

INDEPENDENCE BOWL FOUNDATION, INC.

(Audited Financial Statements and Related Notes)

SHREVEPORT, LOUISIANA

FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

**MARSHA O. MILLICAN
A PROFESSIONAL ACCOUNTING CORPORATION
SHREVEPORT, LOUISIANA**

INDEPENDENCE BOWL FOUNDATION, INC.

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Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

Independent Auditor's Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of Independence Bowl Foundation, Inc., (a non-profit organization) which comprise the statements of financial position, as of February 28, 2021 and February 29, 2020 and the related statements of activities and changes in net assets, functional expenses, and statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and the maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

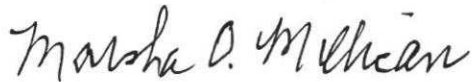
I believe that the audit evidence I have obtained is sufficient to provide a basis for my audit opinion.

Opinion

In my 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 28, 2021 and February 29, 2020, and the changes in its net assets and cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated July 12, 2021 on my consideration of the Independence Bowl Foundation, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Independence Bowl Foundation, Inc.'s internal control over financial reporting and compliance.



Certified Public Accountant
July 12, 2021

INDEPENDENCE BOWL FOUNDATION, INC.

Statement of Financial Position

February 28, 2021 and February 29, 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 467,489	\$ 493,987
Certificates of deposit	45,897	45,844
Accounts receivable	75,017	679,170
Prepaid expenses	92,132	46,762
Total Current Assets	680,535	1,265,763
Fixed assets:		
Leasehold improvements/renovations	1,684,059	1,684,059
Less accumulated depreciation	(1,010,436)	(842,030)
Net fixed assets	673,623	842,029
Deposits	7,015	7,015
Total Assets	\$1,361,173	\$ 2,114,807
LIABILITIES AND UNRESTRICTED NET ASSETS		
Current liabilities:		
Due to participating teams	\$ -	\$ 1,298,538
Accounts payable	48,430	211,315
Line of credit payable	688,446	688,446
Accrued interest payable	2,383	2,666
Payroll withholding payable	1,292	1,186
Deferred revenue	384,998	-
Current portion of long-term debt	732,085	189,414
Total Current Liabilities	1,857,634	2,391,565
Long-term liabilities:		
Notes payable, less current portion	-	717,262
Total long-term liabilities	-	717,262
Total liabilities	1,857,634	3,108,827
Unrestricted net assets:		
Unrestricted	(496,461)	(994,020)
Total unrestricted net assets	(496,461)	(994,020)
Total liabilities and unrestricted net assets	\$1,361,173	\$ 2,114,807

The accompanying notes are an integral part of these statements.

INDEPENDENCE BOWL FOUNDATION, INC.

Statement of Activities and Changes in Net Assets

For the Year Ended February 28, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Support:			
Contributions	\$ -	\$ 900,200	\$ 900,200
Grants - state and local governments	-	-	-
Total Support	-	900,200	900,200
Revenues:			
Program Service Fees	119,285	-	119,285
Hotel Occupancy Tax	-	498,312	498,312
Memberships	-	33,494	33,494
PPP Loan Forgiveness	134,177	-	134,177
Miscellaneous	874	-	874
Total Revenues	254,336	531,806	786,142
Total Support and Revenue	254,336	1,432,006	1,686,342
Net Assets Released from Restrictions:			
Satisfaction of Usage Restrictions	1,432,006	(1,432,006)	-
Total Support and Revenues	1,686,342	-	1,686,342
Expenses:			
Program Expenses	864,537	-	864,537
Management and General	324,246	-	324,246
Total Expenses	1,188,783	-	1,188,783
Change in Net Assets	497,559	-	497,559
Net assets, beginning of year	(994,020)	-	(994,020)
Net assets, end of year	\$ (496,461)	\$ -	\$ (496,461)

The accompanying notes are an integral part of this statement.

INDEPENDENCE BOWL FOUNDATION, INC.

