

CANAL STREET DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 1995

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONTRIBUTIONS-Continued

Contributions Received and Contributions Made. In accordance with SFAS No. 118, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Under SFAS No. 118, donor restricted contributions previously unreported are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the donor restrictions. This change had no effect on the financial statements for the year ended December 31, 1995.

ESTIMATES

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PROPERTY AND EQUIPMENT

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. CSDC's assets are permanently restricted by the act of donation agreement between D. H. Holmes and the Organization. The agreement states that the donor transferred title exclusively for public purposes. These include maintenance of the property, promotion of social welfare, countering community deterioration, increasing employment opportunities, increasing tourism and enhancing tourist amenities on Canal Street, and preserving and improving the historic and unique aesthetic quality of the Canal Street area. Property and equipment are depreciated using the straight-line method over a term of thirty-nine (39) years.

FINANCIAL STATEMENT PRESENTATION

In 1995, the Organization elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report:

inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operations of policies and procedures may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Directors, management, and applicable Federal and State agencies. However, this report is a matter of public record and its distribution is not limited.

Paul D. Maurin & Leo Blane, L.L.P.

New Orleans, Louisiana
September 17, 1990

PAULET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants
Management Consultants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To The City Council
City of New Orleans, State of Louisiana

We have audited the general purpose financial statements of Canal Street Development Corporation (a nonprofit organization) for the year ended December 31, 1998, and have issued our report thereon dated September 17, 1998.

We conducted our audit in accordance with generally accepted auditing standards 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.

In planning and performing our audit of the general purpose financial statements of Canal Street Development Corporation, for the year ended December 31, 1998, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

The management of Canal Street Development Corporation is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of



CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 1972

NOTE 4 - NOTE PAYABLE (Continued)

The City of New Orleans borrowed \$8,422,000 from the U. S. Department of Housing and Urban Development through its Section 100 Loan Program which originated March 1974. The City in turn loaned the funds to CHSC who in turn loaned the funds to 800 Canal Street Limited Partnership. CHSC holds a third-ranking collateral leasehold mortgage on the property in connection with the Section 100 loan.

NOTE 7 - REPORT FILING REQUIREMENTS

Louisiana State Law (La. Revised Statute 24:515) required that the audit be completed and issued by June 30, 1976. Since the audit report was not issued until November 1986, as required in the Independent Auditor's Report on Compliance With Laws, Regulations, Contracts and Grants Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards a material issue of noncompliance has been disclosed.

NOTE 8 - CONCENTRATION OF CREDIT RISK

The bank balances are comprised of the following which are not fully secured by federal deposit insurance:

Demand deposits, per bank statements	\$ 122,227
Deposits secured by federal deposit insurance	<u>112,022</u>
Total unsecured deposits	<u>\$ 122,227</u>

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 1993

NOTE 4 - SECURITY AGREEMENT BY CSDC (Continued)

and M. Free Kabaoff) guarantee payment of \$200,000 (total of the \$1,000,000 loan security).

NOTE 5 - GARAGE RESERVE

The CSDC/Garage Reserve with 800 Canal Street Limited Partnership was effective May 1990 and shall continue for thirty-six (36) consecutive months thereafter. Contingent upon the availability of sufficient revenues, it is to be funded monthly from net garage revenues not to exceed \$200,000 per year. These funds may be used for principal or interest payments on the Landlord loan or on the loan to the City per the sub-recipient loan agreement. As of the preparation of this report, the balance of the account due to CSDC is undeterminable due to legal review of various leases and commitments between CSDC and the Partnership.

NOTE 6 - NOTE PAYABLE

Long-term note payable consist of the following:

Variable rate sub-recipient note payable to the city of New Orleans representing proceeds from the Department of Housing and Urban Development. Due on July 15, 2001	\$ 9,941,888
Less: current maturities	(169,800)
Total Long-term note payable	\$ 9,772,088

Total scheduled maturities of long-term debt and variable interest rates as of December 31 are as follows:

Year	Amount	Percent
1994	148,133	0.04
1997	188,383	0.84
1998	183,133	0.78
1999	201,250	0.83
2000	216,250	0.17

CANAL STREET DEVELOPMENT CORPORATION
NOTE TO FINANCIAL STATEMENTS (Continued)

December 31, 1993

NOTE 3 - Description of Leasing Agreements (Continued)

The Hotel Parking Lease has an Original Lease Commencement Date of December 1, 1989. The term of the lease commenced on September 15, 1993, and shall continue for ninety-nine (99) years, and terminate at the same time with the Hotel lease, unless earlier terminated as described.

