

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

FINANCIAL STATEMENTS

for the years ended December 31, 2021 and 2020

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

for the years ended December 31, 2021 and 2020

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MP P.C.
INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Naismith Memorial Basketball Hall of Fame, Inc. (the “Hall of Fame”) which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of not consolidating the majority-owned subsidiary, as discussed in the Basis for Qualified Opinion section of our report, 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, 2021, 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.

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 majority-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 \$7,155,810 as of December 31, 2021, and revenues and expenses would be increased by \$1,516,170 for the year then ended.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hall of Fame and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hall of Fame's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Hall of Fame's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hall of Fame's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2022 on our consideration of the Hall of Fame's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hall of Fame's 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 the Hall of Fame's internal control over financial reporting and compliance

Report on Summarized Comparative Information

We have previously audited the Hall of Fame's 2020 financial statements, and we expressed a qualified audit opinion on those audited statements in our report dated July 14, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

MP P.C.

Springfield, Massachusetts
August 15, 2022

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

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents.....	\$ 8,363,418	\$ 1,573,650
Accounts receivable, net.....	2,776,114	1,017,874
Contributions receivable, net.....	2,042,046	2,579,402
Sponsorships receivable, net.....	105,364	15,000
Prepaid expenses.....	226,140	53,477
Investments.....	534,546	486,211
Total current assets.....	<u>14,047,628</u>	<u>5,725,614</u>
Cash surrender value - life insurance.....	79,827	104,143
Contributions receivable, net.....	1,434,881	3,107,241
Long-term prepaid expenses.....	17,000	566,615
Intangible assets, net.....	5,800	8,200
Property, plant and equipment, net.....	22,110,428	23,270,198
Investment in subsidiary.....	73,961	377,732
Total assets.....	<u>\$ 37,769,525</u>	<u>\$ 33,159,743</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Line of credit.....		\$ 280,780
Accounts payable.....	\$ 3,070,716	1,418,726
Accrued expenses.....	824,902	35,692
Deferred revenue.....	187,915	905,764
Current portion of long-term debt.....	1,656,152	269,855
Current portion of capital leases.....	300,714	139,422
Total current liabilities.....	<u>6,040,399</u>	<u>3,050,239</u>
Long term liability.....	2,556,808	2,556,808
Long-term debt, net of current portion.....	4,151,197	7,990,026
Capital leases, net of current portion.....		<u>348,885</u>
Total liabilities.....	<u>12,748,404</u>	<u>13,945,958</u>
Net Assets		
Without donor restrictions.....	25,021,121	15,060,571
With donor restrictions.....		<u>4,153,214</u>
Total net assets.....	<u>25,021,121</u>	<u>19,213,785</u>
Total liabilities and net assets.....	<u>\$ 37,769,525</u>	<u>\$ 33,159,743</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, 2021
(with comparative totals for December 31, 2020)**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2021 Total	2020 Total
Public support				
Contributions.....	\$ 1,857,125		\$ 1,857,125	\$ 1,831,375
Sponsorships.....	626,895		626,895	672,500
Government grant - paycheck protection program.....	462,492		462,492	475,000
Government grant - SVOG.....	5,842,438		5,842,438	
Total public support.....	8,788,950		8,788,950	2,978,875
Other revenues and gains				
Admissions.....	1,555,755		1,555,755	365,598
Gift shop licensing fee.....	177,045		177,045	76,041
Events.....	7,999,993		7,999,993	1,643,862
Investment gain (loss), net.....	844		844	22,634
Rental revenue.....	93,251		93,251	72,410
Loss from subsidiary, equity method.....	(303,771)		(303,771)	(357,731)
Other revenue.....	67,212		67,212	234,960
Royalties.....	1,477,435		1,477,435	
Net assets released from restrictions.....	4,153,214	\$ (4,153,214)		
Total other revenues and gains.....	15,220,978	(4,153,214)	11,067,764	2,057,774
Expenses and losses				
Sales and marketing.....	1,502,419		1,502,419	1,331,418
Events.....	5,764,537		5,764,537	1,433,653
Building operations.....	2,639,580		2,639,580	2,367,098
Museum and library operations.....	449,907		449,907	346,164
Philanthropy.....	58,991		58,991	111,739
Fundraising.....	532,327		532,327	690,204
Management and general.....	3,101,617		3,101,617	1,823,217
Total expenses.....	14,049,378		14,049,378	8,103,493
Change in net assets	9,960,550	(4,153,214)	5,807,336	(3,066,844)
Net assets, beginning of year.....	15,060,571	4,153,214	19,213,785	22,280,629
Net assets, end of year.....	\$ 25,021,121	\$	\$ 25,021,121	\$ 19,213,785

