

ARTHUR ANDERSEN LLP

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THE AUDUBON INSTITUTE, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 1995**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8-21-96

THE AUDUBON INSTITUTE, INC.

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 1995

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors
of The Audubon Institute, Inc.:

We have audited the accompanying balance sheet of The Audubon Institute, Inc. (a Louisiana non-profit Corporation - the Institute) as of December 31, 1995, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards (1994 Revision) 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of December 31, 1995, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have issued a report on our consideration of the Institute's internal control structure and a report on its compliance with laws and regulations, both dated April 4, 1996.

Arthur Andersen LLP

New Orleans, Louisiana,
April 4, 1996

THE AUDUBON INSTITUTE, INC.

BALANCE SHEET

AS OF DECEMBER 31, 1995

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted (Endowment)</u>	<u>Total</u>
ASSETS:				
Cash	\$ 31,990	\$ -	\$ -	\$ 31,990
Grants receivable	1,848,793	-	-	1,848,793
Investments (Note 2)	1,493,057	1,466,609	10,426,877	13,386,543
Accrued interest receivable	25,085	28,470	155,874	209,429
Pledges receivable (Note 3)	-	10,859,199	-	10,859,199
Due from unrestricted net assets (Note 9)	-	-	776,013	776,013
Due from Audubon Park Commission	258,558	-	-	258,558
Prepays and other assets	2,330	-	-	2,330
Equipment less accumulated depreciation of \$143,891	<u>45,874</u>	<u>-</u>	<u>-</u>	<u>45,874</u>
Total assets	<u>\$ 3,705,687</u>	<u>\$12,354,278</u>	<u>\$ 11,358,764</u>	<u>\$27,418,729</u>
LIABILITIES:				
Accounts payable	\$ 6,996	\$ -	\$ -	\$ 6,996
Due to Audubon Park Commission (Note 6)	1,837,077	-	-	1,837,077
Accrued salaries	12,131	-	-	12,131
Accrued sick and vacation	10,446	-	-	10,446
Due to permanently restricted net assets (Note 9)	<u>776,013</u>	<u>-</u>	<u>-</u>	<u>776,013</u>
Total liabilities	<u>2,642,663</u>	<u>-</u>	<u>-</u>	<u>2,642,663</u>
NET ASSETS				
Unrestricted fund	1,063,024	-	-	1,063,024
Temporarily restricted (Note 4)	-	12,354,278	-	12,354,278
Permanently restricted (Note 5)	<u>-</u>	<u>-</u>	<u>11,358,764</u>	<u>11,358,764</u>
Total net assets	<u>1,063,024</u>	<u>12,354,278</u>	<u>11,358,764</u>	<u>24,776,066</u>
Total liabilities and net assets	<u>\$ 3,705,687</u>	<u>\$12,354,278</u>	<u>\$ 11,358,764</u>	<u>\$27,418,729</u>

The accompanying notes are an integral part of this financial statement.

