

LOUISIANA TRAVEL PROMOTION ASSOCIATION**JUNE 30, 2004 AND 2003****BATON ROUGE, LOUISIANA**

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 12-8-04

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Randy J. Bonneau, CPA*
 Joseph D. Richard, Jr., CPA*
 Ronnie E. Stamper, CPA*
 Fernand P. Genre, CPA*
 Stephen M. Huggins, CPA*
 Monica L. Zumo, CPA*
 Ronald L. Gagnet, CPA*
 Douglas J. Nelson, CPA*
 Celeste D. Viator, CPA*
 Russell J. Resweber, CPA*
 Laura E. Monroe, CPA*
 R. David Wascom, CPA
 *A Professional Accounting Corporation

2322 Tremont Drive, Suite 200
 Baton Rouge, LA 70809
 Phone: (225) 928-4770
 Fax: (225) 926-0945

Members American Institute of
 Certified Public Accountants
 1175 Del Este Avenue, Suite B
 Denham Springs, LA 70726
 www.htbcpa.com

August 6, 2004

Independent Auditor's Report

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

We have audited the accompanying Statements of Financial Position of Louisiana Travel Promotion Association as of June 30, 2004 and 2003 and the related Statements of Activities, and Cash Flows for the years 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 audits.

We conducted our audits 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. Those standards require that we plan and perform the audits 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Travel Promotion Association as of June 30, 2004 and 2003 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 6, 2004 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. That report is an integral part of our audit performed in accordance with Government Auditing Standards and should be used in conjunction with this report in considering the results of our audit.

Respectfully submitted,

Hannis T. Bourgeois, LLP

LOUISIANA TRAVEL PROMOTION ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 303,326	\$ 276,730
Certificates of Deposit	40,467	81,668
Investments	295,870	205,907
Accounts Receivable (Net of Allowance of \$1,839 for 2004 and 2003)	88,514	111,619
Prepaid Expenses	<u>40,940</u>	<u>24,885</u>
Total Current Assets	769,117	700,809
Property and Equipment:		
Vehicles	37,004	37,004
Furniture and Equipment	269,610	263,141
Building and Landscape	<u>426,100</u>	<u>424,000</u>
	732,714	724,145
Less: Accumulated Depreciation	<u>(237,217)</u>	<u>(181,042)</u>
	495,497	543,103
Land	<u>200,000</u>	<u>200,000</u>
	695,497	743,103
Total Assets	<u>\$ 1,464,614</u>	<u>\$ 1,443,912</u>

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

	<u>2004</u>	<u>2003</u>
Current Liabilities:		
Accounts Payable	\$ 98,286	\$ 135,329
Accrued Expenses	46,397	57,693
Deferred Revenue	364,092	297,312
Current Portion of Capital Lease Payable	5,353	5,226
Current Portion of Long-Term Debt	<u>9,473</u>	<u>10,335</u>
Total Current Liabilities	523,601	505,895
Long-Term Liabilities:		
Capital Lease Payable	1,358	6,711
Long-Term Debt	<u>-</u>	<u>9,473</u>
Total Long-Term Liabilities	1,358	16,184
Net Assets - Unrestricted:		
Board Designated	126,954	126,954
Undesignated - General Operations	<u>812,701</u>	<u>794,879</u>
Total Net Assets	939,655	921,833
Total Liabilities and Net Assets	<u>\$ 1,464,614</u>	<u>\$ 1,443,912</u>

