

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

**FINANCIAL STATEMENTS
December 31, 2013**

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Independent Auditors' Report

Board of Trustees

National Bowling Hall of Fame and Museum, Inc.

d/b/a International Bowling Museum and Hall of Fame, Inc.

Arlington, Texas

We have audited the accompanying financial statements of the National Bowling Hall of Fame and Museum, Inc. d/b/a International Bowling Museum and Hall of Fame, Inc., which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and cash flows for the seventeen month period 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 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 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.

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, Inc. as of December 31, 2013, and the results of its operations and its cash flows for the seventeen month period then ended in accordance with accounting principles generally accepted in the United States of America.

Clifton Larson Allen LLP

Milwaukee, Wisconsin
June 11, 2014

NATIONAL BOWLING HALL OF FAME AND MUSEUM, INC.
d/b/a INTERNATIONAL BOWLING MUSEUM AND HALL OF FAME, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2013

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	581,002
Accounts receivable		34,092
Pledges receivable - current portion, net of allowance for doubtful accounts of \$20,917		54,723
Other current assets		<u>12,305</u>

Total current assets 682,122

PLEDGES RECEIVABLES, less current portion above 53,856

FURNITURE, FIXTURES, AND EQUIPMENT, net 2,108,445

TOTAL ASSETS \$ 2,844,423

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued liabilities	\$	43,305
Due to related parties		<u>284,742</u>

TOTAL LIABILITIES 328,047

NET ASSETS

Unrestricted		2,438,760
Temporarily restricted		<u>77,616</u>

Total net assets 2,516,376

TOTAL LIABILITIES AND NET ASSETS \$ 2,844,423

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, INC.
STATEMENT OF ACTIVITIES
Seventeen Month Period Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES			
Museum operations			
Admissions	\$ 33,906	\$ -	\$ 33,906
Museum store	24,963	-	24,963
Contributions	315,691	43,531	359,222
Tournament entry fees	54,535	-	54,535
Sponsorship	63,077	-	63,077
Salute to Champions auction, net of donor direct expenses of \$11,435	20,125	-	20,125
Interest	513	-	513
Miscellaneous	8,339	-	8,339
	521,149	43,531	564,680
 Net assets released from restrictions	 4,829	 (4,829)	 -
 Total support and revenues	 525,978	 38,702	 564,680
 EXPENSES			
Program activities, including museum store costs of sales of \$15,690	615,239	-	615,239
Management and general	61,711	-	61,711
Fundraising	169,388	-	169,388
	846,338	-	846,338
 CHANGE IN NET ASSETS	 (320,360)	 38,702	 (281,658)
 NET ASSETS, BEGINNING OF YEAR	 2,759,120	 38,914	 2,798,034
 NET ASSETS, END OF YEAR	 <u>\$ 2,438,760</u>	 <u>\$ 77,616</u>	 <u>\$ 2,516,376</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, INC.
STATEMENT OF CASH FLOWS
For the Seventeen Month Period Ended December 31, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (281,658)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	288,327
Effects of changes in operating assets and liabilities	
Accounts receivable	(4,833)
Pledges receivable	98,333
Other current assets	(5,745)
Accounts payable and accrued liabilities	10,117
Due to related parties	<u>105,665</u>
Net cash provided by operating activities	210,206
CASH FLOWS FROM INVESTING ACTIVITIES	
Net proceeds from certificates of deposit	30,694
Interest income from certificates of deposit	<u>513</u>
Net cash provided by operating activities	<u>31,207</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	241,413
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>339,589</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 581,002</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, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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, Inc. (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. During 2013, IBM&HF changed its fiscal year end from July 31 to December 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, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013**

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, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013**

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 2010, 2011 and 2012 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 December 31, 2013 are as follows:

Receivable in less than one year	\$ 75,640
Receivable in one to five years	53,856
Less: Allowance for doubtful accounts	<u>(20,917)</u>
Total pledges receivable	<u>\$ 108,579</u>

NOTE 3 - FURNITURE, FIXTURES, AND EQUIPMENT

Furniture, fixtures, and equipment consist of the following at December 31, 2013:

Equipment, furniture, fixtures and exhibits	\$ 2,926,854
Less accumulated depreciation	<u>(849,895)</u>
	2,076,959
Collections	<u>31,486</u>
Total	<u>\$ 2,108,445</u>

NATIONAL BOWLING HALL OF FAME AND MUSEUM, INC
d/b/a INTERNATIONAL BOWLING MUSEUM AND HALL OF FAME, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2013:

Scholarships to allow students from the inner city or underprivileged areas to attend the museum's educational programs	\$ 34,085
Hometown Heros fund	28,350
John Davis Memorial fund	<u>15,181</u>
Total	<u>\$ 77,616</u>

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 expense was \$4,693 for the seventeen month period ended December 31, 2013.

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 International Bowling Campus, 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 due to related parties at December 31, 2013 is \$195,510, due to International Bowling Campus, LLC for operating expenses.

IBM&HF has a payable due to BPAA for payments made on behalf of IBM&HF of \$3,522 at December 31, 2013.

NATIONAL BOWLING HALL OF FAME AND MUSEUM, INC
d/b/a INTERNATIONAL BOWLING MUSEUM AND HALL OF FAME, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 6 - RELATED PARTIES (continued)

BPAA contributed \$50,000 to IBM&HF during the seventeen month period ended December 31, 2013.

Contemporary Bowling Association contributed \$30,000 to IBM&HF during the seventeen month period ended December 31, 2013.

IBM&HF has a payable due to USBC for payments made on behalf of IBM&HF of \$85,710 at December 31, 2013.

Outstanding pledges from Board of Trustee members totaled \$4,000 as of December 31, 2013.

NOTE 7 - SUBSEQUENT EVENTS

Management evaluated subsequent events through June 11, 2014, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2013, but prior to June 11, 2014 that provided additional evidence about conditions that existed at December 31, 2013, have been recognized in the financial statements for the seventeen month period ended December 31, 2013. Events or transactions that provided evidence about conditions that did not exist at December 31, 2013, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the seventeen month period ended December 31, 2013.

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