
NEW ORLEANS METROPOLITAN
CONVENTION & VISITORS BUREAU, INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2004

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 7-27-05

NEW ORLEANS METROPOLITAN CONVENTION & VISITORS BUREAU, INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2004

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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, 2004 and 2003, and the related consolidated 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 audits.

We conducted our audits 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 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 the New Orleans Metropolitan Convention & Visitors Bureau, Inc. as of December 31, 2004 and 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2005 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 audits.

Postlethwaite & Netterville

New Orleans, Louisiana
May 6, 2005

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

DECEMBER 31, 2004 AND 2003

	2004	2003
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 9,022,957	\$ 2,361,917
Accounts receivable	770,925	455,797
Receivables, State of Louisiana	2,303,208	1,527,183
Inventory	71,932	65,593
Prepaid expenses	188,060	143,402
Total current assets	12,357,082	4,553,892
Investments:		
Marketable securities at fair value (Note 2)	3,431,588	10,123,392
Property, equipment and leasehold improvements:		
Land	3,373,130	3,373,130
Building	9,228,119	9,235,338
Furniture and fixtures	725,369	707,444
Equipment	1,227,320	1,110,111
Leasehold improvements	25,042	25,042
Transportation vehicles	102,354	102,354
	14,681,334	14,553,419
Less accumulated depreciation and amortization	(1,368,763)	(867,521)
Net property, equipment and leasehold improvements	13,312,571	13,685,898
Other assets		
Total assets	\$ 29,101,241	\$ 28,373,086
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 1,326,388	\$ 1,396,675
Deferred revenue	107,852	124,033
Promises to give	525,000	525,000
Current portion of capital lease (Note 6)	49,812	-
Other accrued liabilities	142,625	350,034
Total current liabilities	2,151,677	2,395,742
Promises to give, less current portion (Note 7)	125,000	375,000
Capital lease payable, less current portion (Note 6)	17,757	-
Total liabilities	2,294,434	2,770,742
Net assets, unrestricted:		
Designated	11,932,321	11,522,523
Undesignated	14,874,486	14,079,821
Total net assets	26,806,807	25,602,344
Total liabilities and net assets	\$ 29,101,241	\$ 28,373,086

See accompanying notes to financial statements.

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

YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
<u>REVENUES AND SUPPORT</u>		
Advertisement	\$ 71,600	\$ 63,525
Appropriations from government agencies	7,618,855	6,587,187
Industry show cost-share reimbursement	172,393	142,835
Investment return (Note 2)	205,409	1,372,469
Membership dues	1,762,344	1,726,645
New Orleans Tourism Marketing Corporation	1,345,753	1,349,036
Other revenue	158,213	58,856
Registration	990,755	882,244
Special tourism support	358,621	349,608
	<hr/>	<hr/>
Total revenues and support	12,683,943	12,532,405
 <u>EXPENSES</u>		
Program services:		
Convention sales and services	5,467,238	5,140,014
Tourism promotion	1,149,724	1,199,106
New Orleans Tourism Marketing Corporation	1,107,659	1,304,633
Public affairs	595,524	438,413
Member services	344,721	425,758
Government affairs	-	
Information services	387,259	366,263
Supporting Services:		
Welcome Center Building, L.L.C.	394,922	473,932
General and administration	2,032,433	2,066,368
Total expenses	<hr/> 11,479,480	<hr/> 11,414,487
Changes in net assets	1,204,463	1,117,918
<u>NET ASSETS- BEGINNING OF YEAR</u>	<hr/> 25,602,344	<hr/> 24,484,426
<u>NET ASSETS- END OF YEAR</u>	<hr/> <hr/> \$ 26,806,807	<hr/> <hr/> \$ 25,602,344

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, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Changes in net assets	\$ 1,204,463	\$ 1,117,918
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	591,376	367,936
Loss on disposal of equipment	21,233	62,679
Unrealized loss (gain) on investment securities	51,078	(1,094,377)
(Increase) decrease in accounts receivable	(1,091,153)	1,105,236
Increase in inventory	(6,339)	(34,924)
(Increase) decrease in prepaid expenses	(44,658)	72,931
Decrease in other assets	9,904	-
Decrease in future commitments	(250,000)	(125,000)
Increase in accounts payable	153,930	(607,993)
Decrease in deferred revenue	(16,181)	(155,249)
Increase in accrued liabilities	(207,409)	28,431
	<u>416,244</u>	<u>737,588</u>
Net cash provided by operating activities		
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>		
Proceeds from sales of investment securities	10,037,876	-
Purchases of investment securities	(3,397,150)	-
Capitalization and acquisition of property	(395,930)	(4,162,614)
Proceeds from sale of fixed assets	-	10,863
	<u>6,244,796</u>	<u>(4,151,751)</u>
Net cash provided by (used in) investing activities		
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	6,661,040	(3,414,163)
<u>CASH AND CASH EQUIVALENTS:</u>		
<u>BEGINNING OF YEAR</u>	<u>2,361,917</u>	<u>5,776,080</u>
<u>END OF YEAR</u>	<u>\$ 9,022,957</u>	<u>\$ 2,361,917</u>

