

LOUISIANA TRAVEL PROMOTION ASSOCIATION

JUNE 30, 1999

BATON ROUGE, LOUISIANA

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 OCT 20 1999

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July 30, 1999

Independent Auditor's Report

To the Board of Directors
Louisiana Travel Promotion Association
Baton Rouge, Louisiana

We have audited the accompanying Statement of Financial Position of Louisiana Travel Promotion Association as of June 30, 1999 and the related Statements of Activities, and Cash Flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Louisiana Travel Promotion Association as of June 30, 1998 were audited by Provost, Salter, Harper and Alford, L.L.C., whose report dated August 6, 1998 expressed an unqualified opinion on those statements.

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. 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Travel Promotion Association as of June 30, 1999 and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated July 30, 1999 on our consideration of Louisiana Travel Promotion Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The Year 2000 supplementary information on pages 10-11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the Louisiana Travel Promotion Association is or will become Year 2000 compliant, the Louisiana Travel Promotion Association's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Louisiana Travel Promotion Association does business are or will become Year 2000 compliant.

Respectfully submitted,

Nannis T. Bourgeois, LLP

Louisiana Travel Promotion Association

STATEMENTS OF FINANCIAL POSITION

as of June 30, 1999 and 1998

ASSETS

	<u>1999</u>	<u>1998</u>
Current Assets:		
Cash and Cash Equivalents	\$ 776,629	\$ 231,311
Certificates of Deposit	260,000	495,000
Accounts Receivable (Net of Allowance of \$1,839 for 1999 and 1998)	126,499	97,369
Income Tax Receivable	13,240	-
Prepaid Expenses	<u>16,507</u>	<u>13,117</u>
Total Current Assets	1,192,875	836,797
Vehicles	22,481	22,481
Leasehold Improvements	10,768	11,528
Furniture and Equipment	<u>119,327</u>	<u>130,402</u>
	152,576	164,411
Less Accumulated Depreciation	<u>(83,216)</u>	<u>(91,106)</u>
	69,360	73,305
Cash Surrender Value of Life Insurance	<u>92,797</u>	<u>73,686</u>
Total Assets	<u>\$1,355,032</u>	<u>\$ 983,788</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts Payable	\$ 288,067	\$ 106,095
Accrued Expenses	46,699	44,619
Income Taxes Payable	-	12,221
Deferred Revenue	<u>162,364</u>	<u>163,911</u>
Total Current Liabilities	497,130	326,846
Deferred Compensation	88,762	78,160
Net Assets - Unrestricted:		
Designated - Building Fund	126,217	97,085
Undesignated - General Operations	<u>642,923</u>	<u>481,697</u>
Total Net Assets	<u>769,140</u>	<u>578,782</u>
Total Liabilities and Net Assets	<u>\$1,355,032</u>	<u>\$ 983,788</u>

The accompanying notes are an integral part of this statement.

Louisiana Travel Promotion Association

STATEMENTS OF ACTIVITIES

for the years ended June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Revenues:		
Tour Guide and Maps	\$1,289,014	\$1,265,137
CO-OP Advertising	630,231	432,003
Printing and Distribution	306,932	309,439
Memberships	255,447	254,775
Trade Shows	122,265	156,647
Travel Summit	122,380	109,255
Governmental Action	74,128	68,211
Education	53,424	47,116
Internet	21,100	10,445
Interest	55,735	48,836
Other	<u>5,607</u>	<u>2,510</u>
Total Revenues	2,936,263	2,704,374
Expenses:		
Tour Guide and Maps	929,721	989,013
CO-OP Advertising	567,112	364,158
Printing and Distribution	186,007	203,997
Trade Shows	87,126	124,925
Travel Summit	78,815	68,168
Governmental Action	61,137	55,985
Education	38,942	37,624
Salaries and Related Benefits	509,833	482,970
Rents and Utilities	42,398	42,632
Office Supplies/Printing	34,500	32,256
Telephone	29,415	21,209
Postage	20,295	18,256
Travel and Related	36,017	37,680
Repairs	4,719	4,885
Accounting and Professional	5,700	5,580
Depreciation	27,171	23,105
Internet	18,735	9,832
Other	8,902	9,366
Computer	8,217	6,545
Strategic Planning	12,881	-
Video Production	28,219	-
Building Expense	7,964	-
Loss on Disposition of Assets	2,079	-
Taxes on Unrelated Business Income	<u>-</u>	<u>13,221</u>
Total Expenses	2,745,905	2,551,407
Excess of Revenues Over Expenses	190,358	152,967
Unrestricted Net Assets:		
Beginning of Year	<u>578,782</u>	<u>425,815</u>
End of Year	<u>\$ 769,140</u>	<u>\$ 578,782</u>

The accompanying notes are an integral part of this statement.

