

NATIONAL BOWLING HALL OF FAME AND MUSEUM, INC.

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

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019



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**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, 2020 AND 2019**

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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 comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities, functional expenses, 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, 2020 and 2019, 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

Wauwatosa, Wisconsin
March 24, 2021

**NATIONAL BOWLING HALL OF FAME AND MUSEUM, INC.
DBA: INTERNATIONAL BOWLING MUSEUM AND HALL OF FAME, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019**

| | 2020 | 2019 |
|---|--------------|--------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 262,598 | \$ 577,055 |
| Due from Related Parties | 15,183 | 15,260 |
| Pledges Receivable | - | 8,500 |
| Note Receivable, Current Portion | 550 | 244,774 |
| Investments, at Fair Value | 344,007 | - |
| Other Current Assets | 32,176 | 28,408 |
| Total Current Assets | 654,514 | 873,997 |
| NOTE RECEIVABLE , Less Current Portion Above | 264,100 | - |
| FURNITURE, FIXTURES, AND EQUIPMENT , Net | 755,942 | 933,510 |
| Total Assets | \$ 1,674,556 | \$ 1,807,507 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 6,537 | \$ 9,482 |
| Accrued Liabilities | 56,031 | 61,057 |
| Due to Related Parties | 1,782 | - |
| Deferred Revenue | 48,570 | 36,920 |
| Total Current Liabilities | 112,920 | 107,459 |
| NOTES PAYABLE | 182,488 | 174,630 |
| Total Liabilities | 295,408 | 282,089 |
| NET ASSETS | | |
| Without Donor Restrictions | 999,214 | 1,177,519 |
| With Donor Restrictions | 379,934 | 347,899 |
| Total Net Assets | 1,379,148 | 1,525,418 |
| Total Liabilities and Net Assets | \$ 1,674,556 | \$ 1,807,507 |

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, 2020**

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---------------------------------------|---------------------------------------|------------------------------------|---------------------|
| SUPPORT AND REVENUES | | | |
| Museum Operations: | | | |
| Admissions | \$ 7,814 | \$ - | \$ 7,814 |
| Museum Store | 3,874 | - | 3,874 |
| Other Income | 1,938 | - | 1,938 |
| Contributions | 177,204 | 27,376 | 204,580 |
| In-Kind Contributions | 97,892 | - | 97,892 |
| Special Events | 6,325 | - | 6,325 |
| PPP Loan Forgiveness | 30,857 | - | 30,857 |
| Net Investment Return | 44,007 | 18,144 | 62,151 |
| Total | <u>369,911</u> | <u>45,520</u> | <u>415,431</u> |
| Net Assets Released from Restrictions | 13,485 | (13,485) | - |
| Total Support and Revenues | <u>383,396</u> | <u>32,035</u> | <u>415,431</u> |
| EXPENSES | | | |
| Program Activities, Including Museum | | | |
| Store Costs of Sales of \$1,646 | 439,027 | - | 439,027 |
| Management and General | 76,000 | - | 76,000 |
| Fundraising | 46,674 | - | 46,674 |
| Total Expenses | <u>561,701</u> | <u>-</u> | <u>561,701</u> |
| CHANGE IN NET ASSETS | (178,305) | 32,035 | (146,270) |
| Net Assets - Beginning of Year | <u>1,177,519</u> | <u>347,899</u> | <u>1,525,418</u> |
| NET ASSETS - END OF YEAR | <u>\$ 999,214</u> | <u>\$ 379,934</u> | <u>\$ 1,379,148</u> |

