

ARTHUR ANDERSEN LLP

9748

RECEIVED  
LEGISLATIVE AUDITOR

98 JUN 19 AM 9:44

OFFICIAL  
FILE COPY  
**DO NOT SEND OUT**

When necessary  
tear from this  
copy and PLACE  
BACK IN FILE

THE AUDITOR INSTITUTE, INC.

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1998

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.

JEL, 6/1/98

Release Date

THE AUDIUM INSTITUTE, INC.

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 1987

TABLE OF CONTENTS

	<u>PAGE</u> <u>NUMBER</u>
<b>SECTION I - BASIC FINANCIAL STATEMENTS</b>	
Report of Independent Public Accountants	1
Balance Sheets	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Notes to Financial Statements	5
<b>SECTION II - OMB CIRCULAR A-133 SUPPLEMENTAL REPORTS AND SCHEDULES</b>	
Independent Auditor's Reports on:	
- Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	11
- Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Revised Circular A-133	22
Schedule of Federal Financial Assistance:	
- Independent Auditor's Report on the Schedule of Federal Financial Assistance	24
- Schedule of Federal Financial Assistance	25
Schedule of Findings and Questioned Costs	26

# ARTHUR ANDERSEN LLP

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying balance sheets of The Audubon Institute, Inc. (a Louisiana not-for-profit Corporation - the Institute) as of December 31, 1997 and 1996, and the related statements of activities and cash flows for the years 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 audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. These standards require that we plan and perform the audits 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 audits provide 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, 1997 and 1996, and the changes in its net assets and cash flows for the years 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 over financial reporting and a report on its compliance with certain provisions of laws and regulations, both dated March 27, 1998.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Institute, taken as a whole. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Revised Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the general-purpose financial statements taken as a whole.

*Arthur Andersen LLP*

New Orleans, Louisiana,  
March 27, 1998

THE ALDRICH INSTITUTE, INC.

BALANCE SHEETS

AS OF DECEMBER 31, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
<b>ASSETS:</b>		
Cash	\$ 122,797	\$ 699,779
Accounts and grants receivable	645,662	655,248
Investments (Note 3)	39,461,981	11,942,517
Accrued interest receivable	39,424	39,447
Fidages receivable (Note 3)	9,843,432	18,798,358
Due from permanently restricted net assets	-	40,309
Due from Auditors' Commission (Note 4)	545,898	953,166
Prepays and other assets	24,294	8,617
Project design costs (Note 4)	799,634	728,482
Equipment less accumulated depreciation of \$107,089 and \$111,089	____ 79,782	____ 48,152
<b>Total assets</b>	<b><u>49,937,477</u></b>	<b><u>29,957,102</u></b>
<b>LIABILITIES:</b>		
Accounts payable	\$ 32,893	\$ 58,389
Due to Auditors' Commission (Note 4)	296,380	629,340
Accrued salaries	9,999	11,488
Accrued sick and vacation	33,987	12,898
Other	34,893	25,143
Due to unrestricted net assets	-	40,309
Bank lines of credit (Note 5)	____ 892,580	____ 892,600
<b>Total liabilities</b>	<b><u>1,330,722</u></b>	<b><u>1,629,947</u></b>
<b>NET ASSETS:</b>		
Unrestricted	7,239,593	1,798,498
Temporarily restricted (Note 4)	9,029,326	11,934,694
Permanently restricted (Note 3)	<u>33,668,671</u>	<u>12,077,650</u>
<b>Total net assets</b>	<b><u>29,937,590</u></b>	<b><u>25,812,842</u></b>
<b>Total liabilities and net assets</b>	<b><u>49,937,477</u></b>	<b><u>29,957,102</u></b>

