

**CONNECTING**  
*the*  
**Region**



**Enterprise Corporation of the Delta**

**2002 IMPACT REPORT**

# *Enterprise Corporation of the Delta:*

*Improving the lives of low- and moderate-income residents  
of economically distressed areas in Arkansas,  
Louisiana, and Mississippi.*





Friends,

Successfully supporting a family, operating a business, or growing a community development financial institution requires the connection and coordination of a wide range of financial, social and community assets, even in the best of circumstances. Undertaking these tasks in the nation's most economically distressed region, in the midst of a prolonged economic downturn, is a monumental challenge.

However, since the Enterprise Corporation of the Delta (ECD) first embarked on its work nine years ago, the extraordinary persistence of Delta residents has fueled our belief in the potential of this region and its people. Consequently, rather than pull back from the challenges brought on by an extended recession, our board and staff have worked diligently not only to weather this storm, but also to enable ECD to emerge as an even stronger institution.

This process requires that we understand the region's economy and make sound decisions about allocating the resources that have been made available to us. We must mitigate the higher risks and costs that are inherent in operating a financial institution in an economically distressed area. We must be innovative and agile in responding to changing circumstances, both external and internal to our organization. And we must remain steadfast in our efforts to strengthen the region's economic and human assets.

This report summarizes ECD's work in 2002 and provides examples of the progress that was made during the year toward achieving these objectives.

- Reaching \$100 million in financing represented a milestone for ECD and a testimony to the region's capacity. Businesses in ECD's portfolio have experienced stronger sales growth and pay higher wages than comparable businesses in the region. Our financing and technical assistance helped entrepreneurs persevere and position their companies to succeed.
- Joint ventures initiated through the Emerging Markets Partnership - a five-year effort to foster regional collaboration among private, not-for-profit, public and philanthropic groups - advanced entrepreneurship, housing, child care, health care, workforce development and telecommunications.
- The HOPE Mortgage™ Program, began to take root as banks and mortgage originators started using this new resource to help low-wealth families become homeowners.

The year was not without its setbacks. ECD's revenue and self-sufficiency declined in 2002, primarily due to record low interest rates. However, while one failed telecommunications venture resulted in a significant loss, the overall portfolio showed positive trends. ECD's board, staff, fiscal operations and systems are uniquely strong, and the company is well positioned for success.

Sustaining this work requires substantial resources and partnerships. The section of this report describing ECD's alliance with Hope Community Credit Union outlines our strategy for expanding our services, broadening our base of support and building a vital and enduring institution that serves low-wealth communities across the Mid South.

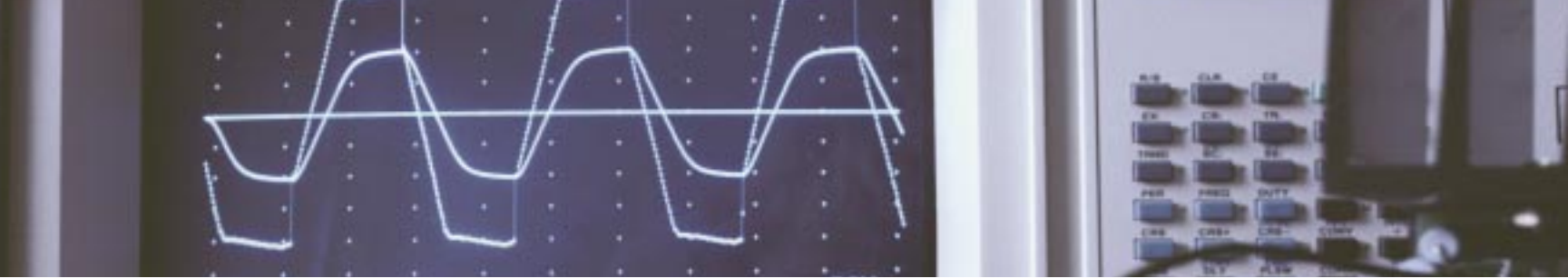
This unique combination of experiences, resources and support gives ECD an unprecedented opportunity to address many of the region's unmet needs. In doing so, we will build on several invaluable lessons. First and foremost, we will always believe and invest in the people of the region, who endure against daunting odds. We will continue to make the connections between the region's people and the capital, resources, programs, and other tools they need to thrive. And we will hold firm to the belief that our common interests far exceed any boundaries that separate us.

Thank you to the many generous funders and program partners who have contributed to ECD's work. Together, we will continue to achieve results that we can be proud of.

Sincerely,

William A. Percy  
Chairman

William J. Bynum  
Chief Executive Officer



Connecting  
**COMMUNITIES**  
to  
Infrastructure



**HEALTH CARE**

**Morton Medical Center**

**Mississippi Primary  
Health Care Association**



*"As a result of ECD's efforts, things are going great. We were able to get a new roof to replace the leaking one, purchase new equipment like boilers and compressors, pay off our vendors' leases, and we have money left over for a rainy day. It couldn't have come at a better time."*

*- Michael Edwards, CEO  
Morton Medical Center*



*Strong community infrastructure and facilities enable businesses and their employees to successfully compete in the new economy. With resources in place to support the basic needs of business and workers, the stage is set for growth and prosperity.*

## **Health Care**

Finding affordable, quality health care can be a challenge in our mostly rural region, but it is essential to people and to business. When people can get medical attention easily and regularly, they are healthier. That means it is easier for them to find and keep jobs and to care for their families. It also means that businesses will be more productive. ECD is committed to improving the quality of life for citizens in Arkansas, Louisiana, and Mississippi, and a viable health care infrastructure is essential to achieving that goal.

When Scott County officials decided they could no longer afford to operate Scott Regional Medical Center in Morton, Mississippi, the company managing the facility decided to buy it. Rural Health Management, Inc. which ran the hospital for the county, and Morton Medical Center, Inc., a group of local citizens concerned about health care, purchased the hospital with

a \$2 million loan from ECD's Mississippi Rural Health Care Fund. This loan was the first made in Mississippi under the U.S. Department of Agriculture's Community Facilities Guaranteed Loan Program.

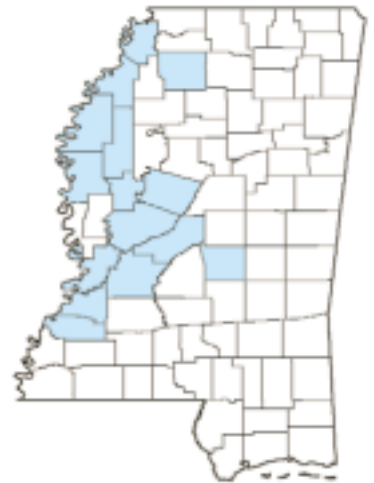
Today the hospital, known as the Morton Medical Center, has new equipment, a new roof, and money in a "rainy day" fund. While keeping the hospital open has made a big difference for the 115 people employed there, it has made an even bigger difference for the residents of the community it serves.

But this story is not just about a single loan. ECD and the Mississippi Primary Health Care Association are collaborating to increase the availability of health care services in rural Mississippi. Through this partnership rural communities receive technical assistance in applying to the U.S. Department of Health and Human Services for funding to create new community health centers.

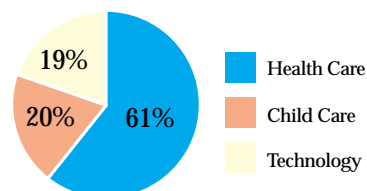
Because of these and

other investments in health care, new jobs will be created, existing businesses will be more stable, and rural residents will have access to doctors, nurses, and vital medical services. This translates into healthier people, a healthier economy and a healthier region.

*Mississippi Counties Assisted by ECD Health Care Investments*



*ECD Community Infrastructure Investments by Dollars Invested - 2002*



*Total Dollars Invested = \$3.2 million*



Connecting  
**COMMUNITIES**  
to  
Infrastructure



**CHILD CARE**

**Jelly Bean Junction**

**Mississippi Low-Income Child Care Initiative**

**TECHNOLOGY / TELECOMMUNICATIONS**

**Air2Lan**





## Child Care

Child care is critical to today's workforce, which is comprised of more working parents than ever before. Confidence in quality care for their children means these parents can perform better and miss fewer work days.

Pam Gentry of Monroe, Louisiana, faced her community's child care shortage every time she turned away a potential customer. Gentry's day care center, Jelly Bean Junction, Inc., in North Monroe, served 115 children and had

25 on the waiting list. She came to ECD for help. After using an ECD loan to construct a new building, Jelly Bean Junction was able to enroll 87 more children. Gentry also built a swimming pool, which allows children to remain on-site for lessons and recreation.

But ECD's efforts to support quality child care in the region go beyond a single loan. To assist on a broader scale, ECD and the Mississippi Low-Income Child Care Initiative partner to help educate child care

professionals about untapped revenue sources, both public and private. As child care centers tap into these resources, they are able to expand and to provide higher quality care.

In 2002, directors from 10 low-income child care centers in Arcola, Greenville, Leland, and Moorhead, Mississippi, received training on how to access these funds and on business planning and management.

*"This new facility will allow us to accept more students now and gives us a bit of breathing room when our present students have younger siblings who need quality day care. We're thrilled to have enough space for our students to play and learn. It's a real dream come true."*

*- Pam Gentry*

*Jelly Bean Junction, Inc.*

## Telecommunications

What many people around the country take for granted in their daily lives is finally becoming a reality in rural areas of the Mid South. Having access to high-speed telecommunications is essential to the success of businesses in the new economy. It helps them connect to and compete in markets across the state, region, nation, and world. However, two-thirds of ECD's market did not have access to an affordable broadband internet service provider.

Thanks to a partnership between ECD and AIR2LAN of Jackson, Mississippi, high-speed internet access is now available in areas around Greenville, Greenwood, Indianola, Vicksburg, and Yazoo City, Mississippi. ECD invested \$500,000 in AIR2LAN during 2002 to spur the broadband service

company's expansion into these underserved areas.

At We Care Community Services in Vicksburg, children use an AIR2LAN connection to download academic tutorials and conduct research.

Agribusinesses Norway Farms and Bradford Agrilab gain valuable time and cost-savings by accessing weather reports and remotely monitoring their crops. Salespeople at the Yazoo Motor Company roam throughout their showroom while accessing inventories or checking blue-book values on a handheld device. For the first time, public offices in Yazoo City are linked by a network that enables email, scheduling, address sharing, and instant messaging. Large employers like Mississippi Chemical, Ergon and Viking Range gain comfort in knowing that

they will not lose vital connections during power outages.

