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**NEW ORLEANS  
METROPOLITAN CONVENTION  
& VISITORS BUREAU, INC.**

**December 31, 1999**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 JUL 26 2000

**Audits of Consolidated Financial Statements**

**December 31, 1999  
and  
December 31, 1998**

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Board of Directors  
New Orleans Metropolitan  
Convention & Visitors Bureau, Inc.

Independent Auditor's Report

We have audited the accompanying consolidated statements of financial position of **NEW ORLEANS METROPOLITAN CONVENTION & VISITORS BUREAU, INC.**, (the "BUREAU") (A Nonprofit Organization) as of December 31, 1999 and 1998, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the BUREAU's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *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 consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **NEW ORLEANS METROPOLITAN CONVENTION & VISITORS BUREAU, INC.**, at December 31, 1999 and 1998, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated April 14, 2000, on our consideration of the BUREAU's internal control and on its compliance with laws and regulations.

A Professional Accounting Corporation

April 14, 2000

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**NEW ORLEANS METROPOLITAN  
CONVENTION & VISITORS BUREAU, INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**ASSETS**

	December 31,	
	<u>1999</u>	<u>1998</u>
<b>CURRENT</b>		
Cash and Cash Equivalents	\$ 4,918,664	\$ 6,307,737
Accounts Receivable, Less Allowance for Doubtful Accounts of \$8,450 in 1999 and \$8,644 in 1998	3,930,410	3,988,774
Inventory	62,257	87,970
Prepaid Expenses	<u>287,216</u>	<u>171,097</u>
 Total Current Assets	 <u>9,198,547</u>	 <u>10,555,578</u>
 <b>INVESTMENTS</b>		
Securities at Fair Value	<u>12,142,920</u>	<u>12,093,015</u>
 <b>PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS</b>		
Welcome Center Building Property	2,475,000	-
Furniture and Fixtures	283,513	290,549
Equipment	991,181	939,784
Leasehold Improvements	954,896	954,896
Transportation Vehicles	<u>164,200</u>	<u>164,200</u>
	4,868,790	2,349,429
 Less: Accumulated Depreciation and Amortization	 <u>(1,801,226)</u>	 <u>(1,638,482)</u>
 Net Property, Equipment and Leasehold Improvements	 <u>3,067,564</u>	 <u>710,947</u>
 <b>OTHER ASSETS</b>	 <u>26,887</u>	 <u>8,637</u>
 Total Assets	 <u><u>\$24,435,918</u></u>	 <u><u>\$23,368,177</u></u>

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

**LIABILITIES AND NET ASSETS**

	December 31,	
	1999	1998
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 368,131	\$ 512,423
Deferred Revenue	256,528	277,869
Other Accrued Liabilities	237,954	193,732
	<u>862,613</u>	<u>984,024</u>
<b>NET ASSETS</b>		
Unrestricted:		
Designated	5,783,402	7,934,117
Undesignated	17,789,903	14,450,036
	<u>23,573,305</u>	<u>22,384,153</u>
Total Liabilities and Net Assets	<u><u>\$24,435,918</u></u>	<u><u>\$23,368,177</u></u>

**NEW ORLEANS METROPOLITAN  
CONVENTION & VISITORS BUREAU, INC.  
CONSOLIDATED STATEMENTS OF ACTIVITIES**

	For The Years Ended December 31,	
	<u>1999</u>	<u>1998</u>
<b>UNRESTRICTED NET ASSETS</b>		
<b>Revenue and Support</b>		
Appropriations from Government Agencies	\$ 6,434,902	\$ 5,739,343
New Orleans Tourism Marketing Corporation Funding	1,274,082	1,248,765
Membership Dues	1,510,243	1,317,985
Registration	955,474	870,302
Investment Return	379,610	1,566,758
Advertising	43,400	289,497
Donated Facilities	-	27,070
Posters and Brochures	13,165	22,386
Special Tourism Funds	260,394	243,902
Welcome Center Building, L.L.C.	108,166	-
Other Revenue	56,183	61,059
	<u>11,035,619</u>	<u>11,387,067</u>
<b>Expenses</b>		
Program Services:		
Convention Sales and Services	3,945,951	3,339,027
Tourism Promotion	1,173,868	1,390,672
Public Affairs	747,079	696,522
New Orleans Tourism Marketing Corporation	1,229,797	1,165,189
Member Services	451,241	407,146
Governmental Affairs	57,215	67,239
Information Services	299,288	267,453
Supporting Services:		
Welcome Center Building, L.L.C.	180,253	-
General and Administration	1,761,775	1,894,808
	<u>9,846,467</u>	<u>9,228,056</u>
Total Expenses		
	<u>9,846,467</u>	<u>9,228,056</u>
Increase in Unrestricted Net Assets	1,189,152	2,159,011
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>22,384,153</u>	<u>20,225,142</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$23,573,305</u></u>	<u><u>\$22,384,153</u></u>