LOUISIANA TRAVEL PROMOTION ASSOCIATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
Operating Revenues:		
Tour Guide	\$ 1,182,441	\$ 1,232,548
CO-OP Advertising	300,201	340,842
Printing and Distribution	212,610	223,006
Memberships	272,765	267,773
Trade Shows	123,108	205,661
Travel Summit	118,140	177,143
In-Kind Contributions	-	31,092
Governmental Action	69,043	66,409
Education	15,782	34,185
Internet	68,385	63,975
Other	19,235	16,846
Total Revenues	2,381,710	2,659,480
 Operating Expenses:		
Tour Guide and Maps	706,890	739,613
CO-OP Advertising	229,138	267,254
Printing and Distribution	145,742	131,290
Strategic Planning	33,447	-
Trade Shows	92,731	184,759
Travel Summit	80,800	112,258
Governmental Action	57,125	54,298
Education	21,742	36,567
Internet	55,976	51,531
Salaries and Related Benefits	717,341	698,555
Utilities	9,963	9,818
Office Supplies/Printing	27,753	31,842
Telephone	22,397	21,253
Postage	13,714	10,321
Travel and Related	44,849	36,061
Repairs	24,104	24,678
Accounting and Professional	9,202	8,584
Depreciation	56,691	66,732
Other	22,972	26,087
Computer	11,582	13,186
Bad Debt	6,486	8,460
Total Expenses	2,390,645	2,533,147

(CONTINUED)

	<u>2004</u>	<u>2003</u>
Income (Loss) from Operations	(8,935)	126,333
Other Revenues (Expenses):		
Interest	1,689	6,269
Realized Gain (Loss) on Sale of Investments	3,833	(5,644)
Unrealized Gain (Loss) in Fair Value of Investments	17,813	13,873
Dividends	3,506	1,330
Gain (Loss) on Sale of Assets	<u>(84)</u>	<u>(15,021)</u>
	26,757	807
	<u>17,822</u>	<u>127,140</u>
Increase in Net Assets	17,822	127,140
Unrestricted Net Assets - Beginning of Year	<u>921,833</u>	<u>794,693</u>
Unrestricted Net Assets - End of Year	<u>\$ 939,655</u>	<u>\$ 921,833</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, 2004 AND 2003

	2004	2003
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 17,822	\$ 127,140
Adjustments to Reconcile Change in Net Cash Provided by Operating Activities:		
Depreciation	56,691	66,732
(Gain) Loss on Sale of Fixed Assets	84	15,021
(Gain) Loss on Sale of Investments	(3,833)	5,644
Unrealized (Gain) Loss on Investment	(17,813)	(13,873)
Changes in Current Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	23,105	113,937
(Increase) Decrease in Prepaid Expense	(16,055)	10,360
Increase (Decrease) in Accounts Payable	(37,043)	(168,630)
Increase (Decrease) in Accrued Expenses	(11,296)	26,704
Increase (Decrease) in Deferred Revenues	66,780	(52,074)
Net Cash Provided by Operating Activities	78,442	130,961
Cash Flows From Investing Activities:		
Purchases of Property and Equipment	(9,844)	(40,974)
Proceeds from Sale of Assets	675	2,280
Purchases of Investments	(94,817)	(99,320)
Proceeds from Sale of Investments	30,006	-
Reinvestment of Dividend	(3,506)	(1,330)
Maturities of Certificates of Deposit	41,201	80,415
Net Cash Used in Investing Activities	(36,285)	(58,929)
Cash Flows From Financing Activities:		
Repayment of Debt	(10,335)	(10,335)
Repayment of Capital Lease Payable	(5,226)	(6,546)
Proceeds from Capital Lease	-	15,777
Net Cash Provided by (Used in) Financing Activities	(15,561)	(1,104)
Net Increase (Decrease) in Cash	26,596	70,928
Cash - Beginning of Year	276,730	205,802
Cash - End of Year	\$ 303,326	\$ 276,730
Supplemental Disclosure of Cash Flow Information:		
Cash Payments for:		
Interest	\$ 538	\$ 265

The accompanying notes are an integral part of this statement.

LOUISIANA TRAVEL PROMOTION ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

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, 2004 and 2003, 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 30 years) using the straight-line method. Amortization of capital leases is computed using the straight-line method over the estimated useful life of those assets. Amortization is included in depreciation expense in the income statement.

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. In addition, expenses related to the programs or services are deferred and recognized in the same period as the corresponding revenue.

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

Marketable Securities and Investments

In accordance with Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, investments in all debt and equity securities with readily determinable fair values are reported at their fair value. All other investments are reported at historical cost if purchased, or, if contributed, at fair value at the date of contribution.