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, 2021

	Sales and Marketing	Events	Building Operations	Museum and Library Operations	Philanthropy	Fundraising	Management and General	Total
Salaries.....	\$ 873,817		\$ 35,721	\$ 171,442		\$ 401,233	\$ 1,039,508	\$ 2,521,721
Payroll taxes.....	50,946		1,456	10,189		23,290	59,680	145,561
Employee benefits.....	80,178		2,291	16,036		36,653	93,923	229,081
Retirement.....	17,251		493	3,450		7,886	20,208	49,288
Insurance.....				127,280				127,280
Supplies.....	7,749	\$ 19,870	10,345	23,871		5,933	45,499	113,267
Equipment rental and maintenance.....		37,937	8,627				14,834	61,398
Communications.....	21			268	\$ 53,412	17,709	42,669	114,079
Dues and subscriptions.....	400					1,102	3,574	5,076
Promotional expenses.....	63,522	57,999			3,928	13,750	29,249	168,448
Travel.....	7,560	1,210,691		867	1,651		25,603	1,246,372
Professional fees.....	64,843	3,802,047	270	94,969		26,250	252,676	4,241,055
Miscellaneous expenses.....	121,766	723	920	1,535		(1,479)	688,168	811,633
Depreciation and amortization.....	83,776		1,507,967				83,776	1,675,519
Professional development.....							2,667	2,667
Unrelated business income tax expense.....							34	34
Advertising.....	130,590	48,428						179,018
Rent and CAM expense.....		586,842	863,438					1,450,280
Bad debt expense.....							510,515	510,515
Interest expense.....			208,052				189,034	397,086
Total expenses.....	\$ 1,502,419	\$ 5,764,537	\$ 2,639,580	\$ 449,907	\$ 58,991	\$ 532,327	\$ 3,101,617	\$ 14,049,378

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, 2020

	Sales and Marketing	Events	Building Operations	Museum and Library Operations	Philanthropy	Fundraising	Management and General	Total
Salaries.....	\$ 878,362		\$ 30,056	\$ 179,039		\$ 407,112	\$ 857,971	\$ 2,352,540
Payroll taxes.....	66,462		1,796	14,370		30,537	66,462	179,627
Employee benefits.....	121,958		3,296	26,369		56,035	121,958	329,616
Retirement.....	21,632		585	4,677		9,939	21,633	58,466
Insurance.....				104,725				104,725
Supplies.....	313	\$ 8,846	7,396	1,887		1,441	31,955	51,838
Equipment rental and maintenance.....		6,592					7,989	14,581
Communications.....	47			535	\$ 105,009	18,372	43,729	167,692
Dues and subscriptions.....	150					1,128	1,950	3,228
Promotional expenses.....	4,551	16,722				47,871	82,335	151,479
Travel.....	3,249	477,655		817	4,953		38,180	524,854
Professional fees.....	59,092	896,428	359	12,095	1,777	19,103	253,435	1,242,289
Miscellaneous expenses.....	77,053	20,522	19,524	1,650		98,666	74,769	292,184
Depreciation and amortization.....	74,097		1,333,742				74,097	1,481,936
Professional development.....							8,000	8,000
Unrelated business income tax expense.....							1,251	1,251
Advertising.....	24,452	6,688						31,140
Rent and CAM expense.....		200	783,806					784,006
Bad debt expense.....							65,068	65,068
Interest expense.....			186,538				72,435	258,973
Total expenses.....	<u>\$ 1,331,418</u>	<u>\$ 1,433,653</u>	<u>\$ 2,367,098</u>	<u>\$ 346,164</u>	<u>\$ 111,739</u>	<u>\$ 690,204</u>	<u>\$ 1,823,217</u>	<u>\$ 8,103,493</u>

