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

December 31, 1997

Audits of Financial Statements

**December 31, 1997
and
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 JUN 03 1998

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

Independent Auditor's Report

We have audited the accompanying statements of financial position of **NEW ORLEANS METROPOLITAN CONVENTION & VISITORS BUREAU, INC.**, (the "BUREAU") (A Nonprofit Organization) as of December 31, 1997 and 1996, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the BUREAU's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **NEW ORLEANS METROPOLITAN CONVENTION & VISITORS BUREAU, INC.**, at December 31, 1997 and 1996, 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 8, 1998, on our consideration of the BUREAU's internal control and on its compliance with laws and regulations.

A Professional Accounting Corporation

April 8, 1998

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

ASSETS

	December 31,	
	1997	1996
CURRENT		
Cash and Cash Equivalents	\$ 6,125,867	\$ 3,932,848
Accounts Receivable, Less Allowance for Doubtful		
Accounts of \$13,101 in 1997 and \$13,356 in 1996	2,496,497	2,645,624
Due from New Orleans Tourism Marketing Corporation	-	230,250
Inventory	104,645	262,794
Prepaid Expenses	<u>224,831</u>	<u>166,793</u>
Total Current Assets	<u>8,951,840</u>	<u>7,238,309</u>
INVESTMENTS		
Securities at Fair Value	<u>11,384,099</u>	<u>9,288,950</u>
EQUIPMENT AND LEASEHOLD IMPROVEMENTS		
Furniture and Fixtures	234,385	198,829
Equipment	883,358	978,061
Leasehold Improvements	954,896	955,196
Transportation Vehicles	<u>129,298</u>	<u>129,298</u>
	2,201,937	2,261,384
Less: Accumulated Depreciation and Amortization	<u>(1,467,524)</u>	<u>(1,385,444)</u>
Net Equipment and Leasehold Improvements	<u>734,413</u>	<u>875,940</u>
OTHER ASSETS		
	<u>6,915</u>	<u>5,431</u>
Total Assets	<u>\$21,077,267</u>	<u>\$17,408,630</u>

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

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

	For The Years Ended December 31,	
	1997	1996
UNRESTRICTED NET ASSETS		
Revenue and Support		
Appropriations from Government Agencies	\$ 6,030,378	\$ 5,199,034
New Orleans Tourism Marketing Corporation Funding	1,180,258	1,110,303
Membership Dues	1,269,439	1,262,481
Reservation Fees	-	112,631
Registration, Net	726,766	536,824
Investment Return	2,092,002	1,154,364
Advertising	226,298	426,846
Donated Facilities	68,905	88,592
Posters and Brochures	20,770	14,142
Special Tourism Funds	259,998	162,419
Other Revenue	<u>254,188</u>	<u>93,778</u>
Total Revenue and Support	<u>12,129,002</u>	<u>10,161,414</u>
Expenses		
Program Services:		
Convention Sales and Services	3,017,953	2,274,022
Tourism Promotion	1,016,436	1,237,694
Public Affairs	454,100	407,959
New Orleans Tourism Marketing Corporation	1,356,466	1,098,149
Member Services	415,155	423,185
Govertmental Affairs	45,013	-
Information Services	275,558	345,178
Supporting Services:		
General and Administration	<u>1,846,637</u>	<u>1,725,629</u>
Total Expenses	<u>8,427,318</u>	<u>7,511,816</u>
Increase in Unrestricted Net Assets	3,701,684	2,649,598
NET ASSETS - BEGINNING OF YEAR	<u>16,523,458</u>	<u>13,873,860</u>
NET ASSETS - END OF YEAR	<u>\$20,225,142</u>	<u>\$16,523,458</u>

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

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

	For The Years Ended	
	December 31,	
	<u>1997</u>	<u>1996</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Unrestricted Net Assets	\$ 3,701,684	\$ 2,649,598
Adjustments to Reconcile Increase in Unrestricted Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	233,916	225,700
(Gain) Loss on Disposal of Equipment	19,076	(3,920)
Realized Gain on Sales of Investment Securities	(172,585)	(1,032)
Unrealized Gain on Investment Securities	(1,172,655)	(589,373)
(Increase) Decrease in Accounts Receivable	379,377	(194,205)
Decrease in Inventory	158,149	22,939
Increase in Prepaid Expenses	(58,038)	(47,924)
Increase in Other Assets	(1,484)	-
Decrease in Accounts Payable	(90,944)	(1,266,521)
Increase in Deferred Revenue	201,502	24,134
Increase (Decrease) in Other Accrued Liabilities	<u>(143,605)</u>	<u>144,315</u>
Net Cash Provided by Operating Activities	<u>3,054,393</u>	<u>963,711</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investment Securities	5,012,971	375,742
Purchases of Investment Securities	(5,762,880)	(9,074,287)
Proceeds from Disposal of Equipment	1,830	4,900
Purchases of Equipment and Leasehold Improvements	<u>(113,295)</u>	<u>(279,045)</u>
Net Cash Used In Investing Activities	<u>(861,374)</u>	<u>(8,972,690)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,193,019	(8,008,979)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>3,932,848</u>	<u>11,941,827</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 6,125,867</u>	<u>\$ 3,932,848</u>

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

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

CHANGE IN ACCOUNTING PRINCIPLE

The **BUREAU** elected to adopt SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations" in 1996. In accordance with SFAS No. 124, investments in equity securities with readily determinable fair values and investments in debt securities are recorded at fair value with gains and losses included in the statement of activities. The effect of this new statement caused an increase of investment return of \$589,373 for the year ended December 31, 1996.

