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INDEPENDENCE BOWL FOUNDATION, INC.

SHREVEPORT, LOUISIANA

FINANCIAL STATEMENTS

FEBRUARY 29, 2004

Independence Bowl Foundation, Inc.

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February 29, 2004

SMITH PUGH
AND COMPANY, LLP
Certified Public Accountants • Management Consultants • Business Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Independence Bowl Foundation, Inc.
Shreveport, Louisiana

We have audited the accompanying statements of financial position of the Independence Bowl Foundation, Inc. as of February 29, 2004 and February 28, 2003, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the management of the Independence Bowl Foundation, Inc. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Independence Bowl Foundation, Inc. as of February 29, 2004 and February 28, 2003, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2004, on our consideration of the Independence Bowl Foundation, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Independence Bowl Foundation, Inc. taken as a whole. The accompanying NCAA form "Schedule of Gross Receipts" is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Smith Pugh & Company, LLP

Smith Pugh & Company, LLP
Shreveport, Louisiana
March 18, 2004

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FINANCIAL STATEMENTS

Independence Bowl Foundation, Inc.

Statements of Financial Position
February 29, 2004 and February 28, 2003

	2004	2003
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,766,338	$ 1,994,178
Certificates of deposit	457,242	449,983
Accounts receivable	459,715	44,610
Prepaid expenses	22,047	19,312
Total current assets	2,705,342	2,508,083
Leasehold Improvements:		
Scoreboard	1,530,200	1,530,200
Pressbox renovations	206,600	206,600
	1,736,800	1,736,800
Less accumulated amortization	(412,679)	(216,832)
Total leasehold improvements	1,324,121	1,519,968
Deposits	7,015	7,015
Total Assets	$ 4,036,478	$ 4,035,066
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Due to participating teams	$ 1,657,241	$ 1,631,112
Accounts payable	15,211	29,338
Accrued interest payable	5,635	13,938
Payroll withholding payable	2,057	1,871
Deferred revenues - scoreboard	8,000	-
Note payable	1,050,000	1,200,000
Total current liabilities/Total liabilities	2,738,144	2,876,259
Net Assets:		
Unrestricted net assets:		
Designated by Board for debt service	79,079	25,419
Undesignated	945,134	813,420
Leasehold improvements, net of related debt	274,121	319,968
Total unrestricted net assets/Total net assets	1,298,334	1,158,807
Total Liabilities and Net Assets	$ 4,036,478	$ 4,035,066

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

Independence Bowl Foundation, Inc.

Statements of Activities
For the Years Ended February 29, 2004 and February 28, 2003

	2004	2003
Revenues:		
Independence Bowl:		
Ticket sales	$ 1,582,595	$ 1,518,920
Title sponsorship	825,000	800,000
Other corporate sponsorships	67,885	117,171
Grants from state and local governments	507,187	513,986
Television and radio revenues	534,000	516,500
Scoreboard advertising	215,337	171,134
Other revenues	273,620	268,215
Donated facilities	60,000	60,000
Total revenue from Independence Bowl	4,065,624	3,965,926
Other:		
Memberships	46,990	45,240
Interest income	15,478	22,586
Total other revenue	62,468	67,826
Total Revenues	4,128,092	4,033,752
Expenses:		
Program Services:		
Independence Bowl:		
Distributions to participating teams	2,504,112	2,521,940
Advertising and promotion	94,520	120,066
Bowl related events	179,165	175,655
Trophies, awards and souvenirs	83,797	75,208
Game day expenses	181,570	168,503
Amortization of pressbox renovations	25,825	4,304
Scoreboard expenses:		
Amortization	170,022	170,022
Interest expense	46,554	93,614
Other scoreboard related expenses	55,279	63,475
Other expenses	59,344	61,873
	3,400,188	3,454,660
Membership services	3,276	8,091
Total program services	3,403,464	3,462,751
Supporting Services:		
Management and general	533,016	558,183
Fund-raising	52,084	33,782
Total Expenses	3,988,564	4,054,716
Change in Net Assets	$ 139,528	$ (20,964)

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

Independence Bowl Foundation, Inc.

Statements of Changes in Net Assets
For the Years Ended February 29, 2004 and February 28, 2003

Net Assets at February 28, 2002 as previously stated	$	1,006,431
Prior year adjustments (see Note 10)		173,339
Net Assets at February 28, 2002 as restated		1,179,770
Change in net assets		(20,964)
Net Assets at February 28, 2003		1,158,806
Change in net assets		139,528
Net Assets at February 29, 2004	**$**	**1,298,334**

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

Independence Bowl Foundation, Inc.

