

**The Sports Museum of
New England, Inc.**

Financial Statements

December 31, 2016 and 2015

**The Sports Museum of
New England, Inc.**
*Financial Statements
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Report of Independent Auditors

To the Board of Directors
The Sports Museum of New England, Inc.
Boston, Massachusetts

We have audited the accompanying financial statements of The Sports Museum of New England, Inc. (a Massachusetts not-for-profit corporation), which comprise the statements of financial position as of December 31, 2016 and 2015, and 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 procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Sports Museum of New England, Inc. as of December 31, 2016 and 2015, 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.

Tronconi Segura & Associates LLP

October 17, 2017

**The Sports Museum
of New England, Inc.**
*Statements of Financial Position
December 31, 2016 and 2015*

	2016	2015
Assets		
<i>Current Assets</i>		
Cash	\$ 346,681	\$ 844,974
Marketable securities	73,320	72,683
Accounts receivable, net	413,477	126,745
Prepaid expenses	11,375	11,406
	844,853	1,055,808
<i>Property and Equipment, net</i>	40,079	41,794
<i>Collection of Artwork (Note 1)</i>		
	884,932	1,097,602
Total assets	\$ 884,932	\$ 1,097,602

Liabilities and Net Assets (Deficit)

<i>Current Liabilities</i>		
Current portion of note payable	\$ 2,925	\$ 2,925
Accounts payable and accrued expenses	176,244	69,570
Deferred revenue	177,129	191,671
Due to management company	741,344	1,165,852
	1,097,642	1,430,018
<i>Long-Term Debt</i>		
Note payable, less current portion	49,725	52,650
	1,147,367	1,482,668
<i>Net Assets (Deficit)</i>		
Unrestricted	(344,788)	(466,777)
Temporarily restricted	82,353	81,711
	(262,435)	(385,066)
Total net assets (deficit)	(262,435)	(385,066)
Total liabilities and net assets (deficit)	\$ 884,932	\$ 1,097,602

See report of independent auditors and notes to financial statements.

**The Sports Museum
of New England, Inc.**

Statements of Activities

For the years ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue						
Admissions	\$ 98,469	\$ 0	\$ 98,469	\$ 98,997	\$ 0	\$ 98,997
Annual fund	78,743	0	78,743	80,101	0	80,101
Auctions	4,048	0	4,048	10,816	0	10,816
Event income	806,050	0	806,050	756,582	0	756,582
Forgiveness of debt	119,976	0	119,976	58,500	0	58,500
Grants and educational programs	186,500	0	186,500	263,750	0	263,750
Investment income	0	1,500	1,500	0	1,350	1,350
Miscellaneous	7,812	0	0	2,723	0	2,723
Sponsor income	205,000	0	205,000	147,500	0	147,500
Unrealized loss on investments	0	(858)	(858)	0	(760)	(760)
Use of contributed facilities	45,128	0	45,128	45,128	0	45,128
Total revenue	1,551,726	642	1,552,368	1,464,097	590	1,464,687
Expenses						
Management and general	140,073	0	140,073	250,853	0	250,853
Program services	1,319,664	0	1,319,664	1,210,338	0	1,210,338
Total expenses	1,459,737	0	1,459,737	1,461,191	0	1,461,191
Change in net assets before changes related to collection items not capitalized	91,989	642	92,631	2,906	590	3,496
Change in net assets related to collection item not capitalized						
Proceeds from sale of collection item	30,000	0	30,000	0	0	0
Change in net assets	121,989	642	122,631	2,906	590	3,496
Net Assets (Deficit), beginning of year	(466,777)	81,711	(385,066)	(469,683)	81,121	(388,562)
Net Assets (Deficit), end of year	\$ (344,788)	\$ 82,353	\$ (262,435)	\$ (466,777)	\$ 81,711	\$ (385,066)

See report of independent auditors and notes to financial statements.

