

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

Financial Statements

December 31, 2017 and 2016

**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, 2017 and 2016, 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, 2017 and 2016, 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 Segarra & Associates LLP
August 29, 2018

**The Sports Museum
of New England, Inc.**
*Statements of Financial Position
December 31, 2017 and 2016*

	2017	2016
Assets		
<i>Current Assets</i>		
Cash	\$ 724,541	\$ 346,681
Marketable securities	73,111	73,320
Accounts receivable, net	153,014	286,810
Prepaid expenses	40,192	11,375
Total current assets	990,858	718,186
<i>Property and Equipment, net</i>	38,365	40,079
<i>Collection of Artwork (Note 1)</i>		
Total assets	\$ 1,029,223	\$ 758,265
Liabilities and Net Assets (Deficit)		
<i>Current Liabilities</i>		
Current portion of note payable	\$ 2,925	\$ 2,925
Accounts payable and accrued expenses	87,218	176,244
Deferred revenue	106,092	50,462
Due to management company	972,183	741,344
Total current liabilities	1,168,418	970,975
<i>Long-Term Debt</i>		
Note payable, less current portion	46,800	49,725
Total liabilities	1,215,218	1,020,700
<i>Net Assets (Deficit)</i>		
Unrestricted	(259,107)	(344,788)
Temporarily restricted	73,112	82,353
Total net deficit	(185,995)	(262,435)
Total liabilities and net deficit	\$ 1,029,223	\$ 758,265

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, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue						
Admissions	\$ 143,298	\$ 0	\$ 143,298	\$ 98,469	\$ 0	\$ 98,469
Annual fund	73,889	0	73,889	78,743	0	78,743
Auctions	6,938	0	6,938	4,048	0	4,048
Event income	843,376	0	843,376	806,050	0	806,050
Grants and educational programs	220,500	0	220,500	186,500	0	186,500
Investment income	0	1,112	1,112	0	1,500	1,500
Miscellaneous	2,281	0	2,281	7,812	0	7,812
Sponsor income	155,000	0	155,000	205,000	0	205,000
Unrealized loss on investments	0	(353)	(353)	0	(858)	(858)
Use of contributed facilities	45,128	0	45,128	45,128	0	45,128
Net assets released from restriction	10,000	(10,000)	0	0	0	0
Total revenue	1,500,410	(9,241)	1,491,169	1,431,750	642	1,432,392
Expenses						
Program services	1,250,342	0	1,250,342	1,319,664	0	1,319,664
Management and general	164,387	0	164,387	140,073	0	140,073
Total expenses	1,414,729	0	1,414,729	1,459,737	0	1,459,737
Change in net assets before changes related to non-operating activities	85,681	(9,241)	76,440	(27,987)	642	(27,345)
Change in net assets related to non-operating activities						
Forgiveness of debt	0	0	0	119,976	0	119,976
Proceeds from sale of collection item	0	0	0	30,000	0	30,000
Change in net assets	85,681	(9,241)	76,440	121,989	642	122,631
Net Assets (Deficit), beginning of year	(344,788)	82,353	(262,435)	(466,777)	81,711	(385,066)
Net Assets (Deficit), end of year	\$ (259,107)	\$ 73,112	\$ (185,995)	\$ (344,788)	\$ 82,353	\$ (262,435)

