SMART BOWLING SCHOLARSHIP FUNDING CORPORATION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
SMART Bowling Scholarship Funding Corporation
Arlington, Texas

We have audited the accompanying financial statements of SMART Bowling Scholarship Funding Corporation, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and cash flows for the years 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 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.

Auditors' Responsibility

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. Those standards require that we 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 auditors' 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMART Bowling Scholarship Funding Corporation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Wauwatosa, Wisconsin
May 24, 2021

SMART BOWLING SCHOLARSHIP FUNDING CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 851,791	$ 856,064
Accounts Receivable	127,386	207,081
Due from Related Parties	-	535
Investment Income Receivable	191,982	254,042
Investments, at Fair Value	91,826,634	84,204,281
Total Current Assets	92,997,793	85,522,003
INVESTMENTS, AT FAIR VALUE	4,153,971	1,750,000
Total Assets	$ 97,151,764	$ 87,272,003
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 63,682	$ 58,702
Due to Related Parties	1,264	-
Scholarship Awards Payable	78,908,504	74,772,414
Total Liabilities	78,973,450	74,831,116
NET ASSETS - WITHOUT DONOR RESTRICTIONS	18,178,314	12,440,887
Total Liabilities and Net Assets	$ 97,151,764	$ 87,272,003

See accompanying Notes to Financial Statements.

SMART BOWLING SCHOLARSHIP FUNDING CORPORATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
REVENUES		
Net Investment Return	$ 9,936,501	$ 10,722,116
EXPENSES		
Program:		
Earnings Allocated to Providers	3,500,000	1,750,000
Management and General:		
Professional Fees	560,122	527,855
Travel	5,003	6,853
Depreciation and Amortization	-	134,537
Miscellaneous	133,949	87,756
Total Expenses	4,199,074	2,507,001
CHANGE IN NET ASSETS	5,737,427	8,215,115
Net Assets - Beginning of Year	12,440,887	4,225,772
NET ASSETS - END OF YEAR	$ 18,178,314	$ 12,440,887

See accompanying Notes to Financial Statements.

SMART BOWLING SCHOLARSHIP FUNDING CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 5,737,427	$ 8,215,115
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Net Realized and Unrealized Gains	(10,625,288)	(10,952,812)
Depreciation	-	134,537
Effects of Changes in Operating Assets and Liabilities:		
Investment Income Receivable	62,060	1,065
Accounts Receivable	79,695	61,405
Due from Related Parties	535	(535)
Accounts Payable	4,980	382
Due to Related Parties	1,264	(14,512)
Scholarship Awards Payable	4,136,090	5,430,753
Net Cash Provided (Used) by Operating Activities	(603,237)	2,875,398
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	5,156,837	698,492
Purchase of Investments	(4,557,873)	(3,688,492)
Net Cash Provided (Used) by Investing Activities	598,964	(2,990,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,273)	(114,602)
Cash and Cash Equivalents - Beginning of Year	856,064	970,666
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 851,791	$ 856,064

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The SMART Bowling Scholarship Funding Corporation (SMART) was incorporated on March 23, 2010, in the state of Wisconsin, for the purpose of administering a scholarship program. SMART's revenues are derived primarily from investment returns. Significant accounting policies followed by SMART are presented below.

Use of Estimates

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

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable are uncollateralized obligations. Accounts receivable are stated at the provider unfunded scholarship amount. Payments of accounts receivable are applied to the specific scholarships identified, or, if unspecified, to the earliest unfunded scholarships. Management has determined no valuation allowance is deemed necessary.

Investments

Investments are reported at fair value. Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses on investments are included in the statements of activities.

Software

Software is stated at cost. Depreciation is determined using the straight-line method over seven years. At December 31, 2020 and 2019, SMART had fully depreciated software still in use of $910,467.

Risks and Uncertainties

SMART utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect SMART's account balances and the amounts reported in the financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risks and Uncertainties

During the year ended December 31, 2020 the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Management believes SMART is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2020.

Scholarship Awards Payable

SMART administers a scholarship program for the bowling community known as Scholarship Management and Accounting Reports for Tenpins. SMART collects, manages, and disburses scholarship funds for youth bowling scholarships. A scholarship awards payable is recorded for payments received. SMART effectively acts as an agent for these funds. Investment income is used to pay the administrative costs of operating the program. Investment income in excess of these administrative costs may be allocated to the accounts of the provider organizations.

Net Assets

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. However, donor-restricted contributions whose restrictions are met during the same year are directly reported as increases in net assets without donor restrictions. The net assets of SMART and changes therein are classified and reported as follows:

Without Donor Restrictions - These represent net assets that are not subject to external donor-imposed restrictions

Functional Allocation of Expenses

The costs of operating SMART have been summarized on a functional basis on the statements of activities. Investment returns in excess of administrative costs that are allocated to the accounts of the provider organizations are allocated to SMART's program expenses. All costs except earnings allocated to providers are allocated to management and general expenses.

