

**NATIONAL BOWLING HALL OF FAME
AND MUSEUM, INC.
d/b/a INTERNATIONAL BOWLING MUSEUM
AND HALL OF FAME
Arlington, Texas**

**FINANCIAL STATEMENTS
July 31, 2012 and 2011**

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Independent Auditor's Report

Board of Trustees
National Bowling Hall of Fame and Museum, Inc.
d/b/a International Bowling Museum and Hall of Fame
Arlington, Texas

We have audited the accompanying statements of financial position of National Bowling Hall of Fame and Museum, Inc. d/b/a International Bowling Museum and Hall of Fame as of July 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of IBM&HF's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Bowling Hall of Fame and Museum, Inc. d/b/a International Bowling Museum and Hall of Fame as of July 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
January 9, 2013

NATIONAL BOWLING HALL OF FAME AND MUSEUM, INC.
d/b/a INTERNATIONAL BOWLING MUSEUM AND HALL OF FAME
STATEMENTS OF FINANCIAL POSITION
July 31, 2012 and 2011

ASSETS

	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 339,589	\$ 300,919
Certificates of deposit	31,207	29,787
Accounts receivable	29,259	5,180
Pledges receivable - current portion	76,090	155,925
Other current assets	<u>6,560</u>	<u>10,081</u>
Total current assets	482,705	501,892
PLEDGES RECEIVABLES , less current portion above	130,822	194,298
FURNITURE, FIXTURES, AND EQUIPMENT , net	<u>2,396,772</u>	<u>2,601,030</u>
TOTAL ASSETS	<u><u>\$ 3,010,299</u></u>	<u><u>\$ 3,297,220</u></u>

LIABILITIES AND NET ASSETS

	<u>2012</u>	<u>2011</u>
LIABILITIES		
Accounts payable and accrued liabilities	<u>\$ 212,265</u>	<u>\$ 263,257</u>
NET ASSETS		
Unrestricted	2,759,120	2,992,445
Temporarily restricted	<u>38,914</u>	<u>41,518</u>
Total net assets	<u>2,798,034</u>	<u>3,033,963</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,010,299</u></u>	<u><u>\$ 3,297,220</u></u>

The accompanying notes are an integral part of the financial statements.

NATIONAL BOWLING HALL OF FAME AND MUSEUM, INC.
d/b/a INTERNATIONAL BOWLING MUSEUM AND HALL OF FAME
STATEMENT OF ACTIVITIES
Year Ended July 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES				
Museum operations				
Admissions	\$ 24,677	\$ -	\$ -	\$ 24,677
Museum store	21,300	-	-	21,300
Contributions	233,636	-	-	233,636
Tournament entry fees	40,500	-	-	40,500
Sponsorship	41,500	-	-	41,500
Salute to Champions auction, net of donor direct expenses of \$11,435	49,525	-	-	49,525
Interest	1,598	-	-	1,598
	<u>412,736</u>	<u>-</u>	<u>-</u>	<u>412,736</u>
Net assets released from restrictions	<u>2,604</u>	<u>(2,604)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>415,340</u>	<u>(2,604)</u>	<u>-</u>	<u>412,736</u>
EXPENSES				
Program activities, including museum store costs of sales of \$15,690	491,238	-	-	491,238
Management and general	63,341	-	-	63,341
Fundraising	94,086	-	-	94,086
	<u>648,665</u>	<u>-</u>	<u>-</u>	<u>648,665</u>
CHANGE IN NET ASSETS	<u>(233,325)</u>	<u>(2,604)</u>	<u>-</u>	<u>(235,929)</u>
NET ASSETS, BEGINNING OF YEAR	<u>2,992,445</u>	<u>41,518</u>	<u>-</u>	<u>3,033,963</u>
NET ASSETS, END OF YEAR	<u>\$ 2,759,120</u>	<u>\$ 38,914</u>	<u>\$ -</u>	<u>\$ 2,798,034</u>

The accompanying notes are an integral part of the financial statements.