Statements of Activities and Changes in Net Assets

For the Year Ended February 29, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Support:			
Contributions	\$ -	\$ 1,209,431	\$ 1,209,431
Grants - state and local governments	-	400,000	400,000
Total support	-	1,609,431	1,609,431
Revenues:			
Program Service Fees	1,627,899	-	1,627,899
Hotel Occupancy Tax	-	642,810	642,810
Memberships	-	36,025	36,025
PPP Loan Forgiveness	-	-	-
Miscellaneous	2,233	-	2,233
Total revenue	1,630,132	678,835	2,308,967
Total support and revenue	1,630,132	2,288,266	3,918,398
Net Assets Released from Restrictions:			
Satisfaction of Usage Restrictions	2,288,266	(2,288,266)	-
Total Support and Revenues	3,918,398	-	3,918,398
Expenses:			
Program Expenses	3,568,316	-	3,568,316
Management and General	337,313	-	337,313
Total Expenses	3,905,629	-	3,905,629
Change in Net Assets	12,769	-	12,769
Net assets, beginning of year	(1,006,789)	-	(1,006,789)
Net assets, end of year	\$ (994,020)	\$ -	\$ (994,020)

The accompanying notes are an integral part of this statement.

INDEPENDENCE BOWL FOUNDATION, INC.

Statement of Functional Expenses

For the Year Ended February 28, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Independence Bowl:			
Distributions to Teams	\$ -	\$ -	\$ -
Personnel	345,554	86,389	431,943
Occupancy	-	88,661	88,661
Professional Services	142,885	11,000	153,885
Printing	14,803	-	14,803
Travel	3,207	-	3,207
Bowl Related Expenses	60,347	-	60,347
Game Day Expense	5,805	-	5,805
Depreciation	168,406	-	168,406
Interest	-	68,118	68,118
Other	123,530	70,078	193,608
	<u>\$ 864,537</u>	<u>\$ 324,246</u>	<u>\$ 1,188,783</u>

The accompanying notes are an integral part of this statement.

INDEPENDENCE BOWL FOUNDATION, INC.

Statement of Functional Expenses

For the Year Ended February 29, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Independence Bowl:			
Distributions to Teams	\$ 2,000,000	\$ -	\$ 2,000,000
Personnel	341,449	85,362	426,811
Occupancy	-	83,885	83,885
Professional Services	107,197	12,500	119,697
Printing	29,553	-	29,553
Travel	11,658	6,706	18,364
Bowl Related Expenses	313,666	-	313,666
Game Day Expense	182,146	-	182,146
Depreciation	168,406	-	168,406
Interest	-	83,422	83,422
Other	414,241	65,438	479,679
	<u>\$ 3,568,316</u>	<u>\$ 337,313</u>	<u>\$ 3,905,629</u>

The accompanying notes are an integral part of this statement.

INDEPENDENCE BOWL FOUNDATION, INC.

Statement of Cash Flows

For the Year Ended February 28, 2021 and February 29, 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 497,559	\$ 12,769
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	168,406	168,406
Bad debt expense	-	-
Prior period adjustment	-	-
<i>(Increase)decrease in assets:</i>		
Accounts receivable	604,153	(312,777)
Prepaid expenses	(45,370)	19,029
<i>Increase (decrease) in liabilities:</i>		
Due to participating teams	(1,298,538)	(14,426)
Accounts payable	(162,885)	63,404
Accrued expenses	(177)	(31)
Unearned revenue	384,998	-
Total adjustments	<u>(349,413)</u>	<u>(76,395)</u>
Net cash provided (used) by operating activities	148,146	(63,626)
Cash flows from investing activities:		
Purchases of fixed assets	-	-
Reinvestment of interest on certificates of deposit	(53)	(47)
Net cash provided (used) by investing activities	<u>(53)</u>	<u>(47)</u>
Cash flows from financing activities:		
Draws on line of credit	-	-
Principal payments on line of credit	-	-
Payment of principal on long-term debt	(174,591)	(166,661)
Net cash provided (used) by financing activities	<u>(174,591)</u>	<u>(166,661)</u>
Net increase (decrease) in cash and cash equivalents	(26,498)	(230,334)
Cash and cash equivalents - beginning of year:	<u>493,987</u>	<u>724,321</u>
Cash and cash equivalents - end of year	<u><u>467,489</u></u>	<u><u>493,987</u></u>
Supplementary cash flow information:		
Cash paid during the year for interest	<u><u>\$ 68,402</u></u>	<u><u>\$ 84,639</u></u>

The accompanying notes are an integral part of this statement.

INDEPENDENCE BOWL FOUNDATION, INC.