AIR2LAN is expanding into additional markets in West Memphis, Arkansas, and Cleveland, Mississippi. Each new market helps connect the region with the world.

*"Because of ECD and AIR2LAN, our business communities will now have a critical service to compete in the global economy. It is time for Vicksburg and the Delta to come forward as a region of great opportunity for entrepreneurs."*

*- Jimmy Heidel,*

*Vicksburg-Warren County Chamber of Commerce*

*Air2Lan Coverage Map*



- Markets Supported by ECD
- Other Air2Lan Markets



Connecting  
**FAMILIES**  
to  
**Housing**

**502 Rural Development Program  
Mississippi Housing Initiative  
Family Services Agency**



*"My daughters and I are so grateful to have this opportunity to purchase our own home. It has been a dream of mine for many years, and now it's a reality because of ECD and Rural Development."*

*- Kerry Williams  
Jonesboro, Arkansas*

*Through the HOPE Mortgage™ Program, ECD and lenders across the Mid South are helping hardworking people make their dreams of home ownership come true.*

*Low down payments, relaxed credit criteria, and homebuyer education programs help people buy and maintain homes, provide for their families, build assets and stabilize their communities.*







## **USDA 502 Rural Development Program**

Kerry Williams is a 38-year-old single parent with two daughters at home. She worked for an agricultural firm in northeast Arkansas, and was paying more than 40 percent of her gross income on rent. She was able to qualify for a mortgage loan partially funded by ECD with the balance of the loan funded through a USDA program. Her housing payment is now less than 25 percent of her gross income. Her new mortgage payment saves her more than \$300 a month compared to what she was

paying in rent. Now, with every payment, she is building equity in her new three-bedroom home.

In an effort to connect more Mid South families to quality housing, ECD frees up capital for lenders by purchasing loans – both on a loan-by-loan basis at origination or in bulk from existing portfolios. In 2002, 22 Mid South lenders signed on to participate in this program. The Ford Foundation committed \$1.5 million and the State of Mississippi allocated \$1 million in federal HOME funds to help ECD reach a larger group of homebuyers.

ECD's success in using the U.S. Department of Agriculture's Rural Development 502 program in Arkansas spurred interest on the part of other lenders and pushed rates down to competitive levels. The USDA program provides home purchasers with 80 percent of a home's loan value. Other lenders finance the remaining 20 percent. To make the process easier, ECD automatically approves any borrower who is qualified by USDA. ECD's commitment to meet housing needs has made it the top lender in the program in Arkansas.

### **HOPE Mortgage™ Program - Originating Banks**

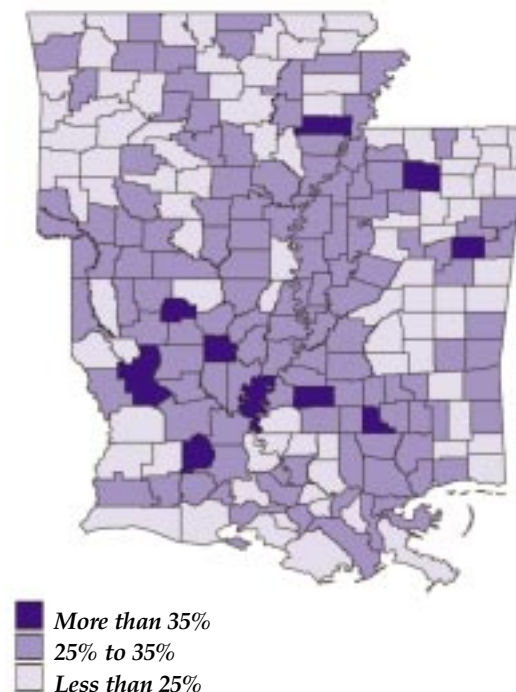
American State Bank  
 AmSouth Bank  
 Ashley Mortgage Co.  
 Bank of the South  
 Britton and Koontz First National Bank  
 BankPlus  
 Broadway Bank  
 Community Bank  
 Community Connections  
 Concordia Bank & Trust Co.  
 Covenant Bank  
 Express Mortgage  
 First American Bank  
 First Security National Bank  
 First State Bank  
 Heber Springs State Bank  
 Hope Community Credit Union  
 McBride Mortgage  
 Merchants and Farmers Bank  
 Preferred Mortgage Co.  
 Rural Development, Arkansas  
 Simmons First National Bank  
 Trace Mortgage Co.  
 Tri-County Credit Union  
 Union Planters Bank  
 Whitney Bank

## **Mississippi Housing Initiative and Family Services Agency**

In addition to working with lenders and individual homebuyers, ECD is partnering with two statewide groups to make homebuyer training widely available. The Mississippi Housing Initiative (MHI) is a network of more than 100 nonprofit housing counseling agencies across Mississippi, and Family Services Agency (FSA) has offices across Arkansas that

provides homebuyer counseling, financial management and credit repair. Because ECD pays these organizations a fee for each homebuyer who receives counseling and goes on to close on a mortgage, MHI and FSA are able to offer better counseling to more potential homebuyers. In 2002, more than 1,400 individuals received ECD-supported homebuyer counseling. By working on all these fronts, ECD is connecting families to affordable housing.

*Percentage of Renters, by County, Who Pay More Than 40% of Their Gross Income on Housing Costs*



Source: U.S. Census Bureau - 2000



# Connecting **BUSINESSES and ENTREPRENEURS** to Capital

*An important aspect of ECD's efforts is connecting small and medium-sized enterprises and entrepreneurs to the capital needed to help start and expand their businesses. With assistance from ECD, businesses have grown from mere ideas to flourishing ventures. That makes a real difference. When businesses thrive and prosper, they create jobs, increase wages, contribute to the tax base, and build communities.*



*"Because ECD was there to support us, we will be able to grow our business much more quickly."  
– Terry Washington,  
Friendly Cleaners*



*"We have put people to work who otherwise might be unemployed. So in that sense, we are also serving their families and the community as a whole."  
– Roy Terry  
Marianna Apparel*

**COMMERCIAL FINANCE**  
**Concordia Square, LLC**  
**Friendly Cleaners**  
**Marianna Apparel**





Financing for new or expanding businesses is scarce in economically distressed communities in the Mid South. In the Delta, there is a \$2.5 billion annual deficit in the availability of commercial financing compared to the rest of the nation. Since 1994, ECD has made almost 300 loans and investments to businesses in Arkansas, Louisiana, and Mississippi that had promise but lacked capital.

People in Vidalia, Louisiana, needed a place to buy groceries. Joanne Caldwell-Bayles and her husband, Fred, owned a 17,000 square foot commercial space in the center of Vidalia. It needed renovation, and they needed financing to make the improvements. Joanne searched for a way to make it happen.

Vidalia Mayor Hiram Copeland connected Joanne with ECD. ECD partnered with a local bank to provide financing using the USDA Business and Industry Loan Program. The improvements were made and the Big Star grocery opened its doors to the community. Big Star now employs 20 people and helps feed a community.

Terry Washington, a lifelong resident of Greenville, Mississippi, is a successful businessman and knows everyone in the community. When a dry cleaning facility in the city burned down, Terry and his wife, Brendolyn, saw an opportunity to provide an important service.

Union Planters Bank, an ECD partner, was unable to help because the business was a startup and referred the Washingtons to ECD. Another partner, Planters Bank, provided a construction loan for the project. ECD provided the permanent financing using the SBA 7(a) guaranty program. ECD is one of the region's most active users of this program which increases access to credit for certain projects, such as startups.

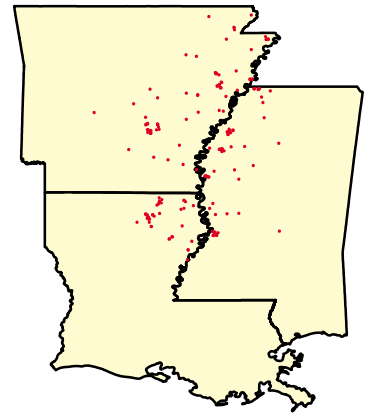
Now under construction, Friendly Cleaners will soon be filling a need for retail and commercial customers in a side of town that was left without a dry cleaner. Terry's connections in the community and his strong reputation for customer service will help ensure the growth and prosperity of the new business.

Employees of McDonald's restaurants nationwide have something in common: they all wear uniforms manufactured by Marianna Apparel of Marianna, Arkansas. Marianna is a subsidiary of Terry Manufacturing, a 30-year-old garment business headquartered in Alabama.

ECD made a \$500,000 investment in Terry that included social covenants related to the establishment of a Delta operation. This financing leveraged additional funds from the state of Arkansas that resulted in the opening of the Marianna plant. These funds allowed Terry to expand its operations to produce uniforms, customized apparel, corporate identification apparel, and related items for military and corporate clients.

More than 20 percent of Marianna Apparel's 50+ employees are former welfare recipients. The clothing manufacturer has given community residents an opportunity to build a better future for their families.

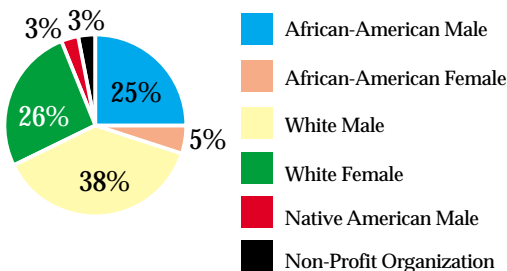
ECD Loan Activity



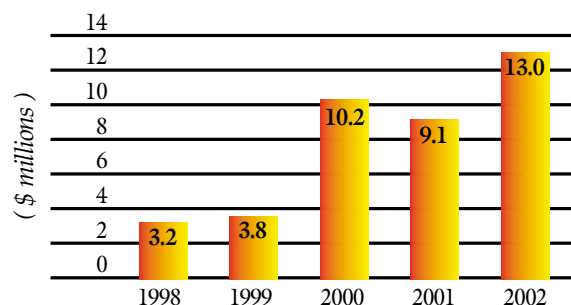
While ECD has always looked for opportunities to encourage companies with strong growth potential, its venture activities stood out in 2002. According to the latest MoneyTree Survey\*, ECD was the only company to make venture investments in Mississippi during all of 2002. By investing in local companies, ECD strengthens the overall economy of the region, creating more jobs and opportunities for its citizens.

