ARTHUR ANDERSEN LLP

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THE AUDUBON INSTITUTE, INC.

MEMORANDUM ON ACCOUNTING PROCEDURES AND
INTERNAL ACCOUNTING CONTROLS
DECEMBER 31, 1996

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 SEP 24 1997

ARTHUR ANDERSEN

April 2, 1997

Arthur Andersen LLP

Suite 4500
201 St Charles Avenue
New Orleans LA 70170
504 581 5141

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, 1996, 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 the 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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Investments

The Foundation's year-end endowment fund assets per the unadjusted general ledger balance were approximately $80,000 higher than the portfolio value per the Prudential Securities (Prudential) statement. The Institute referred this difference to Prudential for explanation. When Prudential could not reasonably explain this difference, the Institute assumed the Prudential statement was correct and adjusted its general ledger to reflect the balance per the Prudential statement. In comparing the detailed Prudential statement to the year-end Lazard Freres statement, we discovered that the majority of this difference was due to Prudential's failure to price certain securities purchased close to year-end; therefore, the value of these securities was excluded from its year-end statement. We recommend that the Institute revise its reconciliation procedures to include a detailed review of the Prudential statement each month and comparison of the Prudential statement to the Lazard Freres statement for reasonableness.

Management's Response

The reconciliation of the December Prudential custodian statement to Audubon's records was incomplete at the time the audit commenced. While both management and its Prudential consultants had looked at this problem, the unpriced securities positions were not specifically identified as the source of the difference being investigated. Accordingly, management adjusted its accounting of endowment investments to reflect the Prudential statement balance. The audit team identified the unpriced securities as the problem and the reconciliation was completed. An adjustment was recorded.

Expense Reimbursements

We noted that in at least one instance, the Institute paid "late charges" for a corporate credit card account because the Institute failed to pay the bill by the due date. We recommend that management consider discontinuing credit cards in the name of and paid directly by the Institute. This policy would further enhance internal controls in that the Institute would not be committed to pay for potential unauthorized purchases. The Institute would simply reimburse employees after they have provided adequate supporting documentation. If this policy is not modified, we recommend that the Institute implement procedures to ensure that late charges are not required to be paid on credit cards.

Management's Response

Management implemented procedures in 1996 to ensure that the card statements are routed directly to the Finance Office by the mailroom. Finance is then able to ensure that the payment is processed on a timely basis. Finance Office personnel carefully review credit card statement activity and the adequacy of supporting documentation turned in by the cardholder. Procedures include referring copies of the statements to

Executive Vice Presidents if necessary to clear up questions. There are only five cards outstanding at this time. Management believes that it has appropriately limited the number of company credit cards in use given current business conditions.

Payroll

In our testing of a sample of payroll disbursements, we noted that not all employee time cards (all departments but Zoo) and departmental time summaries (Zoo) 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 reviewing support for employee time and evidencing their review by signing/initialing applicable documentation.

We also noted that HR independently verifies 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

Management will reinforce with its supervisors the requirement that employee time documentation be reviewed and that evidence of that review be documented.

Management will evaluate the cost effectiveness of the quality control procedures being performed in the Human Resources department to ensure that payrolls are processed timely, efficiently and accurately.

AUDUBON INSTITUTE

STATUS OF PRIOR YEAR SUGGESTIONS

DECEMBER 31, 1996

	Implemented	Partially Implemented	Not Implemented
Information Systems Planning	X		
Golf Course	X		
Purchasing	X		
Gift Shop	X		
Temporarily Restricted Investments	X		

THE AUDUBON INSTITUTE, INC.

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 1996

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ARTHUR ANDERSEN LLP

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 not-for-profit Corporation - the Institute) as of December 31, 1996, 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, 1996, and the changes in its net assets and cash flows 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 2, 1997.

Arthur Andersen LLP

New Orleans, Louisiana,
April 2, 1997

THE AUDUBON INSTITUTE, INC.