Income Taxes

The Internal Revenue Service has issued a determination letter dated January 11, 2011, granting SMART an exemption from federal income tax under Internal Revenue Code Section 501(c)(3). Management is not aware of any items that could cause revocation of the tax-exempt status.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Guidance

In February 2016, FASB issued ASU 2016-02*, Leases (Topic 842)*, which is expected to increase transparency and comparability among organizations. The core principle of this guidance is that a lessee should recognize the assets and liabilities that arise from leases. The standard requires lessees to reflect most leases on their balance sheet as lease liabilities with a corresponding right-of-use asset, while leaving presentation of lease expense in the statement of income largely unchanged. The standard also eliminates the real-estate specific provisions that exist under current U.S. GAAP and modifies the classification criteria and accounting which lessors must apply to sales-type and direct financing leases. In June 2020, the FASB approved the delay of the effective date of ASU 2016-02 through issuance of ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*. In June 2020, the FASB approved the delay of the effective date of ASU 2016-02 which is now effective for SMART's year ending December 31, 2022. Management will be evaluating the effects of the new standard.

Reclassifications

Certain items in the 2019 financial statements have been reclassified, with no effect on previously reported net assets and changes in net assets, to conform to the current year presentation.

NOTE 2 LIQUIDITY AND AVAILABILITY

SMART's liquidity goal is to have sufficient assets available to meet operational expenditures for a 12 month period. SMART regularly reviews the liquidity required to meet the ongoing needs for administering a scholarship program for the bowling community and other services needed to support that function. The primary forms of funds that are available include cash, current investments and related investment income receivable, and expected collections of accounts receivable.

The following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures at December 31:

	2020	2019
Cash and Cash Equivalents	$ 851,791	$ 856,064
Accounts Receivable	127,386	207,081
Due from Related Parties	-	535
Investment Income Receivable	191,982	254,042
Investments, at Fair Value	91,826,634	84,204,281
Total	$ 92,997,793	$ 85,522,003

SMART maintains the investments above in investment vehicles that allow access to these funds for satisfaction of SMART's scholarship awards payable.

NOTE 3 INVESTMENTS

Investments consist of the following at December 31:

	2020	2019
Investments:		
Bonds	$ 45,032,229	$ 43,593,340
Mutual Funds	31,900,703	27,522,780
Interest-Bearing Cash	1,481,423	954,684
Money Market Funds	1,086,829	806,039
Hedge Fund	12,325,450	11,327,438
Limited Partnerships	4,153,971	1,750,000
Total Investments	$ 95,980,605	$ 85,954,281

NOTE 4 FAIR VALUE MEASUREMENTS

U.S. GAAP establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a description of the valuation methodologies used for assets measured at fair value.

Interest-Bearing Cash and Money Market Funds: Valued at cost which approximates fair value.

Bonds: Valued with an institutional bid evaluation or an institutional mid evaluation. A bid evaluation is an estimated price at which a dealer would pay for a security (typically in an institutional round lot). A mid evaluation is the average of the estimated price at which a dealer would sell a security and the estimated price at which a dealer would pay for a security (typically in an institutional round lot). Oftentimes, these evaluations are based on proprietary models which pricing vendors establish for these purposes. In some cases, there may be manual sources used when primary price vendors do not supply prices.

Mutual Funds: Valued at quoted market prices, which represent the net asset value (NAV) of shares held at year-end.

Hedge Fund: Valued based on the NAV per unit (or its equivalent) based upon the fair value of the underlying investments. NAV is used as a practical expedient to estimate fair value. The investment strategy of the hedge fund is to maximize long-term total return, consistent with prudent investment management. The fund seeks to achieve its objective by investing in at least 70% in other commingled investment vehicles, in investment grade debt and fixed income securities rated at the time of purchase at least Baa3 or BBB- by a nationally recognized rating agency. SMART has no additional committed capital obligations.

Limited Partnerships: SMART is invested in four limited partnerships. The limited partnerships are valued at an amount equal to the ownership interest in the partners' capital, NAV, used as a practical expedient to estimate fair value. Two partnerships have a 10-year term after final closing, subject to two two-year extensions at the election of the General Partner. The investment strategy of these two limited partnerships is to achieve attractive risk-adjusted returns relative to more liquid fixed income alternatives, with an emphasis on current income and preservation of capital. The fund seeks to achieve its objective primarily by investing in senior secured, floating rate middle market loans, through wholly and partially owned holding companies and other investment vehicles.

One partnership will continue until July 31, 2031, subject to three one-year extensions at the election of the General Partner. The investment strategy of this limited partnership is to generate significant returns principally through long-term capital appreciation, by making, holding and disposing of privately negotiated equity and equity related investments in venture capital and private equity partnerships and operating companies, primarily in the healthcare, information technology, communications , and digital asset industries.