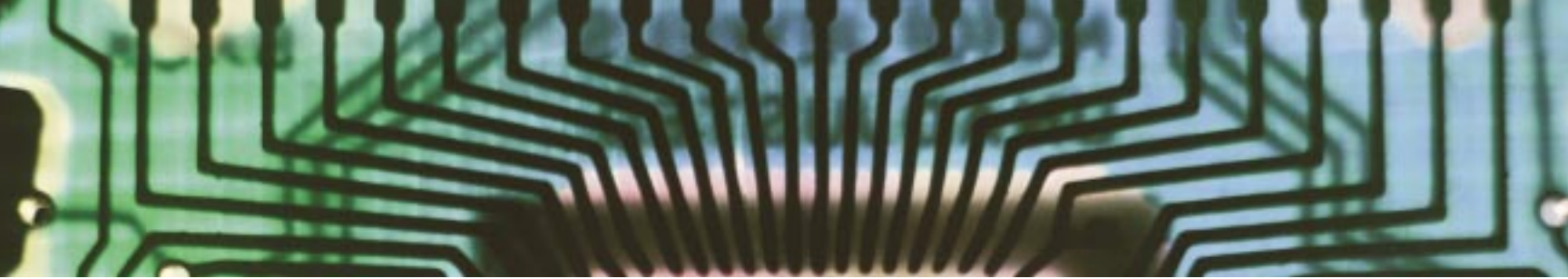
*\*Price Waterhouse/Coopers, Venture Economics and the National Venture Capital Association sponsor the MoneyTree Survey. The survey measures cash-for-equity investments by the professional venture capital community in private emerging companies in the United States.*

ECD Borrower Demographics - 2002



ECD Loan Activity





*ECD knows businesses need more than just financing to prosper. Firms in the Mid South consider non-financial assistance such as accounting, marketing, engineering and workforce training to be as important as capital availability. Unfortunately, providers of these services are scarce in ECD's service area, opting to locate in more prosperous markets. Also, state economic development efforts focus primarily on industrial recruiting in more populous areas. In response, ECD works to expand, import or create high-quality technical assistance services in the region.*



Connecting  
**BUSINESSES and ENTREPRENEURS**  
 to  
**Expertise**



- TECHNICAL ASSISTANCE**
- FastTrac**
  - Brokered Assistance**
  - BusinessLINC**



## FastTrac

The FastTrac program, a partnership between ECD, the E.M. Kauffman Foundation and several colleges, universities and nonprofits around the region, equips entrepreneurs with skills to develop and manage successful business ventures.

In August of 1999, Don and Barbara Scott started Lion's Apparel – a retail shop that features collegiate

merchandise and apparel, primarily related to the hometown University of Arkansas at Pine Bluff (UAPB) Golden Lions. The store was seasonal in nature and catered to football fans.

Through participation in the UAPB's FastTrac Program, Don and Barbara carefully planned for the expansion of Lion's Apparel. Armed with a solid business plan, the Scotts received a loan that

enabled them to relocate and expand their product line to include sports attire and merchandise related to other popular schools. The business changed its name to The University Shop and relocated to a larger space. Now a year-round business, the University Shop experienced a 110% increase in sales during the last half of 2002.

### FastTrac Class Locations

Arkansas  
 Forrest City  
 Helena  
 Pine Bluff  
 Louisiana  
 Ferriday  
 Lake Providence  
 Monroe  
 Tallulah  
 Mississippi  
 Clarksdale  
 Cleveland  
 Greenville  
 Itta Bena

## Brokered Assistance

Intensive one-on-one assistance for individual businesses is often needed to address specific business needs. S & S Plaza, LLC, of Wilmar, Arkansas, is one of 27 businesses helped during 2002 with ECD-brokered technical assistance agreements.

Stanley and Shelia Lucas made their dream of opening a truck stop a

reality with help from ECD. Using an ECD loan, S & S Plaza, which consists of a convenience store, a café and a fuel stop that services 18-wheelers and passenger cars, was built close to a new freight transfer station.

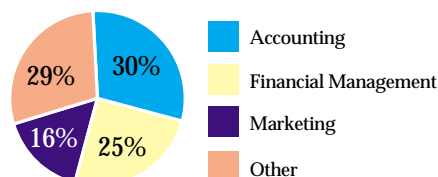
To give the company the best chance of succeeding, ECD arranged for the Lucases to work with alt.Consulting.

Alt.Consulting helped the owners develop a marketing strategy and provided accounting advice and training on bookkeeping software that would help

keep the facility financially healthy.

The business now employs five people and anticipates first-year sales of more than \$1 million.

Technical Assistance by Type of Engagement - 2002



Other includes Strategic Planning, Inventory Control and Personnel

## BusinessLinc

Rural entrepreneurs often face significant challenges as they struggle to find the technical expertise required to be successful in their business ventures. It helps to have a friend who understands the challenges of growing a business.

Addressing this need is the objective of BusinessLINC, a partnership between ECD, Entergy, the business community, SBA and Treasury to facilitate mentoring to small business owners and entrepreneurs.

BusinessLINC chapters have been formed in Greenville and Tunica, Mississippi, and Ferriday and Monroe, Louisiana.

Henry Nathaniel has been in the commercial cleaning business since 2001. His revenues are approximately \$1,000 per month. He met Lee Woodward of the Delta Contract Procurement Service through the BusinessLINC Program in Greenville, Mississippi. Lee and Henry met on a regular basis to devise a plan for growing

Henry's company. As a result, Henry has secured contracts with businesses and public agencies that will more than quadruple his monthly sales.

The BusinessLINC connections between rural entrepreneurs and corporate mentors provide mutual benefit to the companies involved, strengthen local business communities, and promote jobs and entrepreneurship in the Mid South.

*"Entergy is proud to be part of this effort and supports programs that help businesses succeed. Each company that grows helps fuel the economy, and that means there are other companies that will thrive as well."*

*- Cliff Avant  
 Entergy Louisiana*



# Connecting **THE REGION** to Public Resources

*While a wide variety of public programs exist to serve the region, many are underutilized due to a lack of awareness, innovation or capacity. Often, funds and programs sit idle and risk being phased out or diverted to other geographical areas.*

*By sharing its experience and expertise with local, state and national partners, ECD expands its impact by using untapped public resources and changing public policy relevant to distressed communities.*



**Louisiana Capital Companies  
Tax Credit Program**

**ARKids First**



## Louisiana Capital Companies Tax Credit Program

In 2002, Advantage Capital Partners, a venture capital investment firm in New Orleans, Louisiana, made a \$3 million investment in ECD Investments BIDCO Corporation, an ECD affiliate. Advantage Capital made the investment under the Louisiana Capital Companies (CAPCO) Program section that allows

a CAPCO to meet its obligation to serve distressed communities by investing in another CAPCO that serves these communities.

To date, ECD has invested \$517,000 of this money in three Louisiana companies: Foley McIntyre, Inc., and Jireh Plastics and Assembly, LLC, both in Bastrop, and The Pet Place, Inc., in West Monroe.

The Advantage Capital investment in ECD was the first of its kind made in Louisiana. Other CAPCOs have approached ECD about making similar investments. By using an innovative approach and strong relations with the private and public sectors, ECD connects capital with businesses in distressed communities.

## ECD Public Sector Partners

Arkansas Department of Economic Development  
 Arkansas Department of Finance Administration  
 Federal Home Loan Bank  
 Louisiana Economic Development Corporation  
 Loan Funds:  
 Bolivar County  
 East Arkansas Enterprise Community  
 Ouachita Enterprise Community  
 Mississippi Development Authority  
 U.S. Small Business Administration  
 U.S. Department of Agriculture  
 U.S. Department of Housing and Urban Development  
 U. S. Department of the Treasury

## ARKids First

Working with Arkansas Advocates for Children and Families (AACF), ECD is helping low-income parents provide health insurance for their children. ECD's partnership with AACF expands access to health insurance through the ARKids First Program. ARKids First insures children of parents who earn less than 200 percent of the federal poverty level and who work in companies that do not provide health benefits.

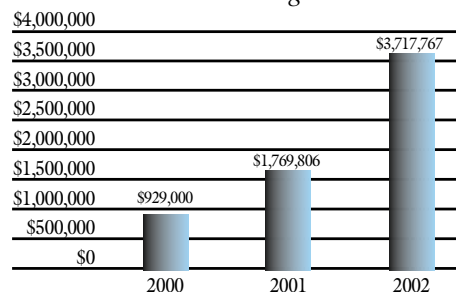
John and Janet Robinson\* of Star City, Arkansas, were self-employed and did not have health insurance to cover the health care costs of their

newborn child and their two-year-old toddler. Because they were self-employed, they did not think they were eligible for ARKids First and struggled to find ways to pay for the health care costs out of pocket. After working with the Outreach Coordinator for the Delta Child Health Insurance Direct Outreach Program, they learned that their children were eligible for ARKids First and enrolled them in the program. All of the health care costs for the children are now covered, and the Robinsons continue to be self-employed.

To make sure the greatest number of children possible are covered, school nurses and area hospital staffs are trained to enroll children. Additional partnerships have been formed with Employer Services of America (a payroll company servicing 500 employees) to stuff pay checks with information about ARKids First and with the town of Monticello to print the ARKids First Hotline telephone number on all water bills.

Through this partnership, ECD and AACF helped more than 100 families enroll in 2002, and personnel in 10 school districts were trained to enroll children in the program. Because low-income families were connected with an under-used government program, kids, parents, businesses and communities are healthier.

Dollars Loaned by ECD Using Government Guarantee Programs



\*Names have been changed for privacy reasons



## Connecting **PEOPLE & COMMUNITIES** to **HOPE**

In many communities, hard-working people do not have access to basic financial services. Or they are subjected to exorbitant fees when they get a loan or try to cash their paychecks.

In 1995, Hope Community Credit Union (HOPE) was organized in Jackson, Mississippi, to provide low-income residents with high-quality, non-predatory financial services.

While working at Voice of Calvary Ministries, Peter Almeida found out about HOPE, and believed strongly in its mission.

He had seen too many people in his community without access to basic financial services.

