RECEIVED
LEGISLATIVE AUDITOR

02 MAR -8 AM 9:10

LUTHER C. SPEIGHT & COMPANY

A Corporation of Certified Public Accountants
and Management Consultants

Celebrating 10 Years

NOLA ECONOMIC DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON
FOR THE YEAR ENDED DECEMBER 31, 2001

NOLA ECONOMIC DEVELOPMENT CORPORATION
TABLE OF CONTENTS

LUTHER C. SPEIGHT & COMPANY

A Corporation of Certified Public Accountants
and Management Consultants

Celebrating 15 Years

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
NOLA Economic Development Corporation

We were engaged to audit the accompanying statement of financial position of NOLA Economic Development Corporation (NOLA) (a nonprofit organization) as of December 31, 2001, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of NOLA's management.

The determination of the amount of NOLA's rent revenue is substantially dependent upon the gross revenue and admissions revenue of Jazzland Theme Park, as described in Note 4 of this report. Since, Jazzland, Inc. did not make available the underlying supporting documentation associated with their gross revenue and admission revenue, we were unable to form an opinion on rent revenue recognized by NOLA and any resultant rent receivable or deferred revenue.

Legal agreements between NOLA and Jazzland, Inc., contain stipulations that provide for the recision of the prior Jazzland, Inc., donation of land to NOLA, in the event of lease termination. We were unable to determine if the status of the lease is adversely affected as a result of the uncertainties referenced in Note 7 and if any corresponding affects to the land donation, recorded at $2.1 million existed.

Because we were unable to satisfy ourselves concerning the amount of rent revenues, and the resulting rent receivable as well as the disposition of the prior land donation referred to in the preceding paragraphs and the materiality of these amounts to the financial statements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

As discussed in Note 7 to the financial statements, Jazzland, Inc., has filed a petition for bankruptcy protection. Accordingly, substantial doubt exists related to the collection of the rent receivable from Jazzland, Inc., as well as the probability of future rent payments to NOLA. As a result of these uncertainties, there is substantial doubt related to NOLA's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Luther Speight & Co

February 28, 2002

New Orleans Office: 10001 Lake Forest Blvd., Suite 404 New Orleans, LA 70127 phone (504) 244-9400 fax (504) 244-8240
Atlanta Office: 400 Colony Square, Suite 2004 Atlanta, GA 30361 phone (404) 870-9045 fax (404) 870-9005

NOLA Economic Development Corporation
Statement of Financial Position
As of December 31, 2001

Assets		
Cash	$	234,777
Rents Receivable		186,030
Allowance For Doubtful Accounts		(186,030)
Computer Equipment-Net		2,197
Prepaid Insurance Expense		917
Restricted Donated Property		2,100,000
TOTAL ASSETS	$	2,337,891
Liabilities		
Accrued Expense	$	14,560
Payroll Tax Liability		2,714
TOTAL LIABILITIES		17,274
NET ASSETS		
Decrease In Unrestricted Net Assets, Current Year		(222,661)
Unrestricted Net Assets, Prior Year		443,278
Permanently Restricted Net Assets		2,100,000
TOTAL NET ASSETS		2,320,617
TOTAL LIABILITIES AND NET ASSETS	$	2,337,891

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

NOLA Economic Development Corporation
Statement of Activities
For The Year Ended December 31, 2001

Unrestricted Net Assets	
Rent Revenue	$ 288,324
Donations	7,226
Event Ticket Sales	7,320
Interest Income	4,291
Other Income	112
Increase In Unrestricted Net Assets	307,273
Expenses	
Program Expense	
Salaries	$ 87,375
Payroll Tax Expense	6,785
Pension Plan	13,050
Insurance	8,265
N.O. East Promotion	95,713
Advertising	778
Total Program Expenses	211,966
Supporting Services	
Salaries	$ 9,708
Payroll Tax Expense	3,636
Accounting and Auditing Fees	50,156
Automobile Allowance	10,500
Legal Fees	31,823
Pension Plan	1,510
Office Supplies	3,056
Telephone	1,354
Bank Service Charges	121
Board Meeting Expense	757
Consulting Services	1,000
Courier/Delivery	1,177
Equipment	769
Parking	2,589
Postage	486
Printing	6,826
Depreciation Expense	549
Contract Labor	1,540
Miscellaneous	4,381
Total Supporting Services Expenses	131,938
Total Operating Expenses	343,904
Total Non-Operating Expenses	
Provision for Doubtful Accounts	186,030
Total Expenses	529,934
Decrease In Unrestricted Net Assets	$ (222,661)
Net Assets At The Beginning Of The Year	2,543,278
Net Assets At The End Of The Year	$ 2,320,617