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, 2019**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|--------------|
| SUPPORT AND REVENUES | | | |
| Museum Operations: | | | |
| Admissions | \$ 31,615 | \$ - | \$ 31,615 |
| Museum Store | 27,215 | - | 27,215 |
| Contributions | 305,660 | - | 305,660 |
| In-Kind Contributions | 128,430 | - | 128,430 |
| Tournament Entry Fees | 58,740 | - | 58,740 |
| Sponsorship | 17,500 | - | 17,500 |
| Special Events | 20,590 | - | 20,590 |
| Net Investment Return | - | 13,714 | 13,714 |
| Total | 589,750 | 13,714 | 603,464 |
| Net Assets Released from Restrictions | 9,163 | (9,163) | - |
| Total Support and Revenues | 598,913 | 4,551 | 603,464 |
| EXPENSES | | | |
| Program Activities, Including Museum | | | |
| Store Costs of Sales of \$12,750 | 660,917 | - | 660,917 |
| Management and General | 89,184 | - | 89,184 |
| Fundraising | 59,532 | - | 59,532 |
| Total Expenses | 809,633 | - | 809,633 |
| CHANGE IN NET ASSETS | (210,720) | 4,551 | (206,169) |
| Net Assets - Beginning of Year | 1,388,239 | 343,348 | 1,731,587 |
| NET ASSETS - END OF YEAR | \$ 1,177,519 | \$ 347,899 | \$ 1,525,418 |

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 FUNCTIONAL EXPENSES
 YEAR ENDED DECEMBER 31, 2020**

| | Program | Management and General | Fundraising | Total |
|-----------------------------------|-------------------|---------------------------|------------------|-------------------|
| Salaries and Benefits | \$ 75,700 | \$ 37,535 | \$ 37,326 | \$ 150,561 |
| Professional Services | 26,789 | 18,891 | - | 45,680 |
| Exhibits | 7,376 | - | - | 7,376 |
| Food and Beverage | 102 | 34 | 204 | 340 |
| Merchandise | 1,646 | - | - | 1,646 |
| Postage and Freight | 1,658 | 442 | 111 | 2,211 |
| Facilities | 57,102 | 4,284 | - | 61,386 |
| Equipment Maintenance and Repairs | 10,790 | 541 | - | 11,331 |
| Depreciation | 189,840 | 5,871 | - | 195,711 |
| Office Supplies | 4,125 | 1,100 | 275 | 5,500 |
| Printing | 906 | 242 | 60 | 1,208 |
| Travel | 2,933 | 1,128 | 451 | 4,512 |
| Insurance | 25,672 | 2,852 | - | 28,524 |
| Advertising and Promotion | 22,452 | 2,190 | 2,737 | 27,379 |
| Fundraising | - | - | 5,339 | 5,339 |
| Miscellaneous | 11,936 | 890 | 171 | 12,997 |
| Total Expenses by Function | <u>\$ 439,027</u> | <u>\$ 76,000</u> | <u>\$ 46,674</u> | <u>\$ 561,701</u> |

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 FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

| | Program | Management and General | Fundraising | Total |
|-----------------------------------|-------------------|---------------------------|------------------|-------------------|
| Salaries and Benefits | \$ 73,154 | \$ 36,383 | \$ 36,254 | \$ 145,791 |
| Professional Services | 127,977 | 26,434 | - | 154,411 |
| Awards | 22,690 | - | - | 22,690 |
| Prizes | 25,000 | - | - | 25,000 |
| Exhibits | 245 | - | - | 245 |
| Food and Beverage | 3,668 | 1,223 | 7,337 | 12,228 |
| Merchandise | 13,339 | - | - | 13,339 |
| Postage and Freight | 4,746 | 1,266 | 316 | 6,328 |
| Facilities | 60,342 | 4,270 | - | 64,612 |
| Equipment Maintenance and Repairs | 13,298 | 799 | - | 14,097 |
| Depreciation | 191,403 | 5,920 | - | 197,323 |
| Office Supplies | 4,336 | 1,156 | 289 | 5,781 |
| Printing | 4,013 | 1,070 | 268 | 5,351 |
| Travel | 55,399 | 5,060 | 2,024 | 62,483 |
| Insurance | 16,916 | 1,880 | - | 18,796 |
| Advertising and Promotion | 27,727 | 2,668 | 3,322 | 33,717 |
| Fundraising | - | - | 9,467 | 9,467 |
| Lineage and Construction | 4,000 | - | - | 4,000 |
| Miscellaneous | 12,664 | 1,055 | 255 | 13,974 |
| Total Expenses by Function | <u>\$ 660,917</u> | <u>\$ 89,184</u> | <u>\$ 59,532</u> | <u>\$ 809,633</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, 2020 AND 2019**

