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

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2003**

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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 9.1.04

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2003**

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**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying consolidated statements of financial position of the New Orleans Metropolitan Convention & Visitors Bureau, Inc. (the Bureau) as of December 31, 2003, and the related consolidated statements of activities and cash flows for the year 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. The financial statements of the Bureau as of December 31, 2002 were audited by other auditors whose report, dated May 19, 2003, expressed an unqualified opinion on those statements. We also audited the adjustments described in Note 8 that were applied to restate the 2002 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 New Orleans Metropolitan Convention & Visitors Bureau, Inc. as of December 31, 2003, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 8, the Bureau has recorded accrued liabilities in its 2002 financial statements related to prior periods.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2004 on our consideration of the Bureau's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Postlethwaite & Netterville*

New Orleans, Louisiana  
May 19, 2004

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

**DECEMBER 31, 2003 AND 2002**

	2003	2002
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 2,361,917	\$ 5,776,080
Accounts receivable	455,797	405,461
Receivables, State of Louisiana	1,527,183	2,682,755
Inventory	65,593	30,669
Prepaid expenses	143,402	216,333
Total current assets	4,553,892	9,111,298
Investments:		
Marketable securities at fair value	10,123,392	9,029,015
Property, equipment and leasehold improvements:		
Land	3,373,130	3,373,130
Construction in progress	-	5,195,491
Building	9,235,338	-
Furniture and fixtures, net (note 3)	707,444	317,365
Equipment	1,110,111	1,109,555
Leasehold improvements	25,042	979,538
Transportation vehicles	102,354	135,397
	14,553,419	11,110,476
Less accumulated depreciation and amortization	(867,521)	(2,106,491)
Net property, equipment and leasehold improvements	13,685,898	9,003,985
Other assets	9,904	9,904
Total assets	\$ 28,373,086	\$ 27,154,202
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities:		
Accounts payable	\$ 1,396,675	\$ 1,043,891
Deferred revenue	124,033	279,282
Promises to give	525,000	525,000
Other accrued liabilities	350,034	321,603
Total current liabilities	2,395,742	2,169,776
Promises to give, less current portion	375,000	500,000
Total liabilities	2,770,742	2,669,776
Net assets, unrestricted:		
Designated	11,522,523	22,853,299
Undesignated	14,079,821	1,631,127
Total net assets	25,602,344	24,484,426
Total liabilities and net assets	\$ 28,373,086	\$ 27,154,202

See accompanying notes to financial statements.

**NEW ORLEANS METROPOLITAN  
CONVENTION & VISITORS BUREAU, INC.  
NEW ORLEANS, LOUISIANA  
CONSOLIDATED STATEMENTS OF ACTIVITY  
YEARS ENDED DECEMBER 31, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b><u>REVENUES AND SUPPORT</u></b>		
Advertisement	\$ 63,525	\$ 59,050
Appropriations from government agencies	6,587,187	7,504,683
Industry show cost-share reimbursement	142,835	-
Investment return (loss)	1,311,491	(736,203)
Membership dues	1,726,645	1,720,283
New Orleans Tourism Marketing Corporation	1,349,036	1,028,029
Other revenue	58,856	87,601
Registration	882,244	946,348
Special tourism support	349,608	344,161
Total revenues and support	<u>12,471,427</u>	<u>10,953,952</u>
<b><u>EXPENSES</u></b>		
Program services:		
Convention sales and services	5,140,014	4,528,135
Tourism promotion	1,199,106	1,241,310
Public affairs	438,413	526,308
New Orleans Tourism Marketing Corporation	1,304,633	1,021,228
Member services	425,758	541,120
Government affairs	-	25,465
Information services	366,263	303,529
Supporting Services:		
Welcome Center Building, L.L.C.	473,932	11,674
General and administration	2,005,390	3,102,465
Total expenses	<u>11,353,509</u>	<u>11,301,234</u>
Changes in net assets	1,117,918	(347,282)
<b><u>NET ASSETS- BEGINNING OF YEAR,</u></b>		
<b><u>RESTATED, NOTE 8</u></b>	<u>24,484,426</u>	<u>24,831,708</u>
<b><u>NET ASSETS- END OF YEAR</u></b>	<u>\$ 25,602,344</u>	<u>\$ 24,484,426</u>

See accompanying notes to financial statements.

