NATIONAL BASKETBALL RETIRED PLAYERS ASSOCIATION, INC. AND SUBSIDIARY

FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NATIONAL BASKETBALL RETIRED PLAYERS
ASSOCIATION AND SUBSIDIARY

DECEMBER 31, 2011 AND 2010

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Weltman Bernfield LLC
Certified Public Accountants
485 E Half Day Road, Suite 250
Buffalo Grove, IL 60089-8806

Independent Auditors' Report

Board of Directors
National Basketball Retired Players
Association, Inc. and Subsidiary
Chicago, Illinois

We have audited the accompanying statement of financial position of the National Basketball Retired Players Association, Inc. and Subsidiary (the "Association") as of December 31, 2011 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying financial statements as of and for the year ended December 31, 2010 were audited by other auditors whose report thereon dated January 13, 2012, expressed an unqualified opinion on such statements.

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 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 audit provides 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 Basketball Retired Players Association, Inc. and Subsidiary as of December 31, 2011 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Weltman Bernfield LLC

October 13, 2012

Tel: 847-941-0100 Fax: 847-941-0101 Website: www.weltmanbernfield.com

NATIONAL BASKETBALL RETIRED PLAYERS ASSOCIATION, INC. AND SUBSIDIARY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010

	2011	2010
Assets		
Cash and cash equivalents	$ 1,380,652	$ 1,113,891
Accounts receivable	500,000	500,000
Prepaid expenses	-	3,903
Investments	5,023	77,728
Equipment, net	71,708	31,758
Other assets	2,500	21,733
Total assets	$ 1,959,883	$ 1,749,013
Liabilities		
Accounts payable and accrued expenses	$ 29,290	$ 50,659
Total liabilities	29,290	50,659
Net assets		
Unrestricted	1,930,593	1,698,354
Total liabilities and net assets	$ 1,959,883	$ 1,749,013

See accompanying notes to financial statements.

NATIONAL BASKETBALL RETIRED PLAYERS
ASSOCIATION, INC. AND SUBSIDIARY
STATEMENT OF ACTIVITIES
DECEMBER 31, 2011 AND 2010

	2011	2010
Revenue and support		
Contributions	$ 1,525,000	$ 1,324,081
Sponsorship income	215,048	165,233
Membership dues	63,250	102,450
Special event income	465,475	100,154
Other income	16,196	29,549
Interest income	4,074	4,009
Total revenue and support	2,289,043	1,725,476
Expenses		
Salaries and wages	407,282	501,742
Employee benefits	65,951	91,641
Payroll taxes	37,812	38,354
Professional fees - accounting	23,190	24,000
Professional fees - legal	45,596	80,827
Professional fees - consulting	16,455	76,801
Professional fees - executive director search	46,279	-
Settlement expense	12,500	-
Commissions	37,877	23,288
Program expenses	10,186	9,458
Appearance fees	34,095	-
Scholarship expense	84,410	61,900
Charitable donations	5,600	73,870
Telephone	18,460	17,544
Moving expenses	22,678	-
Postage and shipping	10,301	7,340
Occupancy - rent	359,098	96,361
Occupany - utilities	21,268	16,056
Office expense	27,545	30,421
Printing and publication	1,328	20,869
Travel	48,576	165,693
Special event expense	697,111	362,656
Depreciation	9,762	7,378
Insurance	13,444	15,764
Total expenses	2,056,804	1,721,963
Increase in net assets	232,239	3,513
Net assets - beginning	1,698,354	1,694,841
Net assets - ending	$ 1,930,593	$ 1,698,354

See accompanying notes to financial statements.