| | 2020 | 2019 |
|--|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ (146,270) | \$ (206,169) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities | | |
| Depreciation | 195,711 | 197,323 |
| Imputed Interest Expense | 7,858 | 7,520 |
| Net Realized and Unrealized Gains on Investments | (44,007) | - |
| Effects of Changes in Operating Assets and Liabilities: | | |
| Due from Related Parties | 77 | (9,060) |
| Pledges Receivable | 8,500 | (8,500) |
| Other Current Assets | (3,768) | 3,030 |
| Accounts Payable | (2,945) | (5,133) |
| Accrued Liabilities | (5,026) | 51,893 |
| Deferred Revenue | 11,650 | (2,501) |
| Due to Related Parties | 1,782 | (6,378) |
| Net Cash Provided by Operating Activities | 23,562 | 22,025 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Investments | (312,751) | - |
| Proceeds from Sales of Investments | 12,751 | - |
| Purchase of Furniture, Fixtures, and Equipment | (18,143) | - |
| Issuance of Note Receivable | (265,000) | (250,000) |
| Principal Payments on Note Receivable | 245,124 | 5,226 |
| Net Cash Used by Investing Activities | (338,019) | (244,774) |
| NET DECREASE IN CASH | (314,457) | (222,749) |
| Cash - Beginning of Year | 577,055 | 799,804 |
| CASH - END OF YEAR | \$ 262,598 | \$ 577,055 |

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, 2020 AND 2019**

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.

Investments

Investments are reported at fair value. Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses on investments are included in the statements of activities as net investment return, net of investment fees.

Risks and Uncertainties

IBM&HF utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect IBM&HF's account balances and the amounts reported in the financial statements.

During the year ended December 31, 2020 the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to IBM&HF, operations were impacted due to the COVID-19 pandemic. Tournaments and events were cancelled, and the International Bowling Museum and Hall of Fame closed for part of the year, resulting in reduced revenues and related expenses. Management believes IBM&HF is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2020.

**NATIONAL BOWLING HALL OF FAME AND MUSEUM, INC.
DBA: INTERNATIONAL BOWLING MUSEUM AND HALL OF FAME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Note Receivable

Note receivable consists of IBM&HF's share of mortgage notes receivable that IBM&HF has loaned to individuals. The note is considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. IBM&HF's practice is to charge off any note or portion of a note when the note is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, or for other reasons.

In May 2020, IBM&HF loaned an individual \$265,000 at 9.0% interest. The note receivable matures in April 2023. The short-term portion of the note receivable is classified as current, and the long-term portion is classified as non-current on the statement of financial position as of December 31, 2020. In July 2019, IBM&HF loaned an individual \$250,000 at 9.4% interest. The note receivable was paid in full in January 2020 and is classified as current on the statement of financial position as of December 31, 2019. No allowance for uncollectible note receivable is recorded as of December 31, 2020 and 2019. Interest revenue of \$18,144 and \$13,714 was recognized in the statement of activities as net investment return with donor restrictions for the years ending December 31, 2020 and 2019, respectively.

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. IBM&HF's collections policy requires that the proceeds from the deaccessioning of collections be used for acquisition to the collections or direct care of the collections. IBM&HF defines direct care as activities that invest in the existing collections by enhancing their life, usefulness or quality and thereby ensuring they will continue to benefit the public. Direct care activities include an allocable share of salaries for staff engaged in direct care, as well as direct care activities contracted to outside vendors and materials, equipment, systems, and facilities used in connection with direct care activities.

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.
DBA: INTERNATIONAL BOWLING MUSEUM AND HALL OF FAME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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 net assets with donor restrictions. The net assets of IBM&HF and changes therein are classified and reported as follows:

Without Donor Restrictions – These represent net assets that are not subject to external donor-imposed restrictions.

With Donor Restrictions – These represent net assets that are subject to donor-imposed time and/or purpose restrictions that have not been met (see Note 7).

