

**NATIONAL BOWLING HALL OF FAME AND
MUSEUM, INC.
DBA: INTERNATIONAL BOWLING MUSEUM AND
HALL OF FAME, INC.**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

**NATIONAL BOWLING HALL OF FAME AND MUSEUM, INC.
DBA: INTERNATIONAL BOWLING MUSEUM AND HALL OF FAME, INC.
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YEARS ENDED DECEMBER 31, 2017 AND 2016**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
National Bowling Hall of Fame and Museum, Inc.
dba: International Bowling Museum and Hall of Fame, Inc.
Arlington, Texas

We have audited the accompanying financial statements of National Bowling Hall of Fame and Museum, Inc. dba: International Bowling Museum and Hall of Fame, Inc., which comprises the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, and cash flows for the years 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.

Auditors' Responsibility

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 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 auditors' 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 audit opinion.

Board of Trustees
National Bowling Hall of Fame and Museum, Inc.
dba: International Bowling Museum and Hall of Fame, Inc.

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. dba: International Bowling Museum and Hall of Fame, Inc. as of December 31, 2017 and 2016, and its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
April 3, 2018

**NATIONAL BOWLING HALL OF FAME AND MUSEUM, INC.
DBA: INTERNATIONAL BOWLING MUSEUM AND HALL OF FAME, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	\$ 478,033	\$ 509,699
Due from Related Parties	7,338	4,878
Pledges Receivable	68,611	18,142
Other Current Assets	25,567	17,685
Total Current Assets	579,549	550,404
FURNITURE, FIXTURES, AND EQUIPMENT, Net	1,307,889	1,500,999
Total Assets	\$ 1,887,438	\$ 2,051,403
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 5,364	\$ 5,058
Accrued Liabilities	12,123	12,281
Due to Related Parties	14,658	19,687
Deferred Revenue	42,101	33,646
Total Liabilities	74,246	70,672
NET ASSETS		
Unrestricted:		
Designated for Preservation	25,000	25,000
Undesignated	1,730,828	1,888,738
Temporarily Restricted	57,364	66,993
Total Net Assets	1,813,192	1,980,731
Total Liabilities and Net Assets	\$ 1,887,438	\$ 2,051,403

See accompanying Notes to Financial Statements.

**NATIONAL BOWLING HALL OF FAME AND MUSEUM, INC.
DBA: INTERNATIONAL BOWLING MUSEUM AND HALL OF FAME, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Museum Operations:			
Admissions	\$ 28,607	\$ -	\$ 28,607
Museum Store	19,250	-	19,250
Contributions	389,021	4,528	393,549
In-Kind Contributions	66,848	-	66,848
Tournament Entry Fees	66,205	-	66,205
Sponsorship	36,310	-	36,310
Special Events	24,685	-	24,685
Miscellaneous	349	-	349
Total	631,275	4,528	635,803
Net Assets Released from Restrictions	14,157	(14,157)	-
Total Support and Revenues	645,432	(9,629)	635,803
EXPENSES			
Program Activities, including Museum			
Store Costs of Sales of \$9,119	585,084	-	585,084
Management and General	127,407	-	127,407
Fundraising	90,851	-	90,851
Total Expenses	803,342	-	803,342
CHANGE IN NET ASSETS	(157,910)	(9,629)	(167,539)
Net Assets - Beginning of Year	1,913,738	66,993	1,980,731
NET ASSETS - END OF YEAR	\$ 1,755,828	\$ 57,364	\$ 1,813,192

See accompanying Notes to Financial Statements.