Statements of Cash Flows
For the Years Ended February 29, 2004 and February 28, 2003

	2004	2003
Cash Flows from Operating Activities:		
Change in net assets	$ 139,528	$ (20,964)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization	195,847	174,326
Increase in assets:		
Accounts receivable	(415,105)	(44,610)
Prepaid expenses	(2,735)	(6,700)
Increase (decrease) in liabilities:		
Due to participating teams	26,129	12,968
Accounts payable	(14,127)	29,338
Accrued expenses	(8,117)	(3,360)
Deferred revenues - scoreboard	8,000	-
Net Cash Provided (Used) by Operating Activities	(70,580)	140,998
Cash Flows from Investing Activities:		
Purchase of leasehold improvements	-	(206,600)
Return of principal from certificates of deposit less reinvested interest	(7,260)	50,005
Net Cash Used by Investing Activities	(7,260)	(156,595)
Cash Flows from Financing Activities:		
Payment on note payable	(150,000)	(150,000)
Net Cash Used by Financing Activities	(150,000)	(150,000)
Net Decrease in Cash and Cash Equivalents	(227,840)	(165,597)
Cash and Cash Equivalents, Beginning of Year	1,994,178	2,159,775
Cash and Cash Equivalents, End of Year	$ 1,766,338	$ 1,994,178
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 54,857	$ 95,110

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

Independence Bowl Foundation, Inc.

Notes to Financial Statements
February 29, 2004

1. Nature of Activities and Significant Accounting Policies:

Organization and Nature of Activities

The Independence Bowl Foundation, Inc. ("the Foundation") is a tax-exempt nonprofit organization established for the purpose of advertising and promoting sports in the Shreveport-Bossier City, Louisiana area. The Foundation consists of numerous volunteer committees which carry out all its functions. The Foundation is the sponsoring organization for the Independence Bowl which is promoted and served through the Foundation's membership.

General

The summary of significant accounting policies of the Independence Bowl Foundation, Inc. is presented to assist in the understanding of the Foundation's financial statements. The financial statements and notes thereto are the representation of the Foundation's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

A description of the three net asset categories follows:

Unrestricted – Net assets whose use is not subject to any restrictions.

Temporarily Restricted – Net assets whose use is subject to restrictions that can be fulfilled by actions pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted – Net assets whose use is subject to restrictions that may be maintained permanently. No permanently restricted assets were held during the year ended February 29, 2004.

Income Taxes

The Foundation is exempt from federal and state income taxes under IRS Code Section 501(c)(12). Accordingly, there is no provision for income taxes in these financial statements.

1. *Nature of Activities and Significant Accounting Policies (continued):*

Donated Services, Goods, and Facilities

A substantial number of volunteers have donated approximately 13,000 hours to the Foundation's program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. Donated professional services, goods and facilities are reflected in the statement of activities at their fair value.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of 90 days or less when purchased. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of these financial instruments. At February 29, 2004, and throughout the year then ended, the Foundation's cash balances were deposited in several banks. Management believes the Foundation is not exposed to any significant credit risk on cash and cash equivalents.

Leasehold Improvements

Leasehold Improvements are recorded at cost. Amortization for reporting purposes is computed using the straight-line method over the remaining life of the lease.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. *Certificates of Deposit*

Certificates of deposit consisted of the following as of February 29, 2004, and are stated at cost:

Financial Institution	Amount
AmSouth Bank	$ 103,438
Bank One, N.A.	85,374
Citizens National Bank	102,354
First Louisiana Bank	59,076
Ouachita Independent Bank	37,000
Regions Bank	70,000
Total	$ 457,242

3. Distributions to Participating Teams

Per agreements with the Big Twelve Conference and the Southeastern Conference, the Foundation agrees to pay to each participant in the game $1,200,000 plus 25% of 75% of the gross receipts of the game as defined in the current NCAA Post-Season Football Handbook in excess of the guaranteed payouts of $2,400,000. The current agreements end with the game to be held after the 2005 football season. The following is the minimum distributions to the participants for the years ending February 28:

Year Ending February 28,	Amount
2005	$ 2,400,000
2006	2,400,000
	$ 4,800,000

As part of the agreement, each participating university must purchase a minimum of 12,000 tickets. The Foundation is able to deduct from the gross distribution the amount of the tickets even if the university did not sell the tickets.

