

**NAISMITH MEMORIAL BASKETBALL  
HALL OF FAME, INC.  
(PARENT COMPANY ONLY)**

**FINANCIAL STATEMENTS**

for the years ended December 31, 2019 and 2018



## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Naismith Memorial Basketball  
Hall of Fame, Inc.

### **Report on the Financial Statements**

We have audited the accompanying statements of Naismith Memorial Basketball Hall of Fame, Inc. (the "Hall of Fame") which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and 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 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**

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. 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 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, 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 qualified audit opinion.

### **Basis for Qualified Opinion**

As discussed in Note 19 to the financial statements, the Hall of Fame reports its investment in Springfield Riverfront Development Corporation, a wholly-owned subsidiary, on the equity method of accounting. In our opinion, accounting principles generally accepted in the United States of America require that all wholly-owned subsidiaries be accounted for as consolidated subsidiaries. If the financial statements of Springfield Riverfront Development Corporation had been consolidated with those of the Hall of Fame, total assets and total liabilities would be increased by \$7,105,486 as of December 31, 2019, and revenues and expenses would be increased by \$1,999,747 and \$1,834,328, respectively, for the year then ended.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Hall of Fame as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited the Hall of Fame's 2018 financial statements, and we expressed a qualified opinion on those audited statements in our report dated May 16, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*MP P.C.*

Springfield, Massachusetts  
September 23, 2020

**NAISMITH MEMORIAL BASKETBALL HALL OF FAME, INC.  
(PARENT COMPANY ONLY)**

**STATEMENTS OF FINANCIAL POSITION**

**December 31, 2019 and 2018**

	<u><b>2019</b></u>	<u><b>2018</b></u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents.....	\$ 2,992,838	\$ 4,225,565
Accounts receivable, net.....	1,881,950	1,240,011
Contributions receivable, net.....	3,009,926	3,741,209
Sponsorships receivable, net.....	117,411	120,000
Prepaid expenses.....	118,993	133,034
Investments.....	<u>641,057</u>	<u>1,542,737</u>
Total current assets.....	8,762,175	11,002,556
Cash surrender value - life insurance.....	75,197	75,197
Contributions receivable, net.....	4,674,362	6,985,213
Long-term prepaid expenses.....	566,615	448,824
Intangible assets, net.....	19,100	36,800
Property, plant and equipment, net.....	18,616,001	9,331,087
Investment in subsidiary.....	<u>735,463</u>	<u>906,651</u>
Total assets.....	<u><u>\$ 33,448,913</u></u>	<u><u>\$ 28,786,328</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable.....	\$ 3,568,190	\$ 1,763,899
Accrued expenses.....	432,892	410,655
Deferred revenue.....	290,997	166,295
Current portion of long-term debt.....	260,642	250,526
Current portion of capital leases.....	<u>194,312</u>	<u>169,859</u>
Total current liabilities.....	4,747,033	2,761,234
Long term liability.....	2,556,808	
Long-term debt, net of current portion.....	3,491,125	2,096,748
Capital leases, net of current portion.....	<u>373,318</u>	<u>307,636</u>
Total liabilities.....	<u>11,168,284</u>	<u>5,165,618</u>
<b>Net Assets</b>		
Without donor restrictions.....	12,021,013	6,044,049
With donor restrictions.....	<u>10,259,616</u>	<u>17,576,661</u>
Total net assets.....	<u>22,280,629</u>	<u>23,620,710</u>
Total liabilities and net assets.....	<u><u>\$ 33,448,913</u></u>	<u><u>\$ 28,786,328</u></u>