NATIONAL BASKETBALL RETIRED PLAYERS
ASSOCIATION, INC. AND SUBSIDIARY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Cash flows from operating activities:		
Increase in net assets	$ 232,239	$ 3,513
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation	9,762	7,378
Interest on investments		(383)
Change in operating assets and liabilities:		
Prepaid expenses	3,903	(3,903)
Other assets	19,233	(21,733)
Accounts payable and accrued expenses	(21,369)	(67,087)
Net cash provided by (used in) operating activities	243,768	(82,215)
Cash flows from investing activities:		
Purchase of equipment	(49,712)	(25,190)
Proceeds from sale of investments	72,705	-
Net cash used in investing activities	22,993	(25,190)
Net increase (decrease) in cash and cash equivalents	266,761	(107,405)
Cash and cash equivalents, beginning of year	1,113,891	1,221,296
Cash and cash equivalents, end of year	$ 1,380,652	$ 1,113,891

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and nature of operations

The National Basketball Retired Players Association, Inc. ("NBRPA") is a not-for-profit organization, organized in the State of New York. NBRPA's primary mission is to provide benefits and services to former professional basketball players of the National and American Basketball Associations and the Harlem Globetrotters as well as to provide scholarships and help other charitable activities throughout the world.

NBRPA Marketing, Inc. ("Marketing") is a wholly owned subsidiary of NBRPA. Marketing receives royalties from the sale of merchandise and from various other activities and distributes to the retired players.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of NBRPA and Marketing (collectively referred to as the "Association"). All material intercompany transactions and balances have been eliminated in consolidation.

Accounting method

The financial statements of the Association are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation

The Association prepares its financial statements in accordance with FASB Accounting Standards Codification, *Accounting for Contributions Received and Made*, and *Financial Statements of Not-for-Profit Organizations. Financial Statements of Not-for-Profit Organizations* establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are received. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. *Accounting for Contributions Received and Made* requires that unconditional promises to give be recorded as receivables and revenue and requires the organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions.

Unrestricted net assets – this category includes resources which are not subject to donor imposed restrictions. Currently, all net assets of the Association are classified as unrestricted.

Temporarily restricted net assets – net assets that represent those amounts which are donor restricted for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Association has no temporarily restricted net assets as of December 31, 2011 and 2010.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or part of the income earned on related investments for general or specific purposes. The Association has no permanently restricted net assets as of December 31, 2011 and 2010.

Cash equivalents

The Association considers all highly liquid investing instruments purchased with an original maturity of three months or less to be cash equivalents.

Accounts receivable and allowance for doubtful accounts

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management as used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Write offs are determined on a case by case basis. There is no allowance for doubtful accounts as of December 31, 2011 and 2010.

Revenue and support recognition

Contributions are recognized as revenue and receivables when they are received or unconditionally pledged. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if the donor restriction is satisfied during the accounting period in which the gift was received, the gifts are reported as unrestricted contributions in the statement of activities.

The Association accounts for contract and grant revenue, which are exchange transactions, in the statement of activities to the extent that expenses have been incurred for the purpose specified by the grantor during the period. In applying this concept, the legal and contractual requirements of each individual program are used as guidance. All amounts not expended in accordance with the grant or contracts are recorded as a liability to the grantor as the Association does not maintain any equity in the grant or contract.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The Association follows FASB Accounting Standards Codification *Accounting for Certain Investments held by Not-for-Profit Organizations.* Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial positions. Unrealized gains and losses are included in the change in net assets. The Association accounts for donated investments at their fair values as of the date of contribution. Investment income or loss (including interest and dividends) and gain on sale of investments are included in the statement of activities unless the income or loss is restricted by donor or law.

Fair value measurements

The Association uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures of investments in debt and equity securities that are classified as available-for-sale and derivatives financial instruments on a recurring basis.

The Fair Value Measurements Topic of the FASB Accounting Standards Codifications defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements for fair value measurements. The disclosures required under this topic have been included in this note.

Fair value hierarchy

The Fair Value Measurements topic of the FASB Accounting Standards Codification establishes 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Determination of fair value

Under the Fair Value Measurements Topic of the FASB Accounting Standards Codification, the Association bases its fair value on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is the Association's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy. Fair value measurements for assets and liabilities where there exists limited or no observable market data and, therefore, are based primarily upon management's own estimates, are often calculated based on current pricing policy, the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimated of future cash flows, that could significantly affect the results of current or future value.