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets.....	\$ 5,807,336	\$ (3,066,844)
Adjustments to reconcile the changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization.....	1,675,519	1,481,936
Loss from subsidiary.....	303,771	357,731
Net realized and unrealized gains on investments.....	(15,263)	(72,685)
(Increase) decrease in operating assets:		
Accounts receivable.....	(1,758,240)	864,076
Contributions receivable.....	2,209,716	1,997,645
Sponsorships receivable.....	(90,364)	102,411
Prepaid expenses.....	376,952	65,516
Cash surrender value-life insurance.....	24,316	(28,946)
Increase (decrease) in operating liabilities:		
Accounts payable.....	1,651,990	(2,149,464)
Accrued expenses	789,210	(397,200)
Deferred revenue.....	(717,849)	614,767
Net cash provided by (used in) operating activities.....	<u>10,257,094</u>	<u>(231,057)</u>
Cash flows from investing activities:		
Change in investments, net.....	(33,072)	227,531
Purchases of equipment and intangibles.....	(513,349)	(6,125,233)
Net cash used in investing activities.....	<u>(546,421)</u>	<u>(5,897,702)</u>
Cash flows from financing activities:		
Repayments of long-term debt and capital lease obligations.....	(2,990,125)	(166,374)
Net change in line of credit.....	(280,780)	280,780
Proceeds from long-term debt and capital lease obligations.....	350,000	4,595,165
Net cash (used in) provided by financing activities.....	<u>(2,920,905)</u>	<u>4,709,571</u>
Net change in cash.....	6,789,768	(1,419,188)
Cash and cash equivalents, beginning of year.....	<u>1,573,650</u>	<u>2,992,838</u>
Cash and cash equivalents, end of year.....	<u>\$ 8,363,418</u>	<u>\$ 1,573,650</u>
Supplemental disclosure of cash flow information		
Cash paid for interest.....	\$ 189,034	\$ 72,435
Non cash activities		

See notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

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

Revenue Recognition

The Hall of Fame generally measures revenue based on the amount of consideration the Hall of Fame expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as the Hall of Fame satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Hall of Fame evaluates its revenue contracts with customers (i.e. earned revenue) based on the five-step model under Topic 606: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenue when (or as) each performance obligation is satisfied.

Earned revenue is recognized as services/events are provided. Other income is recognized as it is earned.

Gains and losses on investments are reported as increases or decreases to net assets without donor restrictions unless their use is restricted by donor-imposed stipulation or state law. As of December 31, 2021 and 2020, there were no restrictions on investment income.

Contributions and Sponsorships

Contributions and sponsorships that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Contributions of property and equipment are reported as net assets with donor restrictions if the donor restricted the use of the property or equipment to a particular program, as are contributions of cash restricted to the purchase of property and equipment. Otherwise, donor restrictions on contributions of property and equipment or assets restricted for purchase of property and equipment are considered to expire when the assets are placed in service. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date.

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

NOTES TO FINANCIAL STATEMENTS - Continued

Refundable Advance – Paycheck Protection Program

The Hall of Fame accounts for loans that meet the criteria to be forgiven as a government grant under ASC 958-605 “Revenue Recognition for Grants and Contributions”. The proceeds received from these loans are recorded as a refundable advance and income is recorded as qualified expenses are incurred. The grant revenue is included in public support in the statement of activities.

Advertising

Advertising costs are expensed as incurred. The total advertising costs charged to expense for December 31, 2021 was \$179,018 (\$31,140 - 2020).