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

THE AUDUBON INSTITUTE, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
<b>REVENUE AND OTHER SUPPORT:</b>		
Government grants	\$ 1,699,699	\$ 4,097,078
Gifts, exhibits/program sponsorships	1,098,528	1,666,429
Gains on securities	1,908,376	959,423
Investment income	753,563	588,637
Inspired interest on pledges	797,216	721,499
Fundraising activities	<u>71,653</u>	<u>654,011</u>
Total revenue and other support	<u>5,969,122</u>	<u>7,587,477</u>
<b>FUNCTIONAL EXPENSES:</b>		
Development activities	676,348	928,622
Fundraising events	152,888	157,322
Environmental policy	-	148,938
Interest	37,736	74,348
Other	<u>118,657</u>	<u>105,459</u>
Total expenses	<u>1,075,629</u>	<u>1,507,416</u>
<b>EXCESS OF SUPPORT AND REVENUE OVER EXPENSES BEFORE TRANSFERS</b>	<b>7,593,493</b>	<b>6,080,061</b>
Specific grants to Audubon Commission for operations support and capital projects (Note 4)	<u>(2,690,833)</u>	<u>(6,672,742)</u>
Endowment income transferred to Audubon Commission funds (Note 5)	<u>(682,863)</u>	<u>(921,299)</u>
Transfers to the University of New Orleans (Note 6)	<u>-</u>	<u>(1,291,029)</u>
<b>CHANGE IN NET ASSETS FOR THE PERIOD BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE</b>	<b>4,219,807</b>	<b>244,091</b>
Cumulative effect of accounting change (Note 2)	<u>-</u>	<u>102,532</u>
<b>CHANGE IN NET ASSETS FOR THE PERIOD</b>	<b>4,219,807</b>	<b>346,623</b>
Net assets, beginning	<u>29,179,073</u>	<u>28,776,086</u>
Net assets, ending	<b>\$ 33,398,880</b>	<b>\$29,122,709</b>

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

THE AUDUBON INSTITUTE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994

	<u>1995</u>	<u>1994</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets for the year before cumulative effect of change in accounting principle	\$ 4,589,507	\$ 294,899
Adjustments to reconcile to cash provided by operations:		
Depreciation	12,049	12,336
Decrease in pledge receivable	81,580	834,882
Grants receivable, due from Audubon Commission, and other assets	384,329	671,493
Accounts payable, due to Audubon Commission, and other liabilities	<u>(836,244)</u>	<u>(1,332,802)</u>
Cash provided by operating activities	<u>4,441,221</u>	<u>730,718</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment in museum project	(98,132)	(730,482)
Increase in investments	(4,738,140)	(735,499)
Purchase of equipment	<u>-</u>	<u>(8,634)</u>
Cash (used) in investing activities	<u>(4,836,272)</u>	<u>(1,474,615)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Draws under credit lines	1,444,565	1,256,038
Repayments under credit lines	<u>(1,828,828)</u>	<u>(1,488,038)</u>
Cash provided by (used in) financing activities	<u>(384,263)</u>	<u>(231,999)</u>
Net increase in cash and cash equivalents	<u>(879,314)</u>	<u>26,104</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>656,729</u>	<u>31,000</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 777,415</u>	<u>\$ 57,104</u>

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

## THE AUDUBON INSTITUTE, INC.

### NOTES TO FINANCIAL STATEMENTS

#### YEARS ENDED DECEMBER 31, 1997 AND 1996

#### **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 Marine Center under contractual management agreements. Facility revenues and expenses (including salary expense) are recorded by each facility in accordance with these management agreements. The facilities had combined operating revenues of \$22,569,800 for the year ended December 31, 1997 and combined total assets of \$153,373,800 at December 31, 1997.

The Institute obtains donations, gifts and grants, and conducts fundraising activities in furtherance of its exempt purposes. 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. Since the Institute and the Foundation are related through common mission, board representation and have the same management team, the accompanying financial statements include the accounts 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.

##### Classification of Net Assets

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 released to as an endowment fund. Earnings from these assets are periodically transferred to the Commission's operating funds.

#### Pledges Receivable and Contributions Suspense

The Institute recognizes contributions received as revenues 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 an allowance for uncollectible pledges and at net present value. A discount factor of 6% is applied to scheduled future pledge payments.

#### Investments

In November 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 124 entitled "Accounting for Certain Investments Held by Not-for-Profit Organizations". This statement requires that investments in equity securities with readily determinable market values and all investments in debt securities be carried at fair value on the balance sheet. The Institute adopted the statement effective January 1, 1996 resulting in an increase in net assets and reported investment balances in the Unrestricted class and the Permanently Restricted class by \$30,000 and \$75,800, respectively. Investments, as detailed below, at December 31, 1997 are carried at fair value which was determined by reference to market information.