Notes to Financial Statements

February 28, 2021 and February 29, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. General:

The Independence Bowl Foundation, Inc. (the "Foundation") is a tax-exempt and non-profit organization established for the purpose of advertising and promoting amateur sports and sports related events in the Shreveport- Bossier area. The Foundation consists of a full-time staff and committee members that carry out all of the activities related to the Foundation's function. The Foundation is also the sponsoring organization for the Independence Bowl post-season football game, which is promoted and served through the Foundation's staff and volunteer membership. The Independence Bowl Foundation, Inc., is organized as a nonprofit organization exempt from federal income taxation under Code Section 501 (c) (3) of the Internal Revenue Code.

B. Basis of Accounting:

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

C. Basis of Presentation:

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and board of directors.

Net assets with donor restrictions: These assets are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, these net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

D. Measure of Operations:

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Foundation's ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

E. Cash and Cash Equivalents:

For the purpose of cash flows, the organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. At February 28, 2021 the carrying amount of the Foundation's deposits were \$513,386 while the bank balances were \$537,350. Deposits of \$480,779 were secured by FDIC insurance; deposits of \$56,571 were unsecured and subject to risk. At February 29, 2020, deposits of \$165,126 were unsecured.

F. Property and Equipment:

Purchased property and equipment are stated at cost. Donated property and equipment are stated at their fair market value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from five to ten years.

G. Contributions:

All contributions received are considered available for use unless the donor specifies a restriction. Amounts received that are restricted by the donor for specific purposes are reported as donor restricted support that increases net assets with donor restrictions.. When a donor restriction expires, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

H. Estimates:

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

I. Functional expenses:

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Distributions to teams	Full Time Equivalent
Personnel	Time and Effort
Occupancy	Time and Effort
Professional Services	Time and Effort
Printing	Time and Effort
Travel	Time and Effort
Bowl Related Expenses	Full Time Equivalent
Game Day Expense	Full Time Equivalent
Depreciation	Full Time Equivalent
Interest	Full Time Equivalent
Other	Full Time Equivalent

J. Deferred Revenue:

Deferred Revenue represents funds received by the Foundation for the 2020 Independence Bowl that donors have "rolled over" to the 2021 Independence Bowl due to the fact that the 2020 Independence Bowl was cancelled due to the COVID-19 pandemic.

K. Advertising Costs:

Advertising costs are expenses as incurred and are included in program expenses on the statement of activities. Advertising expenses amount to \$153,460 for the year ended February 28, 2021 and \$95,059 for the year ended February 29, 2020.

L. Donated Materials and Services:

Donated Materials and equipment are reflected as contributions in the accompanying financial statements at their estimated values at the date of receipt. No amounts have been reflected in the statements for donated services, inasmuch as no objective basis is available to measure the value of such services; and the donated services do not create a nonfinancial asset.

2. AVAILABILITY AND LIQUIDITY

The following represents the Foundation's financial assets at February 28, 2021 and February 29, 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and equivalents	<u>\$ 513,386</u>	<u>\$ 539,831</u>
Total financial assets	<u>\$ 513,386</u>	<u>\$ 539,831</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	-	-
Less net assets with purpose restriction to be met in less than a year	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 513,386</u>	<u>\$ 539,831</u>

The Foundation's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in interest-bearing accounts.

3. Certificates of Deposit

Certificates of deposits at February 28, 2021 and February 29, 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Regions Bank	\$ 22,840	\$ 22,817
JP Morgan Chase Bank	11,117	11,108
Origin Bank	11,940	11,919
Total Certificates of Deposit	<u>\$ 45,897</u>	<u>\$ 45,844</u>

4. Accounts Receivable

Accounts receivable at February 28, 2021 and February 29, 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Corporate sponsors/advertisers	\$ 13,275	\$611,687
Accrued hotel occupancy tax	61,742	67,483
Total receivables	<u>75,017</u>	<u>679,170</u>
Less: allowance for doubtful accounts	-	-
Accounts receivable, net	<u>\$ 75,017</u>	<u>\$679,170</u>

5. Cooperative Endeavor Agreement

As of August 14, 2018, the Foundation executed a cooperative endeavor agreement with the City of Shreveport, Louisiana outlining the scope of services and responsibilities of each party. The main focus of this agreement is the production of the Independence Bowl, along with any activities and events associated with the game. The term of this agreement is from inception and terminated December 31, 2022. The agreement provided the Foundation will be paid the sum of \$140,000 per year for the activities described above, and receives use of public facilities of the City of Shreveport, (including Independence Stadium) at no charge. As the fair market value of the contribution from the City of Shreveport cannot be determined, no income and related expense associated with this cooperative endeavor agreement is recorded in the records of the Foundation. In the event the Foundation fails to produce a game in any year of the contract, the funds will be returned to the City of Shreveport. The Foundation is allowed, under the agreement, to improve the stadium's facilities, and subsequent to the repayment of all debt associated with the renovations, the improvements become the property of the City of Shreveport.