BALANCE SHEET

AS OF DECEMBER 31, 1996

	Unrestricted	Temporarily Restricted	Permanently Restricted (Endowment)	Total
ASSETS:				
Cash	$ 436,373	$ 260,405	$ -	$ 696,778
Grants receivable	651,248	-	-	651,248
Investments (Notes 2 and 10)	479,097	1,119,462	12,115,291	13,713,850
Accrued interest receivable	-	-	23,647	23,647
Pledges receivable (Note 3)	-	9,925,017	-	9,925,017
Due from permanently restricted net assets	61,305	-	-	61,305
Due from Audubon Commission	961,166	-	-	961,166
Prepaids and other assets	8,617	-	-	8,617
Project design costs (Note 6)	720,482	-	-	720,482
Equipment less accumulated depreciation of $156,229	41,951	-	-	41,951
Total assets	$ 3,360,239	$11,304,884	$ 12,138,938	$26,804,061
LIABILITIES:				
Accounts payable	$ 35,283	$ -	$ -	$ 35,283
Due to Audubon Commission (Note 6)	629,241	-	-	629,241
Accrued salaries	11,480	-	-	11,480
Accrued sick and vacation	12,596	-	-	12,596
Other	25,143	-	-	25,143
Due to unrestricted net assets	-	-	61,305	61,305
Bank lines of credit (Note 8)	850,000	-	-	850,000
Total liabilities	1,563,743	-	61,305	1,625,048
NET ASSETS				
Unrestricted	1,796,496	-	-	1,796,496
Temporarily restricted (Note 4)	-	11,304,884	-	11,304,884
Permanently restricted (Note 5)	-	-	12,077,633	12,077,633
Total net assets	1,796,496	11,304,884	12,077,633	25,179,013
Total liabilities and net assets	$ 3,360,239	$11,304,884	$ 12,138,938	$26,804,061

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, 1996

	Unrestricted	Temporarily Restricted	Permanently Restricted (Endowment)	Total
REVENUE AND GAINS:				
Gifts and grants	$ 4,007,578	$ -	$ -	$ 4,007,578
Exhibit/program sponsorship	501,767	2,163,281	1,381	2,666,429
Gains on securities	22,614	-	895,808	918,422
Investment income	59,533	69,227	459,877	588,637
Imputed interest on pledges	-	722,489	-	722,489
Fundraising activities	694,910	-	-	694,910
Other (Note 9)	776,013	-	(776,013)	-
Net assets released from time and other restrictions	2,125,796	(3,937,391)	1,811,595	-
Total revenue and other support	8,188,211	(982,394)	2,392,648	9,598,465
FUNCTIONAL EXPENSES:				
Development	920,622	-	-	920,622
Fundraising	257,222	-	-	257,222
Environmental policy	149,978	-	-	149,978
Interest	74,140	-	-	74,140
Other	10,035	67,000	28,419	105,454
Total expenses	1,411,997	67,000	28,419	1,507,416
EXCESS OF SUPPORT AND REVENUE OVER EXPENSES BEFORE TRANSFERS	6,776,214	(1,049,394)	2,364,229	8,091,049
SPECIFIC GRANTS TO AUDUBON COMMISSION FOR OPERATIONS' SUPPORT AND CAPITAL PROJECTS (Note 6)	(6,072,742)	-	-	(6,072,742)
ENDOWMENT INCOME TRANSFERRED TO AUDUBON COMMISSION FUNDS (Note 5)	-	-	(524,208)	(524,208)
TRANSFERS TO THE UNIVERSITY OF NEW ORLEANS (Note 10)	-	-	(1,200,000)	(1,200,000)
CHANGE IN NET ASSETS FOR THE PERIOD BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	703,472	(1,049,394)	640,021	294,099
CUMULATIVE EFFECT OF ACCOUNTING CHANGE (Note 2)	30,000	-	78,848	108,848
CHANGE IN NET ASSETS FOR THE PERIOD	733,472	(1,049,394)	718,869	402,947
Net assets, January 1, 1996	1,063,024	12,354,278	11,358,764	24,776,066
Net assets, December 31, 1996	$ 1,796,496	$11,304,884	$ 12,077,633	$25,179,013

