

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

Financial Statements

December 31, 2018 and 2017

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

Table of Contents

	<u>Page</u>
Independent Auditors Report	
Financial Statements	
Statements of Financial Position	1
Statements of Activities	2
Statements of Functional Expenses	3
Statements of Cash Flows	4
Notes to Financial Statements	5-12

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, 2018 and 2017, 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, 2018 and 2017, 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.

Tomconi Argana & Associates LLP

July 18, 2019

**The Sports Museum
of New England, Inc.**
Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
<i>Current Assets</i>		
Cash	\$ 765,086	\$ 724,541
Marketable securities	73,973	73,111
Accounts receivable, net	343,589	299,171
Prepaid expenses	20,858	40,192
Total current assets	1,203,506	1,137,015
<i>Property and Equipment, net</i>	36,651	38,365
<i>Collection of Artwork (Note 1)</i>		
Total assets	\$ 1,240,157	\$ 1,175,380
Liabilities and Net Assets (Deficit)		
<i>Current Liabilities</i>		
Current portion of note payable	\$ 2,925	\$ 2,925
Accounts payable and accrued expenses	150,463	87,218
Deferred revenue	27,875	106,092
Due to management company	1,145,180	1,118,340
Total current liabilities	1,326,443	1,314,575
<i>Long-Term Debt</i>		
Note payable, less current portion	43,875	46,800
Total liabilities	1,370,318	1,361,375
<i>Net Assets (Deficit)</i>		
Without donor restrictions	(204,135)	(259,107)
With donor restrictions	73,974	73,112
Total net deficit	(130,161)	(185,995)
Total liabilities and net deficit	\$ 1,240,157	\$ 1,175,380

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, 2018 and 2017

	2018			2017		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue						
Admissions	\$ 175,056	\$ 0	\$ 175,056	\$ 143,298	\$ 0	\$ 143,298
Annual fund	76,267	0	76,267	73,889	0	73,889
Auctions	17,481	0	17,481	6,938	0	6,938
Event income	906,368	0	906,368	843,376	0	843,376
Grants and educational programs	211,500	0	211,500	220,500	0	220,500
Investment income	0	1,341	1,341	0	1,112	1,112
Miscellaneous	8,422	0	8,422	2,281	0	2,281
Sponsor income	155,000	0	155,000	155,000	0	155,000
Unrealized loss on investments	0	(479)	(479)	0	(353)	(353)
Use of contributed facilities	45,128	0	45,128	45,128	0	45,128
Net assets released from restriction	0	0	0	10,000	(10,000)	0
Total revenue	<u>1,595,222</u>	<u>862</u>	<u>1,596,084</u>	<u>1,500,410</u>	<u>(9,241)</u>	<u>1,491,169</u>
Expenses						
Program services	1,383,566	0	1,383,566	1,250,342	0	1,250,342
Management and general	156,684	0	156,684	164,387	0	164,387
Total expenses	<u>1,540,250</u>	<u>0</u>	<u>1,540,250</u>	<u>1,414,729</u>	<u>0</u>	<u>1,414,729</u>
Change in net assets	54,972	862	55,834	85,681	(9,241)	76,440
Net Assets (Deficit), beginning of year	<u>(259,107)</u>	<u>73,112</u>	<u>(185,995)</u>	<u>(344,788)</u>	<u>82,353</u>	<u>(262,435)</u>
Net Assets (Deficit), end of year	<u>\$ (204,135)</u>	<u>\$ 73,974</u>	<u>\$ (130,161)</u>	<u>\$ (259,107)</u>	<u>\$ 73,112</u>	<u>\$ (185,995)</u>

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, 2018 and 2017*

	2018			2017		
	Program Services	Management & General	Total Expenses	Program Services	Management & General	Total Expenses
Bank charges	\$ 0	\$ 9,801	\$ 9,801	\$ 0	\$ 8,386	\$ 8,386
Direct event expense	408,104	0	408,104	358,871	0	358,871
Educational programs	181,852	0	181,852	148,864	0	148,864
Exhibit expense	24,825	0	24,825	26,551	0	26,551
Facility maintenance and repair	0	11,546	11,546	0	1,714	1,714
Fixed overhead	0	47,500	47,500	0	47,500	47,500
Insurance	62,921	0	62,921	46,877	0	46,877
Leased payroll and related	659,148	0	659,148	621,252	0	621,252
Management fees	0	5,849	5,849	0	24,765	24,765
Outside services	0	14,274	14,274	0	30,909	30,909
Postage and shipping	0	6,523	6,523	0	6,161	6,161
Professional fees	0	20,034	20,034	0	13,169	13,169
Seminars and membership dues	0	9,394	9,394	0	7,274	7,274
Supplies	0	10,964	10,964	0	9,723	9,723
Telephone	0	5,450	5,450	0	4,436	4,436
Travel and entertainment	0	15,349	15,349	0	10,350	10,350
Use of contributed facilities	45,128	0	45,128	45,128	0	45,128
Utilities	1,588	0	1,588	2,799	0	2,799
	<u>\$ 1,383,566</u>	<u>\$ 156,684</u>	<u>\$ 1,540,250</u>	<u>\$ 1,250,342</u>	<u>\$ 164,387</u>	<u>\$ 1,414,729</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, 2018 and 2017