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

**YEARS ENDED DECEMBER 31, 2003 AND 2002**

	<b>2003</b>	<b>2002</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Changes in net assets	\$ 1,117,918	\$ (347,282)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	367,936	147,373
Loss on disposal of equipment	62,679	1,085
Noncash donation	-	19,125
Unrealized (gain) loss on investment securities	(1,094,377)	1,190,549
(Increase) decrease in accounts receivable	1,105,236	(415,013)
(Increase) decrease in inventory	(34,924)	9,346
(Increase) decrease in prepaid expenses	72,931	(98,713)
Decrease in other assets	-	2,727
Increase (decrease) in future commitments	(125,000)	1,025,000
(Decrease) increase in accounts payable	(607,993)	461,347
Decrease in deferred revenue	(155,249)	(34,698)
Increase in accrued liabilities	28,431	15,623
	<b>737,588</b>	<b>1,976,469</b>
<b><u>CASH FLOW FROM INVESTING ACTIVITIES</u></b>		
Proceeds from sales of investment securities	-	2,375,264
Purchases of investment securities	-	(2,383,804)
Capitalization and acquisition of property	(4,162,614)	(3,821,960)
Proceeds from sale of fixed assets	10,863	-
	<b>(4,151,751)</b>	<b>(3,830,500)</b>
<b><u>NET DECREASE IN CASH AND CASH EQUIVALENTS</u></b>	<b>(3,414,163)</b>	<b>(1,854,031)</b>
<b><u>CASH AND CASH EQUIVALENTS:</u></b>		
<u>BEGINNING OF YEAR</u>	5,776,080	7,630,111
<u>END OF YEAR</u>	\$ 2,361,917	\$ 5,776,080

See accompanying notes to financial statements.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(1) Summary of Significant Accounting Policies**

**History and Organization**

The New Orleans Metropolitan Convention & Visitors Bureau, Inc. (the Bureau) is a private, non-profit 501(c)(6) organization dedicated to promoting the Greater New Orleans area as a destination for trade shows, conventions, tour groups and individual travelers. During 1999, the Bureau organized the Welcome Center Building, L.L.C. to purchase and manage the property at the location of its operating center. The operating center opened and began operating in June 2003. Since the Bureau is the sole member of the Welcome Center Building, L.L.C., the entity is disregarded from its owner for income tax purposes.

The accompanying consolidated financial statements include the accounts of the Bureau and its wholly-owned subsidiary, the Welcome Center Building, L.L.C. In consolidation, significant inter-company accounts and transactions have been eliminated.

**Basis of Accounting and Presentation**

The financial consolidated statements of the Bureau are presented on the accrual basis of accounting. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Bureau and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Bureau and/or the passage of time. Currently, the Bureau has no time or purpose-restricted assets.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Bureau pursuant to those stipulations. Currently, the Bureau has no permanently restricted assets.

**Investments**

Investments, consisting of mutual funds, are recorded at market value. Unrealized gains and losses on investments in equity securities with readily determinable fair values are recorded in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or law. Dividend, interest and other investment income is recorded as increases in unrestricted net assets unless the use is restricted by the donor. Donated investments are recorded at fair value at the date of receipt.

**Accounts Receivable**

The Bureau provides for an allowance for uncollectible receivables when necessary. 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 method.



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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(1) Summary of Significant Accounting Policies, (continued)**

**Property, Equipment and Leasehold Improvements**

Property, equipment and leasehold improvements are recorded at cost. Depreciation is provided over the estimated useful lives, ranging from three to fifteen years, of the respective assets on a straight-line basis.

**Vacation and Sick Pay**

All full time regular employees are eligible for up to ten days of paid vacation after one year of service, and up to fifteen days after five years of service. Paid vacation hours are determined by employment anniversary date, adjusted by any leave of absence. Vacation and sick time unused at the end of the anniversary date is lost. Upon termination, unused vacation time only is paid.

**Non-Direct Response Advertising**

The Bureau expenses advertising costs as incurred. Advertising expenses charged to operations totaled \$1,297,844 and \$1,228,237 in 2003 and 2002, respectively.

**Deferred Revenue**

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

**Income Taxes**

The Bureau is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code.

**Revenue**

The Bureau reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions.

Gifts of long-lived operating assets such as land, buildings or equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

**Use of Estimates**

Management of the Bureau has made estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(1) Summary of Significant Accounting Policies, (continued)**

**Cash and Cash Equivalents**

For the purposes of the statements of cash flows, cash and cash equivalents include bank deposits, money market accounts and certificates of deposit of three months or less.