Income Taxes

The Association is a non-profit organization, which is exempt from income taxes under the Internal Revenue Code 501(c)(6); however, the tour guide, co-op advertising, certain travel shows, internet brochure printing and the Louisiana Travel Promotion Association School of Tourism 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 accounting principles generally accepted in the United States of America 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.

Contributed Services

The Organization recognizes contribution revenue for certain goods and services received at their fair value. These goods and services are typically for lodging and meals in connection with the various trade shows presented by the Organization. During the years ended June 30, 2004 and 2003, the value of contributed goods and services meeting the requirements for recognition in the financial statements was \$-0- and \$31,092, respectively.

Note 2 - Marketable Securities and Investments -

The Association's investments are recorded at market value. The following is a summary of the Association's investments at June 30, 2004 and 2003.

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized</u>		<u>Total</u>
			<u>Gain</u>	<u>Loss</u>	
June 30, 2004					
Mutual Fund - Equity Securities	\$ 264,184	\$ 295,870	\$ 34,525	\$ 2,839	\$ 31,686
June 30, 2003					
Mutual Fund - Equity Securities	\$ 192,034	\$ 205,907	\$ 13,873	\$ -	\$ 13,873

During the year ended June 30, 2004, the Association realized gains on investment dispositions of \$3,833. During the year ended June 30, 2003, the Association realized losses on investment dispositions of \$5,644.

Note 3 - Lease Commitments -

The Association acquired certain office equipment by capital leases which contain bargain purchase options in which it may purchase the assets at the end of the lease term.

The following is a schedule by years of the future minimum lease payments together with the present value of the net minimum lease payments as of June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
June 30, 2004	\$ -	\$ 5,226
June 30, 2005	5,353	5,353
June 30, 2006	<u>1,358</u>	<u>1,358</u>
	\$ 6,711	\$ 11,937
Net Minimum Lease Payments	\$ 6,818	\$ 12,272
Less: Amount Representing Interest	<u>(107)</u>	<u>(335)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 6,711</u>	<u>\$ 11,937</u>

Note 4 - Note Payable -

At June 30, 2004 and 2003, the Association had a note payable to GMAC totaling \$9,473 and \$19,808, respectively. The note is payable in monthly installments of \$861. There is no interest due on the note. Maturities by year are as follows:

June 30, 2005	\$ 9,473
	<u>\$ 9,473</u>

Note 5 - Income Taxes -

The Association had an unrelated business taxable loss for the year ended June 30, 2004. The Association had unrelated business income of approximately \$51,000 for the year ended June 30, 2003. This was offset by the net operating loss carryforward, therefore no tax was due for the year ended June 30, 2003.

Note 6 - Functional Expenses -

The following is a breakdown by functional expense classification.

	<u>2004</u>	<u>2003</u>
Program Services:		
Membership Development	\$ 274,181	\$ 302,469
Marketing Programs	1,230,032	1,395,190
Membership Services	300,732	267,829
Governmental Action	<u>57,125</u>	<u>54,298</u>
	1,862,070	2,019,786
General and Administrative	<u>528,575</u>	<u>513,361</u>
	<u>\$ 2,390,645</u>	<u>\$ 2,533,147</u>

Note 7 - Board Designated Funds -

The Board designated funds are to be reserved for future Association projects which might require capitalization. The money is invested in certificates of deposit and other short-term investments. During the years ended June 30, 2004 and 2003, Board Designated funds were not used.

Note 8 - 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 \$459,000 and \$473,304 in 2004 and 2003, 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.

Note 9 - 401(k) Plan -

The Association adopted an optional 401(k) retirement plan in April 2004. The Plan is available to all full-time employees who have completed one year of employment. The Association will match 50% of each employee's contributions to the plan up to 3% of the employee's salary. The Association's match for the year ended June 30, 2004 was \$2,413.

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, LLP

Certified Public Accountants

Randy J. Bonnacaze, CPA*
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Baton Rouge, LA 70809
Phone: (225) 928-4770
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www.htbcpa.com

August 6, 2004

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, 2004 and have issued our report thereon dated August 6, 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 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 have noted other matters which we have reported to the management of Louisiana Travel Promotion Association in a separate letter dated August 6, 2004.