**NATIONAL BOWLING HALL OF FAME AND MUSEUM, INC.
DBA: INTERNATIONAL BOWLING MUSEUM AND HALL OF FAME, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES			
Museum Operations:			
Admissions	\$ 34,671	\$ -	\$ 34,671
Museum Store	20,403	-	20,403
Contributions	295,174	9,393	304,567
In-Kind Contributions	51,818	-	51,818
Tournament Entry Fees	56,585	-	56,585
Sponsorship	32,500	-	32,500
Special Events	21,800	-	21,800
Total	<u>512,951</u>	<u>9,393</u>	<u>522,344</u>
Net Assets Released from Restrictions	5,651	(5,651)	-
Total Support and Revenues	<u>518,602</u>	<u>3,742</u>	<u>522,344</u>
EXPENSES			
Program Activities, including Museum			
Store Costs of Sales of \$10,313	531,179	-	531,179
Management and General	87,357	-	87,357
Fundraising	58,154	-	58,154
Total Expenses	<u>676,690</u>	<u>-</u>	<u>676,690</u>
CHANGE IN NET ASSETS	(158,088)	3,742	(154,346)
Net Assets - Beginning of Year	<u>2,071,826</u>	<u>63,251</u>	<u>2,135,077</u>
NET ASSETS - END OF YEAR	<u><u>\$ 1,913,738</u></u>	<u><u>\$ 66,993</u></u>	<u><u>\$ 1,980,731</u></u>

See accompanying Notes to Financial Statements.

**NATIONAL BOWLING HALL OF FAME AND MUSEUM, INC.
DBA: INTERNATIONAL BOWLING MUSEUM AND HALL OF FAME, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (167,539)	\$ (154,346)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	193,110	204,040
Write-off of Uncollectible Pledges	12,242	4,000
Effects of Changes in Operating Assets and Liabilities:		
Due from Related Parties	(2,460)	17,035
Pledges Receivable	(62,711)	14,571
Other Current Assets	(7,882)	(9,739)
Accounts Payable	306	(15,429)
Accrued Liabilities	(158)	1,887
Deferred Revenue	8,455	16,926
Due to Related Parties	(5,029)	(4,798)
Net Cash Provided (Used) by Operating Activities	<u>(31,666)</u>	<u>74,147</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	<u>-</u>	<u>(2,625)</u>
NET INCREASE (DECREASE) IN CASH	(31,666)	71,522
Cash - Beginning of Year	<u>509,699</u>	<u>438,177</u>
CASH - END OF YEAR	<u><u>\$ 478,033</u></u>	<u><u>\$ 509,699</u></u>

See accompanying Notes to Financial Statements.

**NATIONAL BOWLING HALL OF FAME AND MUSEUM, INC.
DBA: INTERNATIONAL BOWLING MUSEUM AND HALL OF FAME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

National Bowling Hall of Fame and Museum, Inc. dba: International Bowling Museum and Hall of Fame, Inc. (IBM&HF) is a nonprofit 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. 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.

Furniture, Fixtures, and Equipment

Furniture, fixtures, and equipment over \$1,000 with a useful life of three years or more are stated at cost and depreciated on the straight-line method over their estimated useful lives, which range from 3 to 15 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. Collections are not depreciated.

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.

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.

**NATIONAL BOWLING HALL OF FAME AND MUSEUM, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

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. There was no allowance for uncollectible pledges recorded as of December 31, 2017 and 2016.

Revenue Recognition

Deferred revenue consists of tournament entry fees. Tournament entry fees are recognized as revenue in the year in which the event is held or the related expenses are incurred.

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.

NOTE 2 PLEDGES RECEIVABLE

Pledges receivable at December 31 are as follows:

	<u>2017</u>	<u>2016</u>
Receivable - Less Than One Year	<u>\$ 68,611</u>	<u>\$ 18,142</u>

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 3 FURNITURE, FIXTURES, AND EQUIPMENT

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

	2017	2016
Furniture, Fixtures, and Equipment	\$ 2,930,590	\$ 2,930,590
Less: Accumulated Depreciation	(1,654,187)	(1,461,077)
Total Net Depreciable Assets	1,276,403	1,469,513
Collections	31,486	31,486
Total Fixed Assets	\$ 1,307,889	\$ 1,500,999

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS

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

	2017	2016
Funds to Allow Students from the Inner City or Underprivileged Areas to Attend the Museum's Educational Programs	\$ 24,630	\$ 24,964
Hometown Heroes Fund	27,274	29,831
John Davis Memorial Fund	5,460	5,991
Satellite Museum Fund	-	5,889
Frame 4 Frame	-	318
Total	\$ 57,364	\$ 66,993

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), International Bowling Campus, LLC (IBC), and IBC Youth Bowling, Inc.(IBCYB)) available to all employees who have reached the age of 21 and completed one month 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 expense was \$5,567 and \$1,832 for the years ended December 31, 2017 and 2016, respectively.