Peter works with families who are in the process of buying homes. Of the many people he counsels, almost none contributed to a savings account.

When the staff of the ministry was asked to support the credit union, Peter became a member, opened an account, and signed up for direct deposit. Now he leads by example, and is building assets for his future.

ECD has provided a range of assistance to HOPE since its inception. Today HOPE is a cooperative of more than 40 faith-based organizations, banks and nonprofit groups and some 2,500 individuals from different faiths, races, incomes and backgrounds that pool their deposits to invest in low-income communities.

In August 2002, ECD became HOPE's primary sponsoring organization. With ECD's sponsorship, HOPE now has an expanded field of membership to fuel its growth and consumer services. In addition, ECD has greater access to capital to sustain and expand its

commercial financing programs. Through this relationship, ECD and HOPE will be able to extend their community development financial services to more communities in Arkansas, Louisiana and Mississippi.

Together, HOPE and ECD now form a regional community development bank that promotes savings and community investment among youth, low-income citizens and others who want a social return in addition to competitive interest rates and deposit insurance. Through HOPE, faith-based organizations, large corporations, small businesses, not-for-profit organizations, public agencies, socially-responsible individuals and others who care about their neighbors can pool their time, talent and resources to provide equitable access to financial services that help individuals and businesses in the Mid South realize their vast potential.

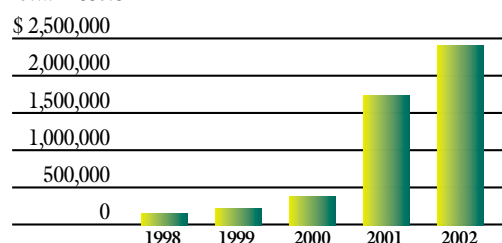


An ECD-Sponsored Credit Union

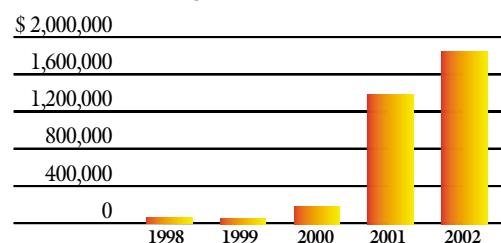
*"Most of my adult life, I was a spender instead of a saver. HOPE helped me change that. It feels good to know I have something that's mine."  
- Peter Almeida, Jr.  
Voice of Calvary Ministries*



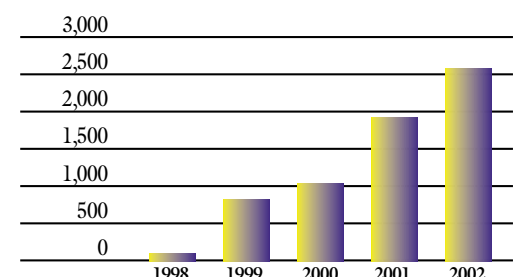
Total Assets



Loans Outstanding



Member Accounts







## Connecting **THE REGION** across Borders

By partnering with others who share its commitment to improving the region's economic health, ECD has been able to influence both the policies of key economic and community development entities and the use of their resources. The result has been an impact far greater than could have been achieved by the efforts of organizations working separately.

### ***New Markets Tax Credit***

In 1999, ECD hosted a visit by President Clinton to launch an initiative designed to stimulate private investment in America's New Markets, the economically distressed communities that have untapped potential for growth, profit, and economic opportunity. A centerpiece of this effort was the New Markets Tax Credit, designed to attract \$15 billion in capital to finance businesses in low- and moderate-income communities.

Over the past three years, ECD has provided significant input to the White House, Congress, the IRS, Treasury and advocates from across the country as this program has moved from an idea to law and finally to implementation. In early 2003 ECD received one of the first New Markets Tax Credit allocations, the only one awarded in Arkansas or Mississippi.

### ***Emerging Markets Partnership (EMP)***

Underwritten by the Kellogg Foundation, and supported by Mid South governors, Fannie Mae, Entergy Corporation and other local organizations, EMP is a five-year initiative to stimulate economic development in the Delta through joint ventures that target enterprise development, housing, and community infrastructure. In addition to its direct results of businesses financed, jobs created, housing units built and rehabilitated, homebuyers financed, health care and child care provided and telecommunications supported, a primary objective for ECD and its partners is to extend successful projects throughout the region.

Several Emerging Markets Partnership projects are referenced throughout this report. Others are summarized below.

- **Arkansas Center for Health Improvement – Medicaid Waiver Project:** Obtain a Medicaid waiver to support neonatal and prenatal care provided by community health workers. Leads to creation of jobs, addresses health care needs, and provides a stable revenue stream to support the work of rural health care providers.
- **ExplorNet – Technology Workforce Development Project:** Improves skills and earnings potential of Delta workers and addresses critical need for technology skills among Delta employers.
- **Good Faith Fund – Workforce Investment Act Project:** Promote full deployment of Workforce Investment Act funds in the Delta and improve responsiveness of workforce programs to small businesses. Leads to improved delivery of services and addresses critical workforce development needs of Delta workers and employers.
- **Mid South Delta LISC – Delta Home Ownership Initiative:** Provides technical assistance to help community development corporations increase production of affordable housing, promotes home ownership in collaboration with the HOPE Mortgage™ Program, and improves the capacity and self sufficiency of CDCs in the Delta.

### ***Earned Income Tax Credit***

In 2002 ECD partnered with the IRS, We Care Community Services in Vicksburg and Northeast Louisiana Delta CDC in Tallulah to establish two volunteer income tax assistance centers. Twenty-nine families claimed federal refunds through this project totaling more than \$50,000. In the absence of volunteer assistance, most of these families would have been subjected to costs of up to \$3,000 in tax preparation fees and interest on rapid refund loans. Both of these sites are operating in 2003 and have served as models for additional enrollment efforts in conjunction with Hope Community Credit Union.

### ***ECD - A Community Development Leader***

Since 1994, ECD has assisted more than 1,600 entrepreneurs and generated over \$100 million in financing. Recognition received by ECD in 2002 for its work includes the Ernst & Young National Supporter of Entrepreneurship Award and the Mississippi Governor's Business Achievement Award. In addition, ECD's CEO was named by President Bush to the Community Development Advisory Board, which advises the administration on matters related to promoting development in distressed parts of the country.

## **ENTERPRISE CORPORATION OF THE DELTA BOARD OF DIRECTORS**

### **Bill Bynum**

*Enterprise Corporation of the Delta*

### **Hodding Carter, III**

*John S. and James L. Knight Foundation*

### **Elgin Clemons**

*Economic Development Corporation  
for Trenton*

### **Ronnie Crudup**

*New Horizon Church*

### **Chuck Dunn**

*Mississippi Chemical Corporation*

### **Mike Espy**

*Mike Espy, PLLC*

### **Kim Lee**

*Entergy Corporation*

### **Ed Lupberger**

*Nesher Investments*

### **Fred Miller**

*Bank of Anguilla*

### **Billy Percy**

*Greenville Compress Company*

### **Kevin Reilly**

*Reilly Enterprises, LLC*

### **George Walker**

*Mississippi Community College Board*

### **Robert Walker**

*Jackson State University*

### **Hiram Walters**

*Brandon, Mississippi*

### **William Winter**

*Watkins, Ludlam, Winter & Stennis*

## **ECD INVESTMENTS, LLC MANAGEMENT COMMITTEE**

### **Bill Bynum**

*Enterprise Corporation of the Delta*

### **Elgin Clemons**

*Economic Development Corporation  
for Trenton*

### **Jeff Gish**

*AmSouth Bank*

### **Kim Lee**

*Entergy Corporation*

### **Frank Oldham**

*American State Bank*

### **Billy Percy**

*Greenville Compress Company*

## **INSTITUTIONAL FUNDERS AND INVESTORS**

*Advantage Capital Partners*

*Amex*

*American State Bank*

*AmSouth Bank*

*Arkansas Blue Cross and Blue Shield*

*Bank of America*

*Bank of Anguilla*

*Bank of Yazoo City*

*Bank One*

*BankPlus*

*BellSouth Telecommunications, Inc.*

*Calbert Social Investment Foundation*

*Catholic Health Initiatives*

*Charles Stewart Mott Foundation*

*ChemFirst Foundation, Inc.*

*Concordia Bank & Trust*

*Dominican Sisters of Hope*

*Entergy Corporation*

*Ewing M. Kauffman Foundation*

*F. B. Heron Foundation*

*Farmers Bank & Trust*

*Farmers Grain Terminal, Inc.*

*First National Bank of Blytheville*

*First National Bank of Phillips County*

*The Ford Foundation*

*Foundation for the Mid South*

*Hibernia National Bank*

*John D. and Catherine T. MacArthur  
Foundation*

*Levi Strauss Foundation*

*Mary Reynolds Babcock Foundation*

*Merchants & Farmers Bank*

*Mississippi Development Authority*

*National Community  
Capital Association*

*The Pew Charitable Trusts*

*The Philanthropic Collaborative, Inc.*

*Planters Bank & Trust Company*

*Robert Wood Johnson Foundation*

*Scott Foundation*

*Seton Enablement Fund, Inc.  
(Sisters of Charity)*

*Simmons First National Bank*

*Sisters of Charity of St. Elizabeth*

*Sisters of Charity of the  
Incarnate Word*

*Sisters of the Divine Savior*

*Society of the Holy Child Jesus*

*Threshold Foundation*

*Trustmark National Bank*

*Union Planters Bank*

*US Department of the Treasury,  
CDFI Fund*

*US Small Business Administration*

*Walton Family Foundation*

*W. K. Kellogg Foundation*

*Winthrop Rockefeller Foundation*

Enterprise Corporation of the Delta  
**CONSOLIDATED**  
**Financial Highlights**

Years Ended December 31

**Results of Operations**

	2002	2001	Change
Earned Revenues	\$ 1,795,753	\$ 2,380,675	-25%
Operating Expenses	4,953,711	4,760,628	4%
Loan Loss Reserve Expense	2,219,085	2,425,958	-9%
Change in Net Assets (Net Income)	-3,505,466	17,164,722	-120%