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Limited Partnerships (continued): The last partnership is open-ended, allowing SMART to withdraw or submit a repurchase request at the end of the 3-year quarter date. The investment strategy of this limited partnership is to net 8%-10% yields through long-term leases on investments in long-lived, capital-intensive transportation assets (aircraft, rail, maritime, vehicles, equipment and energy logistics).

In each limited partnership, SMART may not sell, assign, or transfer its interest except with prior written consent of the General Partner. Withdrawals of capital are not permitted except in limited instances.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although SMART believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, SMART's assets at fair value at December 31:

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Interest-Bearing Cash	$ -	$ 1,481,423	$ -	$ 1,481,423
Money Market Funds	-	1,086,829	-	1,086,829
Fixed Income:				
Municipal Bonds	-	584,051	-	584,051
Corporate Bonds	-	33,032,014	-	33,032,014
Treasury Bonds	-	11,416,164	-	11,416,164
Mutual Funds:				
International	6,270,858	-	-	6,270,858
Index Funds	25,629,845	-	-	25,629,845
Total Assets at Fair Value	$ 31,900,703	$ 47,600,481	$ -	79,501,184
Assets Valued at NAV:				
Hedge Fund				12,325,450
Limited Partnership				4,153,971
Total Investments				$ 95,980,605

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Interest-Bearing Cash	$ -	$ 954,684	$ -	$ 954,684
Money Market Funds	-	806,039	-	806,039
Fixed Income:				
Municipal Bonds	-	528,613	-	528,613
Corporate Bonds	-	30,306,299	-	30,306,299
Treasury Bonds	-	12,758,428	-	12,758,428
Mutual Funds:				
International	5,270,997	-	-	5,270,997
Index Funds	22,251,783	-	-	22,251,783
Total Assets at Fair Value	$ 27,522,780	$ 45,354,063	$ -	72,876,843
Assets Valued at NAV:				
Hedge Fund				11,327,438
Limited Partnership				1,750,000
Total Investments				$ 85,954,281

NOTE 5 RELATED PARTY TRANSACTIONS

SMART has a service agreement with United States Bowling Congress, Inc. (USBC) wherein USBC manages the day-to-day operations of SMART. The service agreement calls for up to $516,000 of reimbursements to USBC for the cost of services provided. The agreement expires December 31, 2020. Payments made to USBC pursuant to this agreement totaled $516,000 and $516,000 during the years ended December 31, 2020 and 2019, respectively.

Amounts due to USBC were $1,264 and $-0- at December 31, 2020 and 2019, respectively.

Amounts due from IBC Youth Bowling, Inc. (IBCYB) were $-0- and $535 at December 31, 2020 and 2019, respectively, for funds collected by IBCYB on behalf of SMART.

NOTE 6 CONCENTRATIONS OF CREDIT RISK

SMART maintains its cash and cash equivalents in various commercial banks. Balances on deposit are insured by the Federal Deposit Insurance Corporation up to specified limits. Balances in excess of these limits are uninsured.

NOTE 7 COMMITMENTS AND CONTINGENCIES

On July 1, 2017, SMART invested in a limited partnership. As part of this investment, SMART has committed $2,000,000 in future contributions to be called upon at the discretion of the General Partner. As of December 31, 2020, SMART has contributed $1,750,000 of their $2,000,000 committed capital. SMART's unfunded committed capital as of December 31, 2020 and 2019 is $250,000 and $250,000, respectively.

On December 13, 2019, SMART invested in a limited partnership. As part of this investment, SMART has committed $1,000,000 in future contributions to be called upon at the discretion of the General Partner. As of December 31, 2020, SMART has contributed $500,000 of its committed capital. SMART's unfunded committed capital as of December 31, 2020 and 2019 is $500,000 and $1,000,000, respectively.

On December 20, 2019, SMART invested in a limited partnership. As part of this investment, SMART has committed $1,000,000 in future contributions to be called upon at the discretion of the General Partner. As of December 31, 2020, SMART has contributed $530,000 of its committed capital. SMART's unfunded committed capital as of December 31, 2020 and 2019 is $470,000 and $1,000,000, respectively.

NOTE 8 SUBSEQUENT EVENTS

Management evaluated subsequent events through May 24, 2021, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2020, but prior to May 24, 2021 that provided additional evidence about conditions that existed at December 31, 2020, have been recognized in the financial statements for the year ended December 31, 2020. Events or transactions that provided evidence about conditions that did not exist at December 31, 2020, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended December 31, 2020.

On January 14, 2021, SMART and USBC entered a Mutual Termination Agreement to terminate the March 23, 2010 Agreement (Initial Agreement) between the parties. On January 15, 2021, the Initial Agreement was terminated, and SMART was subsequently dissolved. All of SMART's assets and liabilities were assumed by USBC. USBC subsequently established the SMART Committee to oversee the SMART operations as a program of USBC.