Number	Total Award	Expenditures Incurred During the Year Ended December 31, 2012
National Oceanic and Atmospheric Administration				
Passed through National Fish & Wildlife Foundation				
Enhancing Necropsy Capacity for Unusual Mortality Events	11.463	0312.12.030772	$ 67,500	$ 60,396
U.S. Department of the Interior Fish & Wildlife Service				
Endangered Species Conservation - Recovery Implementation Funds	15.657	40181AG120	500,000	66,399
U.S. Department of Housing and Urban Development -				
Insectarium - 2006	14.246	B-06-SP-LA-0401	495,000	104,740
Insectarium - 2005	14.246	B-05-SP-LA-0097	248,000	222,293
U.S. Department of Housing and Urban Development -				
Community Development Block Grant	14.228	695553	4,500,000	1,393,425
Total			$ 5,810,500	$ 1,847,253

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

Note to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2012

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

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

Accrued Reimbursement

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

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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 consolidated financial statements of Audubon Nature Institute. Inc. and Audubon Nature Institute Foundation (the Institute) which comprise the consolidated statement of financial position as of and for the year ended December 31, 2012, and the related consolidated 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 3, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance with the results of that testing, and not to provide an opinion on the effectiveness of the Institute'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 Institute'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.

LaPorte

A Professional Accounting Corporation

Metairie, LA
June 3, 2013

Part I - Summary of Auditor's Results

Financial Statement Section

1. Type of Auditor's Report Issued	Unqualified
2. Internal Control Over Financial Reporting:	
a. Material Weakness(es) Identified?	No
b. Significant Deficiency(ies) Identified not Considered to be Material Weaknesses?	No
c. Noncompliance Material to Financial Statements Noted?	No
3. Management Letter Comment Provided	None

Federal Awards Section

4. Type of Auditor's Report on Compliance for Major Programs:	Unqualified
5. Internal Control Over Major Programs:	
a. Material Weakness(es) Identified?	No
b. Significant Deficiency(ies) Identified not Considered to be Material Weaknesses?	No
6. Any Audit Findings disclosed that are required to be reported in Accordance with OMB Circular A-133 (Section 510(a))?	No

7. Identification of Major Programs:

Name of Federal Program or Cluster	CFDA Numbers
Community Development Block Grants	14.228
Community Development Block Grants/ Economic Development Initiative	14.246

8. Dollar threshold used to determine Type A Programs:	$300,000
9. Auditee qualified as low-risk auditee?	Yes

Part II - Financial Statement Findings Section

None

Part III - Federal Award Findings and Questioned Costs Section

None

Part I - Financial Statement Findings Section

None

Part II - Federal Award Findings and Questioned Costs Section

None