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# NEW ORLEANS METROPOLITAN CONVENTION & VISITORS BUREAU, INC.

December 31, 1998

PARISH CLERK OF COURT

LSA-RS 24:516 provides that this report shall be available for public inspection for a period of not ess than one year from the date of receipt.

Legislative Auditor

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 7-14-99

Audits of Financial Statements

December 31, 1998 and December 31, 1997



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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, 1998 and 1997, and the related statements of activitics 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 audits.

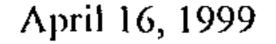
We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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, 1998 and 1997, 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 16, 1999, on our consideration of the BUREAU's internal control and on its compliance with laws and regulations.

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A Professional Accounting Corporation



#### A Professional Accounting Corporation 800 Two Lakeway Center 3850 N. Causeway Blvd. Metairie, LA 70002 (504) 835-5522 FAX (504) 835-5535 724 E. Boston Street, Covington, LA 70433 (504) 892-5850 FAX (504) 892-5956 E-Mail Address: laporte@laporte.com = Internet Address: http://www.laporte.com/ Member of AICPA Division for CPA Firms-Private Companies Practice Section and SEC Practice Section International Affiliation with Accounting Firms Associated, Inc.

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

## ASSETS

	December 31,	
	1998	1997
CURRENT		<u> </u>
Cash and Cash Equivalents	\$ 6,307,737	\$ 6,125,867
Accounts Receivable, Less Allowance for Doubtful		
Accounts of \$8,644 in 1998 and \$13,101 in 1997	3,988,774	2,496,497
Inventory	87,970	104,645
Prepaid Expenses	171,097	224,831
Total Current Assets	10,555,578	8,951,840

### INVESTMENTS

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Securities at Fair Value	12,093,015	11,384,099
EQUIPMENT AND LEASEHOLD IMPROVEMENTS		
Furniture and Fixtures	290,549	234,385
Equipment	939,784	883,358
Leasehold Improvements	954,896	954,896
Transportation Vehicles	164,200	129,298
	2,349,429	2,201,937
Less: Accumulated Depreciation and Amortization	(1,638,482)	(1,467,524)
Net Equipment and Leasehold Improvements	710,947	734,413
OTHER ASSETS	8,637	6,915
Total Assets	\$23,368,177	<u>\$21,077,267</u>

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

## LIABILITIES AND NET ASSETS

	December 31,		1,	
		1998		1997
CURRENT LIABILITIES				
Accounts Payable	\$	512,423	\$	214,847
Deferred Revenue		277,869		392,866
Other Accrued Liabilities		193,732	·	244,412
Total Current Liabilities	••	984,024		852,125

## NET ASSETS

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Unrestricted:

Designated	7,934,117	8,186,756
Undesignated	14,450,036	12,038,386
	22,384,153	20,225,142

Total Liabilities and Net Assets

<u>\$23,368,177</u> <u>\$21,077,267</u>

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

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	For	The	Years	Ended
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	December 31,	
	1998	1997
UNRESTRICTED NET ASSETS		╼ <u>╼</u> ╼ <u>┲</u> ╼ <u>┲</u>
Revenue and Support		
Appropriations from Government Agencies	\$ 5,739,343	\$ 6,030,378
New Orleans Tourism Marketing Corporation Funding	1,248,765	1,180,258
Membership Dues	1,317,985	1,269,439
Registration	870,302	726,766
Investment Return	1,566,758	2,092,002
Advertising	289,497	226,298
Donated Facilities	27,070	68,905
Posters and Brochures	22,386	20,770
Special Tourism Funds	243,902	259,998
Other Revenue	61,059	254,188
Total Revenue and Support	11,387,067	12,129,002
Expenses		
Program Services:		
Convention Sales and Services	3,339,027	3,017,953
Tourism Promotion	1,390,672	1,016,436
Public Affairs	696,522	454,100
New Orleans Tourism Marketing Corporation	1,165,189	1,356,466
Member Services	407,146	415,155
Govertmental Affairs	67,239	45,013
Information Services	267,453	275,558
Supporting Services: General and Administration	1,894,808	1,846,637
Total Expenses	9,228,056	8,427,318
Increase in Unrestricted Net Assets	2,159,011	3,701,684
NET ASSETS - BEGINNING OF YEAR	20,225,142	16,523,458
NET ASSETS - END OF YEAR	\$22,384,153	\$20,225,142