*See notes to financial statements.*

**NAISMITH MEMORIAL BASKETBALL HALL OF FAME, INC.  
(PARENT COMPANY ONLY)**

**STATEMENT OF ACTIVITIES**

**for the year ended December 31, 2019  
(with comparative totals for December 31, 2018)**

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>2019 Total</b>	<b>2018 Total</b>
<b>Public support</b>				
Contributions.....	\$ 1,790,258		\$ 1,790,258	\$ 10,757,597
Sponsorships.....	952,411		952,411	925,480
Total public support.....	2,742,669		2,742,669	11,683,077
<b>Other revenues and gains</b>				
Admissions.....	1,522,324		1,522,324	1,573,712
Gift shop licensing fee.....	217,659		217,659	235,921
Events.....	6,372,172		6,372,172	6,197,401
Investment gain (loss), net.....	59,960		59,960	58,503
Rental revenue.....	247,330		247,330	363,091
Income from subsidiary, equity method.....	(171,188)		(171,188)	211,183
Other revenue.....	23,875		23,875	125,646
Net assets released from restrictions.....	7,317,045	\$ (7,317,045)		
Total other revenues and gains.....	15,589,177	(7,317,045)	8,272,132	8,765,457
<b>Expenses and losses</b>				
Sales and marketing.....	1,757,860		1,757,860	1,745,524
Events.....	5,640,432		5,640,432	5,033,453
Building operations.....	1,793,961		1,793,961	1,565,594
Museum and library operations.....	315,105		315,105	319,005
Philanthropy.....	137,421		137,421	194,726
Fundraising.....	687,397		687,397	627,583
Management and general.....	2,022,706		2,022,706	2,318,094
Total expenses.....	12,354,882		12,354,882	11,803,979
Loss on the disposal of property, plant and equipment				1,098
Total expenses and losses.....	12,354,882		12,354,882	11,805,077
Change in net assets .....	5,976,964	(7,317,045)	(1,340,081)	8,643,457
Net assets, beginning of year.....	6,044,049	17,576,661	23,620,710	14,977,253
Net assets, end of year.....	\$ 12,021,013	\$ 10,259,616	\$ 22,280,629	\$ 23,620,710

*See notes to financial statements.*

**NAISMITH MEMORIAL BASKETBALL HALL OF FAME, INC.  
(PARENT COMPANY ONLY)**

**STATEMENT OF FUNCTIONAL EXPENSES**

**for the year ended December 31, 2019**

	Sales and Marketing	Events	Building Operations	Museum and Library Operations	Philanthropy	Fundraising	Management and General	Total
Salaries.....	\$ 1,138,489		\$ 41,805	\$ 166,379		\$ 418,669	\$ 1,043,328	\$ 2,808,670
Payroll taxes.....	72,328		1,764	10,585		26,461	65,271	176,409
Employee benefits.....	99,786		2,434	14,603		36,506	90,051	243,380
Retirement.....	25,270		616	3,698		9,245	22,805	61,634
Insurance.....				82,316				82,316
Supplies.....	1,865	\$ 46,295	4,558	8,326		31,101	36,897	129,042
Equipment rental and maintenance.....		6,540	2,114				17,717	26,371
Communications.....	584			223	\$ 1,000	21,476	53,827	77,110
Dues and subscriptions.....	723					50	2,348	3,121
Promotional expense.....	188,100	35,098			121,700	29,999	27,877	402,774
Travel and entertainment.....	9,391	1,152,608		7,247	14,721		132,909	1,316,876
Professional fees.....	83,258	3,303,368	5,055	14,841		68,973	261,336	3,736,831
Miscellaneous expense.....	95,175	99,346	60	6,887		44,917	95,843	342,228
Depreciation and amortization.....	41,896		754,115				41,895	837,906
Professional development.....							16,304	16,304
Unrelated business income tax expense.....							1,000	1,000
Advertising.....	995	70,490						71,485
Rent and CAM expense.....		926,687	981,440					1,908,127
Interest expense.....							113,298	113,298
<b>Total expenses.....</b>	<b>\$ 1,757,860</b>	<b>\$ 5,640,432</b>	<b>\$ 1,793,961</b>	<b>\$ 315,105</b>	<b>\$ 137,421</b>	<b>\$ 687,397</b>	<b>\$ 2,022,706</b>	<b>\$ 12,354,882</b>

*See notes to financial statements.*

**NAISMITH MEMORIAL BASKETBALL HALL OF FAME, INC.  
(PARENT COMPANY ONLY)**

**STATEMENT OF FUNCTIONAL EXPENSES**

**for the year ended December 31, 2018**

	Sales and Marketing	Events	Building Operations	Museum and Library Operations	Philanthropy	Fundraising	Management and General	Total
Salaries.....	\$ 1,134,030		\$ 43,432	\$ 173,753		\$ 346,814	\$ 1,053,953	\$ 2,751,982
Payroll taxes.....	72,532		3,538	10,614		22,998	67,225	176,907
Employee benefits.....	121,794		5,941	17,824		38,618	112,883	297,060
Retirement.....	23,952		1,168	3,505		7,595	22,200	58,420
Insurance.....				76,992				76,992
Supplies.....	776	\$ 27,398	4,242	14,812		12,301	33,605	93,134
Equipment rental and maintenance.....		8,501	3,131				13,263	24,895
Communications.....	84			362		18,568	57,532	76,546
Dues and subscriptions.....	665					79	2,076	2,820
Promotional expenses.....	186,212	30,144			\$ 185,526	41,835	29,886	473,603
Travel.....	13,645	1,094,286		2,566	9,200		137,223	1,256,920
Professional fees.....	75,103	3,082,576	241	13,627		75,266	253,676	3,500,489
Miscellaneous expenses.....	75,162	100,268	122	4,950		63,509	88,484	332,495
Depreciation and amortization.....	26,135		470,427				26,135	522,697
Professional development.....							7,505	7,505
Bad debt expense.....							287,675	287,675
Unrelated business income tax expense.....							2,519	2,519
Advertising.....	15,434							15,434
Rent and CAM expense.....		690,280	1,033,352					1,723,632
Interest expense.....							122,254	122,254
<b>Total expenses.....</b>	<b>\$ 1,745,524</b>	<b>\$ 5,033,453</b>	<b>\$ 1,565,594</b>	<b>\$ 319,005</b>	<b>\$ 194,726</b>	<b>\$ 627,583</b>	<b>\$ 2,318,094</b>	<b>\$ 11,803,979</b>