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, 2020 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. The uninsured balance in excess of the FDIC limits and not covered by DIF at December 31, 2021 was approximately \$1,978,000.

Certificate of deposit totaling \$53,288 at December 31, 2021 is included in cash and cash equivalents in the accompanying financial statements. The certificate bears interest at 2.62%. There was a certificate of deposit totaling \$781,793 at December 31, 2020.

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

NOTES TO FINANCIAL STATEMENTS - Continued

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, 2021 and 2020 was \$1,988. Accounts are continuously reviewed and written off only when all collection means have been exhausted.

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.

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

NOTES TO FINANCIAL STATEMENTS - Continued

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.

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.

Purchases of collection items are recorded as decreases in net assets without donor restrictions if purchased with assets without donor restrictions and as decreases in net assets with donor restrictions if purchased with donor-restricted assets. Contributions of collection items are not recognized in the Statement of Activities. Proceeds from deaccessions or insurance recoveries are reflected on the Statement of Activities based on the absence or existence and nature of donor-imposed restrictions. 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.

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, 2021 and 2020.

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

NOTES TO FINANCIAL STATEMENTS - Continued

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, 2021 and 2020.

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.

**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, 2021 or 2020. 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, 2021, 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, 2020, 2019 and 2018 are open for examination by federal and state authorities.

3. Contributions Receivable

Contributions receivable consist of the following at December 31,

	<u>2021</u>	<u>2020</u>
Receivable within one year	\$ 2,042,046	\$ 2,579,402
Receivable between one and five years	1,968,838	3,484,250
Receivable between five and ten years	135,058	128,509
	4,145,942	6,192,161
Less allowance for uncollectible contributions	650,000	400,000
Less discount to present value	19,015	105,518
Net contributions receivable	\$ 3,476,927	\$ 5,686,643

4. Sponsorships Receivable

Sponsorships receivable consist of the following at December 31,

	<u>2021</u>	<u>2020</u>
Receivable within one year	\$ 105,364	\$ 15,000

**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>2021</u>	<u>2020</u>
Trademark and logo development	\$ 137,911	\$ 137,911
Less accumulated amortization	<u>132,111</u>	<u>129,711</u>
Amortizable intangible assets, net	<u>\$ 5,800</u>	<u>\$ 8,200</u>

Amortization expense for the year ended December 31, 2021 was \$2,400 (2020 - \$19,400). Annual amortization expense for the next three years is estimated to be as follows:

2022	\$	2,400
2023		1,700
2024		<u>1,700</u>
		<u>\$ 5,800</u>

6. Investments

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 9,425	\$ 147,417
U.S. common stocks	1,469	1,583
U.S. mutual funds	266,741	255,194
Fixed income securities	<u>256,911</u>	<u>82,017</u>
	<u>\$ 534,546</u>	<u>\$ 486,211</u>

7. Deferred Revenue

Deferred revenue represents revenues collected but not earned. As of December 31, 2021 deferred revenue was \$187,915, all of which is considered current (\$905,764 - 2020).

**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>2021</u>	<u>2020</u>
Leasehold improvements	\$ 26,025,057	\$ 25,389,345
Furniture and fixtures	494,838	494,838
Computer equipment	7,449,910	7,036,210
Computer software	26,268	26,268
	<u>33,996,073</u>	<u>32,946,661</u>
Less accumulated depreciation	<u>11,885,645</u>	<u>10,212,526</u>
	22,110,428	22,734,135
Construction in progress		<u>536,063</u>
	<u>\$ 22,110,428</u>	<u>\$ 23,270,198</u>

Depreciation expense for the year ended December 31, 2021 was \$1,673,119 (\$1,462,536- 2020).

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, 2021. The outstanding balance at December 31, 2020 was \$280,780.

10. Non-Revolving 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, 2021 and 2020 is \$3,651,197 and \$6,100,000, respectively. The balance is included in long term debt on the statement of net assets at December 31, 2021 and 2020.