Rent is payable on a monthly basis and is equal to the greater of: (a) a minimum rent of \$3,000 or (b) an amount equal to sixty-five (65%) percent of all gross income and revenue received or collected by the partnership or its Manager in connection with or resulting from the use or rent of Hotel parking spaces.

Landlord and Tenant have the right to adjust the number of parking spaces needed for the Hotel on a daily basis in accordance with the terms and conditions outlined in the lease.

NOTE 4 - SECURITY AGREEMENT BY CSDC

Bank One of Louisiana (formerly Frazier Bank) entered into a loan agreement with 800 Iberville Limited Partnership. This endeavor agreement required CSDC to pledge a \$1,500,000 certificate of deposit as security. This is recorded in the Statement of Financial Position as a certificate of deposit with a corresponding note payable due to primary government. This money was borrowed from the City of New Orleans. The interest earned on this money is remitted to the City and not reflected in the financial statements.

Canal Street Development Corporation entered into this agreement with Bank One of Louisiana. The following guarantees were given to the organization in the event that:

1. The 800 Canal Street Partnership sells the hotel or refinances the existing indebtedness encumbering the hotel, or
2. The Partnership sells or refinances the Apartments project, or
3. NHI sells its partnership interest in 800 Canal Street Limited Partnership or 800 Iberville Street Limited Partnership and as a result of any of the above events occurring, CSDC is not returned its pledge from Frazier Bank, each owner of NHI (Edward E. Roettner

CASAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 1984

NOTE 3 - DESCRIPTION OF LEASING ARRANGEMENTS (Continued)

(including insurance, repairs, maintenance, trash disposal, and utilities) and performance of all obligations necessary to fully satisfy requirements described in the Partnership agreement. As of December 1, 1984, payment of the Carrying Costs Rent became permanent obligations of the Partnership.

Specific obligations included in Carrying Costs Rent included payment and performance of all obligations owing to the landlords under the leases which establish the leasehold estates and interests for:

- (a) **Salmon Property:** The original lease commenced January 1981, and extended to December 1990. Annual rent is adjusted per the CPI. Currently, the monthly rent is \$8,800. The lease term can be extended for three (3) five-year periods. The First Amendment to Salmon lease provides for 18 additional five-year extensions through December 2008, and a final additional extension of 18 months through November 2009.
- (b) **Chevrollet Property:** Originally this lease was known as Mammoth and later Keyworth property before becoming the Chevrollet lease. The lease ended September 1979.
- (c) **Harrier Realty Property:** The original land lease began March 1988 and terminated February 2000. The minimum monthly rental is \$5,650 plus a calculated increase based on the annual change (closest to August 1) in the CPI as defined in the lease. The annual rent increase is limited to seven (7%) percent per year. If the CPI increase over the preceding year is equal to or greater than twelve (12%) percent, then the actual CPI increase shall be used and the annual limitation would not apply. In addition, there is a percentage rent calculated of net sales over \$2,260,000.
- (d) **Landlord Administrative Expenses (LAE):** CSDC shall receive a certain minimum amount of annual revenues for Landlord Administrative Expenses. LAE shall not be payable in addition to any Rent (other than carrying Costs Rent) total less than \$10,000 per year, or unless there is an event of foreclosure under the Subordinating Mortgage.

Hotel Parking Lease

On September 15, 1983, a Hotel Parking Lease was entered into by and between the Partnership, CSDC and the Hotel to provide up to 150 parking spaces for the Hotel.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 1993

NOTE 3 - DESCRIPTION OF LEASING ARRANGEMENTS (Continued)

- (2) Percentage Rent: Commencing with Year six, a percentage rent in the amount of six (6%) percent of gross income as defined in the Hotel Lease, in excess of \$8,803,000 (the "Percentage Rent Threshold Level").

