NATIONAL BASKETBALL RETIRED PLAYERS

ASSOCIATION, INC. AND SUBSIDIARY

FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

NATIONAL BASKETBALL RETIRED PLAYERS
ASSOCIATION AND SUBSIDIARY

DECEMBER 31, 2014 AND 2013

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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

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

Report on the Financial Statements
We have audited the accompanying financial statements of the National Basketball Retired Players Association, Inc. and Subsidiary (the "Association"), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and change in net assets 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 audits 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 the National Basketball Retired Players Association, Inc. and Subsidiary as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Weltman Bernfield LLC

Buffalo Grove, Illinois
June 15, 2015

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NATIONAL BASKETBALL RETIRED PLAYERS ASSOCIATION, INC. AND SUBSIDIARY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

	2014	2013
Assets		
Cash and cash equivalents	$ 1,536,018	$ 1,421,109
Accounts receivable	978,698	819,529
Equipment, net	27,803	42,349
Other assets	31,222	4,000
Total assets	$ 2,573,741	$ 2,286,987
Liabilities		
Accounts payable and accrued expenses	$ 16,500	$ 16,500
Total liabilities	16,500	16,500
Net assets		
Unrestricted	2,557,241	2,270,487
Total liabilities and net assets	$ 2,573,741	$ 2,286,987

See accompanying notes to financial statements.

NATIONAL BASKETBALL RETIRED PLAYERS
ASSOCIATION, INC. AND SUBSIDIARY
STATEMENT OF ACTIVITIES
DECEMBER 31, 2014 AND 2013

	2014	2013
Revenue and support		
Contributions	$ 1,880,292	$ 1,366,249
Sponsorship income	68,250	193,560
Membership dues	108,541	107,615
Special event income	414,928	446,587
Other income	7,069	62,854
Total revenue and support	2,479,080	2,176,865
Expenses		
Salaries and wages	686,633	698,088
Employee benefits	65,307	77,428
Payroll taxes	61,184	55,997
Professional fees - accounting	21,065	22,592
Professional fees - legal	100,378	47,834
Professional fees - consulting	20,128	3,566
Commissions	311,835	267,045
Program expenses	30,000	9,600
Appearance fees	24,087	56,509
Scholarship expense	142,202	85,382
Charitable donations	83,478	43,215
Telephone	15,901	19,038
Moving expenses	2,194	2,257
Postage and shipping	7,590	8,491
Office expense	99,919	91,628
Printing and publication	2,648	10,231
Travel	68,962	77,200
Special event expense	409,986	484,030
Depreciation	15,987	17,099
Insurance	22,842	4,689
Total expenses	2,192,326	2,081,919
Increase in net assets	286,754	94,946
Net assets - beginning	2,270,487	2,175,541
Net assets - ending	$ 2,557,241	$ 2,270,487

See accompanying notes to financial statements.

NATIONAL BASKETBALL RETIRED PLAYERS
ASSOCIATION, INC. AND SUBSIDIARY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Cash flows from operating activities:		
Increase (decrease) in net assets	$ 286,754	$ 94,946
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation	15,987	17,099
Change in operating assets and liabilities:		
Accounts receivable	(159,169)	30,002
Other assets	(27,222)	9,466
Accounts payable and accrued expenses	-	13,167
Net cash provided by (used in) operating activities	116,350	164,680
Cash flows from investing activities:		
Purchase of equipment	(1,441)	(516)
Proceeds from sale of investments	-	4,787
Net cash provided by (used in) investing activities	(1,441)	4,271
Net increase (decrease) in cash and cash equivalents	114,909	168,951
Cash and cash equivalents, beginning of year	1,421,109	1,252,158
Cash and cash equivalents, end of year	$ 1,536,018	$ 1,421,109

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Organization and nature of operations</u>

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. In 2013, the Association opened its membership to former players of the Women's National Basketball Association.

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.

<u>Principles of consolidation</u>

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.

<u>Accounting method</u>

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.

<u>Basis of presentation</u>

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, 2014 and 2013.

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, 2014 and 2013.

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, 2014 and 2013.

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)

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, 2014, depreciation for financial statement purposes exceeded depreciation for income tax purposes by approximately $10,000. At December 31, 2013, depreciation for financial statement purposes exceeded depreciation for income tax purposes by approximately $9,000.

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, 2014 and 2013.

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 income during 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 years ended December 31, 2014 and 2013. 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 2011. NBRPA is no longer subject to tax examination by the New York State Department of Taxation and Finance for state tax returns filed before 2011.

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 2011. Marketing is no longer subject to tax examination by the New York State Department of Taxation and Finance for state tax returns filed before 2011.

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, 2014 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.

3. EQUIPMENT

Equipment and the related estimated useful lives at December 31, 2013 and 2012 consist of the following:

Assets	Estimated Useful Life (Years)	2014	2013
Computers and equipment	5	$ 102,082	$ 100,641
Less accumulated depreciation		74,279	58,292
		$ 27,803	$ 42,349

Depreciation expense charged to operations for the years ended December 31, 2014 and 2013 was $15,987 and $17,099, 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 $1,350,000 to NBRPA. The contribution is unrestricted and is used primarily to achieve the Associations mission. At December 31, 2014 and 2013, $337,500 and $837,500 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. 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 $16,400 and $9,600 for the periods ended December 31, 2014 and 2013, 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 2014 and 2013, no rent expense was paid under this Sublease.

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. For the year ended December 31, 2012, $168,258 was paid under this Agreement and is included in Consulting Fees in The Statement of Activities. 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.