

LOUISIANA TRAVEL PROMOTION ASSOCIATION

JUNE 30, 2003 AND 2002

BATON ROUGE, LOUISIANA

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August 8, 2003

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, 2003 and 2002 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, 2003 and 2002 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 8, 2003 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, 2003 AND 2002

| | <u>2003</u> | <u>2002</u> |
|------------------------------------------------------------------------|---------------------|---------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 276,730 | \$ 205,802 |
| Certificates of Deposit | 81,668 | 162,083 |
| Investments | 205,907 | 97,026 |
| Accounts Receivable (Net of Allowance of \$1,839 for 2003 and 2002) | 111,619 | 225,556 |
| Prepaid Expenses | <u>24,885</u> | <u>35,245</u> |
| Total Current Assets | 700,809 | 725,712 |
| Property and Equipment: | | |
| Vehicles | 37,004 | 37,004 |
| Furniture and Equipment | 263,141 | 306,202 |
| Building and Landscape | <u>424,000</u> | <u>422,000</u> |
| | 724,145 | 765,206 |
| Less Accumulated Depreciation | <u>(181,042)</u> | <u>(179,044)</u> |
| | 543,103 | 586,162 |
| Land | <u>200,000</u> | <u>200,000</u> |
| | 743,103 | 786,162 |
| | <u>743,103</u> | <u>786,162</u> |
| Total Assets | <u>\$ 1,443,912</u> | <u>\$ 1,511,874</u> |

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

| | <u>2003</u> | <u>2002</u> |
|------------------------------------------|---------------------|---------------------|
| Current Liabilities: | | |
| Accounts Payable | \$ 135,329 | \$ 303,959 |
| Accrued Expenses | 57,693 | 30,989 |
| Deferred Revenue | 297,312 | 349,386 |
| Current Portion of Capital Lease Payable | 5,226 | 2,705 |
| Current Portion of Long-Term Debt | <u>10,335</u> | <u>10,335</u> |
| Total Current Liabilities | 505,895 | 697,374 |
| | | |
| Long-Term Liabilities: | | |
| Capital Lease Payable | 6,711 | - |
| Long-Term Debt | <u>9,473</u> | <u>19,807</u> |
| Total Long-Term Liabilities | 16,184 | 19,807 |
| | | |
| Net Assets - Unrestricted: | | |
| Board Designated | 126,954 | 126,954 |
| Undesignated - General Operations | <u>794,879</u> | <u>667,739</u> |
| Total Net Assets | 921,833 | 794,693 |
| | | |
| Total Liabilities and Net Assets | <u>\$ 1,443,912</u> | <u>\$ 1,511,874</u> |

LOUISIANA TRAVEL PROMOTION ASSOCIATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

| | <u>2003</u> | <u>2002</u> |
|--------------------------------|------------------|------------------|
| Operating Revenues: | | |
| Tour Guide | \$ 1,232,548 | \$ 1,199,791 |
| CO-OP Advertising | 340,842 | 347,500 |
| Printing and Distribution | 223,006 | 256,043 |
| Memberships | 267,773 | 278,846 |
| Trade Shows | 205,661 | 208,670 |
| Travel Summit | 177,143 | 117,292 |
| In-Kind Contributions | 31,092 | - |
| Governmental Action | 66,409 | 65,990 |
| Education | 34,185 | 48,826 |
| Internet | 63,975 | 92,475 |
| Other | <u>16,846</u> | <u>15,124</u> |
| Total Revenues | 2,659,480 | 2,630,557 |
| Operating Expenses: | | |
| Tour Guide and Maps | 739,613 | 814,565 |
| CO-OP Advertising | 267,254 | 289,051 |
| Printing and Distribution | 131,290 | 149,808 |
| Trade Shows | 184,759 | 150,882 |
| Travel Summit | 112,258 | 78,089 |
| Governmental Action | 54,298 | 58,286 |
| Education | 36,567 | 58,035 |
| Internet | 51,531 | 76,340 |
| Salaries and Related Benefits | 698,555 | 687,744 |
| Utilities | 9,818 | 9,324 |
| Office Supplies/Printing | 31,842 | 24,888 |
| Telephone | 21,253 | 23,043 |
| Postage | 10,321 | 11,740 |
| Travel and Related | 36,061 | 40,805 |
| Repairs | 24,678 | 18,908 |
| Accounting and Professional | 8,584 | 6,430 |
| Depreciation | 66,732 | 62,976 |
| Other | 26,087 | 21,455 |
| Computer | 13,186 | 18,026 |
| Bad Debt | <u>8,460</u> | <u>2,530</u> |
| Total Expenses | <u>2,533,147</u> | <u>2,602,925</u> |