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, 1996

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets for the year before cumulative effect of change in accounting principle	$ 294,099
Adjustments to reconcile to cash provided by operations:	
Depreciation	12,338
Decrease in pledges receivable	934,182
Grants receivable, due from Audubon Commission, and other assets	674,431
Accounts payable, due to Audubon Commission, and other liabilities	(1,152,907)
Cash provided by operating activities	762,143
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment in museum project	(720,482)
Increase in investments	(218,459)
Purchase of equipment	(8,416)
Cash (used) in investing activities	(947,357)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Draws under credit lines	2,250,000
Repayments under credit lines	(1,400,000)
Cash provided by financing activities	850,000
Net increase in cash and cash equivalents	664,788
CASH AND CASH EQUIVALENTS, beginning of year	31,990
CASH AND CASH EQUIVALENTS, end of year	$ 696,778

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

THE AUDUBON INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 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 Nature 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 $22,946,000 for the year ended December 31, 1996 and combined total assets of $134,498,000 at December 31, 1996.

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. 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.

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

Pledges Receivable and Contributions Received

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 $78,800, respectively. Investments, as detailed below, at December 31, 1996 are carried at fair value which was determined by reference to market information.

Stocks	$ 6,811,472
Corporate bonds	243,869
Mutual funds	1,418,451
U.S. government and agency notes	1,804,423
Government backed securities	599,382
Mortgage and asset-backed securities	1,918,560
Money market accounts	917,693
Total investments	$13,713,850

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 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	$ 3,350,087
Between one and five years	7,771,150
More than five years	302,000
	11,423,237
Less discount	(1,498,220)
Pledges receivable	$ 9,925,017

The above pledges are presented net of an allowance for uncollectible pledges of $443,000.

Pledges receivable at December 31, 1996 have the following restrictions:

Specific capital projects	$ 2,317,988
Education programs	158,061
Endowment for Audubon Zoo and Park	22,043
Endowment for Aquarium	944,104
Endowment for Species Survival Center	2,673,012
Other, general capital and operating support	3,809,809
Pledges receivable	$ 9,925,017

4. TEMPORARILY RESTRICTED NET ASSETS:

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

For periods after December 31, 1996 (pledges receivable)	$ 9,925,017
Specific capital projects at Audubon Zoo and Park	1,216,329
Education programs at the Zoo, Aquarium and Nature Center	98,235
Operating support for the Office of Environmental Policy	40,303
Other	25,000
Total temporarily restricted net assets	$11,304,884

5. PERMANENTLY RESTRICTED NET ASSETS:

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

Description	Net Assets	Income Transferred in 1996
Aquarium of the Americas and Riverfront Park	$ 4,668,178	$195,000
Species Survival Center	5,693,785	250,008
Audubon Zoo and Audubon Park	463,318	24,000
Louisiana Nature Center	1,009,255	55,200
Audubon Institute Membership	159,068	-
Other	84,029	-
Total permanently restricted net assets	$12,077,633	$524,208

Endowment income transferred to the Commission is 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 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, 1996, the Institute's receivable from and payable to the Commission are summarized as follows:

	Due from (to)
Due from Audubon Zoo and Park for operations	$ 961,166
Due to Species Survival Center for construction	(629,241)
Net due from Audubon Park Commission	$ 331,925

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, 1996* were approximately $629,000.

During 1996 the Institute provided specific gifts and grants to Commission facilities totalling $6,072,742 to pay operating expenses and fund certain capital projects.

Audubon Zoo and Park	$ 3,710,403
Aquarium of the Americas and Riverfront Park	326,274
Species Survival Center	1,892,619
Louisiana Nature Center	143,446
Total	$ 6,072,742

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.

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 Insectarium, $648,000 at January 1, 1996, was transferred to the Institute during 1996.

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 1996.

8. BANK LINES OF CREDIT:

The Institute has unsecured lines of credit with two banks for $2,000,000 and $1,000,000. Borrowings under these lines bear interest at the thirty day London Interbank Offering Rate plus 150 basis points. At December 31, 1996, this rate was 7.0% and $850,000 was outstanding under the two lines. The lines mature in 1997. The Institute advanced its borrowings under these lines to the Commission to fund construction obligations (see Note 6 above).