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

**NEW ORLEANS METROPOLITAN  
CONVENTION & VISITORS BUREAU, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For The Years Ended	
	December 31,	
	1999	1998
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in Unrestricted Net Assets	\$ 1,189,152	\$ 2,159,011
Adjustments to Reconcile Increase in Unrestricted Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	228,214	198,082
Loss on Disposal of Equipment	621	6,298
(Gain) on Sales of Investment Securities	(221,304)	(547,438)
Unrealized (Gain) Loss on Investment Securities	639,783	(162,511)
(Increase) Decrease in Accounts Receivable	58,364	(1,492,277)
Decrease in Inventory	25,713	16,675
(Increase) Decrease in Prepaid Expenses	(116,119)	53,734
(Increase) in Other Assets	(18,250)	(1,722)
Increase (Decrease) in Accounts Payable	(144,292)	297,576
(Decrease) in Deferred Revenue	(21,341)	(114,997)
Increase (Decrease) in Other Accrued Liabilities	44,222	(50,680)
Net Cash Provided by Operating Activities	1,664,763	361,751
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales of Investment Securities	3,676,548	12,055,841
Purchases of Investment Securities	(4,144,932)	(12,054,808)
Proceeds from Disposal of Equipment	-	500
Purchases of Welcome Center Building Property	(2,475,000)	-
Purchases of Equipment and Leasehold Improvements	(110,452)	(181,414)
Net Cash Used in Investing Activities	(3,053,836)	(179,881)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,389,073)	181,870
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	6,307,737	6,125,867
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 4,918,664	\$ 6,307,737

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

**NEW ORLEANS METROPOLITAN  
CONVENTION & VISITORS BUREAU, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE A**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The **NEW ORLEANS METROPOLITAN CONVENTION & VISITORS BUREAU, INC.**, (the "**BUREAU**") is a private, nonprofit, 501(c)(6) organization dedicated to promoting the Greater New Orleans area as a destination for trade shows, conventions, tour groups and individual travelers. The **BUREAU** grants credit to customers, substantially all of whom are located in Southeast Louisiana.

**BASIS OF PRESENTATION**

During 1999, the Bureau organized the **WELCOME CENTER BUILDING, L.L.C.** to purchase and manage the property at the location of its future operating center. Since the **BUREAU** is the single-member of the **WELCOME CENTER BUILDING, L.L.C.**, the entity is disregarded from its owner for income tax and financial reporting purposes.

**PRINCIPLES OF CONSOLIDATION**

The accompanying consolidated financial statements include the accounts of the **BUREAU** and its wholly-owned subsidiary **WELCOME CENTER BUILDING, L.L.C.** In consolidation, significant inter-company accounts, transactions and profits have been eliminated.

**CASH FLOWS**

For purposes of the statement of cash flows, the **BUREAU** considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There was no cash paid for interest or income taxes for the years ended December 31, 1999 and 1998.

**ACCOUNTS RECEIVABLE**

An allowance for doubtful accounts has been maintained by the **BUREAU**. When accounts receivable are determined to be uncollectible, they are charged to this account.

**INVENTORY**

Inventory consisting of posters and brochures is valued at cost. Cost is determined on the first-in, first-out (FIFO) method.

**PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

Property, equipment and leasehold improvements are stated at cost and are being depreciated or amortized using the straight-line method over estimated useful lives of three to fifteen years. Depreciation expense for 1999 and 1998 was \$228,214 and \$198,082, respectively.