THE AUDUBON INSTITUTE, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 1995

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted (Endowment)</u>	<u>Total</u>
REVENUE AND GAINS:				
Exhibit/program sponsorship	\$ 1,512,195	\$ 1,499,918	\$ 21,895	\$ 3,034,008
Grants	7,889,478	-	-	7,889,478
Investment income	97,003	94,868	570,149	762,020
Imputed interest on pledges (Note 2)	-	651,517	-	651,517
Fundraising activities	655,894	-	-	655,894
Other (Note 9)	200,000	-	(200,000)	-
Net assets released from time and other restrictions	<u>1,576,855</u>	<u>(2,878,779)</u>	<u>1,301,924</u>	<u>-</u>
Total revenue and other support	<u>11,931,425</u>	<u>(632,476)</u>	<u>1,693,968</u>	<u>12,992,917</u>
FUNCTIONAL EXPENSES:				
Development	624,145	-	-	624,145
Fundraising	255,280	-	-	255,280
Annual fund	39,382	-	-	39,382
Environmental policy	<u>247,668</u>	<u>-</u>	<u>-</u>	<u>247,668</u>
Total expenses	<u>1,166,475</u>	<u>-</u>	<u>-</u>	<u>1,166,475</u>
EXCESS OF SUPPORT AND REVENUE OVER EXPENSES BEFORE TRANSFERS TO OPERATING FUNDS	10,764,950	(632,476)	1,693,968	11,826,442
SPECIFIC GRANTS TO AUDUBON PARK COMMISSION FOR OPERATIONS' SUPPORT AND CAPITAL PROJECTS (Note 6)	8,773,178	-	-	8,773,178
ENDOWMENT INCOME TRANSFERRED TO AUDUBON PARK COMMISSION FUNDS (Note 5)	<u>-</u>	<u>-</u>	<u>414,843</u>	<u>414,843</u>
CHANGE IN NET ASSETS FOR THE PERIOD BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	1,991,772	(632,476)	1,279,125	2,638,421
CUMULATIVE EFFECT OF ACCOUNTING CHANGE (Note 2)	<u>125,000</u>	<u>12,986,754</u>	<u>-</u>	<u>13,111,754</u>
CHANGE IN NET ASSETS FOR THE PERIOD	<u>2,116,772</u>	<u>12,354,278</u>	<u>1,279,125</u>	<u>15,750,175</u>
Net assets (deficit), January 1, 1995	<u>(1,053,748)</u>	<u>-</u>	<u>10,079,639</u>	<u>9,025,891</u>
Net assets, December 31, 1995	<u>\$ 1,063,024</u>	<u>\$12,354,278</u>	<u>\$ 11,358,764</u>	<u>\$24,776,066</u>

The accompanying notes are an integral part of this financial statement.

THE AUDUBON INSTITUTE, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 1995

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets for the year before cumulative effect of change in accounting principle	\$ 2,638,421
Adjustments to reconcile to cash provided by operations:	
Depreciation	10,050
Decrease in pledges receivable and deferred support	549,625
Grants receivable, due from Audubon Park Commission and other assets	394,818
Accounts payable, due to Audubon Park Commission and other liabilities	<u>(773,713)</u>
Cash provided by operations	<u>2,819,201</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of equipment	(26,056)
Increase in investments	<u>(3,034,292)</u>
Cash (used) in investing activities	<u>(3,060,348)</u>
Net (decrease) in cash and cash equivalents	(241,147)

CASH AND CASH EQUIVALENTS, beginning of year	<u>273,137</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 31,990</u>

The accompanying notes are an integral part of this financial statement.

THE AUDUBON INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1995

1. DESCRIPTION OF THE ORGANIZATION:

The Audubon Institute, Inc. (the "Institute") is a non-profit organization incorporated October 31, 1975. The Institute is exempt from income tax under Section 501(c)(3) of the U. S. Internal Revenue Code. The Institute manages and operates the Audubon Park Commission (the "Commission") facilities located at the Audubon Zoo and Park, the Aquarium of the Americas, the Species Survival Center and the Louisiana Nature Center under contractual management agreements. In accordance with these management agreements, facility revenues and expenses (including salary expense) are recorded by each facility. These facilities had combined operating revenues of \$20,064,000 for the year ended December 31, 1995 and combined total assets of \$131,163,000 at December 31, 1995.

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 Audubon Park Commission consist of donations received and grants obtained by the Institute for operating support and capital improvements of the facilities described above.

The Audubon Institute Foundation (the "Foundation"), a nonprofit organization exempt from income tax under Section 501(c)(3) of the U. S. Internal Revenue Code, was incorporated February 8, 1991 to raise funds to support the education programs and other activities managed by the Audubon Institute. The Foundation had no transactions from inception through December 31, 1994. On March 21, 1995, the Institute's Board voted to transfer its endowment fund (reported under the caption permanently restricted net assets) to the Foundation to be managed by the Foundation for the benefit of the Institute. As of December 31, 1995, the Foundation's investments are held in Institute investment accounts on behalf of the Foundation. Since the Institute and the Foundation are related through common missions and board representation, and have the same management team, the accompanying financial statements include the accounts of the Foundation. The assets, liabilities and transactions reported under the Permanently Restricted Net Assets classification are those of the Foundation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of 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.

