



## **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, 2017, and the related statements of activities 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 \$6,464,883 as of December 31, 2017, and revenues and expenses would be increased by \$1,346,841 and \$1,414,825, 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 above present fairly, in all material respects, the financial position of the Hall of Fame as of December 31, 2017, 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 2016 financial statements, and we expressed a qualified opinion on those audited statements in our report dated May 24, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*The MP Group, P.C.*

Springfield, Massachusetts  
May 29, 2018

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

**STATEMENTS OF FINANCIAL POSITION**

**December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents.....	\$ 6,905,813	\$ 5,440,806
Accounts receivable, net.....	1,040,525	316,199
Contributions receivable, net.....	2,044,947	2,746,232
Sponsorships receivable, net.....	20,000	50,000
Prepaid expenses.....	543,881	114,369
Investments.....	<u>731,875</u>	<u>1,230,213</u>
Total current assets.....	11,287,041	9,897,819
Cash surrender value - life insurance.....	40,774	99,532
Contributions receivable, net.....	2,515,324	2,241,644
Long-term prepaid expenses.....		184,192
Investments.....	207,051	248,655
Intangible assets, net.....	53,643	2,848,896
Property, plant and equipment, net.....	5,227,037	5,068,714
Investment in subsidiary.....	<u>695,468</u>	<u>503,583</u>
Total assets.....	<u>\$ 20,026,338</u>	<u>\$ 21,093,035</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable.....	\$ 1,709,370	\$ 1,426,311
Accrued expenses.....	370,379	364,600
Deferred revenue.....	214,174	397,456
Current portion of related party debt.....		3,467,167
Current portion of long-term debt.....	240,586	122,191
Current portion of capital leases.....	<u>101,309</u>	<u>113,615</u>
Total current liabilities.....	2,635,818	5,891,340
Long-term debt, net of current portion.....	2,346,980	2,688,378
Capital leases, net of current portion.....	<u>66,287</u>	<u>151,935</u>
Total liabilities.....	<u>5,049,085</u>	<u>8,731,653</u>
<b>Net Assets</b>		
Unrestricted - operations.....	2,945,985	3,936,411
Unrestricted - board designated.....	104,631	104,631
Temporarily restricted.....	11,771,637	8,165,340
Permanently restricted.....	<u>155,000</u>	<u>155,000</u>
Total net assets.....	<u>14,977,253</u>	<u>12,361,382</u>
Total liabilities and net assets.....	<u>\$ 20,026,338</u>	<u>\$ 21,093,035</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, 2017 (with comparative totals for December 31, 2016)**

	<u>Unrestricted Operations</u>	<u>Unrestricted Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
<b>Public support</b>						
Contributions.....	\$ 572,380		\$ 3,615,473		\$ 4,187,853	\$ 7,262,496
Sponsorships.....	<u>3,708,751</u>				<u>3,708,751</u>	<u>2,632,104</u>
Total public support.....	<u>4,281,131</u>		<u>3,615,473</u>		<u>7,896,604</u>	<u>9,894,600</u>
<b>Other revenues and gains</b>						
Admissions.....	1,636,033				1,636,033	1,574,293
Gift shop licensing fee.....	231,856				231,856	207,127
Events.....	2,351,181				2,351,181	2,877,944
Investment (loss) gain, net.....	(35,173)				(35,173)	561
Rental revenue.....	300,760				300,760	268,106
Income from subsidiary, equity method.....	191,885				191,885	181,628
Other revenue.....	41,779				41,779	58,506
Gain on forgiveness of debt.....	662,929				662,929	
Net assets released from restrictions.....	9,176		(9,176)			
Total other revenues and gains.....	<u>5,390,426</u>		<u>(9,176)</u>		<u>5,381,250</u>	<u>5,168,165</u>
<b>Expenses and losses</b>						
Management and general.....	2,117,469				2,117,469	1,736,496
Sales and marketing.....	5,668,846				5,668,846	5,606,278
Building operations.....	1,298,549				1,298,549	1,262,886
Museum and library operations.....	163,385				163,385	138,827
Fundraising.....	969,205				969,205	1,178,222
Interest expense.....	302,108				302,108	406,350
Total expenses.....	<u>10,519,562</u>				<u>10,519,562</u>	<u>10,329,059</u>
Loss on the disposal of property, plant and equipment.....	142,421				142,421	
Total expenses and losses.....	<u>10,661,983</u>				<u>10,661,983</u>	<u>10,329,059</u>
Change in net assets.....	(990,426)		3,606,297		2,615,871	4,733,706
Net assets, beginning of year.....	3,936,411	104,631	8,165,340	155,000	12,361,382	7,627,676
Net assets, end of year.....	<u>\$ 2,945,985</u>	<u>\$ 104,631</u>	<u>\$ 11,771,637</u>	<u>\$ 155,000</u>	<u>\$ 14,977,253</u>	<u>\$ 12,361,382</u>

*See notes to financial statements.*