6. FIXED ASSETS:

Fixed assets at February 28, 2021 and February 29, 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Scoreboard	\$ 1,684,059	1,684,059
Less Accumulated Depreciation	<u>(1,010,436)</u>	<u>(842,030)</u>
Net Fixed Assets	<u>\$ 673,623</u>	<u>\$ 842,029</u>

7. NET ASSETS

Net assets with donor restrictions were as follows for the year ended February 28, 2021 and February 29, 2020.

	<u>2021</u>	<u>2020</u>
Specific Purpose	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ -</u>	<u>\$ -</u>

Net assets without donor restriction for the year ended February 28, 2021 and February 29, 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Undesignated	<u>\$ (496,461)</u>	<u>\$ (994,020)</u>
Total	<u>\$ (496,461)</u>	<u>\$ (944,020)</u>

Net assets released from net assets with donor restrictions are as follows:

	<u>2021</u>	<u>2020</u>
Satisfaction of Purpose Restrictions		
Independence Bowl and Related Events	<u>\$ 1,432,006</u>	<u>\$ 2,288,266</u>
Total	<u>\$ 1,432,006</u>	<u>\$ 2,288,266</u>

8. Title Sponsorship

On September 17, 2017, the Foundation entered into an "Entitlement Sponsorship Agreement" with Walk-On's Enterprises whereby Walk-On's Enterprises obtained the title sponsorship rights to the Independence Bowl, and the Foundation received certain financial commitments as more fully described in the agreement. The agreement terms include the 2017-2022 presentations of the Independence Bowl, and are deemed to commence on the date of the agreement. The agreement contains an "Opt Out" clause for years four and five which may be elected by either party. The company "opted out" of the agreement after the 2019 Bowl Game. On March 5, 2020, the Foundation entered into an "Entitlement Sponsorship Agreement" with Radiance Technologies, Inc. The terms commenced of March 5, 2020 and expires on January 31, 2025.

9. Participating Team Distribution Agreements

On March 13, 2020, a national emergency relating to the COVID-19 virus was declared. The impact of the pandemic on operations of the Independence Bowl Foundation, Inc. resulted in the cancellation of the 2020 Independence Bowl game.

For the year ended February 29, 2020, the Foundation's agreement with the ACC and the Conference USA required the Foundation to pay the participant from the ACC \$1,200,000, and the participant from the from the Conference USA \$800,000. As part of the agreements, the ACC was required to purchase a minimum of 6,000 tickets and the participating university from the C-USA was required to purchase a minimum of 10,000 tickets to the game. Also, the Foundation was able to deduct the fair market value of the ticket requirements from the gross distribution to the participating universities, even if the tickets were unsold.

The following is a recap of the distributions and payables to the participating teams:

2019 Independence Bowl:

	<u>University of Miami</u>	<u>La Tech University</u>	<u>Totals</u>
Calculated gross team payout	\$ 1,200,000	\$ 800,000	\$ 2,000,000
Less: Value of game tickets allocated to and retained by participating institutions and other items	(291,900)	(449,400)	(741,300)
Balance due participating teams	<u>\$ 908,100</u>	<u>\$ 350,600</u>	<u>\$ 1,258,700</u>

At February 28, 2021, accounts payable included a balance due to the ACC school of \$45,018.

The minimum payout distribution obligations (by contract) to the participating teams are as follows at February 29, 2020.

2020
<u>\$ 1,298,538</u>

10. Related Party Transactions

Members of the Foundation are involved through ownership/association with companies supplying goods and services to the Foundation. In such instances where these related parties conduct business with the Foundation, due care is taken to assure that the goods and/or services are bid for or purchased from these related parties at normal competitive prices/rates. The amounts of such transactions are considered immaterial to the financial statements taken as a whole.

11. Line of Credit Payable

The Bowl has a line of credit at a bank bearing variable interest based on the prime rate in the Wall Street Journal. There were no payments on the line of credit for the year ended February 28, 2021 or February 29, 2020. The balance at the end of each year was \$668,446. Available credit at the end of both years was \$231,554. The interest rate is based on the prime rate designated in the "Money Rates" section of the Wall Street Journal.