Description of Net Assets Classification

Financial Accounting Standards Board Statement No. 117 entitled "Financial Statements of Not-For-Profit Organizations" was issued by the Financial Accounting Standards Board in June 1993. This statement, adopted by the Institute effective January 1, 1995, requires that net assets and changes in net assets be

reported for three classifications - permanently restricted, temporarily restricted and unrestricted - based on the existence or absence of donor imposed restrictions.

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 or permanently restricted net assets and reported as net assets released from restriction* in the statement of activities. The permanently restricted classification is also referred to as an endowment fund. Earnings from these assets are periodically transferred to the Commission's operating funds.

Pledges Receivable and Contributions Received

In June 1993, the Financial Accounting Standard Board issued Statement of Financial Accounting Standards No. 116 entitled "Accounting for Contributions Received and Contributions Made." This statement requires the recognition of contributions received as revenues in the period received and as assets, decreases in liabilities or expenses depending on the form of benefits received. The Institute adopted Statement No. 116 effective January 1, 1995 with the effect of initial application being reported as a cumulative effect of a change in accounting principle. The cumulative effect of this change in accounting increased reported net assets by approximately \$13,112,000. Of this adjustment, approximately \$11,400,000 related to initially recording pledges receivable. The difference, approximately \$1,712,000, relates to deferred support recorded in previous years.

Pledges receivable are recorded net of an allowance for uncollectible pledges and at net present value. A discount factor of 6% is applied to scheduled future pledge payments.

Investments

Investments are carried at cost, with the exception of donated securities which are carried at fair market value at date of receipt, and consist of the following at December 31, 1995:

Commercial paper	\$ 7,558,051
Certificates of deposit	3,085,000
Mutual funds	1,127,128
U.S. Treasury bills and agency notes	1,166,669
Stocks	49,695
Other	<u>400,000</u>
Total investments	<u>\$13,386,543</u>

The carrying value of investments approximates fair market value at December 31, 1995.

Equipment

Equipment is capitalized at cost and depreciated using the straight-line method over a period of 5 years.

Statement of Cash Flows

Statement No. 117, described above, also requires that not-for-profit entities present a Statement of Cash Flows. For purposes of the reporting cash flows, the Institute considers all investments with an original maturity of ninety days or less to be cash equivalents. Cash and cash equivalents at December 31, 1995 were \$31,990.

3. 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 to the present value of future cash flows. Pledges receivable are expected to be realized in the following periods:

In one year or less	\$ 3,180,597
Between one and five years	8,689,182
More than five years	<u>954,929</u>
	12,824,708
Less discount	<u>(1,965,509)</u>
Pledges receivable	<u>\$10,859,199</u>

The above pledges are presented net of an allowance for uncollectible pledges of \$401,000.

Pledges receivable at December 31, 1995 have the following restrictions:

Specific capital projects	\$ 864,230
Education programs	230,898
Endowment for Aquarium	207,313
Endowment for Species Survival Center	3,653,785
Other, general capital and operating support	<u>5,902,973</u>
Pledges receivable	<u>\$10,859,199</u>

4. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes or periods:

For periods after December 31, 1995 (pledges receivable)	\$10,859,199
Specific capital projects at Audubon Zoo and Park	1,315,685
Education programs at the Zoo, Aquarium and Nature Center	138,144
Operating support for the Office of Environmental Policy	<u>41,250</u>
Total temporarily restricted net assets	<u>\$12,354,278</u>

5. PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets at December 31, 1995 are restricted to investment in perpetuity, the income from which is expendable to support the following:

<u>Description</u>	<u>Net Assets</u>	<u>Income Transferred in 1995</u>
Aquarium of the Americas and Riverfront Park	\$ 3,905,177	\$190,732
Species Survival Center	6,083,565	150,000
Audubon Zoo and Audubon Park	508,677	21,553
Louisiana Nature Center	<u>861,345</u>	<u>52,558</u>
Totals	<u>\$11,358,764</u>	<u>\$414,843</u>

Endowment income transferred to the Commission is included in interest income as disclosed above at December 31, 1995.