*See notes to financial statements.*

**NAISMITH MEMORIAL BASKETBALL HALL OF FAME, INC.  
(PARENT COMPANY ONLY)**

**STATEMENTS OF CASH FLOWS**

**for the years ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
Change in net assets.....	\$ (1,340,081)	\$ 8,643,457
Adjustments to reconcile the changes in net assets to net cash provided by operating activities		
Depreciation and amortization.....	837,906	522,697
Loss on disposal of property, plant, and equipment.....		1,098
Loss (gain) from subsidiary.....	171,188	(211,183)
Net realized and unrealized gains on investments.....	(334,511)	(16,431)
(Increase) decrease in operating assets:		
Accounts receivable.....	(641,939)	(199,486)
Contributions receivable.....	3,042,134	(6,166,151)
Sponsorships receivable.....	2,589	(100,000)
Prepaid expenses.....	(103,750)	(37,977)
Cash surrender value-life insurance.....		(34,423)
Increase (decrease) in operating liabilities:		
Accounts payable.....	1,804,291	54,529
Accrued expenses .....	22,237	40,276
Deferred revenue.....	124,702	(47,879)
Net cash provided by operating activities.....	<u>3,584,766</u>	<u>2,448,527</u>
<b>Cash flows from investing activities:</b>		
Change in investments, net.....	1,236,191	(587,380)
Purchases of equipment and intangibles.....	<u>(7,548,312)</u>	<u>(4,611,002)</u>
Net cash used in investing activities.....	<u>(6,312,121)</u>	<u>(5,198,382)</u>
<b>Cash flows from financing activities:</b>		
Repayments of long-term debt and capital lease obligations.....	(409,302)	(386,149)
Proceeds from long-term debt and capital lease obligations.....	<u>1,903,930</u>	<u>455,756</u>
Net cash provided by financing activities.....	<u>1,494,628</u>	<u>69,607</u>
Net change in cash.....	(1,232,727)	(2,680,248)
Cash and cash equivalents, beginning of year.....	<u>4,225,565</u>	<u>6,905,813</u>
Cash and cash equivalents, end of year.....	<u>\$ 2,992,838</u>	<u>\$ 4,225,565</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest.....	\$ 113,298	\$ 122,254
Non cash activities		
Long term liability for leasehold improvements.....	2,556,808	

*See notes to financial statements.*



**NAISMITH MEMORIAL BASKETBALL HALL OF FAME, INC.  
(PARENT COMPANY ONLY)**

**NOTES TO FINANCIAL STATEMENTS**

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**1. Description of Organization**

The Naismith Memorial Basketball Hall of Fame, Inc. (“Hall of Fame”) is a not-for-profit organization formed under Internal Revenue Code Section 501(c)(3). It operates as a memorial to the originator of basketball and includes a Hall of Fame to honor basketball greats, a museum, and a library in Springfield, Massachusetts.

Its wholly-owned for profit subsidiary, Springfield Riverfront Development Corporation (“SRDC”), was incorporated to develop and manage the retail/entertainment complex on the Springfield Riverfront. Operations began in October 2002. The complex is intended to enhance the museum and attract additional visitors.

**2. Summary of Significant Accounting Policies**

***Basis of Presentation***

The accompanying financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Hall of Fame as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restriction

Net assets that are not restricted by donors or the donor-imposed restrictions have expired. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees. Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

Net assets with donor restriction

Represent net assets which are subject to donor-imposed restrictions whose use is restricted by time and/or purpose. A portion of the Hall of Fame’s net assets with donor restrictions are subject to donor-imposed restrictions that require the Hall of Fame to use or expend the gifts as specified, based on purpose or passage of time. When donor restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends, such net assets are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions.

Another portion of net assets with donor restrictions stipulates that the corpus of the gifts be maintained in perpetuity. Generally, the donors of these assets permit the Hall of Fame to use all or part of the income earned on related investments for general or specific purposes.