**(2) Investments**

The market value of investments is as follows at December 31:

	<b>2003</b>	<b>2002</b>
Mutual Funds	\$ 10,123,392	\$ 9,029,015

Investments are held for payments on remaining Welcome Center Building construction costs:

	<b>2003</b>	<b>2002</b>
Unrestricted:		
Board designated, functioning as endowments	\$ 1,475,540	\$ 12,555,965

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31:

	<b>2003</b>	<b>2002</b>
Dividends and interest	\$ 217,114	\$ 454,346
Net unrealized gains (losses)	1,094,377	(1,190,549)
Total return on investments	\$ 1,311,491	\$ (736,203)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(3) Net Assets**

Board-designated, unrestricted net assets are designated to support the following, as of December 31:

	<u>2003</u>	<u>2002</u>
Marketing Corporation	\$ 526,460	\$ 627,247
Payment on building	514,763	12,555,965
Future conventions	3,601,300	941,753
Greater New Orleans Sport Foundation	6,800,000	8,600,000
Other	<u>80,000</u>	<u>128,334</u>
	<u>\$ 11,522,523</u>	<u>\$ 22,853,299</u>

Funds provided by the New Orleans Tourism Marketing Corporation are designated for tourism promotion. Unexpended funds received that remained as of December 31, 2003 and 2002, totaled \$526,460 and \$627,247, respectively.

The Bureau has 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 provides for an annual appropriation of up to \$8,250,000. The actual appropriation provided in 2003 was \$6,587,187.

**(4) 401(k) Plan**

The Bureau offers full-time employees who are at least twenty and one-half years old, who have completed six months of continuous service and who have worked at least 1,000 hours during the fiscal year participation in its 401k plan. Employees may contribute up to 15% of their earnings during the year subject to the maximum level of deferral allowed by the Internal Revenue Service. The plan provides for employer contributions up to 50% of the elective deferral of each employee, to a maximum of 3% of the participant's compensation. Matching contributions for the years ended December 31, 2003 and 2002, were \$99,815 and \$65,266, respectively.

**(5) 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 \$731,785 and \$1,355,153 of donated services were received in 2003 and 2002, 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**

**(6) Commitments**

**Leases**

The Bureau leases office space under operating leases expiring February 2009.

Minimum future rental payments are as follows:

2004	\$	118,007
2005		122,206
2006		84,519
2007		66,078
2008 and thereafter		80,633

Rent expense in 2003 and 2002 totaled \$229,042 and \$355,147, respectively. The Bureau leases additional office space on a month to month arrangement.

**Other Commitments**

The Bureau has various agreements renewable in July and December 2004 for overseas representation with various agencies. The total commitment for compensation amounts is \$311,784 and operating expenses are eligible for reimbursement up to \$238,216. Actual expenses incurred for overseas representation were \$583,105 and \$573,602 for the years ended December 31, 2003 and 2002, respectively.

**(7) Promises to Give**

**Greater New Orleans Sports Foundation**

The Bureau has entered into an agreement with the Greater New Orleans Sports Foundation to provide \$400,000 annually subject to annual renewal by May 1<sup>st</sup> each year. This recorded as a liability when the commitment is made.

**Essence Festival**

The Bureau entered into an agreement with The Essence Festival, LLC in 2002 to fund \$125,000 annually for a five year period ending in 2006. The remaining liability as of December 31, 2003 and 2002 was \$500,000 and \$625,000, respectively, and is recorded in the consolidated statements of financial position.

Future commitments totaled \$900,000 and \$1,025,000 as of December 31, 2003 and 2002, respectively, of which \$375,000 and \$500,000 are included in current liabilities in the consolidated statement of financial position.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(8) Restatement**

The 2002 financial statements have been restated by \$1,025,000 for the obligation incurred to fund the Essence Festival and the Greater New Orleans Sports Foundation as follows:

	<u>As originally stated</u>	<u>Prior period adjustment</u>	<u>As reported</u>
Net Assets December 31, 2002	\$ 25,509,426	\$ (1,025,000)	\$ 24,484,426
Change in net assets	677,718	(1,025,000)	(347,282)



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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***

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

We have audited the consolidated financial statements of the New Orleans Metropolitan Convention & Visitors Bureau, Inc. (the Bureau) as of December 31, 2003, and have issued our report thereon dated May 19, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 statements and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in 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 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 internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Finance Committee, management of the Bureau and pass-through entities, such as the State of Louisiana Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24.513, this report is distributed by the Legislative Auditor as a public document.

*Postlettwante + Metairieville*

Metairie, Louisiana  
May 19, 2004