The following is a recap of the distributions and payables to the teams that participated in the 2003 Independence Bowl:

	Arkansas	Missouri	Totals
Calculated gross payout	$ 1,252,056	$ 1,252,056	$ 2,504,112
Less:			
Value of game tickets allocated to and retained by participating institutions and other items	(403,000)	(402,080)	(805,080)
Extra awards and event tickets	(41,801)	-	(41,801)
Balance due to participating teams	$ 807,255	$ 849,976	$ 1,657,231

4. Cooperative Endeavor Agreement

On August 13, 2001, the Foundation entered into a cooperative endeavor agreement with the City of Shreveport, Louisiana, to produce an annual football game referred to as the Independence Bowl. The agreement provides that the foundation will be paid $100,000 per year through the 2010 game and the use of public facilities, including Independence Stadium, at no rental charge. The estimated fair market value of the use of the facilities is $60,000. The Foundation was allowed to improve the stadium's facilities with renovations to the pressbox and the addition of a scoreboard. After the debt related to scoreboard is paid, the scoreboard becomes the property of the City of Shreveport.

5. *Leases*

During June 2003, the Foundation renegotiated its lease for office space in the American Tower in Shreveport, Louisiana. The new lease term commenced on July 1, 2003 and ends May 31, 2008. Total rent expense for office space during the year ended February 28, 2003, was $32,371. The following is a schedule by year of future minimum rental payments due under the operating lease agreements:

Year Ending February 28,	Amount
2005	$ 34,735
2006	35,858
2007	37,200
2008	37,200
2009	9,300
	$ 154,293

6. *Note Payable:*

On September 3, 2001, the Foundation obtained a loan from Hibernia National Bank in the amount of $1,500,000 to purchase a scoreboard. On May 1, 2003, the Foundation renegotiated a new variable interest rate based on the London Inter-Bank Offered Rate plus 2.15%. The initial rate as of May 1, 2003, was 3.464%. The loan is due upon demand. However, if no demand is made, the loan will be repaid in 10 annual principal payments of $150,000 each beginning November 30, 2001. Interest will be paid quarterly beginning December 31, 2001, with all subsequent interest payments due on the same day of each quarter thereafter.

Future principal payments as of February 29, 2004, are as follows:

Year	Total
2005	$ 150,000
2006	150,000
2007	150,000
2008	150,000
2009	150,000
Thereafter	300,000
	$ 1,050,000

The Foundation has historically funded the debt service by selling advertising space on the scoreboard. The Foundation intends to continue funding the debt service in this manner until it is paid in full.

7. *Title Sponsorship*

On December 19, 2000, the Foundation entered into agreement with NYLIFE Distributors, Inc., which is the distributor of MainStay Funds for naming rights for the Independence Bowl through the game to be held in 2003. Thereafter, NYLIFE Distributors could renew the agreement for one-year periods. The last payment required by the agreement was made during the year ended February 29, 2004, for $850,000. NYLIFE Distributors also agreed to pay the Right to Entitlement fee that ESPN required (See Note 8). NYLIFE Distributors decided not to renew its title sponsorship of the Independence Bowl past the 2003 game. As of February 29, 2004, a new title sponsor had not been signed.

8. *Television and Radio Rights*

On September 27, 2000, the Foundation amended and extended its agreement with ESPN for the broadcast rights of the Independence Bowl through the 2007 game. The following is the rights fees payable to the Foundation for the years ending February 28:

Year	Total
2005	$ 530,000
2006	550,000
2007	550,000
2008	600,000
	$ 2,230,000

As part of the agreement with ESPN, the Foundation will pay the following sums to ESPN for the right of entitlement for the years ending February 28:

Year	Total
2005	$ 216,000
2006	234,000
2007	250,000
2008	260,000
	$ 960,000

The Foundation normally requires that its title sponsor pay this fee (See Note 7). If the Foundation does not have a title sponsor for the Independence Bowl, it is not required to pay ESPN for the right of entitlement.

9. *Concentration of Credit Risk for Cash and Certificates of Deposit Held in Banks*

The Foundation maintains cash balances and certificates of deposit in certain financial institutions in excess of limits insured by the Federal Deposit Insurance Corporation (FDIC), which is a maximum of $100,000 per account. At February 29, 2004, the Foundation had uninsured balances of approximately $1.73 million.