**NAISMITH MEMORIAL BASKETBALL HALL OF FAME, INC.**  
**(PARENT COMPANY ONLY)**

**NOTES TO FINANCIAL STATEMENTS - Continued**

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***Advertising***

Advertising costs are expensed as incurred. The total advertising costs charged to expense for December 31, 2019 was \$71,485 (\$48,301 - 2018).

***Comparative Information***

The statement of activities includes certain prior year summarized comparative information in total but not by net asset classification. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles in the United States of America. Accordingly, such information should be read in conjunction with the Hall of Fame's financial statements for the year ended December 31, 2018 from which the summarized information was derived.

***Cash and Cash Equivalents***

For the purpose of the statement of financial position and statements of cash flows, the Hall of Fame considers all highly liquid investments, including certificates of deposits, to be cash equivalents.

At certain times, the Hall of Fame has amounts on deposit with financial institutions in excess of the Federal Deposit Insurance Corporation ("FDIC") insured limit. Deposits held in Massachusetts chartered banks are insured over the FDIC insurance limit in full through the Depositors Insurance Fund ("DIF"). Deposits held in Federal chartered banks are insured only to that allowed by the FDIC. There were no uninsured balances in excess of the FDIC limits and not covered by DIF at December 31, 2019 or 2018.

Certificate of deposit totaling \$1,075,825 at December 31, 2019 is included in cash and cash equivalents in the accompanying financial statements. The certificate bears interest at 1.75%, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements. There was a certificate of deposit totaling \$2,026,083 at December 31, 2018.

***Accounts Receivable***

The Hall of Fame extends unsecured credit to its customers in the ordinary course of business and records its receivable balance at the aggregate unpaid amount less an allowance for doubtful accounts. Interest does not accrue on any outstanding balances.

The Hall of Fame's method for estimating an allowance for doubtful accounts is based on an estimated loss rate applied to the outstanding balance and adjusted for judgmental factors including known and inherent risks in the underlying balances, adverse situations that may affect the customer's ability to pay and current economic conditions. For the Hall of Fame's accounts receivable, the allowance for doubtful accounts at December 31, 2019 was \$1,988 (2018 - \$6,946). Accounts are continuously reviewed and written off only when all collection means have been exhausted.

**NAISMITH MEMORIAL BASKETBALL HALL OF FAME, INC.  
(PARENT COMPANY ONLY)**

**NOTES TO FINANCIAL STATEMENTS - Continued**

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***Rental Revenue***

The Hall of Fame rents space in the building for guests to hold various social and business events. Guests enter into an agreement and pay a deposit in order to reserve the space. Deposits received for events to be held subsequent to year-end are included in deferred revenue. The agreements are cancelable; however, deposits are non-refundable. Revenue from facility rental is recognized when the event is held and deposits on cancellations are recognized when notified by the guest of the cancellation.

***Investments***

Investments are stated at fair value as determined using quoted market values. Investments received as gifts are recorded at fair value as of the date of the gift. Realized gains or losses are computed using the average cost method.

Investment securities are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of the investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the statement of financial position and the statement of activities.

***Intangible Assets***

Intangible assets with a definite life are recorded at cost and are amortized over their useful lives using the straight line method. Intangible assets with an indefinite life consisting of the Hall of Fame marketing rights are reviewed annually for impairment. Management has not identified any impairment.

***Property, Plant and Equipment***

Property, plant and equipment are stated at cost or, if donated, at the fair value at the date of donation. Depreciation is charged to expense over the estimated useful lives of the assets using the straight-line method. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from their respective accounts and the resulting gain or loss is included in changes in net assets. Maintenance and repairs are charged to expense as incurred. Cost of assets sold or retained and the related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal and any resulting gain or loss is charged to income. It is the Hall of Fame's policy to capitalize depreciable asset additions and major renewals whose acquisition costs are in excess of \$1,000.

**NAISMITH MEMORIAL BASKETBALL HALL OF FAME, INC.  
(PARENT COMPANY ONLY)**

**NOTES TO FINANCIAL STATEMENTS - Continued**

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***Museum Collections***

The Hall of Fame collects sports memorabilia, library materials and similar assets of basketball related nature. These collections are maintained for public exhibition, education and research purposes. In accordance with the practices allowed to museums under generally accepted accounting principles in the United States of America, the Hall of Fame has elected not to capitalize its collection items and does not record gifts of collection items as revenues in the financial statements. Collections acquired by purchase are expensed in the period acquired. Contributed works of art that do not meet the Hall of Fame's definition of collection items are recorded as a component of property, plant and equipment.

***Endowment***

The Hall of Fame's endowment consists of funds with donor restrictions to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed stipulations.