(CONTINUED)

| | <u>2003</u> | <u>2002</u> |
|-----------------------------------------------------|-------------------|-------------------|
| Income from Operations | 126,333 | 27,632 |
| Other Revenues (Expenses): | | |
| Interest | 6,269 | 20,458 |
| Realized Gain (Loss) on Sale of Investments | (5,644) | - |
| Unrealized Gain (Loss) in Fair Value of Investments | 13,873 | (20,985) |
| Dividends | 1,330 | 934 |
| Gain (Loss) on Sale of Assets | <u>(15,021)</u> | <u>4,000</u> |
| | 807 | 4,407 |
| | <u> </u> | <u> </u> |
| Increase in Net Assets | 127,140 | 32,039 |
| Unrestricted Net Assets - Beginning of Year | <u>794,693</u> | <u>762,654</u> |
| Unrestricted Net Assets - End of Year | <u>\$ 921,833</u> | <u>\$ 794,693</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, 2003 AND 2002

| | <u>2003</u> | <u>2002</u> |
|----------------------------------------------------------------------------------|-------------------|-------------------|
| Cash Flows From Operating Activities: | | |
| Change in Net Assets | \$ 127,140 | \$ 32,039 |
| Adjustments to Reconcile Change in Net Cash Provided by Operating Activities: | | |
| Depreciation | 66,732 | 62,976 |
| (Gain) Loss on Disposition of Fixed Assets | 15,021 | (4,000) |
| (Gain) Loss on Sale of Investments | 5,644 | - |
| Unrealized (Gain) Loss on Investment | (13,873) | 20,985 |
| Changes in Current Assets and Liabilities: | | |
| (Increase) Decrease in Accounts Receivable | 113,937 | (129,578) |
| (Increase) Decrease in Prepaid Expense | 10,360 | (4,529) |
| Increase (Decrease) in Accounts Payable | (168,630) | (31,416) |
| Increase (Decrease) in Accrued Expenses | 26,704 | (10,716) |
| Increase (Decrease) in Deferred Revenues | <u>(52,074)</u> | <u>80,188</u> |
| Net Cash Provided by Operating Activities | 130,961 | 15,949 |
| Cash Flows From Investing Activities: | | |
| Purchase of Certificates of Deposit | - | (82,083) |
| Purchases of Property and Equipment | (40,974) | (75,306) |
| Proceeds from Sale of Assets | 2,280 | 4,000 |
| Purchases of Investments | (99,320) | (24,000) |
| Reinvestment of Dividend | (1,330) | (934) |
| Maturities of Certificates of Deposit | <u>80,415</u> | <u>80,000</u> |
| Net Cash Used in Investing Activities | (58,929) | (98,323) |
| Cash Flows From Financing Activities: | | |
| Repayment of Debt | (10,335) | (861) |
| Repayment of Capital Lease Payable | (6,546) | (5,318) |
| Proceeds from Capital Lease | 15,777 | - |
| Proceeds from Long-Term Debt | <u>-</u> | <u>31,003</u> |
| Net Cash Provided by (Used in) Financing Activities | (1,104) | 24,824 |
| Net Increase (Decrease) in Cash | <u>70,928</u> | <u>(57,550)</u> |
| Cash - Beginning of Year | <u>205,802</u> | <u>263,352</u> |
| Cash - End of Year | <u>\$ 276,730</u> | <u>\$ 205,802</u> |
| Supplemental Disclosure of Cash Flow Information: | | |
| Cash Payments for: | | |
| Interest | <u>\$ 265</u> | <u>\$ 159</u> |

The accompanying notes are an integral part of this statement.