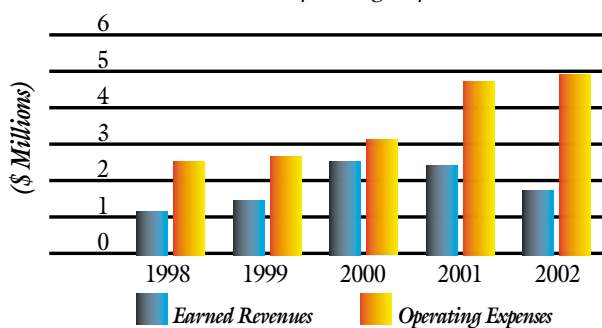
**Financial Position**

Total Assets	\$ 55,307,444	\$ 55,788,352	-1%
Total Net Assets (Net Worth)	44,002,544	47,508,009	-7%
Loans and Investments	24,583,739	19,672,948	25%
Total Debt	11,043,750	8,058,750	37%

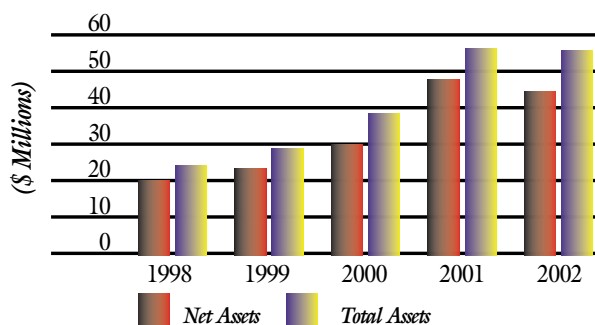
**Results of Activities**

Total Loans Closed	\$ 11,951,048	\$ 8,265,241	45%
Total Investments Closed	1,035,000	832,672	24%
Total Loans and Investments Closed	\$ 12,986,048	\$ 9,088,913	31%

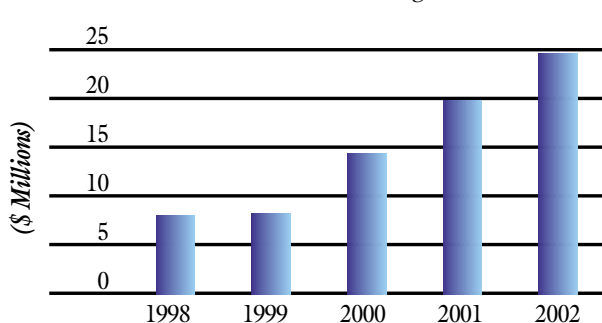
Earned Revenues and Operating Expenses



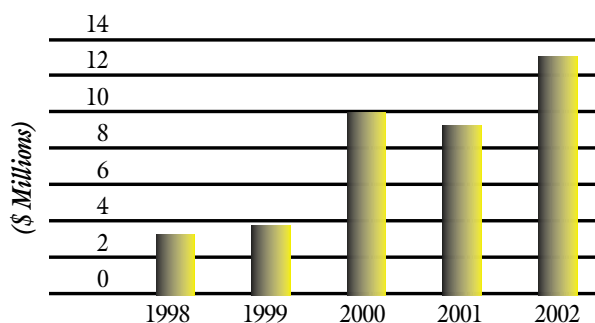
Net Assets and Total Assets



Loans and Investments Outstanding



Loans and Investments Closed



**CONNECTING**  
*the*  
**Region**

*Our common interests  
far exceed any boundaries  
that separate us.*

*Enterprise Corporation of the Delta*

**Management's Discussion and Analysis of  
Financial Condition and Results of Operations  
and Consolidated Financial Statements**

**WITH REPORT OF INDEPENDENT AUDITORS**

*Years Ended December 31, 2002 and 2001*

Management's Discussion and Analysis of Financial Condition and Results of Operations.....	22
Independent Auditor's Report .....	25
Audited Consolidated Financial Statements:	
Consolidated Statements of Financial Position .....	25
Consolidated Statement of Activities and Changes in Net Assets .....	26
Consolidated Statements of Cash Flows .....	27
Notes to Consolidated Financial Statements .....	28

# Management's Discussion and Analysis of Financial Condition and Results of Operations

## SUMMARY OVERVIEW

### CORPORATE OVERVIEW

The Enterprise Corporation of the Delta (ECD) is a 501(c)(3) tax-exempt Mississippi corporation, incorporated in 1993. Its mission is to improve the lives of Arkansas, Louisiana and Mississippi residents through economic and community development. The CDFI Fund of the U.S. Treasury Department has certified ECD as a Community Development Financial Institution.

In 1997 ECD formed ECD Investments, LLC, a Mississippi Limited Liability Company, for the purpose of raising additional capital for its loan and investment funds. ECD's controlling interest in ECD Investments, LLC totals \$0.5 million. ECD is the sole Class B member. Class A and C units are available for investments by qualified institutional and individual investors. Together the Class A and C members are labeled as minority interest in the consolidated financial statements. The CDFI Fund of the U.S. Treasury Department has certified ECD Investments, LLC as a Community Development Financial Institution.

In 1999 ECD Investments, LLC incorporated ECD Investments BIDCO Corporation, a Louisiana corporation. ECD Investments, LLC is the sole common shareholder. The Louisiana Office of Financial Institutions regulates ECD Investments BIDCO Corporation.

### Forward Looking Statements

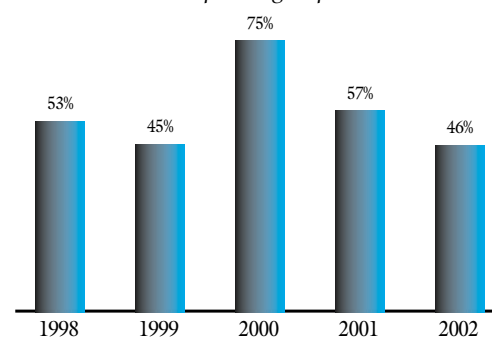
The discussion that follows contains certain forward-looking statements (as defined in the Private Securities Litigation Reform Act of 1995) based on current management expectations. ECD's actual results could differ materially from those management expectations. Factors that could cause future results to vary from current management expectations include, but are not limited to, general economic conditions; changes in interest rates; cost of funds; demand for loan products; demand for financial services; competition; changes in the quality or composition of ECD's loan and investment portfolios; changes in accounting principles; policies or guidelines and other economic, competitive, governmental, regulatory, and technical factors affecting ECD's operations, products, services, and prices. Other factors may be specified in the text that includes the forward-looking statements.

### Earnings Overview

ECD measures its earnings as the ratio of earned income to operating expenses. Management understands that ECD, in order to accomplish its mission, is unlikely to become completely self-funded. However, management believes that ECD's long-term viability is dependent on its ability to pay for the bulk of its operating expenses.

In 2002 the earned income to operating expenses ratio stood at 46 percent, a decrease from the 2001 ratio of 57 percent. Management anticipates this ratio to rise to approximately 60-65 percent in 2003. The 2002 and 2001 ratios do not include expenses related to the Emerging Markets Partnership, a program funded by the W.K. Kellogg Foundation. The reduction in the ratio was largely caused by the rapid fall in interest rates during 2002 and 2001. The majority of ECD's commercial portfolio is composed of variable rate loans. ECD's cost of funds is at a fixed rate. The fall in short-term interest rates significantly reduced the spread between the two. In addition, a high percentage of ECD's portfolio was on a non-accrual basis during portions of 2002, which also reduced loan interest income. This was compounded by earnings on debt securities that also dropped as rates fell.

Earned Income to Operating Expenses



## EARNINGS ANALYSIS

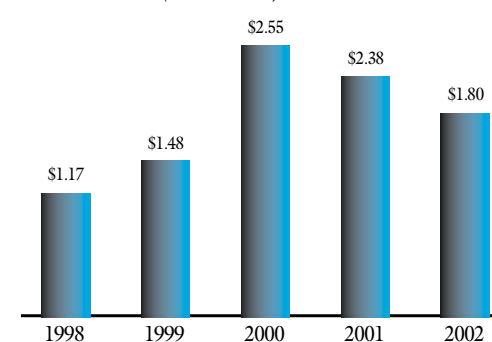
### Earned Income

Earned income, defined as the amount of revenue generated by earning assets, is the principal source of operating support for ECD. ECD aims to generate enough earned income internally to pay for 60-70 percent of its operating expenses. Earned income is comprised of interest, dividend earnings, realized gains/losses on debt securities, and fees.

Earned income in 2002 decreased to \$1.8 million from \$2.38 million in 2001. This is largely attributable to the decrease in interest rates during the course of the year, since total assets remained mostly stable during the year. In 2002, interest and dividends from debt securities and cash equivalents fell to \$620,000 from \$1.01 million, a decrease of 39 percent. During this same period, interest and dividends from loans and other investments fell only slightly to \$960,000 from \$1.02 million.

In 2002, fee income rose significantly to \$263,000 from \$161,000 in 2001. This increase is primarily the result of non-lending-related fees.

Earned Income (in millions)



Management anticipates some growth in earned income in 2003. The bulk of this growth will be in interest and dividends from loans and other investments, as ECD's loan portfolio will see continued growth in 2003. Earnings from loan fees are expected to be fairly static, in light of the troubled national economy. Management anticipates loan closings to be smaller than those of 2002.

### Provision for Loan Losses

The provision for loan losses is the charge to operating earnings necessary to maintain the allowance for loan losses at an adequate level to absorb losses inherent in the loan portfolio. In 2002, ECD recorded a provision for loan losses totaling \$2.22 million, compared to \$2.43 million reported in 2001.

Net charge-offs in 2002 were \$2.3 million versus \$1 million in 2001. Measured as a percentage of average loans, net charge-offs were 11.8 percent of average net loans in 2002 versus 5.4 percent in 2001. \$1.5 million of the total charge-offs in 2002 were related to one loan to a telecommunications company. Consequently, charge-offs were limited to only a few loans. Management expects net charge-offs to return to approximately 5 percent of average net loans in 2003.

Management has anticipated net charge-offs will be significantly higher than those of traditional financial institutions, due primarily to the increased risk inherent in ECD's loan portfolio. Management has also anticipated that net charge-offs will be higher than other community development financial institutions (CDFI) around the country for two reasons: First, most other CDFIs devote the bulk of their portfolio to housing, where the risk of default is lower and collateral is stronger; and second, the economic condition of the Delta is significantly worse than most other parts of the country.

Additional discussion of asset quality trends may be found in the section of this report entitled Credit Risk Management Process and Loan Quality.