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value and for estimating fair value for financial instruments not recorded at fair value.

The carrying amounts of cash and cash equivalents, accounts receivable, other current assets, accounts payable and accrued expenses approximate fair value because of the short term maturity of these instruments.

Property and equipment

Property and equipment are recorded at cost when purchased or at fair value at date of gift when received by donation. Depreciation is provided for by the straight-line method over the estimated useful lives of the assets. Expenditures for minor repairs and maintenance are charged to expense as incurred. Gifts of long-lived assets are reported as an increase in unrestricted net assets, unless there are explicit restrictions that specify how the assets are to be used. Proceeds from the sale of fixed assets, if unrestricted, are transferred to unrestricted net assets, or, if restricted, to deferred amounts restricted for fixed asset acquisitions.

At December 31, 2011, depreciation for income tax purposes exceeded depreciation for financial statement purposes by approximately $54,000.

The Association continually evaluates whether current events or circumstances warrant adjustments to the carrying value or estimated useful lives of fixed assets in accordance with the provisions of *Accounting for the Impairment or Disposal of Long- Lived Assets.*

Income taxes

NBRPA is recognized by the Internal Revenue Service as a nonprofit organization under Internal Revenue Code Section 501(c)(3) and is thereby exempt from federal and state income taxes. Management has stated that all required informational tax returns will be filed and applicable taxes paid in a timely manner.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

Marketing has elected to be treated as a C Corporation for federal and state tax purposes and is therefore subject to income taxes. However, Marketing has an available net operating loss carry-forward available to offset any anticipated income, therefore management has not provided for an accrual of taxes as of December 31, 2011 and 2010.

Effective December 15, 2009, the Association adopted FASB Accounting Standards Codification, *Income Taxes.* The standard prescribes a minimum recognition threshold and measurement methodology that a tax position is taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition as they relate to those tax positions. The cumulative effect of this change in accounting principle was immaterial.

In assessing the realizability of deferred tax assets, Marketing considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable incomeduring the periods in which those temporary differences become deductible.

Marketing considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that we will realize the benefits of these deductible differences, net of the existing valuation allowances.

Marketing recognizes interest and penalties related to unrecognized tax benefits within the provision for income taxes on continuing operations in the statement of operations.

The Association does not expect a significant increase or decrease to the total amounts of unrecognized tax positions during the year ended December 31, 2011. However, NBRPA is subject to regular audit by tax authorities. NBRPA believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

NBRPA files federal information return – Form 990 with the Internal Revenue Service and the CHAR500 with the New York State Department of Taxation and Finance. NBRPA is not longer subject to tax examination by the IRS for federal tax returns filed before 2008. NBRPA is no longer subject to tax examination by the New York State Department of Taxation and Finance for state tax returns filed before 2008.

Marketing files Form 1120 with the IRS and state income tax returns with the New York State Department of Taxation and Finance. Marketing is no longer subject to tax examination by the IRS for federal tax returns filed before 2008. Marketing is no longer subject to tax examination by the New York State Department of Taxation and Finance for state tax returns filed before 2008.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 disclosures of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Subsequent events

Management has reviewed subsequent events and transactions that occurred after December 31, 2011 through the date of the auditors' report and the date of issuance. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no unrecognized subsequent events that require additional disclosure.

Donated services

The Board of Directors makes significant contributions of time relative to general management and operations of the Association. The value of this contributed time is not reflected in these financial statements since it does not meet criteria for recognition under U.S. generally accepted accounting principles.

Concentrations of credit risk

The Association maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk related to cash.