NATIONAL BOWLING HALL OF FAME AND MUSEUM, INC.
d/b/a INTERNATIONAL BOWLING MUSEUM AND HALL OF FAME
STATEMENT OF ACTIVITIES
Year Ended July 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES				
Museum operations				
Admissions	\$ 37,322	\$ -	\$ -	\$ 37,322
Museum store	37,622	-	-	37,622
Contributions	205,683	50,000	-	255,683
Salute to Champions auction, net of donor direct expenses of \$14,001	29,301	-	-	29,301
Interest	1,786	-	-	1,786
	<u>311,714</u>	<u>50,000</u>	<u>-</u>	<u>361,714</u>
Net assets released from restrictions	<u>150,000</u>	<u>(50,000)</u>	<u>(100,000)</u>	<u>-</u>
Total support and revenues	<u>461,714</u>	<u>-</u>	<u>(100,000)</u>	<u>361,714</u>
EXPENSES				
Program activities, including museum store costs of sales of \$13,969	463,628	-	-	463,628
Management and general	45,451	-	-	45,451
Fundraising	24,354	-	-	24,354
	<u>533,433</u>	<u>-</u>	<u>-</u>	<u>533,433</u>
CHANGE IN NET ASSETS	<u>(71,719)</u>	<u>-</u>	<u>(100,000)</u>	<u>(171,719)</u>
NET ASSETS, BEGINNING OF YEAR	<u>3,064,164</u>	<u>41,518</u>	<u>100,000</u>	<u>3,205,682</u>
NET ASSETS, END OF YEAR	<u>\$ 2,992,445</u>	<u>\$ 41,518</u>	<u>\$ -</u>	<u>\$ 3,033,963</u>

The accompanying notes are an integral part of the financial statements.

NATIONAL BOWLING HALL OF FAME AND MUSEUM, INC.
d/b/a INTERNATIONAL BOWLING MUSEUM AND HALL OF FAME
STATEMENTS OF CASH FLOWS
Years Ended July 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (235,929)	\$ (171,719)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	206,266	191,043
Effects of changes in operating assets and liabilities		
Accounts receivable	(24,079)	95,236
Pledges receivable	143,311	126,338
Other current assets	3,521	6,111
Accounts payable and accrued liabilities	<u>(50,992)</u>	<u>(368,911)</u>
Net cash provided by (used in) operating activities	<u>42,098</u>	<u>(121,902)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture, fixtures, and equipment	(2,008)	(97,376)
Net proceeds from (purchases of) certificates of deposit	<u>(1,420)</u>	<u>114,211</u>
Net cash provided by (used in) investing activities	<u>(3,428)</u>	<u>16,835</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	38,670	(105,067)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>300,919</u>	<u>405,986</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 339,589</u></u>	<u><u>\$ 300,919</u></u>

The accompanying notes are an integral part of the financial statements.

NATIONAL BOWLING HALL OF FAME AND MUSEUM, INC
d/b/a INTERNATIONAL BOWLING MUSEUM AND HALL OF FAME
NOTES TO FINANCIAL STATEMENTS
July 31, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

National Bowling Hall of Fame and Museum, Inc. d/b/a International Bowling Museum and Hall of Fame (IBM&HF) is a non-profit organization whose purpose is to collect, preserve and display artifacts, writings, photographs, records and other mementos related to the history of the sport of bowling. The IBM&HF revenues are derived primarily from admissions and contributions. The fiscal year ends on July 31. Significant accounting policies followed by the IBM&HF are presented below.

Use of Estimates

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

Cash Equivalents

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

Furniture, Fixtures, and Equipment

Furniture, fixtures, and equipment are stated at cost and depreciated on the straight-line method over their estimated useful lives, which range from three to fifteen years.

Assets constructed or purchased, including collections, are capitalized at cost. In conformity with the practice followed by many museums, donated collections are not included in the statements of financial position.

Impairment of Long-lived Assets

IBM&HF reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

NATIONAL BOWLING HALL OF FAME AND MUSEUM, INC
d/b/a INTERNATIONAL BOWLING MUSEUM AND HALL OF FAME
NOTES TO FINANCIAL STATEMENTS
July 31, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. However, donor restricted contributions whose restrictions are met during the same year are directly reported as increases in unrestricted net assets. The net assets of IBM&HF and changes therein are classified and reported as follows:

Unrestricted net assets

These represent net assets that are not subject to external donor-imposed restrictions.

Temporarily restricted net assets

Temporarily restricted net assets includes contributed net assets for which donor-imposed time and/or purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted.

Contributions

Contributions, including unconditional promises to give, are recorded when received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give are reported at the present value of their net realizable value, using a risk-free interest rate. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Donated property is recorded at fair market value at date of donation, which is then treated as cost.

If necessary, the carrying amount of pledges receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance is based on management's assessment of the collectability of specific contributions. All contributions or portions thereof deemed to be uncollectible are written off to the allowance for uncollectible pledges.

Revenue Recognition

Revenues from admissions, merchandise, and special events are recognized in the year which the related benefit is received.

Donated Services

No amounts have been reflected in the financial statements for donated services. IBM&HF generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks in connection with various fundraising projects.

NATIONAL BOWLING HALL OF FAME AND MUSEUM, INC
d/b/a INTERNATIONAL BOWLING MUSEUM AND HALL OF FAME
NOTES TO FINANCIAL STATEMENTS
July 31, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Internal Revenue Service (IRS) has issued a determination letter dated November 16, 1991, granting IBM&HF an exemption from federal income tax under IRS Code Section 501(c)(3). However, income received from certain activities is subject to income tax as unrelated business income.