#### Non-earned Revenue

Non-earned revenue, defined as the amount of revenue generated from outside funding sources, has been ECD's principal source of capital as well as being the source of additional support for ECD's operations. In 2002 grants and contributions totaled \$2.5 million, a reduction from the 2001 total of \$22.1 million. Approximately \$20 million of the 2001 grant revenue was a five-year grant from the W.K. Kellogg Foundation.

Management anticipates grants and contributions will remain at approximately \$2 to \$4 million annually. Grants and contributions have provided the majority of ECD's start-up capital. Management anticipates that equity investments in ECD's subsidiaries and long-term, low-interest debt will continue to replace grants and contributions as the primary source of capital.

#### Operating Expenses

Operating expenses, defined as all expenses less interest, provision for loan losses, impairment loss on investments, and depreciation were \$4.95 million in 2002 as opposed to \$4.76 million in 2001. This represents an increase of four percent. Despite the increase in program activity, management has worked hard to contain costs.

Salaries and employee benefits expense, the largest category of operating expense, was \$3.12 million in 2002, representing a 15 percent increase over the 2001 expense of \$2.72 million. The increase was primarily the result of additional staff hired during 2002 and 2001. Contractual services expense fell slightly in 2002 to \$907,000 from \$1.22 million in 2001.

Significant effort has been directed towards containing costs, while also providing ECD with the resources necessary to accomplish its mission. Management anticipates operating expenses to rise slowly over the next few years. Any large increases will be contemplated only when non-earned revenue is generated for a specific purpose - as has been the case with the Emerging Markets Partnership.

#### Other Non-interest Expenses

Provision for loan losses fell between 2001 and 2002. As discussed previously, the provision for loan loss expense fell to \$2.22 million in 2002 from \$2.43 million in 2001. Depreciation expense grew modestly and is in line with management expectations of fixed asset growth. The vast majority of ECD's fixed assets are computer hardware and software. Management anticipates the continued acquisition of computer-related fixed assets, but will continue to pay special attention to containing costs in this area.

Additional discussion of asset quality trends may be found in the sections of this report entitled Provision for Loan Losses and Credit Risk Management Process and Loan Quality.

## BALANCE SHEET ANALYSIS

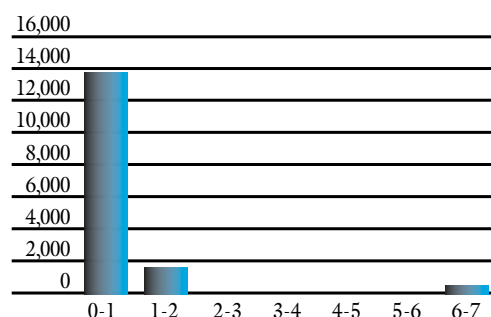
#### Interest-Earning Assets

The predominant interest-earning assets are loans and debt securities. In addition, a smaller amount is in cash, cash equivalents and certificates of deposit. In total, interest-earning assets totaled \$42.1 million in 2002 and \$41.9 million in 2001. These represent 76 and 75 percent of total assets for 2002 and 2001, respectively.

#### Securities

The majority of ECD's interest-earning assets are in debt securities and cash equivalents. These totaled \$22.7 million in 2002 and \$23.9 million in 2001, a reduction of 5 percent. These securities, at year-end 2002, consisted of U.S. Treasury securities, government agency bonds, commercial paper, corporate bonds, mortgage backed securities and asset-backed securities. All non-government securities are investment grade or better. The average life of the portfolio is estimated to be 0.7 years. Unrealized losses totaling \$59,000 were included in total revenues and gains reported for 2002.

Securities Maturity Distribution (in \$ thousands)



ECD's policy requires that all securities purchased for the securities portfolio be rated investment grade or better. Securities backed by the U.S. Government and its agencies represented approximately 69 percent of the portfolio at December 31, 2002. An additional 18 percent of the portfolio is in cash and cash equivalents.

In 2003 management anticipates a reduction in the investment portfolio as maturities of investment securities are used to fund loan growth while the rate of new capital received is expected to be less than the rate of loan growth.

#### Loans and Investments

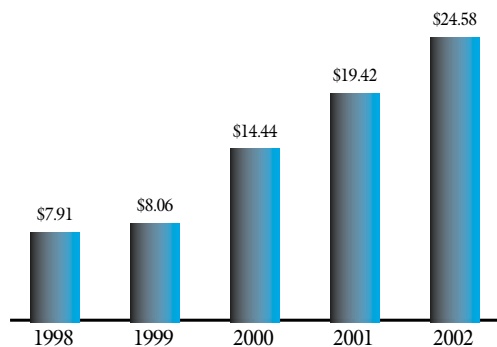
At December 31, 2002, loans totaled \$19.19 million, an increase of 10 percent from the \$17.51 million reported in 2001. This significant increase in loans outstanding was due largely to the high loan production for the year. Loan closings in 2002 were significantly higher than those of 2001.

At December 31, 2002, investments in privately-held companies comprised of debt securities and preferred stock totaled \$3.27 million, an increase of 51 percent over the 2001 total of \$2.16 million. In addition, one investment totaling \$500,000 was charged off. Growth in the investment portfolio reflects management's intention to hold a portion of its assets in these types of investments. In addition, ECD acquired the common stock of one company. Loans outstanding to this company are shown as an investment. Management anticipates continued growth over the next several years.

#### Interest-Earning Assets

	1999		2000		2001		2002	
	Total	Percent	Total	Percent	Total	Percent	Total	Percent
Loans	\$ 7,121,727	27.1%	\$ 12,961,767	37.4%	\$ 17,512,776	41.6%	\$ 19,187,599	45.6%
Cash and cash equivalents	1,981,496	7.5%	3,212,761	9.3%	9,025,601	21.4%	5,094,727	12.1%
Debt securities	16,741,267	63.7%	17,800,684	51.4%	14,732,084	35.4%	17,653,642	41.9%
Certificates of deposit	100,000	0.4%	100,000	0.3%	100,000	0.2%	-	-
Convertible debt securities	340,000	1.3%	575,000	1.7%	575,000	1.4%	-	-
Secondary capital	-	-	-	-	-	-	168,286	0.4%
	26,284,490	100.0%	34,650,212	100.0%	41,945,461	100.0%	42,104,254	100.0%

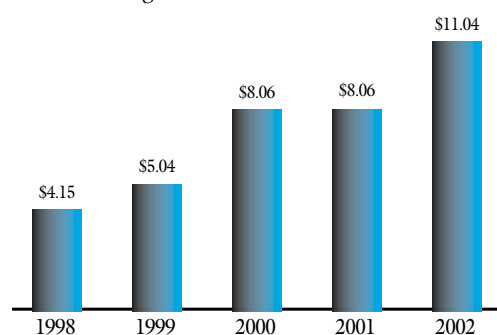
Total Loans and Investments (in millions)



### Interest-Bearing Liabilities

Interest-bearing liabilities are comprised mainly of long-term debt obligations to various foundations, corporations and faith-based organizations. All the long-term debt pricing is significantly below market rate. ECD uses long-term debt as capitalization for its loan fund. Long-term debt as of December 31, 2002 totaled \$11.04 million, an increase over the \$8.06 million in 2001. Of this amount, \$930,000 became a current liability at the end of 2002.

Interest Bearing Liabilities (in millions)

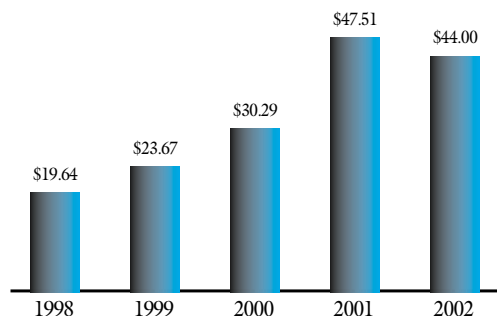


Management anticipates increases in long-term debt over the next few years. This form of capitalization partially replaces funds no longer available due to the decline in growth of non-earned revenue.

### Net Assets

At December 31, 2002 net assets totaled \$44 million, a decrease of 7 percent over the 2001 total of \$47.5 million. The decline was caused primarily by losses in subsidiaries of ECD and the expenditure of program funding previously granted.

Net Assets (in millions)



## RISK MANAGEMENT

### Liquidity

ECD's goal in liquidity management is to satisfy the cash flow requirements of its borrowers while also meeting the cash flow needs of the Company. This is accomplished through active management of the asset side of the balance sheet, and, to a lesser extent, the liability side. ECD's Controller monitors the liquidity position of ECD on a daily basis. This is supplemented with active management of ECD's security portfolio by ECD's Investment Managers. In addition, the ECD Investment Committee reviews liquidity on a regular basis and approves any changes in strategy that are necessary as a result of balance sheet or anticipated cash flow changes.

Primary sources of liquidity on the asset side of the balance sheet are maturities and cash flows generated by loans, investments and securities. Liquidity on the liability side is available through repurchase agreements and margin accounts, whereby U.S. government and government agency securities are pledged as collateral for short-term borrowings should they be necessary.

### Credit Risk Management and Loan Quality

ECD's loan and venture investment portfolios hold the greatest risk for the Company. ECD manages and controls its risk through adherence to standards established by its Board of Directors and senior management. ECD has written loan and investment policies which establish underwriting standards and place limits on exposure. ECD maintains a diversified portfolio intended to spread its risk and reduce its exposure to economic downturns, which may occur in different segments of the economy or in particular industries.

Each loan that is booked by ECD is assigned a risk rating on an 8-point scale by the Loan Committee and the Loan Review Committee using established risk rating guidelines. All loans are reviewed at least quarterly. In addition, regular reports are made to the Loan Committee and the Board of Directors regarding credit quality of the loan portfolio and trends in the portfolio.

Finally, on a periodic basis, ECD utilizes outside asset review specialists to review the risk management process, adequacy of loan documentation, risk ratings, and reserves for outstanding loans.

### Nonperforming Assets

Management closely monitors loans rated 5-8. Nonperforming assets include non-accrual loans, restructured loans, and foreclosures. Loans are generally placed on a non-accrual basis if full collection of principal and interest becomes unlikely or if the loan is delinquent in principal or interest payments for 90 days or more.

Nonperforming assets totaled \$5.77 million at December 31, 2002 and \$6.47 million in 2001, a decrease of 11 percent. \$2.13 million in nonperforming assets are in foreclosed property.