In July 2009, Massachusetts enacted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") which serves as a model act for states to modernize their laws governing donor restricted endowment funds. The Board of Trustees of the Hall of Fame has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Hall of Fame classifies as donor restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The donor-restricted endowment fund is classified as such until those amounts are appropriated for expenditure by the Hall of Fame in a manner consistent with the standard of prudence prescribed by UPMIFA. There were no endowments at December 31, 2019.

***Underwater Endowment Funds***

The Hall of Fame considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Hall of Fame complies with the MA-UPMIFA, an enacted version of UPMIFA, and has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. The Hall of Fame has no underwater endowment funds at December 31, 2019 and 2018.

**NAISMITH MEMORIAL BASKETBALL HALL OF FAME, INC.**  
**(PARENT COMPANY ONLY)**

**NOTES TO FINANCIAL STATEMENTS - Continued**

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***Functional Allocation of Expenses***

The cost of performing various activities has been summarized on a functional basis in the statement of activities. The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported within that functional area. Indirect expenses that benefit multiple functional areas have been allocated by the Hall of Fame based upon a standard percentage.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

***Contributions and Sponsorships***

Contributions and sponsorships, including unconditional promises to give, are recognized as revenues in the period received. Contributions of assets other than cash are recorded at fair value at the date of donation. Contributions restricted in perpetuity are classified as donor restricted. Contributions that are restricted by the donor for a specific time or purpose, or unpaid contributions not explicitly designated as available to support current operations, are also reported as donor restricted, except those contributions whose restrictions are met in the current fiscal year are recognized as without donor restrictions. When a donor-stipulated time restriction ends or purpose restriction is accomplished, or when a pledge not designated for current year use is paid, 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.

Unconditional promises to give, which are expected to be received after one year, are discounted at an approximate rate of 2.50% at December 31, 2019 and 2018 to their net present value. Receivables from both pledge and exchange transactions are reduced for any estimated uncollectible amounts based on management's judgment and analysis of past collection experience and other relevant information available.

**NAISMITH MEMORIAL BASKETBALL HALL OF FAME, INC.**  
**(PARENT COMPANY ONLY)**

**NOTES TO FINANCIAL STATEMENTS - Continued**

***Income Tax Status***

The Naismith Memorial Basketball Hall of Fame, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, net income from certain activities not directly related to the Hall of Fame's purpose is subject to taxation as unrelated business income. Taxes related to these activities were not significant for the years ended December 31, 2019 or 2018. The Hall of Fame evaluates all tax positions as required by generally accepted accounting principles in the United States of America. As of December 31, 2019, the Hall of Fame does not believe that it has taken any tax positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. The Hall of Fame's tax returns are subject to review and examination by federal and state authorities. Tax returns for the years ended December 31, 2016, 2017 and 2018 are open for examination by federal and state authorities.

**3. Contributions Receivable**

Contributions receivable consist of the following at December 31,

	<u>2019</u>	<u>2018</u>
Receivable within one year	\$ 3,009,926	\$ 3,741,209
Receivable between one and five years	5,222,294	7,876,302
Receivable between five and ten years	<u>87,618</u>	<u>76,668</u>
	8,319,838	11,694,179
Less allowance for uncollectible contributions	400,000	400,000
Less discount to present value	<u>235,550</u>	<u>567,757</u>
Net contributions receivable	<u>\$ 7,684,288</u>	<u>\$ 10,726,422</u>

**4. Sponsorships Receivable**

Sponsorships receivable consist of the following at December 31,

	<u>2019</u>	<u>2018</u>
Receivable within one year	\$ 117,411	\$ 120,000

**NAISMITH MEMORIAL BASKETBALL HALL OF FAME, INC.  
(PARENT COMPANY ONLY)**

**NOTES TO FINANCIAL STATEMENTS - Continued**

**5. Intangible Assets**

Intangible assets consist of the following at December 31,

	<u>2019</u>	<u>2018</u>
Trademark and logo development	\$ 129,411	\$ 129,411
Less accumulated amortization	<u>110,311</u>	<u>92,611</u>
Amortizable intangible assets, net	<u>\$ 19,100</u>	<u>\$ 36,800</u>

Amortization expense for the year ended December 31, 2019 was \$17,700 (2018 - \$20,343). Annual amortization expense for the next three years is estimated to be as follows:

2020	\$	17,700
2021		700
2022		<u>700</u>
		<u>\$ 19,100</u>

**6. Investments**

The fair value of investments was as follows at December 31,

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 11,606	\$ 620,511
U.S. common stocks	259,368	473,196
U.S. mutual funds	108,280	89,369
Fixed income securities	<u>261,803</u>	<u>359,661</u>
	<u>\$ 641,057</u>	<u>\$ 1,542,737</u>

**7. Deferred Revenue**

Deferred revenue represents revenues collected but not earned. As of December 31, 2019 deferred revenue was \$290,997, all of which is considered current (\$166,295 - 2018).

