

1/22/99

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NOLA ECONOMIC DEVELOPMENT CORPORATION

**FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON
FOR THE YEAR ENDED DECEMBER 31, 1999**

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 08-16-00

NOLA ECONOMIC DEVELOPMENT CORPORATION
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
NOLA Economic Development Corporation

We have audited the accompanying statement of financial position of NOLA Economic Development Corporation. (NOLA) (a nonprofit organization) as of December 31, 1999, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of NOLA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 NOLA as of December 31, 1999, and the changes in its net assets and its cash flows for the year then ended, in conformity with generally accepted accounting principles.



February 22, 2000

NOLA Economic Development Corporation

**Statement of Financial Position
As of December 31, 1999**

Assets

Cash	\$	9,895
Accounts Receivable		1,250
Restricted Donated Property		<u>2,100,000</u>

TOTAL ASSETS \$ 2,111,145

TOTAL LIABILITIES 0

NET ASSETS

Unrestricted		11,145
Permanently Restricted		<u>2,100,000</u>

TOTAL NET ASSETS 2,111,145

TOTAL LIABILITIES AND NET ASSETS \$ 2,111,145

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

NOLA Economic Development Corporation

**Statement of Activities
For The Year Ended December 31, 1999**

Unrestricted Net Assets

Rent Revenue	\$ 25,000
Late Fees	<u>1,250</u>

Increase In Unrestricted Net Assets 26,250

Expenses

Accounting Fees	11,955
Advertising	61
Insurance	1,915
Legal Fees	<u>13,058</u>

Total Expenses 26,989

Decrease in Unrestricted Net Assets (739)

Net Assets At The Beginning Of The Year 2,111,884

Net Assets At The End Of The Year \$ 2,111,145

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

NOLA Economic Development Corporation

**Statement of Cash Flows
For The Year Ended December 31, 1999**

Cash Flows from Operating Activities:

Change in Net Assets \$ (739)

Change in Operating Assets and Liabilities:

 Accounts Receivable (1,250)

 Deferred Revenue (616)

Net Increase in Cash From Operating Activities (2,605)

Cash Flows From Investing Activities:

 Donated Property 0

Net Decrease In Cash And Cash Equivalents (2,605)

Cash And Cash Equivalents, Beginning of Year 12,500

Cash And Cash Equivalents, End of Year \$ 9,895

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

NOLA ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

General – NOLA Economic Development Corporation (NOLA) is a nonprofit corporation which is domiciled in New Orleans, Louisiana. The organization was incorporated in July of 1998. The goals and objectives of NOLA is to alleviate conditions of unemployment, underemployment and other forms of economic distress affecting the Economic Development Area (designated as the “City of New Orleans”). This organization plans to achieve its goals and objectives by promoting and supporting activities that directly or jointly with others, increases the employability and aggregate income of the residents in the area. NOLA will attempt to increase employment and greater job diversity by attracting and retaining job producing establishments through engaging in cooperative endeavors with the State of Louisiana and the City of New Orleans. Additionally, they will sponsor and provide support and assistance for education and training programs and internships for youth as well as adults. NOLA was developed to actively promote the Economic Development Area as an area for the establishment of new businesses or the relocation of existing businesses. They are also involved in promoting and soliciting federal, state, local, and private funds for economic development purposes in the City of New Orleans.

Basis of Accounting - The financial statements of NOLA are prepared on the accrual basis of accounting. Accordingly, revenue is recorded when earned and expenses are recorded when incurred.

Income Taxes - The NOLA Economic Development Corporation applied to the Internal Revenue Service for tax exempt status under the provisions of Code Section 501c(6). This application process is anticipated to gain approval within the year 2000.

2. CASH

Cash is comprised of cash on hand and in bank.

3. DONATED PROPERTY

On July 10, 1998, Jazzland, Inc. transferred/donated property to the NOLA Economic Development Corporation. The property is described in legal documents as two parcels of land both located in the Third District of the City of New Orleans and the future site of

Jazzland Theme Park. The fair value of the property was determined to be \$2,100,000 by an appraiser in April 1998. The property was transferred to NOLA with two items of consideration. They are as follows:

- The execution of a Cooperative Endeavor Agreement between Jazzland, Inc. and NOLA in which NOLA agrees to make available to Jazzland, Inc. a \$10,000,000 capital outlay grant issued from the State of Louisiana through the City of New Orleans.
- The execution of a Lease Agreement by and among NOLA and Jazzland, Inc. for the same property.