	<u>1997</u>	<u>1996</u>
Stocks	\$ 6,880,127	\$ 6,811,472
Corporate bonds	980,268	245,889
Mutual funds	1,090,487	947,115
U.S. government and agency notes	1,741,993	1,804,425
Mortgage and asset-backed securities	3,149,583	3,817,842
Money market accounts and investment-cash	<u>1,625,082</u>	<u>817,695</u>
Total investments	<u>\$15,467,539</u>	<u>\$14,844,537</u>

#### Equipment

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

#### 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.

### 3. PLEDGES RECEIVABLE:

Unconditional promises of donors to make contributions to the Institute are included in the financial statements as pledges receivable and revenues of the temporarily restricted net asset class. Pledges are recorded after discounting future cash flows to the present value. Pledges receivable are expected to be realized in the following periods:

	<u>1997</u>	<u>1996</u>
In one year or less	\$ 3,626,192	\$ 3,072,893
Between one and five years	8,693,117	7,893,080
More than five years	<u>2,658,006</u>	<u>2,782,632</u>
	12,977,315	13,748,605
Less: discount	<u>(2,563,792)</u>	<u>(2,732,122)</u>
Pledges receivable	<u>\$ 10,413,523</u>	<u>\$ 11,016,483</u>

The above pledges are presented net of an allowance for uncollectible pledges of \$225,800.

Pledges receivable have the following restrictions:

	<u>1997</u>	<u>1996</u>
Specific capital projects	\$ 1,518,339	\$ 2,317,998
Education programs	189,117	158,050
Endowment for Audubon Zoo and Park	13,568	22,043
Endowment for Aquarium	185,157	644,104
Endowment for Species Survival Center	1,809,289	2,079,012
Endowment of Marine Center	788,576	712,260
Other endowment	181,378	159,076
Other, general capital and operating support	<u>3,013,792</u>	<u>3,889,809</u>
Pledges receivable	<u>\$ 10,413,523</u>	<u>\$ 11,016,483</u>

#### 4. TEMPORARILY RESTRICTED NET ASSETS

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

	1997	1996
Pledges receivable for periods after December 31, 1997 and 1998	\$ 8,741,079	\$ 9,825,007
Specific capital projects at Audubon Zoo and Park Education programs at the Zoo, Aquarium and Nature Center	-	1,296,009
Operating support for the Office of Environmental Policy	18,908	89,209
Operating support for Species Survival Center and Audubon Center for Research on Endangered Species (ACRES)	31,480	40,583
Other	211,724	25,008
	<u>28,162</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 8,991,169</u>	<u>\$ 11,185,807</u>

#### 5. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at December 31, 1997 and 1996, must be invested in perpetuity, but the income from these investments is expendable to support the following:

Description	Permanently Restricted Net Assets		Income Transferred to	
	1997	1996	1997	1996
Aquarium of the Americas and Riverfront Park	\$ 4,817,942	\$ 4,688,178	\$115,000	\$195,000
Species Survival Center/ACRES	6,766,208	5,683,780	367,662	258,000
Audubon Zoo and Audubon Park	477,143	483,308	24,000	24,000
Louisiana Nature Center	1,071,306	1,089,250	49,200	55,200
Other	79,729	283,882	7,222	-
Total	<u>\$13,192,328</u>	<u>\$12,008,418</u>	<u>\$563,084</u>	<u>\$532,200</u>

Endowment income transferred to the Commission as included above.

#### 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 an 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, 1997 and 1998, the Institute's receivables from and payables to the Commission are summarized as follows:

	Due from (to)	
	1997	1998
Due from Audubon Zoo and Park for operations	\$ 148,838	\$ 90,168
Due to Audubon Zoo and Park to reimburse grant expenditures	(214,883)	-
Due to Species Survival Center for construction	-	(829,211)
Net due from Audubon Park Commission	\$ 133,955	\$ 130,957

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, 1997 and 1998 were approximately \$17,000 and \$629,899, respectively.

Specific gifts and grants provided by the Institute to Commission facilities to pay operating expenses and fund certain capital projects are summarized below:

	1997	1998
Audubon Zoo and Park	\$ 1,283,662	\$ 2,710,409
Aquarium of the Americas and Riverfront Park	730,792	136,274
Species Survival Center/ ACRES	1,175,351	1,892,679
Louisiana Nature Center	81,891	142,440
Total	\$ 3,271,696	\$ 4,881,802

In January, 1998, the Institute advanced the Commission \$1,080,000 (Note 8) to fund construction obligations pertaining to Phase I of the Aquarium of the Americas.

In partial settlement of the Commission's intercompany payable to the Institute, the carrying value of the Commission's investment in project design costs for a proposed Insularia, \$745,800 at January 1, 1996, was transferred to the Institute during 1996.

## 7. EMPLOYEE BENEFIT PLANS

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 15% of their salary, not to exceed \$5,500. The Institute matches employee contributions at a rate of 5%, up to 8% 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 \$5,800 for 1997 and \$88,000 for 1998.

