

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, 2016, 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 \$6,917,819 as of December 31, 2016, and revenues and expenses would be increased by \$984,292 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, 2016, 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 2015 financial statements, and we expressed a qualified opinion on those audited statements in our report dated September 16, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Springfield, Massachusetts
May 24, 2017

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

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and cash equivalents.....	\$ 5,440,806	\$ 1,988,282
Accounts receivable, net.....	316,199	637,118
Contributions receivable, net.....	2,746,232	1,174,935
Sponsorships receivable, net.....	50,000	75,000
Prepaid expenses.....	114,369	195,159
Investments.....	<u>1,230,213</u>	<u>537,251</u>
Total current assets.....	9,897,819	4,607,745
Cash surrender value - life insurance.....	99,532	103,476
Contributions receivable, net.....	2,241,644	1,930,360
Long-term prepaid expenses.....	184,192	
Investments.....	248,655	255,051
Intangible assets, net.....	2,848,896	3,486,906
Property, plant and equipment, net.....	5,068,714	5,372,734
Investment in subsidiary.....	<u>503,583</u>	<u>321,955</u>
Total assets.....	<u><u>\$ 21,093,035</u></u>	<u><u>\$ 16,078,227</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable.....	\$ 1,426,311	\$ 673,985
Accrued expenses.....	364,600	480,305
Deferred revenue.....	397,456	184,684
Current portion of related party debt.....	3,467,167	700,000
Current portion of long-term debt.....	122,191	117,023
Current portion of capital leases.....	<u>113,615</u>	<u>94,426</u>
Total current liabilities.....	5,891,340	2,250,423
Long-term debt, net of current portion.....	2,688,378	2,810,516
Note payable, related party, net of current portion.....		3,204,453
Capital leases, net of current portion.....	<u>151,935</u>	<u>185,159</u>
Total liabilities.....	<u>8,731,653</u>	<u>8,450,551</u>
Net Assets		
Unrestricted - operations.....	3,936,411	4,174,079
Unrestricted - board designated.....	104,631	104,631
Temporarily restricted.....	8,165,340	3,193,966
Permanently restricted.....	<u>155,000</u>	<u>155,000</u>
Total net assets.....	<u>12,361,382</u>	<u>7,627,676</u>
Total liabilities and net assets.....	<u><u>\$ 21,093,035</u></u>	<u><u>\$ 16,078,227</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, 2016 (with comparative totals for December 31, 2015)

	Unrestricted Operations	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
Public support						
Contributions.....	\$ 2,274,122		\$ 4,988,374		\$ 7,262,496	\$ 6,471,534
Sponsorships.....	2,632,104				2,632,104	3,716,607
Total public support.....	<u>4,906,226</u>		<u>4,988,374</u>		<u>9,894,600</u>	<u>10,188,141</u>
Other Revenues						
Admissions.....	1,574,293				1,574,293	1,427,170
Gift shop licensing fee.....	207,127				207,127	205,452
Events.....	2,773,362				2,773,362	2,127,940
Investment gain, net.....	561				561	39,025
Rental revenue.....	268,106				268,106	285,871
Income from subsidiary, equity method.....	181,628				181,628	272,124
Other revenue.....	163,088				163,088	112,991
Net assets released from restrictions.....	17,000		(17,000)			
Total other revenues.....	<u>5,185,165</u>		<u>(17,000)</u>		<u>5,168,165</u>	<u>4,470,573</u>
Expense						
Management and general.....	1,736,496				1,736,496	1,897,858
Sales and marketing.....	5,606,278				5,606,278	5,657,888
Building operations.....	1,262,886				1,262,886	1,454,848
Museum and library operations.....	138,827				138,827	142,974
Fundraising.....	1,178,222				1,178,222	707,305
Interest expense.....	406,350				406,350	401,557
Total expenses.....	<u>10,329,059</u>				<u>10,329,059</u>	<u>10,262,430</u>
Change in net assets	(237,668)		4,971,374		4,733,706	4,396,284
Net assets, beginning of year.....	<u>4,174,079</u>	<u>104,631</u>	<u>3,193,966</u>	<u>155,000</u>	<u>7,627,676</u>	<u>3,231,392</u>
Net assets, end of year.....	<u>\$ 3,936,411</u>	<u>\$ 104,631</u>	<u>\$ 8,165,340</u>	<u>\$ 155,000</u>	<u>\$ 12,361,382</u>	<u>\$ 7,627,676</u>

See notes to financial statements.