**DEFERRED REVENUE**

Membership dues revenue is recognized as earned over the period of the membership. Advertising revenues billed in advance are deferred and recorded as income in the period in which the related services are provided.

**NON-DIRECT RESPONSE ADVERTISING**

The **BUREAU** expenses advertising costs as incurred. Advertising expenses charged to operations totaled \$1,326,236 for 1999 and \$1,273,191 for 1998.



**NEW ORLEANS METROPOLITAN  
CONVENTION & VISITORS BUREAU, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE A**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**INCOME TAX STATUS**

The BUREAU is exempt from Federal income taxes pursuant to the provisions of Section 501(c)(6) of the Internal Revenue Code.

**FINANCIAL STATEMENT PRESENTATION**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the BUREAU 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. The Bureau has no temporarily or permanently restricted net assets.

**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 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.

**NOTE B**

**COMMITMENTS AND CONTINGENCIES**

The BUREAU has entered into a noncancelable 15-year operating lease for one of its offices. The terms of the lease require no payments for the first 10 years. It was the lessor's intent that these concessions be considered a contribution to the BUREAU. For financial statement purposes, the fair value of the leased space, valued at \$-0- and \$27,070 for the years ended December 31, 1999 and 1998, respectively, has been reflected in donated facilities and other operating expenses. Beginning in December 1994, the BUREAU was required to make annual lease payments, based upon the fair rental value of the property during the third quarter of the prior year. The payments started at 20% of the fair rental value and increased 20% annually until the BUREAU paid 100% of such fair rental value. Actual payments for 1999 and 1998 amounted to \$199,168 and \$172,098, respectively.

**NOTE C**

**NEW ORLEANS TOURISM MARKETING CORPORATION FUNDING**

Funds provided by the New Orleans Tourism Marketing Corporation that are designated for tourism promotion totaled \$1,274,082 and \$1,248,765 in 1999 and 1998, respectively. Unexpended funds of \$498,987 and \$454,702 are included in Designated Net Assets at December 31, 1999 and 1998, respectively.

**NEW ORLEANS METROPOLITAN  
CONVENTION & VISITORS BUREAU, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE D**

**GOVERNMENT APPROPRIATIONS**

The BUREAU has entered into arrangements with the State of Louisiana to promote tourism and economic development in the Greater New Orleans area in exchange for government appropriations.

Act 18 of the 1997 Regular Legislative Session provided for an appropriation of \$5,883,016 for the State fiscal year ended June 30, 1998 to the BUREAU. Pursuant to the BUREAU'S request, a Request for Changes in Appropriation ("BA-7") was approved by the State of Louisiana's Joint Legislative Committee on the Budget on February 12, 1999. This approval provides for an appropriation of \$6,993,016 to the BUREAU during the State's fiscal year ending June 30, 1999.

For the years ended December 31, 1999 and 1998, the BUREAU received appropriations from the State of Louisiana of \$6,434,902 and \$5,739,343, respectively. At December 31, 1999 and 1998, the Bureau had appropriations receivable from the State of Louisiana of \$3,450,611 and \$3,628,774, respectively.

**NOTE E**

**BENEFIT PLANS**

Effective January 1, 1989, the BUREAU adopted a Section 401(k) Profit Sharing Plan and Trust (the Plan). The Plan covers substantially all full-time employees who are at least twenty and one-half years old and have completed one year of continuous service and have worked at least 1,000 hours. Employees may contribute up to 15% of their earnings during any year subject to the maximum level of deferral allowed by the Internal Revenue Service. The BUREAU makes matching contributions to the Plan in the amount of 50% of the elective deferral, to a maximum of 3% of the participant's compensation. Matching contributions for the years ended December 31, 1999 and 1998, were \$54,306 and \$49,046, respectively.

**NOTE F**

**DONATED SERVICES (UNAUDITED)**

The BUREAU has received a significant amount of non-professional donated services from various businesses in and around Greater New Orleans. These services were used in programs designed to promote the local tourism market. Management estimates that approximately \$1,616,476 and \$738,352 of donated services were received in 1999 and 1998, respectively. However, these services do not meet all of the applicable requirements of SFAS No. 116, therefore, no amounts have been reflected in the consolidated financial statements for these donated services.