12. Long-Term Debt

Long-term debt consists of the following at February 28, 2021 and February 29, 2020:

	<u>2021</u>	<u>2020</u>
Term note payable to JPMorgan Chase Bank, dated June 22, 2016 with initial principal due of 1,445,126, bearing interest at a fixed rate of 4.667% per annum, due in sixty four (64) monthly installments of \$17,811 beginning July 19, 2016; maturing November 19, 2021 and the final payment of the entire unpaid principal balance and accrued interest, collateralized accounts receivable, and all other corporate assets.	\$ 732,085	\$ 906,676
Less: Current maturities	<u>(732,085)</u>	<u>(189,414)</u>
Total long-term debt	<u>\$ -</u>	<u>\$ 717,262</u>

Future minimum principal payments due on the renewed long-term debt are as follows:

	Principal	Interest	Total
2022	<u>\$ 732,085</u>	<u>\$ 64,049</u>	<u>\$ 796,134</u>
Total	<u><u>\$ 732,085</u></u>	<u><u>\$ 64,049</u></u>	<u><u>\$ 796,134</u></u>

13. Retirement Plan

The Foundation adopted a "Savings Incentive Match Plan for Employees of Small Employers" (SIMPLE IRA) retirement plan on April 15, 2001 (effective April 15, 2001) covering all full time employees. Employees may elect to contribute to the plan through salary deferrals up to the maximum of \$10,000 per year or the amount as allowed by law. Hardship withdrawals and loans to participants are not allowed under the current Plan provisions. The Foundation elects to contribute to the plan a matching contribution equal to the employees' salary reduction contributions up to a limit of 3% of the employees' total compensation for the year. The Foundation made employer contributions of \$8,337 and \$7,902 in 2021 and 2020, respectively.

14. Disclosures about Fair Value of Assets and Liabilities

Effective January 1, 2008, the Foundation adopted **FASB ASC 820**, "Fair Value Measurements and Disclosures". **FASB ASC 820** defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Fair value measurements are used to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with **FASB ASC 820**, "Fair Value Measurement and Disclosures", the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgement. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

13. **Disclosures about Fair Value of Assets and Liabilities (continued)**

Fair Value Hierarchy. In accordance with this guidance, financial assets and financial liabilities, generally measured at fair value, are grouped in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 - Valuation is based on quoted prices in active markets for identical assets or liabilities the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgement or estimation.

The following is a description of the valuation methodologies used for assets and liabilities at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as general classification of such assets and liabilities pursuant to the valuation hierarchy. Fair values estimated by using pricing models, which are based on transactions of similar terms. Derivative instruments are classified within Level 2 of the valuation hierarchy.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the **FASB ASC 820** fair value hierarchy in which the fair value measurements fall at February 28, 2021 and February 29, 2020:

	2021 Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Observable Inputs (Level 3)
Certificates of deposit	<u>\$45,897</u>	<u>\$ -</u>	<u>\$ 45,897</u>	<u>\$ -</u>

13. **Disclosures about Fair Value of Assets and Liabilities (continued)**

	2020 Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Observable Inputs (Level 3)
Certificates of deposit	\$ 45,844	\$ -	\$ 45,844	\$ -

The following methods and assumptions were used to estimate the fair value of all other financial instruments recognized in the accompanying balance sheets at amounts other than fair value.

Cash, Accounts Receivable, Prepaid Expenses, Accounts Payable, Accrued Expenses

The carrying amount approximates fair value.

Due to Participating Teams

The carrying amount approximates fair value due primarily to their short-term nature.

The estimated fair values of the Foundation's financial instruments as of February 28, 2021 and February 29, 2020 were as follows:

	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash	\$ 467,489	\$ 467,489	\$ 493,987	\$ 493,987
Certificates of Deposit	45,897	45,897	45,844	45,844
Accounts receivable	75,017	75,017	679,170	679,170
Prepaid expenses	92,132	92,132	46,762	46,762
Financial liabilities:				
Accounts payable	48,430	48,430	211,315	211,315
Accrued expenses	3,675	3,675	3,852	3,852
Due to participating teams	-	-	1,298,538	1,298,538
Deferred revenue	384,998	384,998	-	-
Line of credit payable	688,446	688,446	688,446	688,446
Notes payable	732,085	732,085	906,676	906,676