**NAISMITH MEMORIAL BASKETBALL HALL OF FAME, INC.  
(PARENT COMPANY ONLY)**

**NOTES TO FINANCIAL STATEMENTS - Continued**

**8. Property, Plant and Equipment**

Property and equipment consisted of the following at December 31,

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 18,999,781	\$ 13,847,713
Furniture and fixtures	484,507	474,045
Computer equipment	4,308,837	2,061,045
Computer software	26,268	22,039
	<u>23,819,393</u>	<u>16,404,842</u>
Less accumulated depreciation	<u>8,749,990</u>	<u>7,929,785</u>
	15,069,403	8,475,057
Construction in progress	<u>3,546,598</u>	<u>856,030</u>
	<u>\$ 18,616,001</u>	<u>\$ 9,331,087</u>

Depreciation expense for the year ended December 31, 2019 was \$820,206 (\$502,354- 2018).

**9. Line of Credit**

The Hall of Fame entered into a line of credit agreement with a local bank. The line of credit provides for borrowings up to \$350,000. Borrowings under the line of credit accrue interest at the bank's base rate plus 1.0% but no less than 4.25%. The line of credit is cross defaulted/collateralized with the bank's term loan and secured by all assets of the Hall of Fame. There were no borrowings on the line of credit at December 31, 2019 and 2018.

**10. Non-Revolver Line of Credit**

The Hall of Fame entered into a non-revolving line of credit agreement with a local bank in November 2019 with the purpose of providing funds for the on-going capital improvement projects underway. The line provides borrowings up to \$6,100,000 throughout the course of the next four years, or until the line of credit reaches maturity in November 2023. Throughout the draw period the Hall of Fame will only be responsible for interest payments, charged at the highest Prime rate as published by the Wall Street Journal plus one half percent. On or after the maturity date, a balloon payment of all outstanding principal and interest will be due and payable in full. The balance of this non-revolving line of credit as of December 31, 2019 was \$1,654,835. This balance is included in long term debt on the statement of net assets at December 31, 2019.



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**NOTES TO FINANCIAL STATEMENTS - Continued**

**11. Long-Term Debt**

Long-term debt as of December 31 is as follows:

	<u>2019</u>	<u>2018</u>
Term note with a local bank. Monthly payments of \$28,424, including interest charged at 4%, calculated based upon a ten year amortization schedule through February 2022, at which point principal payments will be calculated based upon five year amortization schedule, with varying interest rates. All unpaid principal and interest due January 2027. The note is secured by all assets of the Hall of Fame.	\$ 2,096,932	\$ 2,347,274
Less current portion	<u>260,642</u>	<u>250,526</u>
	<u>\$ 1,836,290</u>	<u>\$ 2,096,748</u>

Scheduled principal payments of the note payable at December 31, are as follows:

2020	\$ 260,642
2021	271,647
2022	282,871
2023	294,558
2024	306,621
Thereafter	<u>680,593</u>
	<u>\$ 2,096,932</u>

**NAISMITH MEMORIAL BASKETBALL HALL OF FAME, INC.  
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**NOTES TO FINANCIAL STATEMENTS - Continued**

**12. Net Assets**

The Hall of Fame's net assets without donor restrictions are comprised of Board-designated and operating amounts, as follows at December 31,

	<u>2019</u>	<u>2018</u>
Operating	\$ 12,021,013	\$ 5,939,418
Board-designated		104,631
	<u>\$ 12,021,013</u>	<u>\$ 6,044,049</u>

Operating funds: All revenue received and all expenses for general operations are presented in this subgroup. These are the funds that are part of the budget approved by the Board of Trustees and managed by departments across the Hall of Fame. Unlike restricted funds, these areas are directly influenced by institutional policy and management decisions and therefore can be budgeted closely.

Board-designated funds: Designated funds include gifts and quasi-endowments for specific purposes designated by Trustees. The Hall of Fame's board has designated funds be set aside for the purpose of securing the Hall of Fame's long-term financial viability and continuing to meet the needs of the Hall of Fame. These funds totaled \$104,631 at December 31, 2018.

The Hall of Fame's net assets with donor restrictions at December 31, 2019 and 2018, are available for expenditure for the specified purpose of capital expenditures related to the rebuild of the Museum.

**NAISMITH MEMORIAL BASKETBALL HALL OF FAME, INC.**  
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**NOTES TO FINANCIAL STATEMENTS - Continued**

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***13. Fair Value Measurements***

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides a framework for reporting fair value. The 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 that the Hall of Fame has the ability to access.