### Allowance for Loan Losses

ECD maintains an allowance for loan losses, which it considers to be adequate to absorb losses inherent in the portfolio. A review of the portfolio is performed quarterly to assess the risk in the portfolio and determine the adequacy of the allowance for loan losses. Additional adjustments are made on a monthly basis. Elements of the review include analysis of historical performance of each customer, in terms of compliance with covenants, payment history, condition of collateral and financial performance. The review is presented to and approved by the CEO.

At December 31, 2002, the allowance for loan losses was \$3.49 million, compared to \$3.9 million in 2001, a decrease of 11 percent. This was largely the result of improved performance of the loan portfolio after the charge-offs during 2002.



## Independent Auditor's Report

We have audited the accompanying consolidated statement of financial position of the Enterprise Corporation of the Delta as of December 31, 2002, and the related consolidated statement of activities and changes in net assets and the consolidated statement of cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of the Company for the year ended December 31, 2001 were audited by other auditors whose report, dated February 8, 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 2002 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Enterprise Corporation of the Delta as of December 31, 2002, and the changes in their consolidated net assets and their consolidated cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



Jackson, Mississippi  
February 3, 2003

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2002 and 2001

<b>ASSETS</b>	<b>2002</b>	<b>2001</b>
Cash and cash equivalents	\$ 5,094,728	\$ 9,025,601
Grants receivable	10,255,088	15,233,400
Other receivables	583,590	301,241
Loans	19,187,599	17,512,777
Allowance for loan losses	(3,490,000)	(3,900,000)
Loans, net	15,697,599	13,612,777
Interest receivable	227,289	256,674
Prepaid expenses	50,380	65,623
Debt securities	17,653,642	14,832,084
Investments in privately-held companies		
Subordinated debt securities	-	575,000
Preferred stock	1,816,859	1,585,172
Delta Pride Linen, Laundry and Drycleaning, Inc.	1,453,691	-
Secondary capital of Hope Community Credit Union	168,286	-
Equipment, net	180,702	175,775
Foreclosed property	2,125,590	125,005
<b>Total Assets</b>	<b>\$ 55,307,444</b>	<b>\$ 55,788,352</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 209,231	\$ 221,592
Other liabilities	51,919	-
Long-term debt	11,043,750	8,058,750
<b>Total Liabilities</b>	<b>11,304,900</b>	<b>8,280,342</b>
<b>NET ASSETS</b>		
Unrestricted	8,635,820	4,925,733
Minority interest in ECDI	6,371,239	7,991,338
<b>Total unrestricted</b>	<b>15,007,059</b>	<b>12,917,071</b>
Temporarily restricted	8,627,246	11,056,014
Permanently restricted	20,368,239	23,534,925
<b>Total Net Assets</b>	<b>44,002,544</b>	<b>47,508,010</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 55,307,444</b>	<b>\$ 55,788,352</b>

See accompanying notes.

## Enterprise Corporation of the Delta

### CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

for the Year Ended December 31, 2002

(with Summarized Financial Information for the Year Ended December 31, 2001)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2001
<b>Revenues and Gains</b>					
Grants and contributions	\$ 23,500	\$ 1,238,137	\$ 1,246,150	\$ 2,507,787	\$ 22,052,807
In-kind contributions	100,385	-	-	100,385	100,653
Interest and dividends					
Loans and other investments	917,139	-	42,618	959,757	1,015,247
Debt securities and cash equivalents	575,738	-	44,061	619,799	1,008,983
Net unrealized gain (loss) on debt securities	(58,683)	-	(26)	(58,709)	22,525
Net realized gain (loss) on sales of debt securities	(47,446)	-	511	(46,935)	195,103
Loan fees and other revenue	263,132	-	-	263,132	161,343
Loss on investment in Hope Community Credit Union	(31,714)	-	-	(31,714)	-
	<u>1,742,051</u>	<u>1,238,137</u>	<u>1,333,314</u>	<u>4,313,502</u>	<u>24,556,661</u>
Net assets released from restrictions					
Satisfaction of program restriction	6,866,905	(2,366,905)	(4,500,000)	-	-
Expiration of time restrictions	1,300,000	(1,300,000)	-	-	-
<b>Total Revenues and Gains</b>	<u>9,908,956</u>	<u>(2,428,768)</u>	<u>(3,166,686)</u>	<u>4,313,502</u>	<u>24,556,661</u>
<b>Expenses</b>					
Program expenses					
Development finance	3,387,550	-	-	3,387,550	3,316,750
Technical assistance	313,762	-	-	313,762	469,631
Housing initiative	214,357	-	-	214,357	191,024
Other programs	1,261,262	-	-	1,261,262	749,613
	<u>5,176,931</u>	<u>-</u>	<u>-</u>	<u>5,176,931</u>	<u>4,727,018</u>
General administration					
Consolidated expenses of ECDI and BIDCO	2,172,987	-	-	2,172,987	1,991,872
Other general and administration expenses	357,820	-	-	357,820	325,773
Fund-raising and communication	211,230	-	-	211,230	347,276
<b>Total Expenses</b>	<u>7,918,968</u>	<u>-</u>	<u>-</u>	<u>7,918,968</u>	<u>7,391,939</u>
Change in net assets before minority interest	1,989,988	(2,428,768)	(3,166,686)	(3,605,466)	17,164,722
Minority interest	100,000	-	-	100,000	50,000
<b>Change in Net Assets</b>	<u>2,089,988</u>	<u>(2,428,768)</u>	<u>(3,166,686)</u>	<u>(3,505,466)</u>	<u>17,214,722</u>
Net Assets at Beginning of Year	12,917,071	11,056,014	23,534,925	47,508,010	30,293,288
<b>Net Assets at End of Year</b>	<u>\$ 15,007,059</u>	<u>\$ 8,627,246</u>	<u>\$ 20,368,239</u>	<u>\$ 44,002,544</u>	<u>\$ 47,508,010</u>

See accompanying notes.

# Enterprise Corporation of the Delta

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2002 and 2001

	2002	2001
Cash Flow from Operating Activities		
Change in net assets	\$ (3,505,466)	\$ 17,214,722
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Minority interest	(100,000)	(50,000)
Depreciation	67,474	58,556
Provision for loan losses	2,219,085	2,425,958
Loss on investment in Hope Community Credit Union	31,714	-
Unrealized (gain) loss on debt securities	58,709	(22,525)
Realized (gain) loss on debt securities	46,935	(195,103)
Deferred income taxes	-	8,550
Loss on disposal of equipment	517	1,710
Impairment loss on investment in preferred stock	500,000	-
Change in assets and liabilities		
Grants and other receivables, prepaid expenses, interest receivable and other assets	4,740,590	(10,480,637)
Accounts payable, accrued expenses and other liabilities	39,560	35,529
Net Cash Provided by Operating Activities	4,099,118	8,996,760
Cash Flows from Investing Activities		
Net increase in loans	(7,045,684)	(5,551,968)
Purchases of debt securities	(24,408,088)	(29,622,536)
Proceeds from maturities and sales of debt securities	21,480,886	31,944,515
Investments in privately held companies	(1,069,187)	-
Proceeds from certificate of deposit	-	100,000
Proceeds from sale of equipment	1,400	-
Purchases of equipment	(74,318)	(102,680)
Net Cash Used in Investing Activities	(11,114,991)	(3,232,669)
Cash Flows from Financing Activities		
Proceeds from private placement	100,000	50,000
Long-term borrowings	4,025,000	-
Payments on long-term borrowings	(1,040,000)	(1,250)
Net Cash Provided by Financing Activities	3,085,000	48,750
Net Increase (Decrease) in Cash and Cash Equivalents	(3,930,873)	5,812,841
Cash and Cash Equivalents at Beginning of Year	9,025,601	3,212,760
Cash and Cash Equivalents at End of Year	\$ 5,094,728	\$ 9,025,601
Supplemental Cash Flows Disclosures		
Interest paid	\$ 146,000	\$ 150,000
Supplemental Disclosure of Noncash Investing Activities		
Property received upon foreclosure on loans	\$ 2,000,585	\$ 125,005

See accompanying notes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 1. Nature of Business and Summary of Significant Accounting Policies

#### Description of the Company

The Enterprise Corporation of the Delta (the "Company") is a wholly-owned subsidiary of the Enterprise Corporation of the Mid South. The Company was incorporated in 1994 as a not-for-profit development financial corporation serving the delta region of Arkansas, Louisiana, and Mississippi. The goal of the Company is to improve the regional economy through investment, jobs and growth. The services of the Company include financing, management assistance and market development designed to support business creation and expansion.

ECD Investments, LLC ("ECDI"), a for-profit subsidiary of Enterprise Corporation of the Delta, was formed in 1997 as a limited liability company. ECD Investments BIDCO, Inc. ("BIDCO") is a wholly-owned subsidiary of ECDI. The purpose of ECDI and BIDCO are the same as that of the Company.

The consolidated financial statements of the Company have been prepared on the accrual basis. The significant accounting policies of the Company are summarized below.

#### Principles of Consolidation

The consolidated financial statements include the accounts of the Company, ECDI and BIDCO. Significant intercompany transactions and balances have been eliminated in consolidation.

#### Use of 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 the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### Grants Receivable

Unconditional grants are recognized as revenue in the period the commitment is received. Grants restricted to and intended for support of future operations and programs are recorded as temporarily restricted net assets in accordance with FASB Statement No. 117 "Financial Statements of Not-for-Profit Organizations". Temporarily restricted net assets at December 31, 2002 will be available for future operations. Grants restricted for loans are recorded as permanently restricted net assets, except for any portion that is allowed for loan losses, which is recorded as unrestricted. Unconditional grants to be received over a period of time in excess of one year are recorded at fair value at the date of the grant based upon the present value of payments to be received.

#### Loans

Loans consist of commercial and consumer mortgage loans. Interest income is computed on the loan balance outstanding and is accrued as earned. The Company discontinues the accrual of interest and recognizes income only as received when, in management's judgment, the collection of interest is doubtful.

#### Allowance for Loan Losses

The allowance for loan losses is maintained at a level considered adequate by management to provide for probable loan losses related to specifically identified loans and for losses inherent in the loan portfolio that has been estimated as of the balance sheet date. Management's determination of the adequacy of the allowance is based on an evaluation of the portfolio, growth and composition of the loan portfolio, economic conditions and other relevant factors.