## **8. BANK LINES OF CREDIT:**

The Institute has entered into lines of credit with two banks for \$2,000,000 and \$5,000,000. Borrowings under these lines bear interest at the thirty day London Interbank Offering Rate plus 750 basis points. At December 31, 1997, this rate was 7.4% and \$600,000 was outstanding under the two lines. The lines mature in 1998. The Institute advanced its borrowings under these lines to the Commission to fund construction obligations (Note 6) and seasonal cash flow requirements.

## **9. ENDOWED CHAIRS WITH THE UNIVERSITY OF NEW ORLEANS:**

The University of New Orleans and the Institute have established funded trusts for three endowed chairs at the University. Under an affiliation agreement with the University, chairholders will conduct research at the Audubon Center for Research on Endangered Species in addition to discharging academic responsibilities at the University. In 1994, the Institute transferred \$1,500,000 to the University for two chairs and arranged for funding to be provided directly to the University for a third chair. At December 31, 1996 private funds of \$1,000,000 had been entrusted toward establishing these chairs. In 1997, these funds were matched with \$1,200,000 from the Louisiana Trust Fund for Eminent Scholars to create the core funding for three chairs at \$1,000,000 per chair.

The University and the Institute are working to complete funding arrangements on two additional endowed chairs.

**REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of The Audubon Institute, Inc. (the "Institute"), as of and for the year ended December 31, 1997, and have issued our report thereon dated March 27, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Providing an opinion on compliance with these provisions was not an objective of our audit, however, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Institute's internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in accounts 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 over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Institute's management, 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,  
March 27, 1998

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance:**

We have evaluated the compliance of The Audubon Institute, Inc. (the "Institute") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-335 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 1997. The Institute's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Institute's management. Our responsibility is to express an opinion on the Institute's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards, 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 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. Our audit does not provide a legal determination on the Institute's compliance with these requirements.

In our opinion, the Institute complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1997.

**Internal Control Over Compliance:**

Management of the Institute is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Institute's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 over compliance and its operations that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities, but this report is a matter of public record and its distribution is not limited.

*Arthur Andersen LLP*

New Orleans, Louisiana,  
March 25, 1999

INDEPENDENT AUDITORY 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, 1997, and have issued our report thereon dated March 27, 1998. 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, 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 aspects, in relation to the financial statements taken as a whole.

*Arthur Andersen LLP*

New Orleans, Louisiana,  
March 27, 1998

THE MITCHELLS INSTITUTE, INC.

SCHEDULE FEDERAL FINANCIAL ASSISTANCE

FOR THE YEAR ENDED DECEMBER 31, 1987

Federal CFDA Number	Total Award	Reimbursable or Belated Support as of December 31, 1986	Cash Received in the year ended December 31, 1987	Reimburse Received in the year ended December 31, 1987	Expenses Incurred in the year ended December 31, 1987	Reimbursable as of December 31, 1987
14-40-0004-0-400	\$11,700,000	\$ 474,204	\$ 481,029	\$ 266,745	\$ 266,745	\$ -
14-40-0004-0-000	2,517,125	1,849,680	1,028,402	1,491,750	1,491,750	215,372
	\$14,217,125	\$ 2,323,884	\$ 1,509,431	\$ 2,158,495	\$ 1,758,495	\$ 215,372

Federal Centers for Disease Control and Diagnostic Title

U.S. Park and Wildlife Service/Conservation of Amphibian Center for Research on Endangered Species

U.S. Fish and Wildlife Service/Support Facilities for the Audubon Center for Research on Endangered Species

**THE AUDITOR GENERAL, INC.**  
**SCHOOL OF ENVIRONMENTAL AND FORESTRY PROGRAMS**  
**DECEMBER 31, 2017**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of report issued:	Unqualified
Internal control over financial reporting: Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	No

**Federal Awards**

Internal control over major programs: Material weaknesses identified? Reportable conditions identified not considered to be material weaknesses?	No None reported
Type of auditor's report based on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 319(a)?	No
Identification of major programs:	
<b>CFDA Number</b>	<b>Name of Federal Program</b>
14-49-0010-93-005	U.S. Fish and Wildlife Service/Construction of Audubon Center for Research on Endangered Species
14-49-0010-95-015	U.S. Fish and Wildlife Service/Support Facilities for the Audubon Center for Research on Endangered Species
Dollar threshold used to distinguish between Type A and Type B programs:	\$500,000
Auditor qualify as a for-profit auditor:	Yes

**Section II - Financial Statement Findings**

No matters were reported.

**Section III - Federal Award Findings and Questioned Costs**

No matters were reported.