**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.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 or 2018.

**Common stocks and fixed income accounts:** Valued at the closing price reported on the active market on which the individual securities are traded.

**Cash and cash equivalents:** All highly liquid investments with maturities of three months or less and certificates of deposit.

**Mutual funds:** Valued at the net asset value (NAV) of shares held by the Hall of Fame at year end.

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**NOTES TO FINANCIAL STATEMENTS - Continued**

**Fair Value Measurements, Continued**

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 Hall of Fame 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 table sets forth by level, within the fair value hierarchy, the Hall of Fame's assets at fair value as of December 31,

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,087,431			\$ 1,087,431
Balanced mutual funds	108,280			108,280
Fixed income securities	261,803			261,803
Equities	259,368			259,368
	<u>\$ 1,716,882</u>	<u>          </u>	<u>          </u>	<u>\$ 1,716,882</u>

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,646,594			\$ 2,646,594
Balanced mutual funds	89,369			89,369
Fixed income securities	359,661			359,661
Equities	473,196			473,196
	<u>\$ 3,568,820</u>	<u>          </u>	<u>          </u>	<u>\$ 3,568,820</u>

**14. Retirement Plan**

The Hall of Fame has a qualified 403(b) defined contribution plan for all employees who have completed one year of service and have attained age 21. Participants may make voluntary contributions to the plan, not to exceed the limitations prescribed by the Internal Revenue Code. The Hall of Fame will match up to 3% of a participant's deferred compensation, as defined by the Plan. The Hall of Fame contributed \$61,634 to this plan for the year ended December 31, 2019 (2018 - \$58,420).

**NAISMITH MEMORIAL BASKETBALL HALL OF FAME, INC.**  
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**NOTES TO FINANCIAL STATEMENTS - Continued**

**15. Leases**

***Capital Leases***

The Hall of Fame leases certain furniture and equipment under capital leases. Property, plant and equipment, net at December 31, 2019 includes \$822,098 related to these capital leases (\$366,342 – 2018). Accumulated depreciation on the leased assets was \$452,946 at December 31, 2019 (\$317,693 - 2018). These leases expire at various times through 2023.

Future minimum lease payments under capital leases are as follows at December 31,

2020	\$ 194,312
2021	147,342
2022	136,590
2023	92,086
2024	<u>49,064</u>
Minimum lease payments	619,394
Less amount representing interest	<u>51,764</u>
Present value of minimum lease payments	567,630
Less current portion	<u>194,312</u>
Capital leases, net of current portion	<u>\$ 373,318</u>

***Operating Leases***

The Hall of Fame leases space to manage and operate a retail store. The lessee will pay a minimum of \$190,000 annually with additional amounts based on gross receipts from the retail store and common area charges. For the year ended December 31, 2019 the Hall of Fame received \$217,659 (\$235,921 – 2018).

**16. Riverfront Development Project Lease**

The Hall of Fame, in conjunction with the City of Springfield (“City”), constructed the new Naismith Memorial Basketball Hall of Fame (the “New Location”). This project was part of the redevelopment of an 18-acre riverfront site. On October 1, 2002, the Hall of Fame began operating at the New Location.

**NAISMITH MEMORIAL BASKETBALL HALL OF FAME, INC.  
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**NOTES TO FINANCIAL STATEMENTS - Continued**

**Riverfront Development Project Lease, Continued**

The lease has an initial 30 year term with various options to extend up to 99 years. The agreement was amended in 2013 to include annual rent payments of \$25,000. The HOF will provide admission tickets to local school students, manage the City of Springfield's Visitor Information Center which is located in the HOF facility, and other services. As of December 31, 2019 or 2018, there was no outstanding liability for payments due in connection with the original agreement.

**17. Related Party Transactions**

Certain members of the Hall of Fame Board of Trustees are also executives at NBA Properties, Inc. NBA Properties has at times provided certain consulting and representation services to the Hall of Fame. There were no outstanding amounts due for such services as of December 31, 2019 or 2018.

A contract entitles NBA Properties to at least six representatives on both the Hall of Fame's Board of Trustees and Board of Governors, as well as four members on the Hall of Fame's Executive Committee. This agreement also grants NBA Properties certain marketing rights.

The Hall of Fame made payments to NBA Entertainment, Inc., a wholly-owned subsidiary of NBA Properties, for services related to enshrinement ceremonies for the year ended December 31, 2018. As of December 31, 2019 there is approximately \$104,373 included in accrued expenses due to NBA Entertainment, Inc. for expenses incurred during 2019. The 2018 balance of \$106,123 was paid in full in 2019.