The allowance is increased by provisions for loan losses charged to expense.

#### Debt Securities

Debt securities consist of U.S. Treasury and U.S. Government agencies securities with maturities from one to five years, corporate debt securities with maturities from one to ten years and mortgage-backed securities. Debt securities are carried at fair value in accordance with FASB Statement No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations. The fair values of debt securities are based on quoted market prices. Since ECDI and BIDCO are for-profit corporations, debt securities are presented in accordance with FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity of Securities, in the separate financial statements of ECDI and BIDCO to include the unrealized gain or loss on debt securities as a component of comprehensive income and shareholders' equity.

#### Investments in Privately-Held Companies

Investments in privately-held companies' subordinated debt and common and preferred stock are carried at the Company's cost basis in those securities. The Company regularly evaluates whether, in management's opinion, events or circumstances have occurred which may indicate that the carrying amount of the Company's investments in privately-held companies may not be recoverable based upon estimated future discounted cash flows from the investment. If some or all of the investment is determined to be unrecoverable, the asset is written down to the estimated net realizable value. The Company recognized an impairment loss on investments in preferred stock of \$500,000 in 2002.

#### Equipment

Equipment is stated at cost if purchased and estimated fair value if donated to the Company. Depreciation of equipment is provided over the estimated useful lives of the respective assets by the straight-line method.

#### Foreclosed Property

Foreclosed property consists of properties repossessed by the Company on foreclosed loans. These assets are stated at the lower of the outstanding loan amount (including accrued interest, if any) or fair value based on the fair value at the date acquired less estimated costs to sell. Losses arising from the acquisition of such property are charged against the allowance for loan losses. Declines in value resulting from subsequent revaluation of the property or losses resulting from disposition of such property are expensed.

#### Contributed Facilities and Services

In 2002 and 2001, the Company occupied certain premises located in a building owned by a company with which a member of the Company's board of directors is affiliated. The fair rental value of the premises in excess of the rent charged to the Company in the amount of \$100,000 is reported as in-kind contributions and expenses in the accompanying consolidated statements of activities and changes in net assets.

A law firm contributed legal services to the Company for the development finance program in 2002 and 2001. The fair value of the services in the amount of \$385 and \$653 in 2002 and 2001, respectively, is reported as in-kind contribution and expense in the accompanying consolidated statements of activities and changes in net assets.

#### Income Taxes

The Company has received a ruling from the Internal Revenue Service for exemption from income taxes as a public charity under Internal Revenue Code Sections 501(c)(3) and 509(a)(2).

Since ECDI is a limited liability company, no income taxes are provided. The results of operations are reportable by the members of ECDI on their individual federal and state income tax returns.

Income taxes are accounted for by BIDCO in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. Deferred income taxes relate to temporary differences between assets and liabilities recognized differently for financial reporting purposes and for income tax purposes. Deferred tax assets and liabilities pertain to net operating loss carryforwards, the allowance for loan losses and unrealized gains on securities. A valuation allowance was recorded at December 31, 2002 and 2001 to offset the net deferred tax assets. At December 31, 2002, BIDCO has net operating loss carryforwards of approximately \$664,000 expiring in 2020 through 2022 available to reduce future taxable income.

### Summarized Financial Information

The consolidated statement of activities and changes in net assets includes certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2001 from which the summarized information was derived.

### Reclassification

Certain reclassifications have been made to the 2001 consolidated financial statements to conform to the 2002 presentation.

### Note 2. Grants Receivable and Revenues

The Company's management anticipates grants receivable at December 31, 2002 will be received and available for support of the Company's programs as follows:

2003	\$ 5,801,288
2004 and 2005	5,082,800
	<u>10,884,088</u>
Less adjustment to reflect grants receivable at fair value at the date of grant (discounted cash flows based on 4 percent discount rate)	(629,000)
	<u>\$ 10,255,088</u>

### Note 3. Loans and Commitments

The Company had commercial and consumer mortgage loans at December 31, 2002 and 2001. The commercial loans are typically collateralized by property, equipment, inventories, and/or receivables with loan-to-value ratios from 50 percent to 100 percent and are typically guaranteed by the principals of the borrower. The consumer mortgage loans are collateralized by the related residence of the borrower.

Loans consisted of the following at December 31:

	2002	2001
Commercial loans	\$ 18,217,424	\$ 17,259,021
Consumer mortgage loan	970,175	253,756
	<u>19,187,599</u>	<u>17,512,777</u>
Allowance for loan losses	(3,490,000)	(3,900,000)
	<u>\$ 15,697,599</u>	<u>\$ 13,612,777</u>

Loan commitments are made to accommodate the financial needs of the Company's customers. These arrangements have credit risk essentially the same as that involved in extending loans to customers of commercial banks and are subject to the Company's normal credit practices.

The Company's maximum exposure to credit loss for loan commitments (unused lines of credit) was \$1,167,353 and \$1,033,462 at December 31, 2002 and 2001, respectively. The lines of credit are callable by the Company at any time and have scheduled maturities through 2007.

Transactions in the allowance for loan losses are summarized as follows at December 31:

	2002	2001
Balance at beginning of year	\$ 3,900,000	\$ 2,475,000
Provision charged to program expenses	2,219,085	2,425,958
Loans charged off	(2,309,085)	(1,000,958)
Reclassification of loans receivable from Delta Linen to investment in privately-held companies (See Note 5)	(320,000)	-
	<u>\$ 3,490,000</u>	<u>\$ 3,900,000</u>

The Company had non-accrual loans with 28 customers totaling \$5,763,933 at December 31, 2002 and non-accrual loans with 28 customers totaling \$6,472,953 at December 31, 2001. The Company determines delinquency status based on how recently payments have been received.

### Note 4. Equipment

Equipment consisted of the following at December 31:

	2002	2001
Computer equipment	\$ 289,054	\$ 296,642
Office equipment and other	130,382	103,259
	<u>419,436</u>	<u>399,901</u>
Accumulated depreciation	(238,734)	(224,126)
	<u>\$ 180,702</u>	<u>\$ 175,775</u>

### Note 5. Investment in Delta Pride Linen, Laundry and Drycleaning

At December 31, 2001, the Company had investments in Delta Pride Linen, Laundry and Drycleaning ("Delta Linen") of \$677,500, consisting of subordinated debt and preferred stock, and had outstanding loans to Delta Linen of \$1,001,500. In 2002, the Company obtained 100 percent ownership of Delta Linen through the purchase of the issued and outstanding common stock for \$35,000. It is the intent of the Company that control of Delta Linen is temporary and accordingly, the financial position and operations of Delta Linen have not been included in the accompanying consolidated financial statements of the Company. The investment in Delta Linen at December 31, 2002 of \$1,453,091 is recorded using the cost method and consists of the subordinated debt securities, preferred stock, common stock and outstanding loans to Delta Linen, net of related allowances to reduce the Company's total investment to the estimated net realizable value.

**Note 6. Long-Term Debt**

Long-term debt consisted of the following at December 31:

	2002	2001
3 percent note payable, with interest due quarterly, maturing from 2004 through 2006	\$ 1,000,000	\$ 1,000,000
1 percent note payable, with interest due quarterly, maturing from 2004 through 2006	2,000,000	2,000,000
Note payable bearing interest of 3 percent from initial borrowing through December 31, 2006 and 6 percent thereafter; annual principal installments of \$500,000 beginning December 31, 2005 with final maturity on December 31, 2010	3,000,000	-
3 percent note payable, with interest due quarterly, maturing in 2008	400,000	400,000
4.5 percent note payable, with interest due semi-annually, maturing in 2003	500,000	500,000
2 percent note payable, with interest due quarterly, maturing in 2004	250,000	250,000
4 percent note payable, with interest due quarterly, maturing in 2003	400,000	400,000
3 percent note payable, with interest due annually, maturing in 2005	250,000	250,000
1 percent note payable, with interest due quarterly, maturing from 2008 through 2010	1,500,000	1,500,000
1 percent note payable, with interest due annually, maturing in 2010	1,500,000	1,500,000
Other notes payable, with interest at 1 percent to 3 percent, maturing from 2003 through 2005	243,750	258,750
	<u>\$ 11,043,750</u>	<u>\$ 8,058,750</u>

The \$1,500,000 note payable maturing in 2010 is a loan obtained from a company with which a member of the Company's board of directors is affiliated.

The maturities of long-term debt at December 31, 2002 are as follows:

2003	\$ 930,000
2004	1,268,750
2005	1,610,000
2006	1,935,000
2007	785,000
Thereafter	4,515,000
	<u>\$ 11,043,750</u>

**Note 7. Minority Interest**

ECDI issued four and one Class A units in 2002 and 2001, respectively, at \$25,000 per unit pursuant to a private placement memorandum. The owners of the Class A units may elect three of the seven members of the management committee of ECDI. The other four members are appointed by the Company, the sole Class B unitholder. ECDI issued .25 Class C units in 2001 at \$100,000 per unit pursuant to a private placement memorandum. The changes in minority interest are as follows at December 31:

	2002	2001
Balance at beginning of year	\$ 7,991,338	\$ 9,209,430
Proceeds from private placement	100,000	50,000
Net loss	(1,698,728)	(1,253,947)
Net unrealized loss on debt securities	(21,371)	(14,145)
Balance at end of year	<u>\$ 6,371,239</u>	<u>\$ 7,991,338</u>

ECDI had dividends in arrears totaling \$114,775 at December 31, 2002 related to the Class A units.

**Note 8. Retirement Plan**

The Company sponsors a defined contribution retirement plan (the "Plan") for all employees. The Company's contributions to the Plan are based on 12 percent of each employee's salary. Expenses of the Plan were \$245,218 and \$198,292 in 2002 and 2001, respectively.

**Note 9. Contingencies**

The Company is involved in litigation incidental to its business. Management is of the opinion that the outcome of these matters, upon the advice of counsel, will not have a material adverse effect on the Company's consolidated financial position.



## **Enterprise Corporation of the Delta**

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### **Lending Offices:**

Arkansas: Forrest City, Jonesboro, Pine Bluff  
Louisiana: Ferriday, Monroe  
Mississippi: Clarksdale, Horn Lake, Vicksburg

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### **Branch Locations:**

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