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, 1997 and 1996.

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.

EQUIPMENT AND LEASEHOLD IMPROVEMENTS

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 1997 and 1996 was \$233,916 and \$225,700, 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 \$671,849 for 1997 and \$558,239 for 1996.

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.

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

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and disclosures of contingent 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 \$68,905 and \$88,592 for the years ended December 31, 1997 and 1996, 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 start at 20% of the fair rental value and increase 20% annually until the BUREAU pays 100% of such fair rental value. Actual payments for 1997 and 1996 amounted to \$73,676 and \$59,061, respectively.

NOTE C

NEW ORLEANS TOURISM MARKETING CORPORATION FUNDING

Funds provided by the New Orleans Tourism Marketing Corporation which are designated for tourism promotion totaled \$1,180,258 and \$1,110,303 in 1997 and 1996, respectively. Unexpended funds of \$371,126 and \$547,334 are included in Designated Net Assets at December 31, 1997 and 1996, respectively. Amounts due from New Orleans Tourism Marketing Corporation totaled \$-0- and \$230,250 at December 31, 1997 and 1996, respectively.

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.

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

NOTE D

GOVERNMENT APPROPRIATIONS (Continued)

Act 16 of the 1995 Regular Legislative Session provided for an annual appropriation of \$4,850,000 to the BUREAU. During the state's fiscal year ended June 30, 1997, an additional appropriation of \$158,535 was awarded to the Bureau for unexpended monies from the collections of the Hotel/Motel tax remaining in the fund. 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. For the years ended December 31, 1997 and 1996, the BUREAU received appropriations from the State of Louisiana of \$6,030,378 and \$5,199,034, 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, 1997 and 1996, was \$42,367 and \$43,670, 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 \$734,462 and \$1,258,434 of donated services were received in 1997 and 1996, respectively. However, these services do not meet all of the applicable requirements of SFAS No. 116, therefore, no amounts have been reflected in the financial statements for these donated services.

NOTE G

OFF-BALANCE SHEET RISK

At December 31, 1997, the BUREAU maintained balances in financial institutions in excess of the federally insured limit. Additionally, the BUREAU had investment securities and money market accounts with an investment brokerage firm. These amounts are not federally insured.

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

NOTE H

LEASES

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

Minimum future rental payments are as follows:

1998	\$ 182,442
1999	192,857
2000	46,620
2001	48,484
2002	50,424
Thereafter	<u>4,215</u>
	<u>\$ 525,042</u>

The BUREAU leases additional office space on a month to month basis.

Rent expense amounted to \$288,185 and \$280,198 for the years ended December 31, 1997 and 1996, respectively.

NOTE I

CONTRIBUTION COMMITMENT

Contribution commitment relates to a pledge made by the BUREAU to a national tourism foundation. The contribution is reported in other accrued liabilities at December 31, 1997 at its present value using a discount rate of 8%. The contribution will be made over the next two years as follows:

1998	\$ 3,969
1999	<u>3,675</u>
	<u>\$ 7,644</u>

NOTE J

INVESTMENTS

Securities are stated at fair market value.

	<u>December 31, 1997</u>		<u>Excess of</u>
	<u>Cost</u>	<u>Market</u>	<u>Market Over Cost</u>
Corporate Stock	\$ 5,181,769	\$ 6,303,024	\$ 1,121,255
Corporate Debt	2,225,696	2,238,376	12,680
U.S. Government Securities	<u>2,803,979</u>	<u>2,842,699</u>	<u>38,720</u>
Total	<u>\$ 10,211,444</u>	<u>\$ 11,384,099</u>	<u>\$ 1,172,655</u>

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

**NOTE J
INVESTMENTS (Continued)**

	<u>December 31, 1996</u>		<u>Excess of</u>
	<u>Cost</u>	<u>Market</u>	<u>Market Over Cost</u>
Corporate Stock	\$ 4,288,328	\$ 4,796,842	\$ 508,514
Corporate Debt	1,761,155	1,795,756	34,601
U.S. Government Securities	<u>2,650,094</u>	<u>2,696,352</u>	<u>46,258</u>
 Total	 <u>\$ 8,699,577</u>	 <u>\$ 9,288,950</u>	 <u>\$ 589,373</u>