NOTE 6 CONCENTRATIONS

IBM&HF maintains its cash in one commercial bank. Balances on deposit are insured by the Federal Deposit Insurance Corporation up to specified limits. Balances in excess of these limits are uninsured.

**NATIONAL BOWLING HALL OF FAME AND MUSEUM, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 7 RELATED PARTY TRANSACTIONS

IBM&HF leases its facilities from International Bowling Campus, LLC (See Note 8). Included in due to related parties at December 31, 2017 and 2016, are \$3,564 and \$-0-, respectively, due to IBC for operating expenses. IBC contributes rent to IBM&HF. IBM&HF recognizes this in-kind rent as a contribution and rent expense of \$59,184 for each of the years ended December 31, 2017 and 2016.

IBM&HF has a receivable due from BPAA for payments made on behalf of BPAA of \$7,338 and \$4,878 at December 31, 2017 and 2016, respectively. BPAA contributed \$60,912 and \$55,858 to IBM&HF during the years ended December 31, 2017 and 2016, respectively.

IBM&HF has a payable due to USBC for payments made on behalf of IBM&HF of \$11,094 and \$19,687 at December 31, 2017 and 2016, respectively. USBC contributed \$69,204 and \$63,996 to IBM&HF during the years ended December 31, 2017 and 2016, respectively.

NOTE 8 RELATED PARTY LEASE COMMITMENTS

IBM&HF leases its facilities from International Bowling Campus, LLC (which is jointly owned by USBC and BPAA) under a five-year operating lease agreement, which automatically extends at five-year intervals until cancelled by either party, for \$1 per year, plus 18.65% of operating expenses of IBC. IBM&HF is responsible for its share of operating expenses. Further, IBM&HF has leasehold improvements being depreciated through December 2025. Based on the Financial Accounting Standards Board (FASB) definition of lease term, the lease term ends December 2025. Future minimum lease payments under this operating lease are approximately as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2018	\$ 72,000
2019	77,000
2020	82,000
2021	86,100
2022	90,400
Thereafter	299,100
Total	<u>\$ 706,600</u>

NOTE 9 COMMITMENTS

IBM&HF has entered into an agreement to provide room accommodations for its future tournaments. This agreement contains a clause that provides for the loss of revenue to the venue in the event of cancellations or non-performance by IBM&HF. At December 31, 2017, the potential liability to IBM&HF is approximately \$51,000 for this contract through 2018. Based on prior performance, management believes the likelihood of cancellations to be remote.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 10 SUBSEQUENT EVENTS

Management evaluated subsequent events through April 3, 2018, the date the financial statement were available to be issued. Events or transactions occurring after December 31, 2017, but prior to April 3, 2018 that provided additional evidence about conditions that existed at December 31, 2017, have been recognized in the financial statements for the year ended December 31, 2017. Events or transactions that provided evidence about conditions that did not exist at December 31, 2017, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the December 31, 2017.

USBC and BPAA have both provided \$100,000 loans at 0% interest, effective February 1, 2018. Payment is due February 1, 2023.

IBM&HF has entered into a Master Services Agreement, which includes two statements of work. The first statement of work (SOW 1), to create a virtual vault and package and sell the Heritage Naming Rights Platform, is effective February 15, 2018. Required payments are \$200,000 upon acceptance, \$50,000 on January 31, 2019, and \$50,000 on January 31, 2020. The second statement of work (SOW 2) has a 10-year term, starting with the successful sale of the Heritage Naming Rights Platform, as outlined in SOW 1. SOW 2 is to preserve and restore IBM&HF artifacts and could require payments up to \$2,000,000, incurred as \$200,000 a year for 10 years.