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, 2017 and 2016*

	2017			2016		
	Program Services	Management & General	Total Expenses	Program Services	Management & General	Total Expenses
Bank charges	\$ 0	\$ 8,386	\$ 8,386	\$ 0	\$ 8,473	\$ 8,473
Direct event expense	358,871	0	358,871	382,705	0	382,705
Educational programs	148,864	0	148,864	226,267	0	226,267
Exhibit expense	26,551	0	26,551	33,835	0	33,835
Facility maintenance and repair	0	1,714	1,714	0	1,808	1,808
Fixed overhead	0	47,500	47,500	0	47,500	47,500
Insurance	46,877	0	46,877	45,808	0	45,808
Leased payroll and related	621,252	0	621,252	583,187	0	583,187
Management fees	0	24,765	24,765	0	9,737	9,737
Outside services	0	30,909	30,909	0	21,447	21,447
Postage and shipping	0	6,161	6,161	0	5,442	5,442
Professional fees	0	13,169	13,169	0	14,100	14,100
Seminars and membership dues	0	7,274	7,274	0	3,877	3,877
Supplies	0	9,723	9,723	0	14,194	14,194
Telephone	0	4,436	4,436	0	4,648	4,648
Travel and entertainment	0	10,350	10,350	0	8,847	8,847
Use of contributed facilities	45,128	0	45,128	45,128	0	45,128
Utilities	2,799	0	2,799	2,734	0	2,734
	<u>\$ 1,250,342</u>	<u>\$ 164,387</u>	<u>\$ 1,414,729</u>	<u>\$ 1,319,664</u>	<u>\$ 140,073</u>	<u>\$ 1,459,737</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, 2017 and 2016

	2017	2016
<i>Cash Flows from Operating Activities</i>		
Change in net assets	\$ 76,440	\$ 122,631
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized loss in marketable securities	353	858
Depreciation	1,714	1,715
(Increase) Decrease in:		
Accounts receivable, net	133,796	(160,065)
Prepaid expenses	(28,817)	31
Increase (Decrease) in:		
Accounts payable and accrued expenses	(89,026)	106,674
Deferred revenue	55,630	(141,209)
Due to management company	230,839	(304,532)
	380,929	(373,897)
Net cash provided by (used in) operating activities	380,929	(373,897)
<i>Cash Flows from Investing Activities</i>		
Purchases of marketable securities (dividend reinvestment)	(1,073)	(1,495)
Sales of marketable securities	929	0
Net cash used in investing activities	(144)	(1,495)
<i>Cash Flows from Financing Activities</i>		
Forgiveness of debt	0	(119,976)
Principal payments on note payable	(2,925)	(2,925)
Net cash used in financing activities	(2,925)	(122,901)
Net increase (decrease) in cash	377,860	(498,293)
<i>Cash, beginning of year</i>	346,681	844,974
<i>Cash, end of year</i>	\$ 724,541	\$ 346,681

See report of independent auditors and notes to financial statements.

**The Sports Museum
of New England, Inc.**
Notes to Financial Statements
December 31, 2017 and 2016

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 2017 and 2016.

Cash – For purposes of the statement of cash flows, cash includes money market accounts purchased with an original 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, 2017 and 2016. 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. 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, 2017 and 2016

**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 \$6,555,500 at December 15, 2017 and 2016. 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, 2017 and 2016.

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, 2017 and 2016

**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, 2017 and 2016, 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 – Reclassifications have been made to certain accounts in the prior-year financial statements for comparative purposes in order to conform with the presentation of current-year financial statements.

Subsequent Events – Management of the Museum has evaluated subsequent events, for recognition or disclosure, through August 29, 2018, 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, 2017 and 2016

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, 2017 and 2016, 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, 2017 and 2016

4. Note Payable (continued)

Future maturities on this note payable are as follows:

Years ending December 31,		
2018	\$	2,925
2019		2,925
2020		2,925
2021		2,925
2022		2,925
Thereafter		<u>35,100</u>
Total	\$	<u><u>49,725</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, 2017 and 2016 consists of:

	<u>2017</u>	<u>2016</u>
New Balance:		
Baseball writers dinner	90,400	35,000
Other sponsorship	<u>15,692</u>	<u>15,462</u>
	<u><u>106,092</u></u>	\$ <u><u>50,462</u></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, 2017 and 2016

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 \$73,112 and \$82,353, at December 31, 2017 and 2016 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 Museum continues to occupy the space related to this lease on a year-to-year basis. 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 2017 and 2016.

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 Sports Museum
of New England, Inc.**
Notes to Financial Statements (continued)
December 31, 2017 and 2016

7. Commitments (continued)

The management fee calculated under this agreement for the years ended December 31, 2017 and 2016 totaled \$24,765 and \$9,737, respectively. Amounts due to DNC-Boston totaled \$972,183 and \$741,344 at December 31, 2017 and 2016, 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.