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 thirty-nine 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 \$1,185,254 and \$1,297,844 in 2004 and 2003, 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.

Reclassifications

Certain amounts in the reported 2003 financial statements have been reclassified to conform to 2004 presentation. Such reclassifications had no effect on reported changes in net assets.

(2) Investments

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

	2004	2003
U.S. Treasury Bills	\$ 3,431,588	-
Mutual Funds	-	10,123,392
Mutual Funds	\$ 3,431,588	\$ 10,123,392

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

	2004	2003
Unrestricted:		
Board designated, functioning as endowments	\$ 992,717	\$ 1,475,540

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

	2004	2003
Dividends and interest	\$ 256,487	\$ 278,092
Net unrealized gains (losses)	(51,078)	1,094,377
Total return on investments	\$ 205,409	\$ 1,372,469

**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>2004</u>	<u>2003</u>
Marketing Corporation	\$ 907,167	\$ 526,460
Payment on building	196,500	514,763
Future conventions	4,368,654	3,601,300
Greater New Orleans Sport Foundation	6,400,000	6,800,000
Other	60,000	80,000
	<u>\$ 11,932,321</u>	<u>\$ 11,522,523</u>

Funds provided by the New Orleans Tourism Marketing Corporation are designated for tourism promotion. Unexpended funds received that remained as of December 31, 2004 and 2003, totaled \$907,167 and \$526,460, 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 1 of the 2004 Regular Legislative Session provides for an annual appropriation of up to \$8,250,000. The actual appropriation provided in 2004 and 2003 was \$7,618,855 and \$6,587,187, respectively.

(4) 401(k) Plan

The Bureau offers full-time employees who have completed six months of continuous service participation in its 401k plan. Employees may contribute up 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, 2004 and 2003, were \$53,958 and \$99,815, 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 \$1,077,484 and \$731,785 of donated services were received in 2004 and 2003, 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**

Operating Leases

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

Minimum future rental payments are as follows:

2005	\$	122,206
2006		84,519
2007		66,078
2008		68,721
2009		11,912

Rent expense in 2004 and 2003 totaled \$128,345 and \$229,042, respectively.

Capital leases

The Bureau leases office furniture under a capital lease expiring April 2006. Future payments including principal and interest are as follows:

2005	\$	54,405
2006		18,135
		<u>72,540</u>
Less amount representing interest		<u>(4,971)</u>
Obligations under capital lease		67,569
Less current portion		49,812
Long tem portion of capital ease payable	\$	<u>17,757</u>

Other Commitments

The Bureau has various agreements renewable in July and December 2005 for oversee representation with various agencies. The total commitment for compensation amounts is \$343,059 and operating expenses are eligible for reimbursement up to \$187,070. Actual expenses incurred for overseas representation were \$530,129 and \$583,105 for the years ended December 31, 2004 and 2003, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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 1st 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 ending in 2007. The remaining liability as of December 31, 2004 and 2003 was \$250,000 and \$500,000, respectively, and is recorded in the consolidated statements of financial position.

Future commitments totaled \$650,000 and \$900,000 as of December 31, 2004 and 2003, respectively, of which \$125,000 and \$375,000 are included in current liabilities in the consolidated statement of financial position.

(8) Subsequent Event

During 2004, The Bureau filed actions against the National Association of Homebuilders (NAHB), claiming the NAHB had breached its contract to hold their annual convention in New Orleans in 2013 and 2014, upon the NAHB notifying The Bureau of their intent to move the convention to Chicago.

On April 19, 2005, the NAHB and The Bureau agreed to a settlement to end this dispute outside of court. In connection with that settlement, on April 21, 2005, the NAHB made a payment of \$150,000 to The Bureau and committed several future but smaller meetings to be held in New Orleans.



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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, 2004 and 2003, and have issued our report thereon dated May 6, 2005. 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.

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.

Postlethwaite & Netterville

Metairie, Louisiana
May 6, 2005