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

NOTES TO FINANCIAL STATEMENTS - Continued

11. Long-Term Debt

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

	<u>2021</u>	<u>2020</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 a 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. In March 2022, this note has been paid in full. As such, the entire balance has been recorded as current as of December 31, 2021.	\$ 1,656,152	\$ 2,009,881
In 2020, the Hall of Fame received the Economic Injury Disaster Loan from the U.S. Small Business Administration (SBA) in the amount of \$150,000. In 2021, the Hall of Fame received another loan from SBA in the amount of \$350,000. The loan will be payable over 30 years, beginning July 2023, monthly payments of principal and interest in the amount of \$2,207 are due, interest is charged at 2.75%.	<u>500,000</u> 2,156,152	<u>150,000</u> 2,159,881
Less current portion	<u>1,656,152</u>	<u>269,855</u>
	<u>\$ 500,000</u>	<u>\$ 1,890,026</u>

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

2022	\$ 1,656,152
2023	20,116
2024	26,484
2025	26,484
2026	26,484
Thereafter	<u>400,432</u>
	<u>\$ 2,156,152</u>

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

NOTES TO FINANCIAL STATEMENTS - Continued

12. Forgivable Loan Received Under the Small Business Administration Paycheck Protection Program

In response to the COVID-19 pandemic in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. In April 2020, the Hall of Fame was granted a PPP loan in the amount of \$475,000. The PPP loan contained conditions to maintain employment levels and use the funds for certain payroll, rent and utility expenses. The Hall of Fame used all of the loan proceeds for qualifying expenses, and as such, the full amount of the loan was recorded in the statement of activities as grant revenue as of December 31, 2020.

On January 6, 2021, the full amount of the loan was forgiven by the SBA.

In February 2021, Hall of Fame received another PPP loan in the amount of \$462,492. This amount has been included in the statement of activities as grant revenue as of December 31, 2021. The full amount of this PPP loan was forgiven by the SBA in October 2021.

13. 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>2021</u>	<u>2020</u>
Operating	\$ 25,021,121	\$ 15,060,571
Board-designated		
	<u>\$ 25,021,121</u>	<u>\$ 15,060,571</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. There were no Board-designated funds at December 31, 2021 or 2020.

The Hall of Fame’s net assets with donor restrictions at December 31, 2020 was available for expenditure for the specified purpose of capital expenditures related to the rebuild of the Museum. There were no net assets with donor restrictions at December 31, 2021.

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

NOTES TO FINANCIAL STATEMENTS - Continued

14. 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, 2021 or 2020.

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.

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

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>2021</u>
Cash and cash equivalents	\$ 62,713			\$ 62,713
Balanced mutual funds	266,741			266,741
Fixed income securities	256,911			256,911
Equities	1,469			1,469
	<u>\$ 587,834</u>	<u> </u>	<u> </u>	<u>\$ 587,834</u>
<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2020</u>
Cash and cash equivalents	\$ 929,210			\$ 929,210
Balanced mutual funds	255,194			255,194
Fixed income securities	82,017			82,017
Equities	1,583			1,583
	<u>\$ 1,268,004</u>	<u> </u>	<u> </u>	<u>\$ 1,268,004</u>

15. 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 \$49,288 to this plan for the year ended December 31, 2021 (2020 - \$58,466).

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

NOTES TO FINANCIAL STATEMENTS - Continued

16. Leases

Capital Leases

The Hall of Fame leased certain furniture and equipment under capital leases. Property, plant and equipment, net at December 31, 2021 includes \$135,700 related to these capital leases (\$233,900 – 2020). The balance on the capital lease payable at December 31, 2021 and 2020 was \$300,714 and \$488,307 (current \$139,422, long-term \$348,885), respectively. On February 16, 2022, these leases were paid in full and as such the entire balance at December 31, 2021 has been recorded as current in the statement of financial position.

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, 2021 the Hall of Fame received \$177,045 (\$76,041 – 2020).