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

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

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	For The Years Ended December 31,	
	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Unrestricted Net Assets	\$ 2,159,011	\$ 3,701,684
Adjustments to Reconcile Increase in Unrestricted Net		
Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	198,082	233,916
Loss on Disposal of Equipment	6,298	19,076
Realized Gain on Sales of Investment Securities	(547,438)	(172,585
Unrealized Gain on Investment Securities	(162,511)	(1,172,655
(Increase) Decrease in Accounts Receivable	(1,492,277)	379,377
Decrease in Inventory	16,675	158,149
(Increase) Decrease in Prepaid Expenses	53,734	(58,038
(Increase) in Other Assets	(1,722)	(1,484
Increase (Decrease) in Accounts Payable	297,576	(90,944
Increase (Decrease) in Deferred Revenue	(114,997)	201,502
(Decrease) in Other Accrued Liabilities	(50,680)	(143,605
Net Cash Provided by Operating Activities	361,751	3,054,393
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investment Securities	12,055,841	5,012,971
Purchases of Investment Securities	(12,054,808)	(5,762,880
Proceeds from Disposal of Equipment	500	1,830
Purchases of Equipment and Leasehold Improvements	(181,414)	(113,295
Net Cash Used in Investing Activities	(179,881)	(861,374
NET INCREASE IN CASH AND CASH EQUIVALENTS	181,870	2,193,019
CASH AND CASH EQUIVALENTS - Beginning of Year	6,125,867	3,932,848
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 6,307,737</u>	<u>\$ 6,125,867</u>

# The accompanying notes are an integral part of these 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.

#### **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, 1998 and 1997.

#### **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 1998 and 1997 was \$198,082 and \$233,916, 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 \$1,273,191 for 1998 and \$671,849 for 1997.

# 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.

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 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 \$27,070 and \$68,905 for the years ended December 31, 1998 and 1997, 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 1998 and 1997 amounted to \$172,098 and \$142,584, 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 \$1,248,765 and \$1,180,258 in 1998 and 1997, respectively. Unexpended funds of \$454,702 and \$371,126 are included in Designated Net Assets at December 31, 1998 and 1997, respectively.

#### 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.

#### 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, 1998 and 1997, the BUREAU received appropriations from the State of Louisiana of \$5,739,343 and \$6,030,378, respectively.

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.

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, 1998 and 1997, were \$49,046 and \$42,637, 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 \$738,352 and \$734,462 of donated services were received in 1998 and 1997, 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, 1998, the BUREAU maintained balances at two financial institutions in excess of the federally insured limit by \$285,387. 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 an operating lease expiring in January, 2003.

Minimum future rental payments are as follows:

1999	\$ 243,995
2000	46,620
2001	48,484
2002	50,424
2003	 4,215

#### <u>393,738</u>

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

Rent expense amounted to \$282,521 and \$288,185 for the years ended December 31, 1998 and 1997, respectively.

#### NOTE I

#### **CONTRIBUTION COMMITMENTS**

Contribution commitments relate to pledges made by the BUREAU to two national tourism foundations. The contributions are reported in other accrued liabilities at December 31, 1998 at its present value using a discount rate of 8%. The contributions will be made over the next two years as follows:

1999	\$ 8,485	
2000	4,617	

13,102

# NOTE J

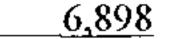
#### INVESTMENTS

Securities are stated at fair market value.

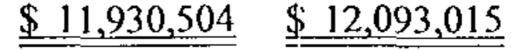
	Decembe	<u>r 31, 1998</u>	Excess of
	Cost	Market	Market Over Cost
Corporate Stock Corporate Debt	\$    7,472,524 1,287,577	\$    7,602,279 1,313,435	\$ 129,755 25,858

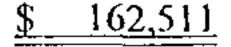






Total







# NOTE J **INVESTMENTS (Continued)**

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	December 31, 1997		Excess of
	Cost	<u>Market</u>	Market Over Cost
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	2,803,979	2,842,699	38,720
Total	<u>\$ 10,211,444</u>	<u>\$_11,384,099</u>	<u>\$ 1,172,655</u>

Investment returns for the years ended December 31, 1998 and 1997 was as follows:

1998	199

Interest and Dividends	\$ 856,809	\$ 746,762
Unrealized Gain on Investments	162,511	1,172,655
Realized Gain on Sale of Investments	547,438	172,585
	<u>\$ 1,566,758</u>	<u>\$ 2,092,002</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,	
	1998	1997
Designated for Marketing Corporation	\$ 454,702	\$ 371,126
Designated for Purchase of Building	6,675,000	6,675,000
Designated for Promotional Contract	-	350,057
Designated for Future Conventions	<u>804,415</u>	790,573
	\$ 7,934,1 <u>17</u>	<u>\$ 8,186,756</u>

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# 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, 1998 and have issued our report thereon dated April 16, 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 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. A Professional Accounting Corporation 800 Two Lakeway Center 3850 N. Causeway Blvd. Metairie, LA 70002 (504) 835-5522 FAX (504) 835-5535 724 E. Boston Street, Covington, LA 70433 (504) 892-5850 FAX (504) 892-5956 E-Mail Address: laporte@laporte.com / Internet Address: http://www.laporte.com/ Member of AICPA Division for CPA Firms-Private Companies Practice Section and SEC Practice Section 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. However, this report is a matter of public record, and its distribution is not limited.

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A Professional Accounting Corporation

April 16, 1999

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