LOUISIANA TRAVEL PROMOTION ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003 AND 2002

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, 2003 and 2002, 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 year ended June 30, 2003, the value of contributed goods and services meeting the requirements for recognition in the financial statements was \$31,092.

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, 2003 and 2002.

| | <u>Cost</u> | <u>Market Value</u> | <u>Unrealized</u> | |
|---------------------------------|-------------|---------------------|-------------------|-------------|
| | | | <u>Gain</u> | <u>Loss</u> |
| June 30, 2003 | | | | |
| Mutual Fund - Equity Securities | \$ 192,034 | \$ 205,907 | \$ 13,873 | \$ - |
| June 30, 2002 | | | | |
| Mutual Fund - Equity Securities | \$ 132,868 | \$ 97,026 | \$ - | \$ 35,842 |

During the year ended June 30, 2003, the Association realized losses on investment dispositions of \$41,486. There were no investment sales during the year ended June 30, 2002.

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, 2003 and 2002:

| | <u>2003</u> | <u>2002</u> |
|---------------------------------------------|------------------|-----------------|
| June 30, 2003 | \$ - | \$ 2,705 |
| June 30, 2004 | 5,226 | - |
| June 30, 2005 | 5,353 | - |
| June 30, 2006 | <u>1,358</u> | <u>-</u> |
| | \$ 11,937 | \$ 2,705 |
| Net Minimum Lease Payments | \$ 12,272 | \$ 2,726 |
| Less: Amount Representing Interest | <u>(335)</u> | <u>(21)</u> |
| Present Value of Net Minimum Lease Payments | <u>\$ 11,937</u> | <u>\$ 2,705</u> |

Note 4 - Note Payable -

At June 30, 2003 and 2002, the Association had a note payable to GMAC totaling \$19,808 and \$30,142, 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, 2004 | \$ 10,335 |
| June 30, 2005 | <u>9,473</u> |
| | <u>\$ 19,808</u> |

Note 5 - Income Taxes -

The Association had unrelated business income of approximately \$51,000 and \$12,000 for the years ended June 30, 2003 and 2002, respectively. These amounts were offset by net operating loss carryforwards, therefore no taxes are due.

Note 6 - Functional Expenses -

The following is a breakdown by functional expense classification.

| | <u>2003</u> | <u>2002</u> |
|----------------------------|---------------------|---------------------|
| Program Services: | | |
| Membership Development | \$ 302,469 | \$ 289,615 |
| Marketing Programs | 1,395,190 | 1,472,844 |
| Membership Services | 267,829 | 275,217 |
| Governmental Action | <u>54,298</u> | <u>58,286</u> |
| | 2,019,786 | 2,095,962 |
| General and Administrative | <u>513,361</u> | <u>506,963</u> |
| | <u>\$ 2,533,147</u> | <u>\$ 2,602,925</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 year ended June 30, 2003, none of the Board Designated funds were 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 \$473,304 and \$442,737 in 2003 and 2002, 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.

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



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August 8, 2003

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, 2003 and have issued our report thereon dated August 8, 2003. 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 another matter which we have reported to the management of Louisiana Travel Promotion Association in a separate letter dated August 8, 2003.

This report is intended for the Board of Directors, management, the Office of the Louisiana Legislative Auditor and any cognizant agency and should not be used for any other purpose.

Respectfully submitted,

Hannis T. Bourgeois, LLP

LOUISIANA TRAVEL PROMOTION ASSOCIATION

MANAGEMENT LETTER

JUNE 30, 2003

BATON ROUGE, LOUISIANA



Hannis T. Bourgeois, LLP

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August 8, 2003

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, 2003, 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 8, 2003 on the financial statements of the Louisiana Travel Promotion Association.

Prior Year Finding:

In the prior year, we suggested that in-kind goods and services be documented throughout the year in order to enhance the financial reporting.

During the current year, it was noted that in-kind goods and services were monitored and recorded if applicable throughout the year.

Current Year Finding:

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, this year she announced her candidacy for governor. Advertising and brochures for the event did not indicate that a political activity would occur at the event.