6. RELATED PARTY TRANSACTIONS:

The Institute and the Commission are related through interaction of their Boards of Directors and mutual operation of the entities by the same management team. 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. At December 31, 1995, the Institute's receivable from and payable to the Commission are summarized as follows:

	<u>Due from (to)</u>
Due from Audubon Zoo and Park for operations	\$ 258,558
Due to Audubon Zoo and Park for construction	(498,443)
Due to Species Survival Center for construction	<u>(1,338,634)</u>
Net due to Audubon Park Commission	<u>\$ (1,578,519)</u>

Amounts due for construction are generally paid as funds are received under the Institute's grants with the U. S. Fish and Wildlife Service. Grants receivable from U. S. Fish and Wildlife Service at December 31, 1995 were approximately \$1,837,000.

During 1995 the Institute provided specific gifts and grants to Commission facilities totalling \$8,773,178. Such funds were used to pay operating expenses and fund certain capital projects.

Audubon Zoo and Park	\$ 2,399,190
Aquarium of the Americas and Riverfront Park	565,170
Species Survival Center	5,643,657
Louisiana Nature Center	<u>165,161</u>
Total	<u>\$ 8,773,178</u>

In January, 1996, the Institute advanced the Commission \$2,000,000 (See Note 8) to fund construction obligations pertaining to Phase II of the Aquarium of the Americas.

7. EMPLOYEE BENEFIT PLAN:

The Institute has established a tax-deferred annuity plan for the benefit of all full-time employees. The plan provides for the purchase of annuities which qualify for tax deferral. Employees may participate on an optional basis by contributing between 2% and 11% of their salary, not to exceed \$9,500. The Institute matches employee contributions at a rate of 50%, up to 4% of base salary. Contributions are not subject to Federal income taxes and accumulate on a tax-deferred basis until withdrawn. The Institute's contributions amounted to approximately \$10,000 for 1995.

8. LINES OF CREDIT AND SUBSEQUENT EVENTS:

On December 8, 1995 the Institute entered into a \$3,000,000 line of credit agreement commitment with a local bank. No amounts had been borrowed under this line at December 31, 1995, but the Institute drew \$2,000,000 under the line in January 1996, the proceeds of which were advanced to the Commission. By March 31, 1996, the amount outstanding had been reduced to \$1,000,000. Amounts borrowed under the line bear interest at the bank's prime less 2.25% (7.25% at March 31, 1996). The line is partially secured by a security interest in a pledge receivable from a corporate donor.

9. INTERFUND BALANCES:

Certain private donations made to the Institute in prior years included obligations for matching such gifts with endowment funds. The unfunded matching requirement outstanding at December 31, 1995 is recorded as a receivable by the permanently restricted asset class (endowment) from the unrestricted net asset class. The interfund balance at December 31, 1995 is \$776,013. Management intends to fund this obligation through a combination of cash payments and gifts raised specifically for endowment purposes which meet the matching obligations of the original gifts. To the extent new endowment funds are received that satisfy the original matching requirement, the interfund payable in the unrestricted asset class is reduced and revenue is recorded in the unrestricted class. During 1995, \$200,000 was recorded in this manner and reported as other revenue and gains.

ARTHUR ANDERSEN LLP

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS OF THE AUDUBON INSTITUTE, INC. AS AN ENTITY

To the Board of Directors of
The Audubon Institute, Inc.:

We have audited the financial statements of The Audubon Institute, Inc. (the Institute - a Louisiana non-profit corporation) as of and for the year ended December 31, 1995, and have issued our report thereon dated April 4, 1996.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards (1994 Revision), 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 of material misstatement.

Management of the Institute is responsible for establishing and maintaining the internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Institute for the year ended December 31, 1995, we obtained an understanding of the Institute's internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under the standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above. We did, however, note certain matters involving the internal control structure and its operation that we have communicated to the management of the Institute in a separate letter dated April 4, 1996.