The Hall of Fame rents certain real estate from its subsidiary under an agreement, expiring 2027, which also calls for the reimbursement of certain common area maintenance charges. The total amounts paid under this agreement for the years ended December 31 were as follows:

	<u>2019</u>	<u>2018</u>
Rental expense	\$ 12,012	\$ 12,012
Utilities, water and sewer, real estate taxes and CAM	<u>437,437</u>	<u>530,798</u>
	<u>\$ 449,449</u>	<u>\$ 542,810</u>

Amounts due to the subsidiary were included in accounts payable at December 31, 2019 and amounted to \$359,991 (\$107,531 – 2018). Future minimum lease payments under the lease for the next five years and thereafter are expected to be \$1 per month.

**NAISMITH MEMORIAL BASKETBALL HALL OF FAME, INC.  
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**NOTES TO FINANCIAL STATEMENTS - Continued**

**18. Liquidity and Availability of Resources**

The Hall of Fame's financial assets available for general expenditures within one year of the statement of financial position are as follows at December 31,

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,992,838	\$ 4,225,565
Contributions and sponsorships receivable	3,127,337	3,861,209
Accounts receivable	1,881,950	1,240,011
Investments	<u>641,057</u>	<u>1,542,737</u>
Total financial assets available within one year	<u>8,643,182</u>	<u>10,869,522</u>
Less:		
Contractual, legal, or donor-imposed restrictions:		
Amounts subject to expenditure for specified purposes	<u>5,585,254</u>	<u>10,591,448</u>
Total amounts unavailable for general expenditures within one year	<u>5,585,254</u>	<u>10,591,448</u>
Board designations:		
Funds functioning as endowments	<u>                    </u>	<u>104,631</u>
Total amounts unavailable to management without Board approval	<u>                    </u>	<u>104,631</u>
Total financial assets available within one year after Board designations	<u>\$ 3,057,928</u>	<u>\$ 173,443</u>

The Hall of Fame is primarily supported by contributions (both with and without donor restrictions), sponsorships, and admissions revenues. Because donor restrictions require resources to be used in a particular manner or in future periods, the Hall of Fame maintains sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Hall of Fame's liquidity management, it has a policy to structure its financial assets to be available as its general operations, liabilities, and other obligations require. In addition, the Hall of Fame invests cash in excess of daily requirements in short-term investments. From time to time, the Board designates a portion of any operating surplus for particular or future uses; total Board designated funds were \$104,631 as of December 31, 2018. In the event of financial distress or an immediate liquidity need resulting from events outside general operations, the Hall of Fame's Board may draw upon these Board-designated funds. The Hall of Fame could also draw an additional \$350,000 on its line of credit (as further discussed in Note 9), and an additional \$4,445,165 can be drawn on the non-revolving line of credit (see Note 10) to cover a portion of the amounts subject to expenditures for specified purposes.

**NAISMITH MEMORIAL BASKETBALL HALL OF FAME, INC.  
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**NOTES TO FINANCIAL STATEMENTS - Continued**

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**19. Investment in Subsidiary**

The Hall of Fame accounts for its investment in SRDC, a wholly-owned subsidiary, using the equity method. However, generally accepted accounting principles in the United States of America require that all wholly-owned subsidiaries be accounted for as consolidated subsidiaries. If the financial statements of SRDC had been consolidated with those of the Hall of Fame, as of December 31, 2019 total assets and liabilities would be increased by \$7,105,486 (\$6,307,047 - 2018), total net assets would not change, and revenues and expenses would be increased by \$1,999,747 and \$1,834,328, respectively, for the year then ended (\$1,419,063 and \$1,471,039 - 2018).

**20. Reclassification**

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation.

**21. Subsequent Events**

The Company has evaluated subsequent events through September 23, 2020, which is the date the financial statements were available to be issued.

- As a result of the spread of COVID19 coronavirus, economic uncertainties have arisen. The financial impact to the Company, our customers, and others is unknown at this time. The Company continues to operate in accordance with all federal, state, and local regulatory restrictions imposed to reduce the spread of the coronavirus. Currently management does not believe there is a significant negative impact to its financial assets.
- In 2020 the CARES Act was signed into law. This Act included the Paycheck Protection Program. The Paycheck Protection Program is a loan designed to provide direct incentive to qualifying small businesses and not-for-profit organizations. The Program includes a feature whereby the entire loan balance may be forgiven if the Organization meets certain requirements related to wages, employment level, and other designated expenses. In April 2020 the Hall of Fame received approximately \$475,000 loan through the Program. As of the date of these financial statements, the Organization believes it will adhere to the requirements for forgiveness and that the full amount of the loan will be forgiven.