Recommendation:

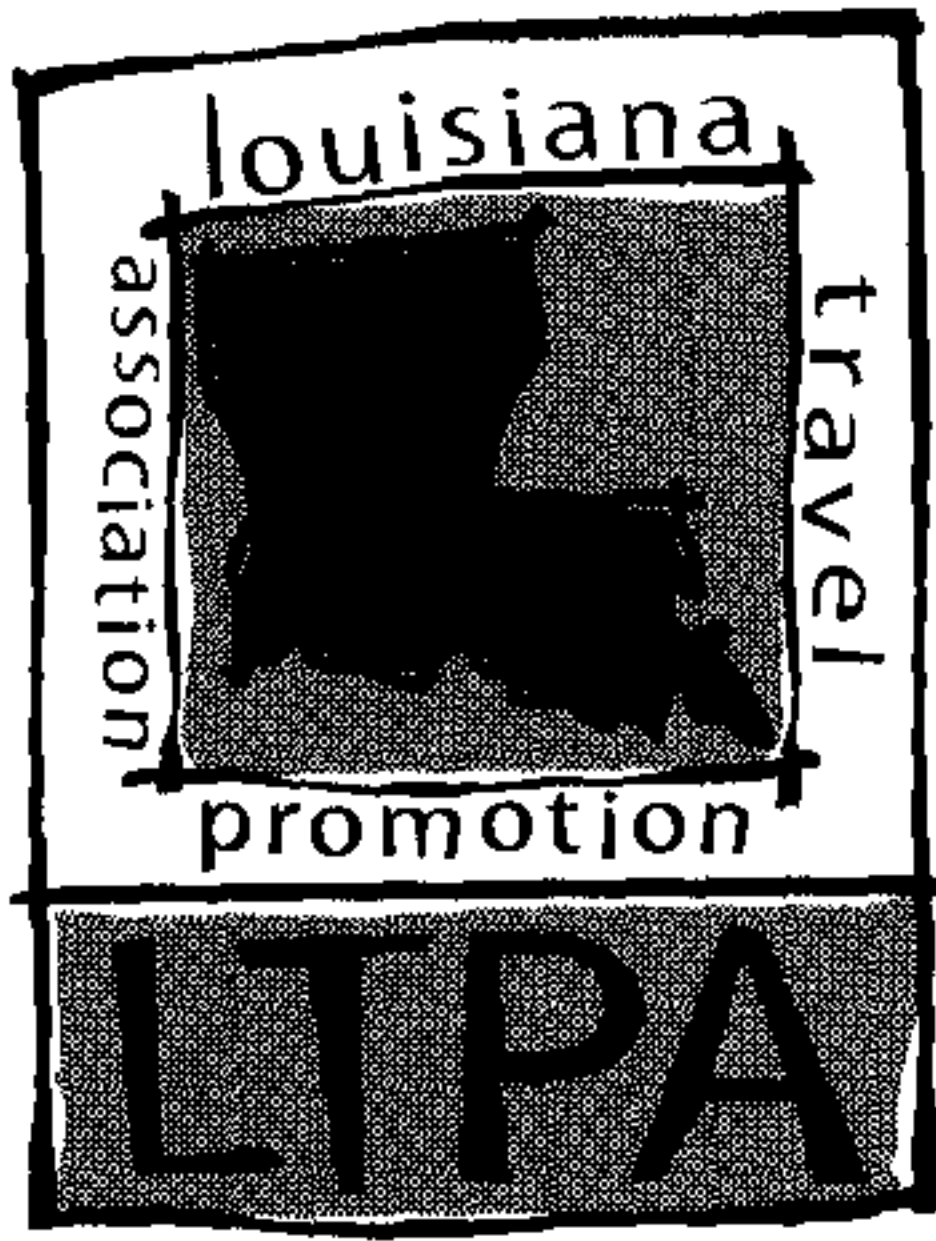
We recommend that in the future, all brochures and advertising for such events clearly indicate if political activities will occur so registrants and sponsors will be aware of the circumstances in advance of the event.