This report is intended for the information of the Institute's management, the Board of Directors and grantor agencies. This restriction is not intended to limit the distribution of this report which is a matter of public record.

Arthur Andersen LLP

New Orleans, Louisiana,
April 4, 1996

ARTHUR ANDERSEN LLP

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE OF THE AUDUBON INSTITUTE, INC. AS AN ENTITY

To the Board of Directors of
The Audubon Institute, Inc.:

We have audited the financial statements of The Audubon Institute, Inc. (the Institute - a Louisiana non-profit corporation) as of and for the year ended December 31, 1995, and have issued our report thereon dated April 4, 1996.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards (1994 Revision), 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 of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the Institute is the responsibility of The Institute's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Institute's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances on non-compliance that are required to be reported herein under Government Auditing Standards.

This report is intended for the information of the Institute's management, the Board of Directors and grantor agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Arthur Andersen LLP

New Orleans, Louisiana,
April 4, 1996

ARTHUR ANDERSEN LLP

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS OF THE AUDUBON INSTITUTE, INC.'S FEDERAL FINANCIAL ASSISTANCE PROGRAMS

To the Board of Directors of
The Audubon Institute, Inc.:

We have audited the financial statements of The Audubon Institute, Inc. (the Institute - a Louisiana non-profit corporation) as of and for the year ended December 31, 1995, and have issued our report thereon dated April 4, 1996. We have also audited The Institute's compliance with requirements applicable to major Federal programs and have issued our report thereon dated April 4, 1996.

We conducted our audit in accordance with generally accepted auditing standards, the standards for financial audits contained in Government Auditing Standards (1994 Revision), issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget (OMB) Circular A-133, Audits of Institutions of Higher Education and Other Nonprofit Institutions. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the Institute complied with laws and regulations, noncompliance with which would be material to a major Federal financial assistance program.

In planning and performing our audit of the financial statements of the Institute for the year ended December 31, 1995, we considered the Institute's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and on its compliance with requirements applicable to major Federal financial assistance programs and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to Federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the Institute's financial statements in a separate report dated April 4, 1996.

Management of the Institute is responsible for establishing and maintaining the internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that (1) assets are safeguarded against loss from unauthorized use or disposition, (2) that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and (3) that Federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the control structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering Federal financial assistance programs in the following categories:

Accounting Control Categories

- o Financial Reporting Cycle (includes controls established to ensure compliance with laws and regulations that have a material impact on the component unit financial statements)
- o Treasury Cycle
- o Revenue Cycle
- o Vendor Expenditure Cycle
- o Federal Grants Cycle

Administrative Control Categories (* = not applicable to the Institute's 1995 Federal programs)

o General Requirements

- Political activity
- Davis-Bacon Act(*)
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements

o Specific Requirements (*= not applicable to the Institute's 1995 Federal programs)

- Types of services allowed or unallowed
- Eligibility
- Matching, level of effort and/or earmarking
- Reporting
- Special requirements (if applicable to specific programs)
- Monitoring subrecipients (*)
- Indirect cost allocation
- Claims for advances and reimbursements
- Amounts claimed or used for matching

For the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended December 31, 1995, the Institute expended 97% of its total Federal financial assistance under its two major Federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching

that are applicable to each of the Institute's major Federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures and, accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering Federal financial assistance programs would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to a Federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be a material weakness as defined above. We did, however, note certain matters involving the internal control structure and its operation that we have reported to the management of the Institute in a separate letter dated April 4, 1996.

This report is intended for the information of the Institute's management, the Board of Directors and grantor agencies. This restriction is not intended to limit the distribution of this report which is a matter of public record.

Arthur Andersen LLP

New Orleans, Louisiana,
April 4, 1996

ARTHUR ANDERSEN LLP

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
THE GENERAL REQUIREMENTS APPLICABLE TO THE AUDUBON INSTITUTE, INC.'S
MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

To the Board of Directors of
The Audubon Institute, Inc.:

We have audited the financial statements of The Audubon Institute, Inc. (the Institute - a Louisiana non-profit Corporation) as of and for the year ended December 31, 1995, and have issued our report thereon dated April 4, 1996.