Louisiana Travel Promotion Association

STATEMENTS OF CASH FLOWS

for the years ended June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 190,358	\$ 152,967
Adjustments to Reconcile Change in Net Cash Provided by Operating Activities:		
Depreciation	27,171	23,105
Provision for Deferred Compensation	10,602	9,937
Increase in Cash Surrender Value of Life Insurance	(19,111)	(17,275)
(Gain) Loss on Disposition of Fixed Assets	2,079	-
Changes in Current Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(29,130)	73,584
(Increase) Decrease in Income Tax Receivable	(13,240)	-
(Increase) Decrease in Prepaid Expense	(3,390)	(3,056)
Increase (Decrease) in Accounts Payable	181,972	(75,988)
Increase (Decrease) in Accrued Expenses	2,080	3,401
Increase (Decrease) in Income Taxes Payable	(12,221)	11,221
Increase (Decrease) in Deferred Revenues	<u>(1,547)</u>	<u>(14,830)</u>
Net Cash Provided by Operating Activities	335,623	163,066
Cash Flows from Investing Activities:		
Purchases of Property and Equipment	(25,305)	(31,495)
Maturities (Purchases) of Certificates of Deposit	<u>235,000</u>	<u>(205,713)</u>
Net Cash Used in Investing Activities	<u>209,695</u>	<u>(237,208)</u>
Net Increase (Decrease) in Cash	545,318	(74,142)
Cash - Beginning of Year	<u>231,311</u>	<u>305,453</u>
Cash - End of Year	<u>\$ 776,629</u>	<u>\$ 231,311</u>
Supplemental Disclosure of Cash Flow Information:		
Cash Payments for:		
Interest	<u>\$ -</u>	<u>\$ 69</u>
Taxes	<u>\$ 25,461</u>	<u>\$ 1,000</u>

The accompanying notes are an integral part of this statement.

Louisiana Travel Promotion Association

NOTES TO FINANCIAL STATEMENTS

June 30, 1999 and 1998

Note 1 - Summary of Significant Accounting Policies -

Nature of Business

The Louisiana Travel Promotion Association, Inc. (Association) is operated exclusively for the purpose and objective of assisting and encouraging the prosperity of the State of Louisiana and its people through a broad and intense promotion of the tourist industry; to originate, and participate in, tourism programs and movements having as their aim the betterment of the economy of Louisiana and its people; and to this end, to bring together, and coordinate the efforts of all forces of business, industry, political subdivisions, civic and other groups and individuals.

Basis of Accounting

The Association prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board on its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as applicable. At June 30, 1999, all the Association's net assets are considered unrestricted.

Cash Equivalents

The Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents for purposes of reporting cash flows.

Property and Equipment

Expenditures for the acquisition of property and equipment are capitalized at cost. Expenditures for maintenance and repairs are charged to expenses as incurred. Upon sale or retirement of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is reflected in income. Depreciation is provided over the estimated useful lives of the assets (five to seven years) using the straight-line method. Amortization of leasehold improvements is computed using the straight-line method over the estimated useful life of those improvements.

Revenue Recognition

The Association recognizes membership dues in the applicable membership period.

In addition, the Association publishes a tour guide and sells advertising space in the tour guide. The Association also promotes Louisiana tourism through trade shows supported by member involvement.

Deferred Revenue

Prepayments and revenues billed in advance for programs are deferred and recorded in income in the period in which the related services are rendered or the program is completed. A program is considered complete when all costs, except insignificant items, have been incurred.

Deferred income also consists of membership dues paid prior to the effective date of the membership.