2. INVESTMENTS

Investments are stated at readily determinable fair values and are comprised of the following:

	December 31, 2011		
	Cost	Market Value (Level I)	Unrealized Appreciation (Depreciation)
Investments	$ 5,023	$ 5,023	$ 0
	$ 5,023	$ 5,023	$ 0

	December 31, 2010		
	Cost	Market Value (Level I)	Unrealized Appreciation (Depreciation)
Certificates of deposit	$ 71,840	$ 77,728	$ 5,888
	$ 71,840	$ 77,728	$ 5,888

	December 31,	
	2011	2010
Beginning balance	$ 77,728	$ 74,345
Interest income and transactions	(72,705)	383
Ending balance	$ 5,023	$ 77,728

3. EQUIPMENT

Equipment and the related estimated useful lives at December 31, 2011 and 2010 consist of the following:

Assets	Estimated Useful Life (Years)	2011	2010
Computers and equipment	5	$ 95,959	$ 46,247
Less accumulated depreciation		24,251	14,489
		$ 71,708	$ 31,758

Depreciation expense charged to operations for the years ended December 31, 2011 and 2010 was $9,763 and $7,378, respectively.

4. GROUP LICENSING AGREEMENT

Effective October 1, 2004 NBRPA – Marketing, Inc. entered into a Group Licensing Agreement (GLA) with NBA Properties, Inc. Under the GLA, the Association has granted to NBA Properties, Inc. the exclusive rights to use or to grant third parties the right to use the Group License in any form of media throughout the territory defined in the agreement, with respect to all "Players" who are or become members of NBRPA. NBA Properties, Inc. is required to pay a fee for player merchandise revenue as determined by the agreement to The Association which is then passed on to the member. Additionally, members are required to make annual appearances for which fees are earned; the fees are paid to NBRPA and passed through to the members.

Under the GLA, NBA Properties Inc. guarantees an annual contribution of $1,000,000 to NBRPA. The contribution is unrestricted and is used primarily to achieve the Associations mission. At December 31, 2011 and 2010, $500,000 of the contribution was outstanding, respectively. Accordingly this amount has been recorded as a receivable at year end. The initial agreement expired in September 2012 and has since been extended through September 2016.

5. LICENSE & MARKETING AGREEMENT

Effective April 1, 2004, the Association entered into a Marketing Agreement with For Sport Enterprises, LLC to provide marketing and licensing services,

Payments for these services vary depending upon the level of success achieved by For Sports. In addition, For Sport Enterprises, LLC received $3,000 monthly as an advance against such compensation, plus reasonable expenses. For the years ended December 31, 2011 the amount paid for these services was $28,000.

6. 401(k) PLAN

The Association maintains a 401(k), which covers substantially all of its employees. Employees can make elective deferrals not to exceed those limits established by the RIS. The Association may also make discretionary non-elective contributions to all eligible employees who have completed at least 1,000 hours of services. The Association's total expense related to the 401(k) plan amounted to $7,225 and $19,725 for the periods ended December 31, 2011 and 2010, respectively.

7. COMMITMENTS

Lease Agreement

In January, 2012, the Association moved its administrative offices to a new location and entered into a Sublease Agreement (the "Sublease"), dated December 15, 2011, for office space initially expiring in January, 2014 with an option to extend the Sublease for an additional two years. Annual base lease, as defined in the Sublease is $30,000 through the date of the initial term. If the Sub landlord, however, provides legal services for the Association, the Association will receive a dollar for dollar rent credit. In 2011, no rent expense was paid under this Sublease. Base lease expense for the years ended December 31, 2010 under the former lease was approximately $96,000.

Employment Agreement

In August 2011, the Association entered into an Employment Agreement (the "Agreement") with its new Chief Executive Officer for a four year period beginning October 1, 2011 through September 30, 2015. The Agreement provides base compensation and benefits as defined in the Agreement. In addition, the Agreement provides for additional bonus compensation, as defined in the Agreement, for each of the fiscal periods as indicated in the Agreement – the first of which is for the period October 1, 2011 through September 30, 2012. For the year ended December 31, 2011, no bonuses were paid under this Agreement. The Agreement also provides for severance payments, as defined in the Agreement, to the Chief Executive Officer if employment is terminated without cause prior to the termination of the Agreement. In addition, if the Chief Executive Officer resigns his employment prior to September 30, 2015, he is obligated to compensate the Association an amount, as defined in the Agreement, as liquidated damages.