Contributions

Contributions, including unconditional promises to give, are recorded when received. All contributions are available for general 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 without donor restricted 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, 2020 and 2019.

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.

In addition, revenues under sponsorship agreements are being recognized based on the terms of the related contracts. Deferred revenue is recognized monthly over the term of the contract.

Special event revenue is recognized when the events are held.

**NATIONAL BOWLING HALL OF FAME AND MUSEUM, INC.
DBA: INTERNATIONAL BOWLING MUSEUM AND HALL OF FAME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include facilities and depreciation, which is allocated on a square footage basis, as well as salaries and benefits, professional services, food and beverage, postage and freight, equipment maintenance and repairs, depreciation, office supplies, printing, travel, insurance, advertising and promotion, and miscellaneous expenses, which are allocated on the basis of estimates of time and effort.

Adoption of New Accounting Principle

In March 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2019-03, *Updating the Definition of Collections*, which was issued to improve consistency in reporting among organizations that maintain collections. The ASU modifies the definition of the term *collections* and requires that a collection-holding entity disclose its policy from the use of proceeds from when collection items are deaccessioned (that is, removed from a collection). If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it should disclose its definition of *direct care*. IBM&HF's financial statements reflect the application of ASU 2019-03 during the year ended December 31, 2020. The implementation of this standard did not significantly impact IBM&HF's financial statements.

Recent Accounting Guidance

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which is expected to increase transparency and comparability among organizations. The core principle of this guidance is that a lessee should recognize the assets and liabilities that arise from leases. The standard requires lessees to reflect most leases on their balance sheet as lease liabilities with a corresponding right-of-use asset, while leaving presentation of lease expense in the statement of income largely unchanged. The standard also eliminates the real-estate specific provisions that exist under current U.S. GAAP and modifies the classification criteria and accounting which lessors must apply to sales-type and direct financing leases. In June 2020, the FASB approved the delay of the effective date of ASU 2016-02 through issuance of ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*. The lease guidance is now effective for IBM&HF's year ending December 31, 2022. Management will be evaluating the effects of the new standard.

**NATIONAL BOWLING HALL OF FAME AND MUSEUM, INC.
DBA: INTERNATIONAL BOWLING MUSEUM AND HALL OF FAME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2 LIQUIDITY AND AVAILABILITY

IBM&HF's liquidity goal is to have sufficient assets available to meet operational expenditures for a 12-month period. IBM&HF regularly reviews the liquidity required to meet operational expenditures. The primary forms of funds available include cash and expected collections of accounts and pledges receivable.

For the purpose of analyzing available resources, IBM&HF reviews assets not covered by donor restrictions or restricted for future use. As of December 31, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|-------------------|
| Cash | \$ 262,598 | \$ 577,055 |
| Due from Related Parties | 15,183 | 15,260 |
| Pledges Receivable | - | 8,500 |
| Note Receivable, Current Portion | 550 | 244,774 |
| Investments, at Fair Value | <u>344,007</u> | <u>-</u> |
| Total | 622,338 | 845,589 |
| Less: Amounts Not Available to be Used Within | | |
| One Year Due to Donor Restrictions | <u>(379,934)</u> | <u>(347,899)</u> |
| Financial Assets Available to Meet General | | |
| Expenditures Within One Year | <u>\$ 242,404</u> | <u>\$ 497,690</u> |

Further, IBM&HF relies on the continued support of related parties. See Note 10 for past giving from related organizations that will be relied upon for future operations.

NOTE 3 INVESTMENTS

Investments consist of the following at December 31:

| | <u>2020</u> | <u>2019</u> |
|--------------------|-------------------|-------------|
| Investments: | | |
| Money Market Funds | \$ 5,001 | \$ - |
| Mutual Funds | <u>339,006</u> | <u>-</u> |
| Total | <u>\$ 344,007</u> | <u>\$ -</u> |

**NATIONAL BOWLING HALL OF FAME AND MUSEUM, INC.
DBA: INTERNATIONAL BOWLING MUSEUM AND HALL OF FAME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 4 FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That 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 under accounting principles generally accepted in the United States of America 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 entity 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.