The federal and state income tax returns of IBM&HF for 2009, 2010 and 2011 are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

NOTE 2 - PLEDGES RECEIVABLE

Pledges receivable at July 31, 2012 are as follows:

Receivable in less than one year	\$ 76,090
Receivable in one to five years	120,537
Receivable in more than five years	<u>10,285</u>
Total pledges receivable	<u>\$ 206,912</u>

NOTE 3 - FURNITURE, FIXTURES, AND EQUIPMENT

Furniture, fixtures, and equipment consist of the following at July 31:

	<u>2012</u>	<u>2011</u>
Equipment, furniture, fixtures and exhibits	\$ 2,926,854	\$ 2,924,846
Less accumulated depreciation	<u>561,568</u>	<u>355,302</u>
	2,365,286	2,596,544
Collections	<u>31,486</u>	<u>31,486</u>
Total	<u>\$ 2,396,772</u>	<u>\$ 2,601,030</u>

NATIONAL BOWLING HALL OF FAME AND MUSEUM, INC
d/b/a INTERNATIONAL BOWLING MUSEUM AND HALL OF FAME
NOTES TO FINANCIAL STATEMENTS
July 31, 2012 and 2011

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at July 31:

	<u>2012</u>	<u>2011</u>
Scholarships to allow students from the inner city or underprivileged areas to attend the museum's educational programs	\$ 38,914	\$ 41,518

NOTE 5 - RETIREMENT PLAN

IBM&HF participates in a 401(k) retirement plan (along with United States Bowling Congress, Inc. (USBC), Bowling Proprietors' Association of America, Inc. (BPAA), and The Bowling Foundation) available to all employees who have reached the age of 21 and completed one month of service. However, employer contributions do not begin until the employee has completed one year of service. Employees may contribute to their accounts up to the annual amount allowed by law. IBM&HF matches 100% of the first 3% of employee contributions, plus 50% of the next 2% of the employee's contribution. Total pension expense was \$3,366 and \$4,396 for the years ended July 31, 2012 and 2011, respectively.

NOTE 6 - RELATED PARTIES

Certain services, including the majority of management and general services are provided to IBM&HF by the employees of affiliated organizations at no charge. The value of these services is not reflected in the accompanying financial statements as they are not readily determinable.

IBM&HF leases its facilities from New Era Bowling, LLC (which is jointly owned by USBC and BPAA) under a five-year operating lease agreement for \$1 per year. IBM&HF is responsible for its share of operating expenses. Included in accounts payable and accrued liabilities at July 31, 2012 and 2011 is \$101,482 and \$123,485, respectively, due to New Era Bowling, LLC for operating expenses.

IBM&HF has a receivable due from New Era Bowling, LLC for payments collected on behalf of IBM&HF of \$9,758 and \$0 at July 31, 2012 and 2011, respectively.

BPAA contributed \$30,000 to IBM&HF during the year ended July 31, 2012 and 2011. The Bowling Foundation contributed \$0 and \$3,000 to IBM&HF during the year ended July 31, 2012 and 2011, respectively.

IBM&HF has a payable due to BPAA for payments made on behalf of IBM&HF of \$14,238 and \$0 at July 31, 2012 and 2011, respectively.

IBM&HF has a receivable due from BPAA for payments collected on behalf of IBM&HF of \$1,750 and \$0 at July 31, 2012 and 2011, respectively.

NATIONAL BOWLING HALL OF FAME AND MUSEUM, INC
d/b/a INTERNATIONAL BOWLING MUSEUM AND HALL OF FAME
NOTES TO FINANCIAL STATEMENTS
July 31, 2012 and 2011

NOTE 6 - RELATED PARTIES (continued)

IBM&HF has a payable due to USBC for payments made on behalf of IBM&HF of \$78,812 and \$90,785 at July 31, 2012 and 2011, respectively.

IBM&HF has a receivable due from USBC for payments collected on behalf of IBM&HF of \$3,947 and \$0 at July 31, 2012 and 2011, respectively.

Outstanding pledges from Board members totaled \$13,000 and \$29,922 as of July 31, 2012 and 2011, respectively.

NOTE 7 - SUBSEQUENT EVENTS

Management evaluated subsequent events through January 9, 2013, the date the financial statements were available to be issued. Events or transactions occurring after July 31, 2012, but prior to January 9, 2013 that provided additional evidence about conditions that existed at July 31, 2012, have been recognized in the financial statements for the year ended July 31, 2012. Events or transactions that provided evidence about conditions that did not exist at July 31, 2012, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended July 31, 2012.

This information is an integral part of the accompanying financial statements.