The Percentage Rent Threshold Level may be increased after year six, but only after Fixed Rent has exceeded \$190,800. The method for recalculating the Percentage Rent Threshold Level is detailed in the Hotel Lease.

- (3) Additional Rent: Commencing January 31, 1993, CSDC receives two-thirds (2/3) of all monies received as percentage rental from third parties. No additional rent had been earned at December 31, 1993.
- (4) Revenue Sharing Rent: Revenue Sharing Rent shall only be payable after the earlier to occur of: (a) the payment of the Principal Reduction Payment to FNBC, or (b) the cancellation or satisfaction of the FNBC loan. The Revenue Sharing Rent will be equal to fifteen (15%) percent of Net Cash Flow (as defined) for the project each quarter.
- (5) Base Commercial Rent Participation: Commencing January 31, 1993, thirty (30%) percent of any base or fixed commercial rent paid to the Partnership by any commercial tenant is due from the Partnership. This excludes rents paid by the hotel operator to the Partnership. Base commercial rent is deferred until such time as FNBC has received the Principal Reduction Payment from Net Cash Flow. Any Base Commercial Rent Participation that is deferred accrues interest at a rate of eight (8%) percent per annum from the date that it would have otherwise been payable until the full amount plus interest has been paid.
- (6) Air Rights Rent: The Partnership is required to pay CSDC Air Rights Rent in the amount of \$130 per month, commencing on the Rental Commencement Date (December 1, 1994). Beginning December 1, 1998, the rent will increase by 1% every five years.
- (7) Carrying Costs Rent: Commencing on the Lease Commencement Date and continuing through the Rental Commencement Date, (December 1, 1994), the Partnership was required to pay the carrying costs of the leased Premises as additional rent. Carrying costs consisted of all expenses

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 1994

NOTE 3 - DESCRIPTION OF LEASING ARRANGEMENTS (Continued)

Carrying Costs Rent) unless the sum of such annual Rent payments (excluding Carrying Costs Rent) total less than \$12,000 per year, or unless there is an event of foreclosure.

Apartments Parking Lease

On September 15, 1993, an Apartments Parking Lease was entered into by and between CSDC and HRI to provide HRI with up to 185 parking spaces for the Apartments. This lease was assigned to Iberville by HRI. The Original Commencement Date was December 1, 1990. The term of the lease commenced September 15, 1993, and shall terminate at the same time as the Apartments Lease. Beginning December 1, 1994, rent was payable on a monthly basis and was equal to the greater of: (1) a minimum rent of \$1,000 per month, or (2) the amount of all Income Parking Rent from Monthly Space Rent as defined in the lease.

Hotel Lease

The terms of the Hotel Lease between CSDC and 802 Canal Street Limited Partnership ("Partnership") are as follows:

The term of the Hotel Lease is for ninety-nine (99) years and is effective as of December 1, 1989, the Lease Commencement Date.

- (1) Fixed Rent: Commencing with the Rental Commencement Date (December 1, 1994) and continuing until the end of the term, tenant shall pay a fixed minimum rent to the Landlord on a monthly basis as follows:
- (a) Year one - \$280,000 for the year
 - (b) Years two through the expiration or termination of the lease, Fixed Rent shall be adjusted annually (but not decreased) commencing on the first anniversary of the Rental Commencement Date in accordance with the CPI Adjustment and Fixed Rent Appraisal provisions of the Hotel Lease.
 - (c) Year sixteen (16) and thereafter, Fixed rent is tied to Market Value by appraisal. The Hotel will be appraised every ten (10) years.

CASAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 1995

NOTE 3 - DESCRIPTION OF LEASING AGREEMENTS (Continued)

Apartment Lease-Continued

- (c) Year sixteen (16) and every 10 years thereafter, Fixed Rent is tied to Market Value by appraisal.
- (2) **Percentage Rent:** Commencing with Year Six, a percentage rent is due in the amount of six (6%) percent of gross income as defined in the Apartment Lease, in excess of \$5,125,000 (the "Percentage Rent Threshold Level"). For the year ended December 31, 1995, no percentage rent was received by CSDC.
- (3) **Additional Rent:** Commencing January 31, 1993, CSDC was to receive two-thirds (2/3) of all monies received as percentage rental from third parties. For the year ended December 31, 1995, CSDC collected no percentage rent from third parties.
- (4) **Base Commercial Rent Participation:** Commencing January 31, 1993, thirty (30%) percent of any base or fixed commercial rent paid by any commercial tenant is due to CSDC. For the year ended December 31, 1995, no Base Commercial Rent Participation was received by CSDC.
- (5) **Air Rights Rent:** CSDC is entitled to receive in advance landlord Air Rights Rent in the amount of \$8,700 per annum, commencing on the Rental Commencement Date (December 1, 1993). Beginning December 1, 2003, the rent will increase by 10% every five years. For the year ended December 31, 1995, \$5,700 of Air Rights Rent was received by CSDC.
- (6) **Carrying Costs Rent:** Commencing on the Lease Commencement Date and continuing through the Rental Commencement Date, CSDC was entitled to receive the carrying costs of the Leased Premises as additional rent. Carrying costs consisted of all expenses (including insurance, repairs and maintenance, trash disposal, and utilities) and performance of all obligations necessary to fully satisfy requirements described in the Ireville agreement.
- (7) **Landlord Administrative Expenses (LAE):** The Landlord shall receive a certain minimum amount of annual revenue for Landlord Administrative Expenses. LAE shall not be payable in addition to any Rent (other than

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 1993

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL STATEMENT PRESENTATION-Continued

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. In addition, the organization is required to present a Statement of Cash Flows. As permitted by these new statements, the organization has discontinued its use of fund accounting, and has accordingly, reclassified its financial statements to present the three classes of net assets required. This reclassification had no effect on the change in net assets for 1993.

INCOME TAXES

The organization is a not-for-profit organization that is exempt from income taxes under Section 501 (C)(3) of the Internal Revenue Code.

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows, the organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The certificate of deposit and corresponding note payable to the City of New Orleans is further described in Note - 4.

NOTE 2 - RETIREMENT PLAN

All of Canal Street Development Corporation's work force are employed by the City of New Orleans, Louisiana. These employees are covered under the retirement plan of the City of New Orleans, Louisiana. The organization receives no benefits or has any obligation relating to this plan.

NOTE 3 - DESCRIPTION OF LEASING ARRANGEMENTS

The property on which the project is being constructed, designated as the "D.B. Hoimes Property", was donated to CSDC. This property was subsequently leased to Historic Restoration Inc. ("HRI") originally under one lease and

CASAL STREET DEVELOPMENT CORPORATION
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 1995

CASH FLOWS FROM OPERATING ACTIVITIES	
INCREASE IN NET ASSETS	\$ 140,130
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO	
NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Depreciation Expense	140,000
INCREASE (DECREASE) IN OPERATING ASSETS:	
Accounts Receivable	(80,100)
Accrued Interest	(120,333)
Due From Primary Government	(183,682)
INCREASE (DECREASE) IN OPERATING LIABILITIES:	
Accounts Payable	7,387
Deferred Rent	(10,775)
Due To Primary Government	(10,000)
	<u>140,280</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>140,280</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Note Receivable—Decrease	206,667
Proceeds from Issuance of Long-Term Debt	2,000,000
Principal payment on Long-Term Debt	<u>(48,662)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>1,158,005</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,029,794
BEGINNING CASH AND CASH EQUIVALENTS	<u>220,000</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 1,249,794</u>
SUPPLEMENTAL DISCLOSURES:	
Interest Paid During 1995	<u>\$ 104,201</u>

(The accompanying notes are an integral part of the financial statements)