Following is a description of the valuation methodologies used at December 31, 2020 for assets measured at fair value.

Money Market Funds: Are valued at cost which approximates fair value.

Mutual Funds: Are valued at quoted market prices, which represent the net asset value of shares held by IBM&HF at year-end.

**NATIONAL BOWLING HALL OF FAME AND MUSEUM, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, IBM&HF's assets at fair value at December 31, 2020:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--------------------|-------------------|----------------|----------------|-------------------|
| Money Market Funds | \$ - | \$ 5,001 | \$ - | \$ 5,001 |
| Mutual Funds: | | | | |
| Fixed Income | 127,022 | - | - | 127,022 |
| Large Cap Growth | 211,984 | - | - | 211,984 |
| | <u>\$ 339,006</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 344,007</u> |

NOTE 5 PLEDGES RECEIVABLE

Pledges receivable at December 31 are as follows:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------|-------------|-----------------|
| Receivable - Less Than One Year | <u>\$ -</u> | <u>\$ 8,500</u> |

NOTE 6 FURNITURE, FIXTURES, AND EQUIPMENT

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

| | <u>2020</u> | <u>2019</u> |
|------------------------------------|--------------------|--------------------|
| Furniture, Fixtures, and Equipment | \$ 2,969,202 | \$ 2,951,059 |
| Less: Accumulated Depreciation | <u>(2,244,746)</u> | <u>(2,049,035)</u> |
| Total Net Depreciable Assets | 724,456 | 902,024 |
| Collections | <u>31,486</u> | <u>31,486</u> |
| Total Fixed Assets, Net | <u>\$ 755,942</u> | <u>\$ 933,510</u> |

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31:

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| Funds to Allow Students from the Inner City or Underprivileged Areas to Attend the Museum's Educational Programs | \$ 24,481 | \$ 24,630 |
| Hometown Heroes Fund | 31,193 | 30,368 |
| John Davis Memorial Fund | - | 3,817 |
| Daroll & Dolores Frewing College Scholarship Fund | 306,748 | 263,714 |
| Restricted Due to Time | <u>17,512</u> | <u>25,370</u> |
| Total | <u>\$ 379,934</u> | <u>\$ 347,899</u> |

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NOTE 8 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 \$2,096 and \$1,292 for the years ended December 31, 2020 and 2019, respectively.

NOTE 9 REVENUE

The following tables shows IBM&HF's revenue disaggregated according to the timing of the transfer of goods or services at December 31:

| Revenue Recognized at a Point in Time: | 2020 | 2019 |
|---|-----------|------------|
| Admissions | \$ 7,814 | \$ 31,615 |
| Museum Store | 3,874 | 27,215 |
| Other Income | 1,938 | - |
| Tournament Entry Fees | - | 58,740 |
| Special Events | 6,325 | 20,590 |
| Total Revenue Recognized at a Point in Time | \$ 19,951 | \$ 138,160 |
| | | |
| Revenue Recognized Over Time: | | |
| Sponsorship | \$ - | \$ 17,500 |

NOTE 10 RELATED PARTY TRANSACTIONS

IBM&HF leases its facilities from International Bowling Campus, LLC (see Note 11). Included in due to related parties at December 31, 2020 and 2019, are \$1,782 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, 2020 and 2019.

IBM&HF has a receivable due from BPAA for payments made on behalf of BPAA of \$13,884 and \$11,154 at December 31, 2020 and 2019, respectively. BPAA contributed \$83,872 and \$72,896 to IBM&HF during the years ended December 31, 2020 and 2019, respectively.

IBM&HF has a receivable due from USBC for payments made on behalf of USBC of \$1,299 and \$4,106 at December 31, 2020 and 2019, respectively. USBC contributed \$72,534 and \$81,034 to IBM&HF during the years ended December 31, 2020 and 2019, respectively.