17. 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.

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 and other services. As of December 31, 2021 or 2020, there was no outstanding liability for payments due in connection with the original agreement.

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

NOTES TO FINANCIAL STATEMENTS - Continued

18. 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, 2021 or 2020.

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 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>2021</u>	<u>2020</u>
Rental expense	\$ 12,012	\$ 12,012
Utilities, water and sewer, real estate taxes and CAM	<u>355,682</u>	<u>303,609</u>
	<u>\$ 367,694</u>	<u>\$ 315,621</u>

Amounts due to the subsidiary were included in accounts payable at December 31, 2021 and amounted to \$207,281 (\$213,051 – 2020). 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.
(PARENT COMPANY ONLY)**

NOTES TO FINANCIAL STATEMENTS - Continued

20. 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, 2021 total assets and liabilities would be increased by \$7,155,810 (\$7,128,980 - 2020), total net assets would not change, and revenues and expenses would be increased by \$1,516,170, respectively, for the year then ended (\$1,462,575 - 2020).

21. Subsequent Events

The Company has evaluated subsequent events through August 15, 2022, which is the date the financial statements were available to be issued.

- 1) On February 16, 2022, all capital lease balances at December 31, 2021 of \$300,714 were paid in full.
- 2) On February 19, 2022, the HOF received an additional Disaster loan from the SBA in the amount of \$1.5 million.
- 3) In March 2022, the HOF paid in full the \$1,656,152 term note as listed in Note 11.

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

for the year ended December 31, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
Small Business Administration			
Direct Program:			
COVID 19 - Shuttered Venue Operators Grant.....	59.075	N/A	\$ 5,842,438
COVID 19 - Disaster Assistance Loans.....	59.008	N/A	<u>350,000</u>
Total Direct Programs.....			<u>6,192,438</u>
Total Small Business Administration.....			<u>6,192,438</u>
Total Expenditures of Federal Awards.....			<u><u>\$ 6,192,438</u></u>

See notes to schedule of expenditures of federal awards

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

for the year ended December 31, 2021

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Naismith Memorial Basketball Hall of Fame, Inc. (“Hall of Fame”) under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of Hall of Fame it is not intended to and does not present the financial position, changes in net assets, or cash flows of Hall of Fame.

2. Summary of Significant Accounting Policies

Pass-Through State Agencies

Expenditures of federal awards for funds passed-through state agencies is based on information provided by the Commonwealth of Massachusetts Operational Services Division.

Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

Hall of Fame has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

4. Sub recipients

There were no awards passed through to sub recipients.



**INDEPENDENT AUDITORS' 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**

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

We 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 Naismith Memorial Basketball Hall of Fame, Inc. ("Hall of Fame") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 15, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hall of Fame's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hall of Fame's internal control. Accordingly, we do not express an opinion on the effectiveness of Hall of Fame's internal control.

A deficiency in internal control exists when the design or operation of 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 entity's financial statements will not be prevented, or detected and corrected 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.

Our 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we 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 Hall of Fame's financial statements are free from material misstatement, we 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MP P.C.

Springfield, Massachusetts
August 15, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Naismith Memorial Basketball Hall of Fame, Inc. ("Hall of Fame")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Hall of Fame's major federal programs for the year ended December 31, 2021. Hall of Fame's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Hall of Fame complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Hall of Fame and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Hall of Fame's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Hall of Fame's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Hall of Fame's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Hall of Fame's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Hall of Fame's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Hall of Fame's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Hall of Fame's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

MP P.C.

Springfield, Massachusetts
August 15, 2022

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

for the year ended December 31, 2021

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Hall of Fame were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' 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*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Hall of Fame which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance. No material weaknesses are reported.
5. The Auditors' report on compliance for major federal award programs for Hall of Fame expresses an unmodified opinion on the major federal program.
6. There are no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The program tested as a major program was Shuttered Venue Operators Grant #59.075.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Hall of Fame was determined to not be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None