This report is intended for the information of Management, others within the organization, the Office of the Legislative Auditor, and various cognizant agencies, and is not intended to be and should not be used by anyone other than these specified parties. However, under the provisions of Louisiana Revised Statute 24:513, this report is distributed by the legislative auditor as a public document and its distribution is not limited.

Respectfully submitted,

Hannis T. Bourgeois, LCP

LOUISIANA TRAVEL PROMOTION ASSOCIATION

MANAGEMENT LETTER

JUNE 30, 2004

BATON ROUGE, LOUISIANA



Hannis T. Bourgeois, LLP

Certified Public Accountants

Randy J. Bonnacaze, CPA*
Joseph D. Richard, Jr., CPA*
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Phone: (225) 928-4770
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*Members American Institute of
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1175 Del Este Avenue, Suite B
Denham Springs, LA 70726

www.htbcpa.com

August 6, 2004

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

In planning and performing our audit of the financial statements of the Louisiana Travel Promotion Association for the year ended June 30, 2004, 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. However, during our audit we became aware of certain matters, which are opportunities to strengthen internal procedures. This letter does not affect our report dated August 6, 2004 on the financial statements of the Louisiana Travel Promotion Association.

Prior Year Finding:

Political Activities

At the annual Tourism Awareness Day held May 7, 2003, the Lieutenant Governor was invited to deliver remarks on the state of the tourism industry. In addition to her normal remarks, she announced her candidacy for governor. Advertising and brochures for the event did not indicate that a political activity would occur at the event.

We recommend that in the future, all brochures and advertising for such events clearly indicate if political activities will occur so registrants and sponsors will be aware of the circumstances in advance of the event.

In the future, all brochures and advertising for Louisiana Travel Promotion Association will clearly indicate if any political activities will occur.

To the Board of Directors
Louisiana Travel Promotion Association
Baton Rouge, Louisiana
August 6, 2004
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Current Year Findings:

Credit Card

In the current year, it was noted that numerous employees have a company credit card. Each employee's card has a \$10,000 credit limit; however LTPA's total available credit limit is \$15,000. There is a risk that the high employee limits could result in unauthorized charges being placed on the account.

We recommend that the individual employee credit limits be evaluated to determine if they are necessary. A reduction of these limits would reduce the exposure to possible unauthorized charges.

Bank Statements

Due to the size of LTPA, there exists a lack of segregation of duties. This could present an opportunity for the misappropriation of LTPA's assets. The risk is mitigated by the internal controls in place, as well as LTPA's Board being involved in its monthly operation.

As an additional control, we recommend that the monthly bank statements be received at the home of the Association's president. The president should review the bank statement monthly for any unusual items.

This report is intended solely for the use of management and the Office of the Legislative Auditor, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Louisiana Travel Promotion Association, Baton Rouge, Louisiana, is a matter of public record.

Respectfully submitted,

Hannia T. Bourgeois, LLP



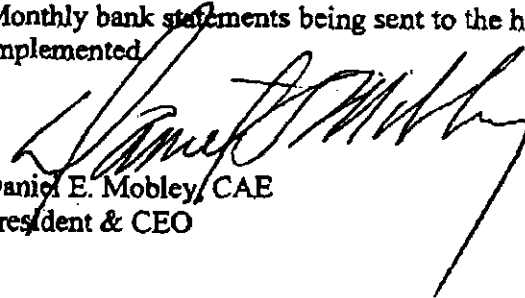
1165 s. foster dr. • baton rouge, la 70806 • 225.346.1857 • fax 225.336.4154 • www.ltpa.org

November 22, 2004

Hannis T. Bourgeois, L.L.P.
Certified Public Accountants
2322 Tremont Dr., Suite 200
Baton Rouge, LA 70809

In response to your management letter of August 6, 2004, we will evaluate the needs of each position and set credit card limits accordingly.

Monthly bank statements being sent to the home of the Association's president has been implemented


Daniel E. Mobley, CAE
President & CEO