**The Sports Museum
of New England, Inc.**

*Statements of Functional Expenses
For the years ended December 31, 2016 and 2015*

	2016			2015		
	Program Services	Management & General	Total Expenses	Program Services	Management & General	Total Expenses
Bank charges	\$ 0	\$ 8,473	\$ 8,473	\$ 0	\$ 6,278	\$ 6,278
Direct event expense	382,705	0	382,705	343,490	0	343,490
Educational programs	226,267	0	226,267	164,859	0	164,859
Exhibit expense	33,835	0	33,835	40,036	0	40,036
Facility maintenance and repair	0	1,808	1,808	0	1,714	1,714
Fixed overhead	0	47,500	47,500	0	45,000	45,000
Insurance	45,808	0	45,808	49,232	0	49,232
Leased payroll and related	583,187	0	583,187	564,367	0	564,367
Management fees	0	9,737	9,737	0	110,375	110,375
Outside services	0	21,447	21,447	0	16,384	16,384
Postage and shipping	0	5,442	5,442	0	6,506	6,506
Professional fees	0	14,100	14,100	0	22,610	22,610
Seminars and membership dues	0	3,877	3,877	0	4,057	4,057
Supplies	0	14,194	14,194	0	18,698	18,698
Telephone	0	4,648	4,648	0	4,672	4,672
Travel and entertainment	0	8,847	8,847	0	14,559	14,559
Use of contributed facilities	45,128	0	45,128	45,128	0	45,128
Utilities	2,734	0	2,734	3,226	0	3,226
	<u>\$ 1,319,664</u>	<u>\$ 140,073</u>	<u>\$ 1,459,737</u>	<u>\$ 1,210,338</u>	<u>\$ 250,853</u>	<u>\$ 1,461,191</u>

See report of independent auditors and notes to financial statements.

**The Sports Museum
of New England, Inc.**

Statements of Cash Flows

For the years ended December 31, 2016 and 2015

	2016	2015
<i>Cash Flows from Operating Activities</i>		
Change in net assets	\$ 122,631	\$ 3,496
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized loss in marketable securities	858	760
Depreciation	1,715	1,714
Forgiveness of debt	(119,976)	(58,500)
(Increase) Decrease in:		
Accounts receivable, net	(286,732)	30,756
Prepaid expenses	31	(3,864)
Increase (Decrease) in:		
Accounts payable and accrued expenses	106,674	25,221
Deferred revenue	(14,542)	5,954
Due to management company	(304,532)	208,852
	(493,873)	214,389
Net cash provided by (used in) operating activities	(493,873)	214,389
<i>Cash Flows from Investing Activities</i>		
Purchases of marketable securities (dividend reinvestment)	(1,495)	(1,346)
<i>Cash Flows from Financing Activities</i>		
Principal payments on note payable	(2,925)	(2,925)
	(498,293)	210,118
Net increase (decrease) in cash	(498,293)	210,118
<i>Cash, beginning of year</i>	844,974	634,856
<i>Cash, end of year</i>	\$ 346,681	\$ 844,974
<i>Supplemental Disclosures of Cash Flow Information</i>		
Forgiveness of debt	\$ 0	\$ 58,500

See report of independent auditors and notes to financial statements.

**The Sports Museum
of New England, Inc.**
Notes to Financial Statements
December 31, 2016 and 2015

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities – The Sports Museum of New England, Inc. (the “Museum”) was organized in 1977 for the purpose of planning, implementing and administering a non-profit museum of sports. The Museum, located at the TD Garden in Boston, Massachusetts, features a half-mile of exhibits celebrating the history and character of Boston sports. Through its educational programs *Boston vs Bullies* and *Stand Strong*, the Museum leads the way in using the power of sports to help kids build character and prevent and stop bullying. The majority of the Museum’s revenue is generated from grants, sponsorships, events and admissions to the Museum.

Basis of Accounting – The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Basis of Presentation – The Museum reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Museum had unrestricted and temporarily restricted net assets in 2016 and 2015.

Cash – For purposes of the statement of cash flows, cash includes money market accounts purchased with a maturity value of three months or less.

Marketable Securities – The Museum carries investments in marketable securities at fair value. Unrealized gains and losses are included in the statements of activities in the accompanying financial statements.

Accounts Receivable, net – Accounts receivable consists of various events, exhibits, memberships and pledges receivable. The Museum establishes an allowance for doubtful accounts based on historical experience with bad debts and collections as well as current credit conditions. After all reasonable attempts to collect the outstanding balances, the accounts are written off. The allowance for uncollectible accounts was \$7,000 at December 31, 2016 and 2015. The Museum does not accrue interest on its receivables.