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, 2001

Cash Flows from Operating Activities:	
Change in Net Assets	$ (222,661)
Change in Operating Assets and Liabilities:	
Depreciation	549
Provision for Doubtful Accounts	186,030
Rent Receivable	(84,780)
Prepaid Insurance	(917)
Accounts Payable	(1,675)
Payroll Liabilities	2,100
Accrued Expenses	14,560
Net Increase in Cash From Operating Activities	(106,794)
Net Decrease In Cash And Cash Equivalents	(106,794)
Cash And Cash Equivalents, Beginning of Year	341,571
Cash And Cash Equivalents, End of Year	$ 234,777

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, 2001

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 are 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 was granted Federal income tax exempt status under Section 501(a) of the Internal Revenue Code during 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 between 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 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.

- 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. 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. RENTS RECEIVABLE

This account represents outstanding rent due to NOLA according to the lease agreement between the Corporation and Jazzland, Inc. as described in Note 4 of this report. NOLA has provided an allowance for doubtful accounts relative to this receivable due to the uncertainties concerning collection of this amount as described in Note 7 of this report.

7. SUBSEQUENT EVENTS

During February 2002, the owners of Jazzland, Inc. filed a petition for bankruptcy in federal court. Material amounts are owed to NOLA by Jazzland, Inc. related to unpaid rents for the year ended December 2001. Substantial doubt exists regarding collection of these amounts by NOLA, as well as the probability of future rent collections. As a result of these uncertainties, substantial doubt exists regarding the ability of NOLA to continue as a going concern.

8. GRANT AWARDS

In November 2001, NOLA adopted a board resolution to approve grant awards totaling $223,000 to various local non-profit organizations. These awards must be presented to and approved by the New Orleans City Council prior to distributing funds to the non-profits. NOLA has temporarily suspended the presentation of these awards for City Council approval due to the reduction in collections experienced this fiscal year from Jazzland, Inc.

9. EVENT TICKET SALES

Tickets to a luncheon held during the New Orleans East Week celebration, which was hosted by NOLA were sold and resulted in the $7,320 revenue amount as recorded in the financial statements.

10. ACCRUED EXPENSE

NOLA set up a SEP-IRA or Simplified Employee Pension IRA, which is a tax-deferred retirement plan. Contributions are made by the employer, up to 15% of each employee's total compensation. An amount has been accrued on behalf of NOLA's two employees, however, funding at this time is uncertain.

LUTHER C. SPEIGHT & COMPANY

A Corporation of Certified Public Accountants
and Management Consultants

Celebrating 15 Years

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To: The Board of Directors of
NOLA-Economic Development Corporation

We were engaged to audit the financial statements of the NOLA as of December 31, 2001, and for the year then ended, and have issued our report thereon dated February 28, 2002. We did not express an opinion on the financial statements because we were unable to satisfy ourselves concerning the amount of rent revenues.

Compliance

As part of obtaining reasonable assurance about whether NOLA's financial statements are free of material misstatement, we performed tests of NOLA's 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 01-1, and 01-3.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered NOLA'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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect NOLA's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as item 01-1, 01-2, and 01-3.

New Orleans Office: 10001 Lake Forest Blvd., Suite 404 New Orleans, LA 70127 phone (504) 244-9400 fax (504) 244-8240
Atlanta Office: 400 Colony Square, Suite 2004 Atlanta, GA 30361 phone (404) 870-9045 fax (404) 870-9005

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above, 01-3 to be a material weakness.

This report is intended for the information of the Board of Directors, management, and the City of New Orleans. However, this report is a matter of public record and its distribution is not limited.

Luther Speight & Co

New Orleans, Louisiana
February 28, 2002

NOLA ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2001

FINDING 01-1 CONTRACT NOT ON FILE

CONDITION: During our review of significant expenditure items, we noted that NOLA made payments totaling $95,713 to a contracted service provider. These payments included fees for the contractor's service as well as payments to be made by the contractor on behalf of NOLA to vendors whose services and supplies were utilized throughout the Celebrate New Orleans East week. This contractor was responsible for the week of activities associated with this event, which was budgeted at approximately $89,502. The event was set up, managed, and advertised by the contractor.