14. **Operating Lease Commitments**

The Foundation has entered into the fifth (5th) amendment (dated August 8, 2019) to its original lease agreement (dated May 22, 2003) for the lease of its office space located in Shreveport, Louisiana. The lease term is extended for five (5) years beginning September 1, 2019 and ending August 31, 2024. The lease agreement calls for a base rent varying from \$4,250 to \$4,424 per month. Included in the

14. Operating Lease Commitments (continued)

lease rate are seven (7) parking spaces in the building's parking garage. The Foundation maintains a one-time right to terminate the leases if it loses its title sponsor, television sponsor, or state funding; the landlord may terminate the lease with one hundred twenty (120) day notice to the Foundation. Total lease/rental expense was \$51,627 and \$54,509 for the years ended February 28, 2021 and February 29, 2020, respectively.

The following is a schedule of future minimum payments required under the lease agreement as of February 28, 2021:

2022	\$ 51,552
2023	52,596
2024	<u>26,544</u>
Total	<u>\$130,692</u>

15. Major Contributor

One contributor accounted for one hundred (100)% percent of total contributions.

16. Subsequent Events

- Management has evaluated subsequent events through July 12, 2021, the date the financial statements were available to be delivered.

As of the date of this report, the COVID-19 pandemic is ongoing. The extent of the impact of the ongoing pandemic on operational and financial performance cannot be determined at this time.

INDEPENDENCE BOWL FOUNDATION, INC.

Schedule of Compensation, Reimbursements, Benefits, and Other Payments

For the Years Ended February 28, 2021 and February 29, 2020

Louisiana Revised Statue 24:513 (A) (3) requires reporting of the total compensation, reimbursements, and benefits paid to the agency head or chief executive officer. This law was further amended by Act 462 of the 2015 Regular Session of the Louisiana Legislature to clarify that nongovernmental or not-for-profit local auditees are required to report only the compensation, reimbursements, and benefits paid to the agency head or chief executive officer from public funds.

Independence Bowl Foundation, Inc. is not required to report the total compensation, reimbursements, and benefits paid to Missy Setters, the Executive Director, as none of those payments were made from public funds.



Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

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

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

I have audited, in accordance with the 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, the financial statements of Independence Bowl Foundation, Inc. which comprise the statement of financial position as of February 28, 2021 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and related notes to the financial statements, and have issued my report thereon dated July 12, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Independence Bowl Foundation, Inc.'s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, I do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

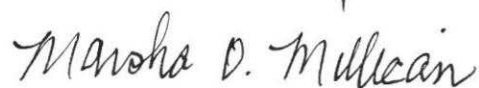
As part of obtaining reasonable assurance about whether Independence Bowl Foundation, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

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provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is reported in the accompanying Schedule of Findings as Finding #2021-1.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited, under Louisiana Revised Statutes, it is issued by the Legislative Auditor as a public document.



Certified Public Accountant

July 12, 2021

INDEPENDENCE BOWL FOUNDATION, INC.

Schedule of Findings

For the Year Ended February 28, 2021

Summary of Audit Results:

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. No material weaknesses relating to the audit of the basic financial statements are reported.
3. One instance of noncompliance material to the financial statements was disclosed during the audit.

Finding #2021-1:

The Foundation is not in compliance with the terms of the loan from Chase Bank.

Criteria: The terms of the loan from Chase Bank require a Debt Service Coverage Ratio of 1.0.

Condition: The Foundation's Debt Service Coverage Ratio was less than 1.0.

Cause: The total of all current debt is required to be included in the computation of the Debt Service Coverage Ratio. The note payable to JP Morgan Chase Bank is technically due on November 19, 2021; therefore, the entire balance due of \$732,085 was included in the calculation of the Debt Service Coverage Ratio.

Effect: The Foundation is not in compliance with the terms of the loan from Chase Bank.

Recommendation: I recommend the Foundation take steps to improve the Debt Service Coverage Ratio.

Management's Response and Corrective Action: We agree with the finding. We are in the process of refinancing the note at JP Morgan Chase Bank which will increase our Debt Service Coverage Ratio.

INDEPENDENCE BOWL FOUNDATION, INC.

Schedule of Prior Year Findings

For the Year Ended February 28, 2021

Finding #2020-1: The Foundation is not in compliance with the terms of the loan from Chase Bank.

Status: Unresolved.