Income Taxes

The Association is a non-profit organization which is exempt for income taxes under the Internal Revenue Code 501(c)(6); however, the tour guide and co-op advertising and internet activities are not considered tax exempt. The accrual basis of accounting is used for tax purposes, with overhead being allocated to the tour guide and co-op advertising activities based upon a percentage of total revenues.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of Credit Risk

The Association maintains cash accounts with commercial banks and investment companies. Periodically, cash may exceed federally insured amounts.

Note 2 - Operating Leases -

The Association leases office space under a five year non-cancelable operating lease which expired June 30, 1999. The Association has not renewed this lease and is on a month to month lease.

Rent paid during the years ended June 30, 1999 and 1998 was \$27,900 for both years. In addition, rent paid for warehouse space, which is on an informal month-to-month basis, was \$6,671 and \$6,611 for the years ended June 30, 1999 and 1998, respectively.

Note 3 - Income Taxes -

The Association had unrelated business taxable income (loss) of \$(12,308) and \$72,882 for the years ended June 30, 1999 and 1998, respectively. Tax expense for the years ended June 30, 1999 and 1998 was \$-0- and \$13,221, respectively.

Note 4 - Cash Surrender Value of Life Insurance -

The Association maintains a life insurance policy on the Executive Director, Danny L. Young with a face value of \$400,000. The Association has the policy to fund Mr. Young's retirement. The face value of the policy is payable to the Association in the event of Mr. Young's death. At June 30, 1999 and 1998, the policy had a cash surrender value of \$97,803 and \$73,686, respectively.

Note 5 - Deferred Compensation -

The Association has entered into a deferred compensation agreement with the Executive Director whereby the Association will pay to the Executive Director \$40,000 per year for ten years upon retirement or the event of a disability. For the years ended June 30, 1999 and 1998, \$10,602 and \$9,937, respectively was accrued and charged to expense.

Note 6 - Functional Expenses -

The following is a breakdown by functional expense classification:

	<u>1999</u>	<u>1998</u>
Program Services:		
Membership Development	\$ 274,266	\$ 273,013
Marketing Programs	1,718,542	1,587,503
Membership Services	283,624	299,837
Governmental Action	<u>61,137</u>	<u>55,985</u>
	2,337,569	2,216,338
General and Administrative	<u>403,330</u>	<u>335,069</u>
	<u>\$2,740,899</u>	<u>\$2,551,407</u>

Note 7 - Board Designated Funds -

The Board has designated 1% of earned deposited revenue each year to be reserved for a building fund. The money is invested in certificates of deposit and other short-term investments.

Note 8 - Subsequent Event -

On July 30, 1999, the Association purchased an office building for \$430,000. The Association expects to occupy this new office by November 1999.

Note 9 - Concentrations -

The Association has an annual contract with the State of Louisiana, Department of Tourism to produce the Louisiana "Tour Guide." Under the terms of the contract the department paid the Association \$553,325 and \$552,118 in 1999 and 1998, respectively to produce the guide. The Department then distributes the guide to anyone who requests it. The Association also sells advertising in the guide. The contract is a cooperative venture with the state and is subject to renewal annually. The Association also has accounts receivable from members who are mostly located in the State of Louisiana.

REQUIRED SUPPLEMENTARY INFORMATION

Louisiana Travel Promotion Association

YEAR 2000 ISSUES

June 30, 1999

The Year 2000 Issue

In October 1998, the Governmental Accounting Standards Board (GASB) issued Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*. The provisions of the GASB technical bulletin, effective for financial statements on which the auditor's report is dated after October 31, 1998, requires the Association to make disclosures about its state of readiness in addressing the Year 2000 issues for its internal computer systems and equipment. On March 29, 1999, GASB issued Technical Bulletin 99-1 which amended the previously issued disclosure requirements allowing for the disclosure to be made in the required supplementary information (RSI). "This note is written pursuant to the Year 2000 Information and Readiness Disclosure Act, Public Law No. 105-271, 112 Stat. 2386 (1998)."

The Year 2000 Issue is the result of shortcomings in electronic data-processing systems and other equipment that may adversely affect operations in the year 1999 and beyond.

The following stages have been identified by the GASB as necessary to implement a Year 2000-compliant system:

Awareness Stage - In this first stage, an organization establishes a budget and project plan (for example, a time line or chart noting major tasks and due date) for dealing with the Year 2000 issue.