THE UNIVERSITY OF MICHIGAN, 1954

STATE BOARD OF GOVERNING INSTITUTIONS  
EDUCATIONAL CONTROL  
MICHIGAN, 1957

# ARTHUR ANDERSEN

March 27, 1988

---

Arthur Andersen LLP

---

Suite 3000  
291 St Charles Avenue  
New Orleans, LA 70130-4000  
(504) 581-3434

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

As part of our audit of the financial statements of the Audubon Institute (the Institute) for the year ended December 31, 1987, 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 assurance 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 the recommendations in greater detail as otherwise noted in their implementation at your convenience.

Very truly yours,

*Arthur Andersen LLP*

THE AUDUBON INSTITUTE  
MEMORANDUM ON ACCOUNTING PROCEDURES  
AND INTERNAL ACCOUNTING CONTROLS

TABLE OF CONTENTS

	PAGE
Golf Course	1
Payroll	1
Cash Reconciliations	2
Status of Price Year Suggestions	3

## Golf Course

We noted that cash collected by the golf course from green fees and from cart rentals is placed in a bank bag each day and is taken home by the manager of the golf course. These deposits are being brought to the vault room in the finance department after being held for at least seven days and in some instances, as long as 14 days. This practice increases the possibility that this cash might be misplaced or misappropriated or stolen from the home of the golf course manager. We recommend that procedures be implemented which would require the manager of the golf course to remit his cash deposits daily along with applicable support to the vault room in the finance department to mitigate the risks noted above.

### Management's Response

Effective June 1, 1998 daily sealed deposits are being made with the Archdiocese Zoo cash control room.

## Payroll

In our testing of a sample of payroll disbursements, we noted that not all departmental time summaries for the Zoo and employee time cards for other departments are forwarded to Human Resources for payroll processing were signed by department supervisors evidencing their review/approval. We recommend that management reinforce to department supervisors the importance of the procedure reviewing support for employee time and evidencing their review by signing/initiating applicable documentation.

We also noted that HR personnel independently verify the accuracy of time reported by individual departments in addition to their duties of physically processing the payroll; however, department supervisors are primarily responsible for ensuring that all and only bona fide employees are paid for the hours they actually work. This payroll processing procedure and management control create duplicative work performed by the HR department. We recommend that management evaluate the procedures currently used in processing payroll, as well as other areas, to ensure that the Institute's time and resources are being used to their fullest potential.

### Management's Response

We have modernized the time reporting system to include hand scanners. This has mitigated the potential for absent employees being paid when they did not actually work. Employees paid via hourly payroll cannot be paid unless the system has a handwritten record. We acknowledge the importance of supervisory review for ensuring that personnel check in and out at the appropriate times. Also, review is necessary to ensure that nonproductive time is properly reported and classified. We will reinforce the requirement that supervisors check, approve and signoff on payroll biweekly payroll summaries.

The HR department does review and check time summaries since that department maintains records as to holiday time, sick leave available, vacation time available, etc. We believe that the HR review adds value by ensuring that a quality review has been performed but we acknowledge that this review is not a substitute for supervisory review.

## Cash Reconciliations

In our testing of a sample of cashier reconciliations, we noted that certain reconciliations at various zoo concessionaires were not signed by supervisors to evidence their review/approval. Supervisory review is a key control in the cash balancing process. We recommend that management evidence to department supervisors the importance of evidencing their review by signing applicable documentation.

### *Management's Response*

The food and beverage concessions are handled out of the Audubon Zoo Cash Control Room and the Aquarium Cash Control Room as appropriate. Control Room tellers check each cashier's shift work and document approval by initialing each shift report. Food and Beverage Supervisors also check the day's cash receipts through completion of inventory work on key items (cups, paper plates, etc.). Management reviewed the cash reconciliations for shift work for the month of May for these concessionaires and did not note any compliance deviations. Control Room tellers at the Zoo receive sealed deposits from Audubon Gift Shop supervisors. A review of May's documentation filed in the gift shop office revealed no compliance deviations. Supervisors had initiated approval of each cashier's shift work. Currently it appears that appropriate review work is being done.

Management will be careful to periodically check to see that review functions are being performed and documented, either by line supervisors or by cash control room tellers.

**ALLEGHENY INSTITUTE**  
**STATUS OF FISCAL YEAR IMPLEMENTATIONS**

**DECEMBER 31, 1997**

	Implemented	Partially Implemented	Not Implemented
Investments	X		
Expense Reimbursements	X		
Payroll		X	