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NOTE 10 RELATED PARTY TRANSACTIONS (CONTINUED)

Effective February 1, 2018, USBC and BPAA each provided IBM&HF a \$100,000 loan at 0% interest. Full payment of both loans is due February 1, 2023. Imputed interest expense is included on the statement of activities in the amount of \$7,858 and \$7,520 for the years ended December 31, 2020 and 2019, respectively. The rate used to calculate the imputed interest for both of the loans is 4.5%. The two outstanding loans are presented on the statement of financial position as notes payable, net of an unamortized discount of \$17,512 and \$25,370 as of December 31, 2020 and 2019, respectively.

NOTE 11 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. Lease is contributed as an in-kind gift, as noted in Note 10. Further, IBM&HF has leasehold improvements being depreciated through December 2025. Based on the 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> |
|--------------------------------|-------------------|
| 2021 | \$ 86,100 |
| 2022 | 90,400 |
| 2023 | 94,900 |
| 2024 | 99,600 |
| 2025 | 104,600 |
| Total | <u>\$ 475,600</u> |

NOTE 12 COMMITMENTS AND CONTINGENCIES

Commitments

IBM&HF has entered into an agreement to provide room accommodations for its future tournaments in 2021, 2022, and 2023. Committed amounts related to these agreements are approximately \$73,000 at December 31, 2020.

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NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Commitments (Continued)

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. IBM&HF made the initial required payment of \$200,000 during the year ended December 31, 2019 and is still obligated to pay the two remaining \$50,000 payments as of the report date. The \$50,000 due on January 31, 2019 is included in accrued liabilities on the statement of financial position as of December 31, 2020 and 2019. During the year ended December 31, 2020, the \$50,000 due on January 31, 2020 has not been paid or recognized in the statement of activities due to the failure of meeting certain performance obligations stipulated in SOW 1. 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 per year for 10 years.

Contingencies

During the years ended December 31, 2020 and 2019, IBM&HF awarded \$25,000 and \$-0- in scholarships as part of the Daroll & Dolores Frewing College Scholarship Fund, respectively. These scholarships carry certain conditions that must be met in order for disbursement to occur. At December 31, 2020 and 2019, awarded scholarships with unsatisfied conditions were \$25,000 and \$-0-, respectively. IBM&HF recognized no scholarship expense related to the Daroll & Dolores Frewing College Scholarship Fund during the years ended December 31, 2020 and 2019.

NOTE 13 PAYCHECK PROTECTION PROGRAM LOAN

On April 7, 2020, IBM&HF received proceeds from JPMorgan Chase Bank in the amount of \$30,857 to fund payroll, rent, and utilities through the Paycheck Protection Program (the "PPP Loan"). The PPP loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the CARES Act. Therefore, IBM&HF has classified this loan as a conditional contribution for accounting purposes. IBM&HF recognized \$30,857 of PPP Loan Forgiveness related to this agreement during the year ended December 31, 2020, which represents the portion of the PPP Loan funds for which the performance barriers have been met. The SBA has not formally forgiven any portion of IBM&HF's obligation under this PPP Loan. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if IBM&HF fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. If the SBA determines that a portion of the PPP Loan proceeds will not be forgiven, IBM&HF would be obligated to repay those funds to the SBA at an interest rate of 0.98% over a period of two years, with payments deferred for up to six months. To the extent that all or part of the PPP Loan is not forgiven, IBM&HF will be required to pay interest on the PPP Loan at a rate of 0.98% per annum, and commencing in October 2020, principal and interest payments will be required through the maturity date in April 2022.

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NOTE 13 PAYCHECK PROTECTION PROGRAM LOAN (CONTINUED)

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on IBM&HF's financial position.

NOTE 14 SUBSEQUENT EVENTS

Management evaluated subsequent events through March 24, 2021, the date the financial statement were available to be issued. Events or transactions occurring after December 31, 2020, but prior to March 24, 2021 that provided additional evidence about conditions that existed at December 31, 2020, have been recognized in the financial statements for the year ended December 31, 2020. Events or transactions that provided evidence about conditions that did not exist at December 31, 2020, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the December 31, 2020.

Subsequent to year-end, the COVID-19 pandemic continues to impact IBM&HF's operations. Operations have been impacted through March 24, 2021 and will continue to be evaluated as the pandemic continues. The impact is not included in the financial statements as of and for the year ended December 31, 2020.