CANAL STREET DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 1995

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

Canal Street Development Corporation ("Organization" or "CSDC") is a nonprofit, public benefit corporation which was formed on August 8, 1988 under the Internal Revenue Code section 501 (C) (3). The organization's main assets consist of the donation of the building known as the D. W. Holmes building located in the 303 block of Canal Street, New Orleans, Louisiana ("Building") which was developed into the Chateau Screens Hotel ("Hotel") comprised of 143 separate dwelling units with approximately 29,000 square feet of commercial retail space located on real property and the real property known as the D. W. Holmes annex which consists of an 87-unit apartment complex with approximately 12,000 square feet, and a parking garage with approximately 120 spaces. The organization was established for the sole and exclusive purpose to stimulate business development in the Central Business District and the adaptive reuse and development of Canal Street for commercial purposes. This objective is currently being met through renovations and the leasing of donated real estate. Canal Street Development Corporation is a Proprietary Fund, component unit, that is also reported under its primary government unit which is the City of New Orleans, Louisiana. The Organization Board of Directors is comprised of two councilmen from the City and other board members that are appointed by the Mayor of the City of New Orleans, Louisiana.

BAIS OF ACCOUNTING

The Organization used the accrual basis of accounting.

PROMISES TO GIVE

contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporary or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

CONTRIBUTIONS

The organization also elected to adopt SFAS No. 114, Accounting for

CANAL STREET DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 1993

REVENUES	
Support Services	\$ 798,105
Investment Income	38,491
Total Revenues	<u>836,596</u>
EXPENSES	
PROGRAM EXPENSES:	
Interest Expenses	394,071
Professional Fees	63,600
Repairs and Maintenance	4,328
Total Program Expenses	<u>462,000</u>
SUPPORT SERVICES:	
Employee Benefits	29,472
Insurance	8,248
Office Supplies	823
Payroll Taxes	6,174
Salaries	77,749
Telephone	1,524
Total Support Services	<u>124,980</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>250,617</u>
RESTRICTED NET ASSETS	
Depreciation Expense	<u>(148,389)</u>
INCREASE IN NET ASSETS	140,228
NET ASSETS AT BEGINNING OF YEAR	<u>9,346,249</u>
NET ASSETS AT END OF YEAR	<u>\$ 9,486,477</u>

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

RECEIVED
LEGISLATIVE CLERK
27 JAN 72 AM 8:35

OFFICIAL
FILE COPY

DO NOT SEND OUT

EXACT REPRODUCTION
MADE FROM THE
COPY AND PLACE
BACK IN FILE

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

CANAL STREET DEVELOPMENT CORPORATION

A component unit of the City of New Orleans, Louisiana

For the year ended December 31, 1961

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the reader, or reviewed, orally 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: JAN 29 1962

CONTENTS

Auditor's Report	3
Statement of Financial Position	4
Statement of Activities	5
Statement of Cash Flows	6
Notes to Financial Statements	7-17
Independent Auditor's Report on Internal Control Structure Based on An Audit of General Purpose Financial Statements Performed in Accordance with Government Auditing Standards	18-19
Independent Auditor's Report on Compliance with Laws, Regulations, Contracts and Grants Based on An Audit of General Purpose Financial Statements Performed in Accordance with Government Auditing Standards	20

PALET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants
Management Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Canal Street Development Corporation

We have audited the accompanying general purpose financial statements of Canal Street Development Corporation, a component unit of the City of New Orleans, State of Louisiana, a nonprofit organization under Internal Revenue Service Code Section 501 (c)(3), as of and for the year then ended December 31, 1998. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Canal Street Development Corporation, a component unit of the City of New Orleans, State of Louisiana, as of December 31, 1998 and the results of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 17, 1998, on our consideration of Canal Street Development Corporation's internal control structure and a report dated September 17, 1998, on its compliance with laws and regulations.

Palet, Meunier & LeBlanc, L.L.P.

New Orleans, Louisiana
September 17, 1998



PAULET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants
Management Consultants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
LAWS, REGULATIONS, CONTRACTS AND GRANTS BASED ON AN AUDIT
OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the City Council
City of New Orleans, State of Louisiana

We have audited the general purpose financial statements of Canal Street Development Corporation (a nonprofit organization) as of and for the year ended December 31, 1996, and have issued our report thereon dated September 17, 1996.

We conducted our audit in accordance with generally accepted auditing standards and **Government Auditing Standards**, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the organization is the responsibility of the organization's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the organization's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The result of our tests indicates that, excluding the late filing of the audit report with the State Legislative Auditors office, with respect to the items tested, the organization complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the organization had not complied, in all material respects, with these provisions.