Property and Equipment, net – Property and equipment is carried at cost, except equipment donated to the Museum, which is recorded at estimated fair value on the date the property is received. Equipment and exhibits are depreciated over their estimated useful lives using the straight-line method. Property and equipment, net of accumulated depreciation, amounted to \$40,079 and \$41,794 at December 31, 2016 and 2015, respectively. The costs of normal repairs and maintenance are charged to operating expenses as incurred. Major equipment purchases, renewals, betterments and additions are capitalized.

**The Sports Museum
of New England, Inc.**
Notes to Financial Statements (continued)
December 31, 2016 and 2015

**1. Nature of Activities and Summary of Significant Accounting Policies
(continued)**

Collection of Artwork – The Museum has a significant collection of antiques and artwork relating to sports memorabilia that is valued at an estimated current retail replacement value of \$6,995,500 at December 31, 2016 and 2015. The collection is partly on display at the Museum and partly contained at various secured storage facilities. The Museum has adopted a policy of not capitalizing the collection of antiques and artwork in its financial statements. Accordingly, no collection items are recognized as assets, whether they are purchased or received as a donation. Purchases of collection items reduce net assets in the period purchased. Proceeds from sales or insurance recoveries are recorded as increases in net assets when received.

Revenue Recognition – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor and are recognized at their fair value in the period in which they are received. Donor restricted contributions whose restrictions are met in the same reporting period, are reported as unrestricted support.

Grant awards accounted for as exchange transactions are recorded as revenue when expenditures have been incurred in compliance with grant restrictions.

Functional Allocation of Expenses – The costs of providing various programs and activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services that were benefited.

Donated Services and Materials – GAAP requires that donated services be recognized as contributions if the services enhance nonfinancial assets, would typically need to be purchased and requires specialized skills which are provided by people who possess those skills. Materials should be recognized as contributions if the values can be reasonably estimated.

The Museum has not received donated services or materials which meet the criteria for recognition for the years ended December 31, 2016 and 2015.

Unconditional Promises to Give – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. The Museum's policy is to record unconditional promises to give that are expected to be collected in future years at the present value of their estimated future cash flows.

**The Sports Museum
of New England, Inc.**
Notes to Financial Statements (continued)
December 31, 2016 and 2015

**1. Nature of Activities and Summary of Significant Accounting Policies
(continued)**

Income Taxes – The Museum is registered with the Internal Revenue Service as an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (“IRC”) and; therefore, files information returns on Federal Form 990 and Massachusetts Form PC. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

Accounting for Uncertainty in Income Taxes – The Museum’s management evaluates its tax positions to determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation, based on the technical merits of the tax position. Management has analyzed the Museum’s tax positions and has concluded that, as of December 31, 2016 and 2015, there are no uncertain tax positions taken or expected to be taken that would require recognition or disclosure in the financial statements.

Management Estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and financial statement disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications – In order to facilitate comparison of financial information, certain amounts reported in the prior year have been reclassified to conform to the current year presentation.

Subsequent Events – Management of the Museum has evaluated subsequent events, for recognition or disclosure, through October 17, 2017, the date the Museum’s financial statements were available to be issued and determined that no additional recognition or disclosure was required.

2. Concentration of Credit

Cash in bank accounts may exceed Federal Deposit Insurance Corporation (“FDIC”) insurance limits from time-to-time during the year in the ordinary course of business, which management does not believe exposes the Museum to significant risk of loss.

**The Sports Museum
of New England, Inc.**
Notes to Financial Statements (continued)
December 31, 2016 and 2015

3. Fair Value Measurements

Financial assets are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and the measurement date. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. A fair value 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 level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

At December 31, 2016 and 2015, the Museum had only Level 1 recurring basis marketable securities, which represented an investment in a Fidelity Intermediate Government Income Mutual Fund.

4. Note Payable

On January 29, 1993, the Museum entered into a loan agreement for \$2,000,000 with Cambridgeside Galleria Associates Trust (the “Lender”) for construction costs of a new facility. Prior to the year 2000, the Lender forgave \$1,750,000 of the original note, leaving a principal balance of \$250,000 at December 31, 1999. According to the debt restructure agreement this amount was to be repaid over 25 years at a fixed payment of \$10,000 per year. On October 1, 2012 the Museum came to an agreement with the Lender on a second debt restructuring agreement on the \$130,000 remaining principal balance. According to the agreement, the balance was to be repaid over 20 years at a fixed payment of \$6,500 per year. In exchange for the additional time to repay the loan, the Museum agreed to grant the Lender a four-year sponsorship of the Museum’s Olympic Hockey display.