**NEW ORLEANS METROPOLITAN  
CONVENTION & VISITORS BUREAU, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE G**

**OFF-BALANCE SHEET RISK**

At December 31, 1999, the BUREAU maintained balances at three financial institutions in excess of the federally insured limit by \$3,288,383. Additionally, the BUREAU had investment securities and money market accounts with investment brokerage firms. These amounts are not federally insured.

**NOTE H**

**LEASES**

The BUREAU leases office space under operating leases expiring in January, 2003.

Minimum future rental payments are as follows:

2000	\$ 132,283
2001	48,484
2002	50,424
2003	<u>4,215</u>
	<u>\$ 235,406</u>

Rent expense amounted to \$301,102 and \$282,521 for the years ended December 31, 1999 and 1998, respectively. The BUREAU leases additional office space on a month-to-month basis.

**NOTE I**

**CONTRIBUTION COMMITMENT**

Contribution commitment relate to a pledge made by the BUREAU to a national tourism foundation. The contribution is reported in other accrued liabilities at December 31, 1999 at its present value using a discount rate of 8%. The contributions of \$4,617 will be made in the next year.

**NOTE J**

**INVESTMENTS**

Securities are stated at fair market value.

	December 31, 1999		
	Carrying Amount	Market Value	Increase (Decrease)
Corporate Stock	\$ 7,311,184	\$ 7,258,278	\$ (52,906)
Corporate Debt	1,800,655	1,685,376	(115,279)
U.S. Government Securities	<u>3,497,699</u>	<u>3,199,266</u>	<u>(298,433)</u>
Total	<u>\$ 12,609,538</u>	<u>\$ 12,142,920</u>	<u>\$ (466,618)</u>

**NEW ORLEANS METROPOLITAN  
CONVENTION & VISITORS BUREAU, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE J  
INVESTMENTS (Continued)**

	December 31, 1998		
	Carrying Amount	Market Value	Increase (Decrease)
Corporate Stock	\$ 7,472,524	\$ 7,602,279	\$ 129,755
Corporate Debt	1,287,577	1,313,435	25,858
U.S. Government Securities	<u>3,170,403</u>	<u>3,177,301</u>	<u>6,898</u>
Total	<u>\$ 11,930,504</u>	<u>\$ 12,093,015</u>	<u>\$ 162,511</u>

Investment returns for the years ended December 31, 1999 and 1998 was as follows:

	1999	1998
Interest and Dividends	\$ 798,089	\$ 856,809
Unrealized Gain (Loss) on Investments	(639,783)	162,511
Gain on Sale of Investments	<u>221,304</u>	<u>547,438</u>
	<u>\$ 379,610</u>	<u>\$ 1,566,758</u>

**NOTE K  
RESTRICTIONS/LIMITATIONS ON NET ASSETS**

The BUREAU's Board of Director's has chosen to place the following limitations on unrestricted net assets:

	December 31,	
	1999	1998
Designated for Marketing Corporation	\$ 498,987	\$ 454,702
Designated for Purchase of Building	4,200,000	6,675,000
Designated for Future Conventions	<u>1,084,415</u>	<u>804,415</u>
	<u>\$ 5,783,402</u>	<u>\$ 7,934,117</u>

**NOTE L  
COMMITMENTS**

The BUREAU has entered into agreements expiring in December 2000 for overseas representation with various agencies. The total commitment for compensation amounts to \$322,641 and operating expenses are eligible for reimbursement up to \$220,000. Actual expenses incurred for overseas representation were \$484,439 and \$418,227 for the years ended December 31, 1999 and 1998, respectively.



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

Board of Directors  
New Orleans Metropolitan  
Convention & Visitors Bureau, Inc.

We have audited the consolidated financial statements of **NEW ORLEANS METROPOLITAN CONVENTION & VISITORS BUREAU, INC.**, (the "BUREAU") (A Nonprofit Organization) as of and for the year ended December 31, 1999 and have issued our report thereon dated April 14, 2000. 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 BUREAU's consolidated 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 the BUREAU's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statement 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 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.

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International Affiliation with Accounting Firms Associated, Inc.

This report is intended for the information of the Board of Directors, management and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties.

*Subite, Schut, Long & Neal*

A Professional Accounting Corporation

April 14, 2000