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 of $776,013 at January 1, 1996 was recorded as a receivable by the permanently restricted asset class (endowment) from the unrestricted net asset class. Management arranged for funding the balance of the obligation in 1996 by working with the University of New Orleans to establish endowed chairs which satisfy the matching criteria. Accordingly, the interfund payable in the unrestricted asset class was reduced and revenue was recorded in the unrestricted class during 1996.

10. ENDOWED CHAIRS WITH THE UNIVERSITY OF NEW ORLEANS:

In a cooperative venture with the University of New Orleans, the Institute worked to establish funded trusts for three endowed chairs at the University of New Orleans which will support research at the Audubon Freeport Center for Reproduction of Endangered Species under an Affiliation Agreement between the Institute and the University. In 1996, the Institute transferred $1,200,000 (core funding for each chair is $600,000 in private funds) to the University for two chairs and arranged for funding to be provided directly to the University for a third chair so that at December 31, 1996, a total of $1,800,000 had been entrusted toward establishing these chairs, and matching public funds totaling $1,200,000 (matching for each chair is $400,000) are expected to be received in 1997 from the Louisiana Trust Fund for Eminent Scholars. When this funding is completed, each chair will begin operations with a fund corpus of $1,000,000. Chairholders will conduct and coordinate research activities at the Audubon Center for Research of Endangered Species in addition to their academic responsibilities at the University.

The Institute and the University have jointly solicited and obtained two pledge commitments toward funding two additional endowed chairs. No pledge payments under these arrangements have been received as of December 31, 1996.

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, 1996, and have issued our report thereon dated April 2, 1997.

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, 1996, 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 2, 1997.

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 2, 1997

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, 1996, and have issued our report thereon dated April 2, 1997.

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 2, 1997

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, 1996, and have issued our report thereon dated April 2, 1997. We have also audited The Institute's compliance with requirements applicable to major Federal programs and have issued our report thereon dated April 2, 1997.

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, 1996, 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 2, 1997.

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

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

Administrative Control Categories (* = not applicable to the Institute's 1996 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 1996 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, 1996, the Institute expended 98% 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 2, 1997.

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 2, 1997

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, 1996, and have issued our report thereon dated April 2, 1997.

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, 1996. (* = not applicable to the Institute's 1996 major Federal programs)

- *Political activity*
- Davis-Bacon Act(*)
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- 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 2, 1997

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, 1996 and have issued our report thereon dated April 2, 1997.

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, 1996. Management of the Institute is responsible for the Institute's compliance with these requirements. Our responsibility is to express an opinion on compliance with these requirements based on our audit.

We conducted our audit of compliance with these 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 these 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, 1996.

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 2, 1997

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH

REQUIREMENTS APPLICABLE TO THE 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, 1996, and have issued our report thereon dated April 2, 1997.

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, 1996. 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 2, 1997

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, 1996, and have issued our report thereon dated April 2, 1997. 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. These 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 2, 1997

THE AUDUBON INSTITUTE, INC.

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

FOR THE YEAR ENDED DECEMBER 31, 1996

Federal Grantor or Pass-through Grantor and Program Title	Federal CFDA Number	Total Award	Receivable or Deferred Support at December 31, 1995	Cash Received in the year ended December 31, 1996	Revenues Recorded in the year ended December 31, 1996	Expenditures incurred in the year ended December 31, 1996	Receivable or (Temporarily Restricted Fund Balance) at December 31, 1996
U.S. Fish and Wildlife Service/Construction of Audubon Center for Research on Endangered Species	14-48-0010-92-905	$14,785,521	$ 1,645,780	$3,965,681	$2,794,265	$ 2,794,265	$474,284
U.S. Fish and Wildlife Service/Support Facilities for the Audubon Center for Research on Endangered Species	14-48-0010-95-013	$ 3,863,695	$ 190,011	$1,209,325	$1,174,276	$ 1,174,276	$154,962
Institute of Museum Services/General Operating Support	IG-40942-94	$ 112,500	$ (42,284)	$ 42,188	$ 84,472	$ 84,472	$ -

THE AUDUBON INSTITUTE, INC.

AUDITS PERFORMED BY OTHER ORGANIZATIONS

FOR THE YEAR ENDED DECEMBER 31, 1996

NONE