We have applied procedures to test the Institute's compliance with the following requirements applicable to its major Federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the year ended December 31, 1995. (* = not applicable to the Institute's 1995 major Federal programs)

- o Political activity
- o Davis-Bacon Act(*)
- o Civil rights
- o Cash management
- o Federal financial reports
- o Allowable costs/cost principles
- o Drug-Free Workplace Act
- o Administrative requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Audits of Institutions of Higher Learning and Other Non-Profit Institutions (October, 1991 Revision). Our procedures were substantially less in scope than an audit, the objective of which would be the expression of an opinion on the Institute's compliance with the requirements listed in the preceding paragraph and accordingly, we do not express such an opinion.

With respect to the items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Institute had not complied, in all material respects, with those requirements.

This report is intended for the information of the Institute's management, the Board of Directors and grantor agencies. This restriction is not intended to limit the distribution of this report which is a matter of public record.

Arthur Andersen LLP

New Orleans, Louisiana,
April 4, 1996

ARTHUR ANDERSEN LLP

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

WITH THE SPECIFIC REQUIREMENTS APPLICABLE TO THE AUDUBON INSTITUTE, INC.'S

MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

To the Board of Directors of
The Audubon Institute, Inc.:

We have audited the financial statements of The Audubon Institute, Inc. (the Institute - a Louisiana non-profit Corporation) as of and for the year ended December 31, 1995, and have issued our report thereon dated April 4, 1996.

We have also audited the Institute's compliance with the requirements governing (1) types of services allowed or disallowed, (2) eligibility, (3) matching, level of effort, and/or earmarking, (4) reporting, (5) special tests and provisions, (6) claims for advances and reimbursements, and (7) amounts claimed or used for matching that are applicable to each of the Institute's major Federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the year ended December 31, 1995. Management of the Institute is responsible for the Institute's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, the standards for financial audits contained in Government Auditing Standards (1994 Revision), issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-133, Audits of Institutions of Higher Education and Other Nonprofit Institutions. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Institute's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Institute complied, in all material respects, with the requirements governing (1) types of services allowed or disallowed, (2) eligibility, (3) matching, level of effort, and/or earmarking, (4) reporting, (5) special tests and provisions, (6) claims for advances and reimbursements, and (7) amounts claimed or used for matching that are applicable to each of the Institute's major Federal financial assistance programs for the year ended December 31, 1995.

This report is for the information of the Institute's management, the Board of Directors and grantor agencies. However, this report is a matter of public record and its distribution is not limited.

Arthur Andersen LLP

New Orleans, Louisiana,
April 4, 1996

ARTHUR ANDERSEN LLP

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO AUDUBON INSTITUTE, INC.'S
NONMAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

To the Board of Directors
of The Audubon Institute, Inc.:

We have audited the financial statements of The Audubon Institute, Inc. (the Institute - a Louisiana non-profit Corporation) as of and for the year ended December 31, 1995, and have issued our report thereon dated April 4, 1996.

In connection with our audit of the financial statements of the Institute and with our consideration of the Institute's internal control structure used to administer federal programs, as required by Office of Management and Budget (OMB) Circular A-133, Audits of Institutions of Higher Education and Other Nonprofit Institutions, we selected certain transactions applicable to certain nonmajor federal programs for the year ended December 31, 1995. As required by OMB Circular A-133, we performed auditing procedures to test compliance with the requirements governing (1) types of services allowed or disallowed and (2) eligibility that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on compliance with these requirements and accordingly, we do not express such an opinion.

With respect to the items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Institute had not complied, in all material respects, with those requirements.

This report is intended for the information of the Institute's management, the Board of Directors and grantor agencies. However, this report is a matter of public record and its distribution is not limited.