There is a current lease agreement between NOLA and Jazzland, Inc. as well as a cooperative endeavor agreement which were both made and entered into on July 10, 1998. The lease agreement and the cooperative endeavor agreements are further described in Note 4 and Note 5 of this report.

This transfer/donation of property was made with the right and privilege of Jazzland, Inc. to rescind and resolve it automatically, without any consideration to NOLA, upon the occurrence of any of the following:

- Receipt by Jazzland, Inc. of written notice from the City of New Orleans of its intent to terminate NOLA's status as an economic development corporation
- Termination of NOLA's status as an economic development corporation organized under the laws of the State of Louisiana by operation of law or otherwise
- NOLA is dissolved as a corporate entity voluntarily, by operation of law or otherwise
- The Lease Agreement between NOLA and Jazzland is terminated for any reason
- Any attempt made by NOLA to convey, donate, lease encumber or otherwise transfer any interest in the property to a third party without written consent of Jazzland, Inc.

4. RENT REVENUE

NOLA (Landlord) entered into a lease agreement with Jazzland, Inc. (Tenant) on July 10, 1998 to lease the land known as the future Jazzland Theme Park site, including any and all buildings, structures, rides and other improvements to be constructed or installed. This land was initially transferred to NOLA from Jazzland, Inc. as detailed in Note 3 of this report. The lease term is for a period of ninety-nine years commencing on the date of the agreement. If, for any reason, the lease is terminated, then the initial transfer of the property shall automatically revert back to Jazzland, Inc from NOLA.

The lease terms further require several forms of rent payments. They are as follows:

- Base Rent -- This amount represents the tenant's liability for annual rent of the leased premises from the earlier of 30 months following the commencement date of this agreement or the date the tenant formally opens the premises to the public for its' intended use (Rent Commencement Date). According to this agreement, base rent is \$250,000 annually.
- Interim Rent -- This amount represents an annual fee due to NOLA from the commencement date of this agreement to the official rent commencement date, as previously described. Interim rent is \$25,000 annually and is due in equal quarterly installments. The amount earned by NOLA in 1999 was \$ 25,000 which represents four quarters of interim rent.
- Additional Rent -- Additional rent is an annual fee equal to the greater of 1.73% of Gross Revenue or 3% of annual revenue derived from sales of admissions tickets, passes or other means of providing entry to the leased premises. Of course, this revenue commences on the Rent Commencement Date.
- Gross Revenue Fee -- The gross revenue fee is 1% of annual gross revenue derived by the tenant on account of any services rendered or provided, or goods or merchandise sold or provided in or from the leased premises. This amount is payable to NOLA on an annual basis.

Besides the fees mentioned above, there are also late fee assessments made on all amounts not paid within 10 days of the due date. The late fee is 10% of each installment that was due. There is also a 1.5% interest charge on rent that is delinquent 30 days or more.

5. COOPERATIVE ENDEAVOR AGREEMENT

NOLA Economic Development Corporation, Jazzland, Inc., and the City of New Orleans entered into a cooperative endeavor agreement on July 10, 1998. This agreement furthers the efforts of NOLA to alleviate extreme conditions of unemployment and underemployment in the City of New Orleans. Under the terms of this agreement, NOLA will participate in the development of the Jazzland Theme Park project while Jazzland, Inc. will maintain sole responsibility for the development and operation of the project. NOLA will assist with the actual construction of the project via proceeds from a \$10 million State Grant made to the City of New Orleans, which will be provided to NOLA and passed through to Jazzland, Inc.

6. ACCOUNTS RECEIVABLE

This account represents outstanding late fee charges on rent payments from Jazzland, Inc. to NOLA. Currently, there is no indication of any portion of these amounts being uncollectible, consequently, there is no allowance for bad debt.