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SUGAR BOWL

June 30, 2004

Audits of Financial Statements

June 30, 2004
and
June 30, 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1-5-05

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Independent Auditor's Report

We have audited the accompanying statements of financial position of the **SUGAR BOWL** (a nonprofit organization) as of June 30, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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. 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 audits provide 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 **SUGAR BOWL** as of June 30, 2004 and 2003, and the changes in its 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 August 20, 2004, on our consideration of the **SUGAR BOWL'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.

LaPorte, Sehrt, Romig & Hand

A Professional Accounting Corporation

August 20, 2004

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SUGAR BOWL
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30, 2004	June 30, 2003
Cash and Cash Equivalents	$ 557,282	$ 884,942
Accounts Receivable	386,461	172,600
Interest Receivable	84,535	32,432
Prepaid Expenses	30,575	58,578
Investments	19,951,296	12,066,359
Property and Equipment, Net	78,088	54,665
Total	$ 21,088,237	$ 13,269,576

LIABILITIES AND UNRESTRICTED NET ASSETS

	2004	2003
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 88,583	$ 11,638
Due to Superdome Economic Development Fund	200,000	200,000
Deferred Ticket Revenue	163,210	677,560
Total Liabilities	451,793	889,198
UNRESTRICTED NET ASSETS		
Undesignated	20,401,444	12,170,378
Board Designated for Basketball Classic	235,000	210,000
Total Unrestricted Net Assets	20,636,444	12,380,378
Total	$ 21,088,237	$ 13,269,576

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

SUGAR BOWL
STATEMENTS OF ACTIVITIES

	For The Years Ended June 30,	
	2004	2003
UNRESTRICTED REVENUE		
Ticket Sales - Football	$ 11,275,480	$ 6,022,475
Secondary Sponsorships	1,743,202	688,285
Licensing	1,219,799	447,024
State of Louisiana - Cooperative Endeavor	1,091,750	1,100,000
Commercial Air Time	1,026,000	728,280
Investment Return	696,595	243,580
Hotel/Motel Commission	235,000	210,000
Program Revenue	196,440	62,757
Basketball	127,550	329,590
Heritage Festival	124,425	100,590
Miscellaneous	4,458	22,837
Road Race	3,128	2,903
Regatta Revenue	990	720
Video Sales, Net of Expense	40	120
Swimming	-	9,327
Total Unrestricted Revenue	17,744,857	9,968,488

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

SUGAR BOWL
STATEMENTS OF ACTIVITIES (Continued)

	For The Years Ended June 30, 2004	2003
EXPENSES		
Program Expenses:		
BCS Payout	4,400,000	4,400,000
Entertainment	622,705	270,136
Stadium Expense	484,396	441,734
Basketball	405,868	375,086
Media Relations	238,785	93,973
Football Committee Expense	224,093	175,406
Football Team Packages	183,136	51,502
Sponsorship Packages	160,318	123,473
Sponsor Trades	151,385	84,639
Awards and Trophies	133,949	114,821
Insurance Expense	103,149	74,745
Decorations	82,059	29,246
Program	77,477	41,010
Satellite Sponsorship - Road Race and High School Track and Field	52,431	52,034
Satellite Sponsorship - Prep Football Classic	51,006	50,561
Nokia Liaison	39,901	31,158
Pageant	27,959	15,601
Automobile Expense	26,325	5,578
Satellite Sponsorship - LHSAA and LSA	21,036	22,641
City Relations	14,012	13,123
Ticket Committee	11,890	7,812
Television/Radio Expense - Trade-outs	8,849	-
Goods For Resale	6,068	12,916
NFF/College Hall of Fame	5,699	8,663
Satellite Sponsorship - LHSAA Swimming	5,000	-
Satellite Sponsorship - Tulane Golf Classic	5,000	-
Satellite Sponsorship - Tulane Volleyball	5,000	-
Regatta	2,105	1,252
Special Events	-	36,742
Swimming	-	15,856
Total Program Expenses	7,549,601	6,549,708

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

SUGAR BOWL
STATEMENTS OF ACTIVITIES (Continued)

	For The Years Ended June 30, 2004	2003
EXPENSES (Continued)		
Support Expenses:		
General and Administrative Expenses	1,683,824	1,530,568
Special Appropriations	131,992	89,532
Insurance Expense	87,115	68,767
Depreciation Expense	36,259	67,387
Capital Improvements	-	499
Total Support Expenses	1,939,190	1,756,753
Total Expenses	9,488,791	8,306,461
CHANGES IN UNRESTRICTED NET ASSETS	8,256,066	1,662,027
NET ASSETS - BEGINNING OF YEAR	12,380,378	10,718,351
NET ASSETS - END OF YEAR	$ 20,636,444	$ 12,380,378