This report is intended for the information of the Board of Directors, management, and applicable Federal and State agencies. However, this report is a matter of public record and its distribution is not limited.

Paulet, Meunier & LeBlanc, L.L.P.

New Orleans, Louisiana
September 17, 1996

20

1621 St. Charles Blvd., Suite 700 - Metairie, LA 70002
Telephone (504) 833-0770 • Fax (504) 833-7107

✦ 511 St. Charles Ave., Suite 2000 - New Orleans, LA 70112
Telephone (504) 552-8224 • Fax (504) 552-7101

Member of



International Group of Accounting Firms • Member Firm in Financial Crisis

AICPA SEC Practice Section • AICPA Florida Compliance Practice Section

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 1998

NOTE 3 - DESCRIPTION OF LEASING ARRANGEMENTS (Continued)

later amended into separate leases, for the purpose of developing residential apartments, a first-class hotel and a parking garage to serve the public. The original lease and the hotel and apartment seven lease amendments have been approved by the Council of the City of New Orleans.

The separate leases signed by and between CSDC (Landlord) and HRI include: (1) Seventh Amendment and Restatement of Apartments Lease Agreement dated March 30, 1994, (2) the Sixth Amendment and Restatement of Hotel Lease dated September 15, 1993, (3) the Sixth Amendment to Garage Lease dated September 15, 1993, (4) The Hotel Parking Lease dated September 15, 1993 and (5) the Apartments Parking Lease dated September 15, 1993, as amended by First Amendment and Restatement to Apartments Parking Lease.

On March 30, 1994, HRI assigned and transferred the leased premises mentioned in the Seventh Amendment and Restatement of Apartment Lease Agreement to 800 Iberville Street Limited Partnership ("Iberville").

Apartments Lease

The terms of the Apartments Lease assigned to 800 Iberville Street Limited Partnership are as follows:

The term of the Apartments Lease is effective December 1, 1998, the Lease Commencement Date, and ends 99 years thereafter.

- (1) Fixed Rent: Commencing with the Rental Commencement Date (December 1, 1998) and continuing until the end of the term, Tenant shall pay a fixed minimum rent to CSDC on a monthly basis as follows:
- (a) Year one - \$32,400 for the year.
 - (b) Years two through the expiration or termination of the lease, Fixed Rent shall be adjusted annually (but not decreased) commencing on the first anniversary of the Rental Commencement Date in accordance with the CPI Adjustment and Fixed Rent Appraisal provisions of the Apartments Lease.

CANAL STREET DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 1998

ASSETS

UNRESTRICTED

CURRENT ASSETS

Cash		\$	248,794
Certificate of Deposit			1,000,000
Accounts Receivable			388,138
Interest Receivable			148,333
Due From Primary Government			<u>183,858</u>
Total Current Assets			<u>1,869,123</u>

OTHER-CURRENT ASSETS

Note Receivable - 800 Canal Street Limited Partnership			8,390,333
--	--	--	-----------

RESTRICTED

Land	\$	896,124	
Property and Equipment		<u>8,829,128</u>	
		\$	9,725,252
Less Accumulated Depreciation		<u>(148,888)</u>	<u>8,576,364</u>
Total Assets			<u>\$ 18,825,487</u>

LIABILITIES AND NET ASSETS

UNRESTRICTED

CURRENT

Accounts Payable	\$	48,167	
Note Payable - Primary Government		100,000	
Deferred Rent		<u>9,229</u>	
Total Current Liabilities			<u>257,396</u>

LONG-TERM LIABILITIES

Note Payable - Primary Government		1,000,000	
Note Payable - Primary Government		<u>8,283,333</u>	
Total Long-Term Liabilities			<u>9,283,333</u>

NET ASSETS

UNRESTRICTED		892,317	
RESTRICTED		<u>8,684,070</u>	
Total Net Assets			<u>9,576,387</u>
Total Liabilities and Net Assets			<u>\$ 18,825,487</u>

(The accompanying notes are an integral part of the financial statements)