On June 4, 2015, the Museum and the Lender amended and restated the agreement. Commencing on June 1, 2015 the principal amount due was reduced to \$58,500 with annual payments of \$2,925 due through June 1, 2035 and with the Lender receiving long term sponsorship of the Museum’s exhibit relating to the Olympic Games.

**The Sports Museum
of New England, Inc.**
Notes to Financial Statements (continued)
December 31, 2016 and 2015

4. Note Payable (continued)

Future maturities on this note payable are as follows:

Years ending December 31,		
2017	\$	2,925
2018		2,925
2019		2,925
2020		2,925
2021		2,925
Thereafter		<u>38,025</u>
Total	\$	<u><u>52,650</u></u>

5. Deferred Revenue

The Museum solicits various sponsorships for events. Income received is recognized in the period in which the event takes place. The Museum has a sponsorship and advertising agreement with New Balance Athletics, Inc. (“New Balance”) from September 1, 2015 through August 31, 2018. Under this agreement, the annual sponsorship fee amounts to \$200,000 with the option to provide an additional \$35,000 if New Balance elects to serve as the presenting sponsor of the Boston Baseball Writers Dinner.

Deferred revenue at December 31, 2016 and 2015 consists of:

	<u>2016</u>	<u>2015</u>
New Balance:		
Sponsorship	\$ 86,667	\$ 86,667
Baseball writers dinner	35,000	35,000
Tradition dinner	40,000	40,000
Other sponsorship	<u>15,462</u>	<u>30,004</u>
	<u>\$ 177,129</u>	<u>\$ 191,671</u>

Deferred revenue is also recorded for grants received in the current year, which relate to fundraising events occurring subsequent to year end.

**The Sports Museum
of New England, Inc.**
Notes to Financial Statements (continued)
December 31, 2016 and 2015

6. Temporarily Restricted Net Assets

Temporarily restricted net asset funds include the balance of the Swasey bequest, which is restricted to funding social research which documents that participation in sports develops wholesome human beings. Temporarily restricted net assets amounted to \$82,353 and \$81,711, at December 31, 2016 and 2015 respectively.

7. Commitments

The Museum had a five-year lease at the Christian A. Herter Center Building in Brighton, Massachusetts, with the Commonwealth of Massachusetts, Department of Conservation and Recreation for a nominal rental of one dollar per year, which expired December 31, 2013. The estimated fair market value for current use of the above facility is \$40,000. The Museum has a twenty year agreement, commencing on September 25, 2015, with Iron Mountain in which Iron Mountain provides storage space for the Museum's records and collections at no cost. The estimated fair market value for current use of the above service is \$5,128. Accordingly, \$45,128 has been reported as revenue and support with an offsetting amount included as rent expense in 2016 and 2015.

The Museum operates under a management agreement with the Delaware North Companies, Inc. – Boston ("DNC-Boston") that was originally entered into on March 7, 2000, amended effective January 1, 2016. This amended agreement which expires in December 2018, provides for DNC-Boston to conduct the day-to-day management of the Museum facilities at the TD Garden.

DNC-Boston is not responsible for any operating costs or related expenses, or other amounts on behalf of the Museum including but not limited to, operating deficits, working capital, costs or expenses or other amounts with respect to Museum operations. Furthermore, any future working capital short falls experienced by the Museum funded by DNC Boston are capped at \$50,000 annually through December 2018. However, any operating deficit incurred in any of the years of the agreement may be carried forward to the following years and taken into consideration for each following year's operating budget until recovered. Furthermore, DNC-Boston receives the first \$25,000 of net proceeds from a specified annual dinner from the Museum to fund the repayment of certain Museum expenditures previously paid for by DNC-Boston, as well as \$47,500 annually in fixed overhead allocated costs incurred by DNC-Boston with respect to the arena on behalf of the Museum.

The management fee calculated under this agreement for the years ended December 31, 2016 and 2015 totaled \$20,737 and \$121,375, respectively. Amounts due to DNC-Boston totaled \$741,344 and \$1,165,852 at December 31, 2016 and 2015, respectively. The amount due to DNC Boston includes long-term debt, monies owed for past audits, and, primarily, monies maintained at varying levels for purposes of cash flow. During 2016, the Museum recorded \$119,976 of revenues related to forgiveness of debt from DNC-Boston.