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

SUGAR BOWL
STATEMENTS OF CASH FLOWS

	For The Years Ended June 30, 2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Unrestricted Net Assets	$ 8,256,066	$ 1,662,027
Adjustments to Reconcile Changes in Unrestricted Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	36,259	67,387
Unrealized (Gain) on Investments	(271,464)	(16,114)
(Increase) in Accounts Receivable	(213,861)	(122,820)
Decrease in Prepaid Items	28,003	31,287
(Increase) in Interest Receivable	(52,103)	(16,192)
Increase (Decrease) in Accounts Payable and Accrued Expenses	76,945	(15,612)
(Decrease) Increase in Deferred Revenue	(514,350)	677,559
Net Cash Provided by Operating Activities	7,345,495	2,267,522
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(59,681)	(5,489)
Purchases of Investments	(35,887,804)	(40,820,481)
Proceeds from the Sale of Investments	28,274,330	39,004,000
Net Cash Used in Investing Activities	(7,673,155)	(1,821,970)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(327,660)	445,552
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	884,942	439,391
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 557,282	$ 884,942

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

SUGAR BOWL
NOTES TO FINANCIAL STATEMENTS

NOTE A

NATURE OF ACTIVITIES

The **SUGAR BOWL** (the Organization) is a not-for-profit organization established to conduct the annual Sugar Bowl Classic.

NOTE B

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of the Organization have been prepared on the accrual basis of accounting.

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 No. 117, the Organization 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.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

CONTRIBUTIONS

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made.* In accordance with SFAS No. 116, contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

ADVERTISING

Advertising costs are expensed as incurred and included in Sponsorship Package expense. Advertising expense amounted to $128,456 and $100,740 for the years ended June 30, 2004 and 2003, respectively.

ACCOUNTS RECEIVABLE

Trade receivables are carried at original invoice amount, and are considered to be fully collectible. Accordingly, no allowance for doubtful accounts is required. Trade receivables are written off when deemed uncollectible. The use of this method does not result in a material difference. Recoveries of trade receivables previously written off are recorded when received.

NOTE B

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY AND EQUIPMENT

Depreciation of property and equipment is provided over the estimated useful lives of the respective assets using the straight-line method.

Acquisitions of property and equipment in excess of $500 are capitalized. Donated equipment is recorded at fair market value at the date of the donation. Purchased equipment is recorded at cost.

DEFERRED TICKET REVENUE

Ticket sales made prior to the fiscal year to which they apply are not recognized as revenues until the year earned.

CASH AND CASH EQUIVALENTS

For purposes of the Statements of Cash Flows, cash equivalents include time deposits, and all highly liquid debt instruments with original maturities of three months or less.

INVESTMENTS

Under SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains or losses are included in the changes in net assets in the accompanying Statements of Activities.

DONATED GOODS AND SERVICES

Under SFAS No. 116, organizations are required to recognize as revenue and related expense, services received if the organization would typically need to purchase the services if not received as donations. No amounts have been reflected in the financial statements of the Organization for donated goods and services because there was either no objective basis available to measure their value or the value given was immaterial to the financial statements taken as a whole.

INCOME TAX STATUS

The Organization is qualified as a nonprofit organization and is exempt from Federal and State Income Taxes under Internal Revenue Code Section 501(c)(3).

NET ASSETS

In accordance with SFAS No. 117, the Organization reports 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. Revenues are classified as temporarily or permanently restricted when they are received as donations with a donor stipulated restriction.

As of June 30, 2004 and 2003, all assets owned by the Organization are unrestricted.

SUGAR BOWL
NOTES TO FINANCIAL STATEMENTS

NOTE C
PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2004 and 2003 consist of the following:

	2004	2003
Leasehold Improvements	$ 944,267	$ 925,291
Furniture and Fixtures	223,724	191,493
Computer Equipment	58,677	50,202
	1,226,668	1,166,986
Less: Accumulated Depreciation and Amortization	1,148,580	1,112,321
Total Property and Equipment	$ 78,088	$ 54,665

Depreciation and amortization expense for the years ended June 30, 2004 and 2003 totaled $36,259 and $67,387, respectively.

NOTE D
CONCENTRATION OF CREDIT RISK

The Organization's receivables are primarily related to its contracts for licensing and sponsorship. These contracts have been made with companies located within the continental United States.