Assessment Stage - While in this stage, an organization begins the actual process of identifying all of its systems (preparing an inventory) and individual components of the systems. An organization may decide to review all system components for Year 2000 compliance or, through a risk analysis, identify only mission-critical systems and equipment--systems and equipment critical to conducting operations to check compliance.

Remediation Stage - During this stage, an organization actually makes changes to systems and equipment. This stage involves the technical issues of converting existing systems, or switching to compliant systems. Decisions are made on how to make the system or processes Year 2000 compliant, and the required system changes are made.

Validation/Testing Stage - At this stage, an organization validates and tests the changes made during the conversion process. The development of test data and test scripts, the running of test scripts, and the review of test results are crucial for this stage of the conversion process to be successful. If the testing results show anomalies, the tested area needs to be corrected and re-tested.

The Association is currently completing the testing of all systems and expects to be Year 2000 compliant.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the Association is or will be Year 2000 ready, that the Association's remediation efforts will be successful in whole or in part, or that parties with whom the Association does business will be Year 2000 ready.

OTHER SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON THE INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS



Hannis T. Bourgeois, L.L.P.

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July 30, 1999

To the Board of Directors
Louisiana Travel Promotion Association
Baton Rouge, Louisiana

We have audited the financial statements of Louisiana Travel Promotion Association as of and for the year ended June 30, 1999 and have issued our report thereon dated July 30, 1999. 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 Louisiana Travel Promotion Association'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. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Louisiana Travel Promotion Association's internal control 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 the 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 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 over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Louisiana Travel Promotion Association in a separate letter dated July 30, 1999.

This report is intended for the Board of Directors, management, the Office of the Louisiana Legislative Auditor and any cognizant agency and should not be used for any other purpose.

Respectfully submitted,

Hannis T. Bourgeois, LLP



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LOUISIANA TRAVEL PROMOTION ASSOCIATION

MANAGEMENT LETTER

JUNE 30, 1999

BATON ROUGE, LOUISIANA



Hannis T. Bourgeois, L.L.P.

Certified Public Accountants

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July 30, 1999

To the Board of Directors
Louisiana Travel Promotion Association
Baton Rouge, Louisiana

In planning and performing our audit of the financial statements of Louisiana Travel Promotion Association for the year ended June 30, 1999 we considered its internal control structure 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 structure. However, during our audit we became aware of the following matters that are opportunities for strengthening internal controls and operating efficiency.

Access to Sensitive Accounting Data

During our audit, we noted that all personnel information is kept under lock and key. However, the monthly detailed general ledgers are left unlocked in Joyce's office. These detailed general ledgers should be locked up as they list each payroll check and employee name. This will help avoid unwanted access to this information.

Susceptibility to Misappropriation

During our audit, we noted that accounts payable and payroll checks are not kept under lock and key. Easy access to the Association's checks increases the likelihood of theft. These checks should be kept under lock and key to further deter the possibility of theft.

Capitalization Policy

During our audit, we reviewed the capitalization policy set forth in the accounting manual. To avoid unnecessary bookkeeping entries, this policy should be followed on a consistent basis.

New Developments

Effective June 8, 1999, exempt organizations must make copies of Form 990 available to both write-in and walk-in requestors. Walk-in requests require a same day response while written requests require a 30 day response. A reasonable copy fee may be charged. We suggest you maintain a copy of these guidelines in the event a request is made.

To the Board of Directors
Louisiana Travel Promotion Association
July 30, 1999
Page 2

We will be available to answer any questions you may have concerning these suggestions. We wish to express our appreciation for the cooperation and courtesy extended to our representatives by your personnel during the course of this examination. This report is intended solely for the information and use of the Board of Directors of Louisiana Travel Promotion Association.

Respectfully submitted,

Hannis T. Bourgeois, L.L.P.

L LOUISIANA
TRAVEL PROMOTION
ASSOCIATION



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September 8, 1999

Hannis T. Bourgeois, L.L.P.
Certified Public Accountants
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In response to your management letter of July 30, 1999, we have purchased file cabinets to allow us to keep ledgers and checks under lock and key. This procedure will be effective November 1, 1999. Limited personnel will have access to these documents.

We agree with the capitalization policy and we discussed with the Board and we will be consistent with this in the future.

A handwritten signature in cursive script that reads "Danny L. Young".

Danny L. Young
Executive Director