Although, various invoices were on file to support payments made by NOLA to the contractor, there was not a signed contract on file.

EFFECT: We were unable to determine the obligations made to NOLA by the contractor and whether or not the contractor met its obligations.

CAUSE: A signed agreement was not maintained on file relative to this contractor and NOLA.

RECOMMENDATION: We recommend that NOLA implement an internal control policy, which requires a written agreement relative to significant contract expenditures. Those contracts should then be maintained on file.

FINDING 01-2 SUPPORTING SERVICES COSTS

CONDITION: NOLA-EDC expended $131,938 in support services expenditures as compared to $211,966 in program service costs for the year ended December 31, 2001. These amounts represent 38% in support services and 62% program service costs respectively. The relative percentage of support services costs appear high considering the established mission of NOLA, which is substantially economic development and employment related.

EFFECT: Achievement of the NOLA's mission is adversely impacted to the extent support services expenditures are not minimized.

CAUSE: Disbursement of economic development grants were delayed due to funding concerns related to Jazzland, Inc., that resulted in disproportionate percentage of support services.

RECOMMENDATION: We recommend that management increase its efforts to control the relative level of support services to total program costs.

FINDING 01-3 CHECK SIGNATURES

CONDITION: NOLA-EDC's Board of Directors on March 2, 2001, adopted a resolution which stipulated that the Executive Director be the sole signatory on all checks for and on behalf of the Corporation of $5,000 or less, and that the signature of an officer of the Corporation be required for checks in excess of $5,000.

During our review of transactions we noted that several checks were written on the same date to the same contractor for amounts under $5,000 individually, however, collectively they totaled in excess of $5,000.

EFFECT: There was a breach in internal control procedures relative to check signage as a result of these transactions.

CAUSE: Checks written in excess of $5,000 require dual signature of the Executive Director and a Board member.

RECOMMENDATION: We recommend that checks be written as required and not split to avoid the $5,000 limit set by the Board of Directors.

NOLA ECONOMIC DEVELOPMENT CORPORATION
UPDATE OF PRIOR PERIOD FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2001

		RESOLVED	UNRESOLVED
00-1	REVENUE RECOGNITION		X
00-2	CASH MANAGEMENT	X	

February 28, 2002

Dr. Daniel G. Kyle
Legislative Auditor
State of Louisiana
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

In reference to the findings reported in NOLAEDC's December 31, 2001 audit submitted herein by Luther C. Speight and Company, please find my organizations' responses below:

FINDING 01-1 CONTRACT NOT ON FILE

Although we did not maintain a contract on file related to these expenditures, we were given authority by our Board to incur expenses from this contractor related to our "New Orleans East Week" planned and budgeted by NOLA. Minutes to our Board meeting of March 2, 2001 relative to the expenses associated with the New Orleans East Week states "A budget for this event was presented by the Corporation and unanimously approved, and the Executive Director was authorized to take all actions necessary to the Corporation's participation in this event."

FINDING 01-2 SUPPORTING SERVICES COSTS

Our fiscal year ended December 31, 2001 represents our second full year of operations at NOLAEDC. As such, we have spent the first year organizing and planning our efforts as an economic development corporation in the City of New Orleans. In our second full year, the current audit period, we focused our efforts on special events in the New Orleans East community and on identifying and budgeting for grant awards to various non-profit organizations throughout the City. Unfortunately, in light of recent events associated with Jazzland, Inc. and due to their nonpayment of revenues associated with the audit period, our plans for grant awards and other program services have been stalled. We expect that our program costs will increase substantially during this current year of operations.

Angela T. Wilson
Executive Director
1515 Poydras Street, Suite 1200
New Orleans, LA 70112
Phone: 504.565.8137, Fax: 504.565.7778
angelew@new-orleans.la.us

FINDING 01-3 CHECK SIGNATURES

We are revisiting our check signature policies to address the fact that the current limits placed on check signage can in certain instances, significantly stall our ability to timely transact business on NOLA's behalf.

If you have any questions or require additional information please contact me.

Sincerely,

Angele T. Wilson
Executive Director