Also, during the year, the Organization maintained cash deposits with a financial institution in excess of federally insured limits.

NOTE E
INVESTMENTS

The Organization's investments are comprised of the following as of June 30th:

	2004	2003
U.S. Government Securities	$ 17,294,946	$ 9,843,876
Equity Securities	2,383,794	1,921,798
Fixed Income Corporate Securities	240,315	253,568
Cash Held for Investment	32,241	47,117
Total	$ 19,951,296	$ 12,066,359

SUGAR BOWL
NOTES TO FINANCIAL STATEMENTS

NOTE E

INVESTMENTS (Continued)

The following schedule summarizes the investment return in the Statement of Activities for the years ended June 30th:

	2004	2003
Interest Income, Net of Investment Expenses	$ 300,061	$ 227,466
Realized and Unrealized Gains	396,534	16,114
Total	$ 696,595	$ 243,580

NOTE F

LEASE COMMITMENTS

The Organization was committed to leasing the Superdome for its annual football game. The lease stipulated a minimum annual rental of $40,000, plus an additional 5% of the gross football ticket sales in excess of $700,000; however, the total rent could not exceed $200,000. This lease expired June 30, 2004 and the Organization is currently renegotiating this lease.

For the years ended June 30, 2004 and 2003, the Organization's rental expense for its annual football games totaled $200,000, respectively.

The Organization entered into a separate lease agreement for the use of office space within the Superdome through December 31, 2004. Currently, the Organization is renegotiating this lease.

For the years ended June 30, 2004 and 2003, the Organization's rental expense for its office space totaled $98,587.

The Organization entered into a lease agreement for the use of the New Orleans Arena (Arena) for the Sugar Bowl Basketball Classic through the year ended June 30, 2004. Currently, the Organization is renegotiating this lease.

For the years ended June 30, 2004 and 2003, the Organization's rental expense for the Arena totaled $30,000.

NOTE G

DUE TO SUPERDOME ECONOMIC DEVELOPMENT FUND

During the year ended June 30, 2000, the Organization received $200,000 as Initial Seed Money for funding the Sugar Bowl Basketball Classic. The Organization is obligated to repay this funding in five equal installments of $40,000 annually, beginning December 1, 2000 and concluding December 1, 2004. However, the lending organization has yet to request payment on the Initial Seed Money; therefore, the liability of the Organization remains at $200,000.

NOTE H

COMMITMENTS AND CONTINGENCIES

The Organization has employment agreements with its Executive Director and Associate Executive Director, which extend through June 30, 2006. The aggregate commitment under these agreements is $473,000 for the 2005 year end and $501,380 for the 2006 year end.

Also associated with the employment contracts is an obligation to contribute 15% of the above-mentioned salaries to the Simplified Employee Pension Plan.

Under its contract as a participant in the Bowl Championship Series (BCS), the Organization is committed to paying $4,400,000, for each of the football games to be played in January 2005 and January 2006.

In conjunction with its Basketball Classic, the Bowl is committed to pay the four participants in the 2004 Classic a total of $265,000. For the 2005 Classic, the Bowl is committed to paying a participant $90,000.

NOTE I

SIMPLIFIED EMPLOYEE PENSIONS

The Organization is committed to a simplified employee pension plan for all full-time, non-contractual employees of the Organization with a minimum of 1 year of service. The annual contribution shall be equal to 15% of each eligible employee's annual wages.

The contributions for the years ended June 30, 2004 and 2003 were $30,050 and $31,980, respectively.

NOTE J

RELATED PARTY TRANSACTIONS

Members of the Organization are involved with companies supplying goods and services to the Organization. In such instances where "related parties" conduct business with the Organization, due care is taken to assure that the services and/or goods are purchased at normal competitive rates. The total dollar amounts of the transactions are immaterial to the financial statements taken as a whole.

LAPORTE SEHRT
ROMIG HAND
CERTIFIED PUBLIC ACCOUNTANTS

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

Executive Committee
Sugar Bowl

We have audited the financial statements of the **SUGAR BOWL** as of and for the year ended June 30, 2004, and have issued our report thereon dated August 20, 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 the **SUGAR BOWL'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 the 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 the **SUGAR BOWL's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving internal control structure and its operation that we consider to be material weaknesses.

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This report is intended solely for the information of the audit committee, management, others within the organization, and State of Louisiana, Department of Economic Development and is not intended to be and should not be used by anyone other than these specified parties.

A Professional Accounting Corporation

Metairie, Louisiana
August 20, 2004