To the Board of Directors
Louisiana Travel Promotion Association
Baton Rouge, Louisiana
August 8, 2003
Page 2

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,

Hannis T. Bourgeois, LLP



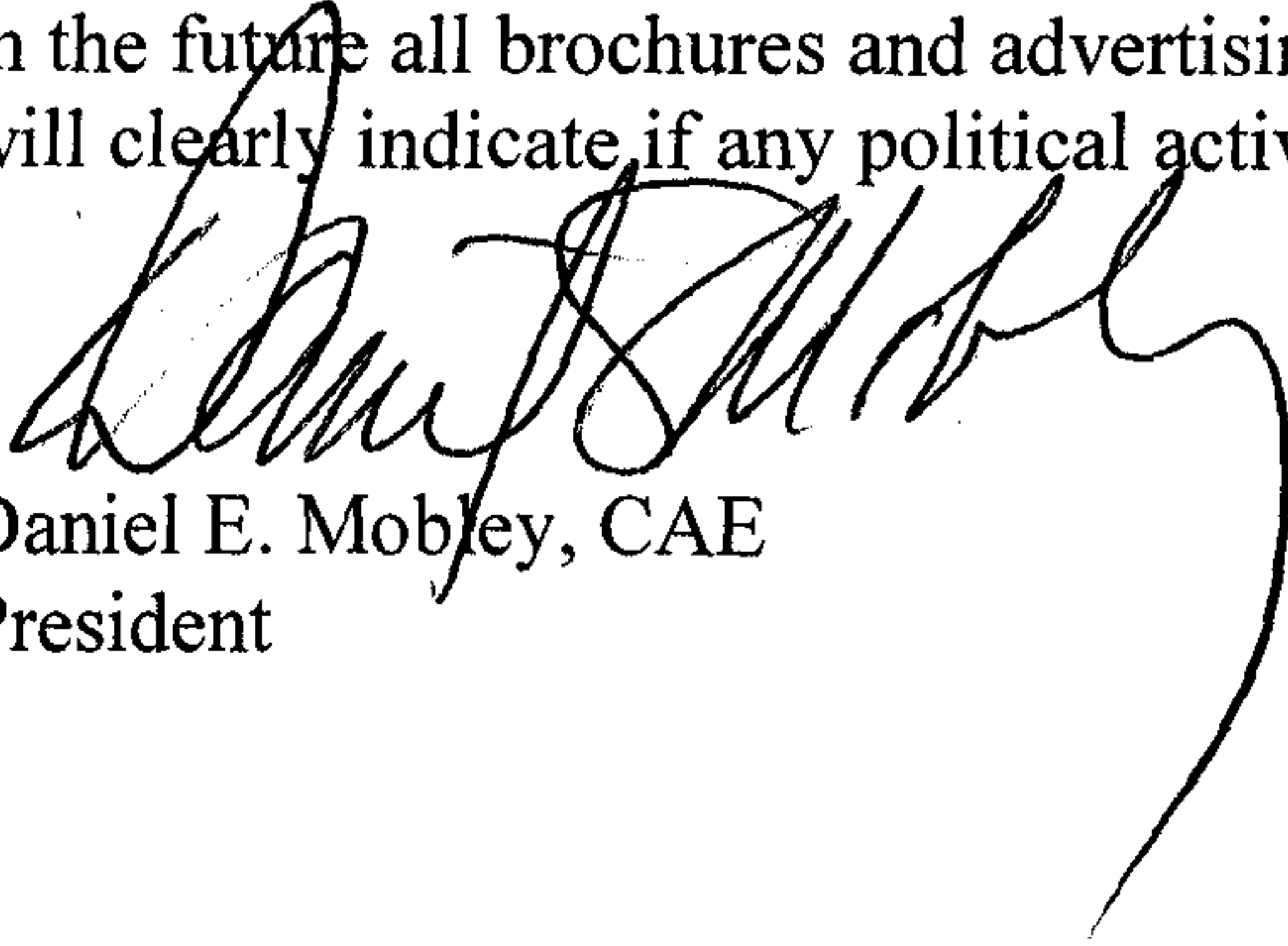
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February 19, 2004

Monica Zumo
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In response to your management letter of August 8, 2003, we acknowledge your recommendation.

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


Daniel E. Mobley, CAE
President