Arthur Andersen LLP

New Orleans, Louisiana,
April 4, 1996

ARTHUR ANDERSEN LLP

INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

To the Board of Directors of
The Audubon Institute, Inc.:

We have audited the financial statements of The Audubon Institute, Inc. (the Institute - a Louisiana non-profit Corporation) as of and for the year ended December 31, 1995, and have issued our report thereon dated April 4, 1996. These financial statements and the Schedule referred to below are the responsibility of the Institute's management. Our responsibility is to express an opinion on the financial statements and the Schedule referred to below based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards (1994 Revision), 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 of material misstatement*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of the Institute taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the financial statements. The information in that Schedule has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Arthur Andersen LLP

New Orleans, Louisiana,
April 4, 1996

THE AUDUBON

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

FOR THE YEAR

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Amount Awarded</u>
U.S. Fish and Wildlife Service/Construction of Audubon Center for Research on Endangered Species	14-48-0010-92-905	\$14,716,
U.S. Fish and Wildlife Service/Support Facilities for the Audubon Center for Research on Endangered Species	14-48-0010-95-013	3,863,
U.S. Fish and Wildlife Service/Sandhill Cranes Hatchery Building	14-48-004-94-975	175,
Federal Emergency Management Administration: Louisiana Department of Agriculture and Forestry Hurricane Andrew Federal Assistance Program	LA-HA56	50,0
Institute of Museum Services/General Operating Support (GOS)	IG-40942-94	112,5
Housing and Urban Development Project FUN	FUN CD#50-119(94)	48,0

UNIVERSITY INSTITUTE, INC.

FINANCIAL ASSISTANCE

ENDED DECEMBER 31, 1995

<u>Receivable or Deferred Support at December 31, 1994</u>	<u>Cash Received in the year ended December 31, 1995</u>	<u>Revenues Recorded in the year ended December 31, 1995</u>	<u>Expenditures incurred in the year ended December 31, 1995</u>	<u>Receivable or (temporarily restricted fund balance) at December 31, 1995</u>
\$1,473,507	\$6,944,743	\$7,116,936	\$ 7,116,936	\$1,645,700
-	365,819	555,830	555,830	190,011
-	175,000	175,000	175,000	-
-	11,000	11,000	11,000	-
(14,063)	56,250	28,029	28,029	(42,284)
1,648	1,648	-	-	-

THE AUDUBON INSTITUTE, INC.

AUDITS PERFORMED BY OTHER ORGANIZATIONS

FOR THE YEAR ENDED DECEMBER 31, 1995

FEDERAL FINANCIAL
ASSISTANCE PROGRAM

DESCRIPTION

Housing and Urban Development Project FUN

Financial audit for the year ended December 31,
1994. No instances of noncompliance were noted.

ARTHUR ANDERSEN LLP

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THE AUDUBON INSTITUTE

MEMORANDUM OF SUGGESTIONS FOR IMPROVEMENT
IN INTERNAL CONTROL STRUCTURE

DECEMBER 31, 1995

under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8-21-96

ARTHUR
ANDERSEN

ARTHUR ANDERSEN & CO. SC

Arthur Andersen LLP

April 4, 1996

Suite 4500
201 St Charles Avenue
New Orleans LA 70170-4500
504 581 5454

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

As part of our audit of the financial statements of Audubon Institute (the Institute) for the year ended December 31, 1995, we considered the Institute's internal control structure in determining the scope of our audit procedures for the purpose of rendering an opinion on the financial statements. While our primary purpose in this engagement was not to provide assurances on the internal control structure, we noted certain matters that we want to bring to your attention. These matters are described in the accompanying memorandum.

This letter and the accompanying memorandum are intended solely for the use of management and the Board of Directors and is not intended for any other purpose.

We appreciate the courtesies and cooperation extended to our representatives during the course of their work. We would be pleased to discuss these recommendations in greater detail or otherwise assist in their implementation at your convenience.

Very truly yours,

Arthur Andersen LLP

THE AUDUBON INSTITUTE.

MEMORANDUM ON ACCOUNTING PROCEDURES AND

INTERNAL ACCOUNTING CONTROLS

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