10. *Prior Period Adjustments*

The Foundation's financial statements as of February 28, 2002, contained the following errors: (1) understatement of prepaid insurance by $12,612, (2) overstatement of accumulated amortization by $176,160, and (3) understatement of accrued interest payable by $15,433. Net assets as of March 1, 2002, have been increased by $173,339 to correct the aggregate effect of the errors. Had the errors not been made, change in net assets for 2002 would have been increased by $173,339.

SUPPLEMENTARY INFORMATION

OTHER REPORTS

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

Board of Directors
Independence Bowl Foundation, Inc.
Shreveport, Louisiana

We have audited the financial statements of Independence Bowl Foundation, Inc. (a nonprofit organization), as of and for the year ended February 29, 2004, and have issued our report thereon dated March 18, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Independence Bowl Foundation, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Independence Bowl Foundation, Inc.'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 Independence Bowl Foundation, Inc.'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 and questions costs as item 2003-1.

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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, of the reportable conditions described above, we consider item 2003-1 to be a material weakness.

This report is intended solely for the information and use of the Board of Directors, management, and the Office of the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited

Smith Pugh & Company, LLP

Smith Pugh & Company, LLP
Shreveport, Louisiana
March 18, 2004

SUMMARY OF AUDIT FINDINGS

INDEPENDENCE BOWL FOUNDATION, INC.
SUMMARY OF AUDIT FINDINGS

FEBRUARY 28, 2004

Schedule of Findings

2003-1 Finding: Lack of segregation of duties.

Cause: Our examination disclosed that there is not any segregation of duties within the Foundation's accounting function, (especially in the areas of cash receipts, bank reconciliations, cash disbursements, general ledger, journal entries and ticket sales). This weakness is due to the fact that the Foundation has a very small staff and only one person is responsible for accounting and ticket sales. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected. Understandably, since the Foundation has such a small staff, the most ideal system of internal control or the most desirable accounting system may not be practicable. Also the cost of hiring additional employees to handle separate aspects of the accounting function might exceed any benefits gained.

Recommendation: Based upon the cost-benefit of hiring additional accounting personnel, it may not be feasible to achieve complete segregation of duties. We recommend that the Foundation's finance committee and executive director continue to closely monitor all records and transactions.

Response: The Foundation's finance committee and executive director concurs with the recommendation.

Schedule of Prior Findings

None.

OTHER FINANCIAL INFORMATION

SMITH PUGH
AND COMPANY, LLP
Certified Public Accountants • Management Consultants • Business Advisors

Postseason Bowl Audit Financial Report

Auditor's Opinion Letter

Mr. Keith E. Martin
National Collegiate Athletic Association
P.O. Box 6222
Indianapolis, Indiana 46206-6222

We conducted our audit of the Schedule of Gross Receipts of the Independence Bowl in accordance with auditing standards that are generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Gross Receipts is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Gross Receipts. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Schedule of Gross Receipts audited by us presents fairly, in all material respects, the gross receipts derived from the above described game in accordance with NCAA Bylaw 30.9 and Executive Regulation 31.5.

This report is intended solely for the information and use of the Independence Bowl Foundation, Inc., and the National Collegiate Athletic Association.

D. K. Seal

Darin K. Seal, CPA, CVA
Manager
Smith Pugh & Company, LLP

March 18, 2004

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Schedule of Postseason Bowl Gross Receipts

Name of bowl: Independence Bowl

Date of game: December 31, 2003

	Participating Teams	Sponsoring Agency	Total
1. Ticket sales:			
Team A:	$ 403,000		
Conference A:	-		
Team B:	402,080		
Conference B:	-		
Total team and conference:	805,080		
Sponsoring agency:		$ 777,515	
Total ticket sales:	805,080	777,515	$ 1,582,595
Less taxes:	-	-	-
Ticket sales (less taxes):	805,080	777,515	1,582,595
2. Concessions:	-	-	-
3. Program Sales:	-	27,790	27,790
4. Advertising:	-	31,398	31,398
5. Radio rights:	-	14,000	14,000
6. Television rights:	-	520,000	520,000
7. Title sponsorship rights:	-	850,000	850,000
8. Merchandising sales:	-	18,920	18,920
9. Film/movie/video rights:	-	-	-
10. Licensing fees:	-	18,920	18,920
11. Corporate sponsors:	-	575,072	575,072
12. Other revenue: Parking	-	22,952	22,952
Total Gross Receipts:	$ 805,080	$ 2,856,567	$ 3,661,647
Percentage of total:	22%	78%	100%

D. K. Seal, CPA
Signature

Manager
Title

3/18/2004
Date