Investment returns for the years ended December 31, 1997 and 1996 was as follows:

	<u>1997</u>	<u>1996</u>
Interest and Dividends	\$ 746,762	\$ 563,959
Unrealized Gain on Investments	1,172,655	589,373
Realized Gain on Sale of Investments	<u>172,585</u>	<u>1,032</u>
	<u>\$ 2,092,002</u>	<u>\$ 1,154,364</u>

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

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

	<u>December 31,</u>	
	<u>1997</u>	<u>1996</u>
Designated for Marketing Corporation	\$ 371,126	\$ 547,334
Designated for Purchase of Building	6,675,000	-
Designated for Promotional Contract	350,057	-
Designated for Future Conventions	<u>790,573</u>	<u>-</u>
	<u>\$ 8,186,756</u>	<u>\$ 547,334</u>



**INDEPENDENT AUDITOR'S 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 financial statements of **NEW ORLEANS METROPOLITAN CONVENTION & VISITORS BUREAU, INC.**, (the "BUREAU") (A Nonprofit Organization) as of and for the year ended December 31, 1997, and have issued our report thereon dated April 8, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the BUREAU'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 the BUREAU's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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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This report is intended for the information of the Board of Directors, management and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.



A Professional Accounting Corporation

April 8, 1998



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April 8, 1998

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

Ladies and Gentlemen:

We would like to take this opportunity to thank your employees for the cooperation given us during our audit of the financial statements of **NEW ORLEANS METROPOLITAN CONVENTION & VISITORS BUREAU, INC.** for the year ended December 31, 1997. During the course of our audit, we discussed areas of an operational nature with management. Presented below is an update summary of management's corrective action plan to our prior year audit finding regarding the Bureau's computer system.

1. Ability of computer system to allocate the payment of member dues by calendar year.

During the current audit, we revisited the computer system's calculation process for determining unearned and earned dues revenue. It appears that the necessary corrections were made and that the computer system is functioning properly in regards to this matter. It also appears that all previous problems with the billings of member dues have been cleared and that the Bureau's reporting of this activity is reasonably accurate.

2. Capacity of computer system to handle network environment and software products requiring minimum amounts of random access memory.

In 1997, it was noted that the Bureau conducted a thorough evaluation of all of its computer hardware. A decision was made to identify those machines that were not capable of running the required software programs. The Bureau upgraded its hardware so that all units can properly function within its present environment. It appears that the computer hardware issue has been and will continue to be properly addressed. There is also no presently known significant deficiencies in the operation of the computer network.

3. Recommendation to perform evaluation of the computer system design and setup.

The bureau has provided in its 1998 operating budget, a sufficient amount of money to hire an outside expert to provide advice on the design of the system. Additionally, a special emphasis will be placed on reviewing specific security controls and systems that are currently in place.

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**New Orleans Metropolitan Convention
& Visitors Bureau, Inc.**

April 8, 1998

Page 2

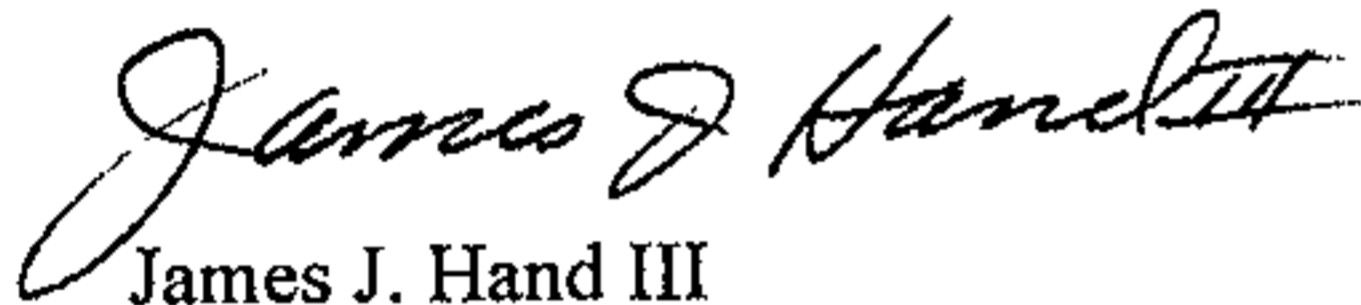
Based on these observations, the Bureau has made the necessary commitment required to provide for operating an effective and efficient computer system.

This letter is intended solely for the information and use of the Bureau's Board of Directors and management and should not be used for any other purpose.

We appreciate the confidence you have placed in us by allowing us to serve the BUREAU as Certified Public Accountants. If we can assist you in any way with the above, or other matters, please do not hesitate to contact us.

Very truly yours,

LAPORTE, SEHRT, ROMIG & HAND
A Professional Accounting Corporation



James J. Hand III
Certified Public Accountant