	2018	2017
<i>Cash Flows from Operating Activities</i>		
Change in net assets	\$ 55,834	\$ 76,440
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized loss in marketable securities	479	353
Depreciation	1,714	1,714
(Increase) Decrease in:		
Accounts receivable, net	(44,418)	(12,361)
Prepaid expenses	19,334	(28,817)
Increase (Decrease) in:		
Accounts payable and accrued expenses	63,245	(89,026)
Deferred revenue	(78,217)	55,630
Due to management company	26,840	376,996
	44,811	380,929
Net cash provided by operating activities		
<i>Cash Flows from Investing Activities</i>		
Purchases of marketable securities (dividend reinvestment)	(1,341)	(1,073)
Sales of marketable securities	0	929
Net cash used in investing activities	(1,341)	(144)
<i>Cash Flows from Financing Activities</i>		
Principal payments on note payable	(2,925)	(2,925)
Net cash used in financing activities	(2,925)	(2,925)
Net increase in cash	40,545	377,860
<i>Cash, beginning of year</i>	724,541	346,681
<i>Cash, end of year</i>	\$ 765,086	\$ 724,541
<i>Supplemental Disclosures of Cash Flow Information</i>		
Forgiveness of debt	\$ 0	\$ 0

See report of independent auditors and notes to financial statements.

**The Sports Museum
of New England, Inc.**
Notes to Financial Statements
December 31, 2018 and 2017

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 two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: without donor restrictions and with donor restrictions. The Museum had both classes of net assets in 2018 and 2017.

Cash – For purposes of the statement of cash flows, cash includes money market accounts purchased with an original maturity date 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, 2018 and 2017. 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 net of accumulated depreciation of \$7,286 and \$5,572 at December 31, 2018 and 2017, respectively, and 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, 2018 and 2017

**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 31, 2018 and 2017. 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.

Net Assets without Donor Restrictions – Net assets without donor restrictions represent resources whose use is not permitted by donor-imposed stipulations and are available for general support of the Museum.

Net Assets with Donor Restrictions – Net assets with donor restrictions represent resources whose use relates to a specific program or purpose, and whose use by the Museum is limited to donor-imposed stipulations that either expire by the passage of time or fulfillment of the purpose. When a donor restriction expires, net assets with donor restrictions are classified to net assets without donor restrictions and are reported as net assets released from restriction.

Net asset with donor restrictions include the balance of the Swasey bequest, which is restricted to funding social research which documents that participation in sports develops wholesome human beings. Net assets with donor restriction amounted to \$73,974 and \$73,112, at December 31, 2018 and 2017 respectively.

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.

**The Sports Museum
of New England, Inc.**
Notes to Financial Statements (continued)
December 31, 2018 and 2017

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

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, 2018 and 2017.

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.

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.

Recently Adopted Accounting Pronouncements – In August 2016, the FASB issued the Accounting Standards Update (“ASU”) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit entities. The purpose of this update is to improve the usefulness of information provided to the users of a not-for-profits financial statements. The amendments of this update were applied by the Museum for the years ended December 31, 2018 and 2017.

Recently Issued Accounting Pronouncements – In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (ASU) No. 2016-02, Leases, which will require organizations that lease assets to recognize on the balance sheet the assets and liabilities related to the rights and obligations created by those leases. ASU 2016-02 will take effect for the Museum for fiscal years beginning after December 15, 2019 with early application permitted for all organizations.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. ASU 2014-09 applies to entities with contracts with customers and requires such entities to recognize revenue under a five-step mode whereby the entity would first identify the contract with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations, and recognize revenue when (or as) the entity satisfies the performance obligations.

**The Sports Museum
of New England, Inc.**
Notes to Financial Statements (continued)
December 31, 2018 and 2017

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

The FASB subsequently issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, and ASU 2016-12, Narrow-Scope Improvements and Practical Expedients, which both defer the effective date and amend certain aspects of ASU 2014-09 and addresses certain implementation issues identified by the FASB ASU 2014-09 can be applied by either a full retrospective approach or a modified retrospective approach, and is effective for fiscal years beginning after December 15, 2018.

The Museum is currently evaluating the potential impact of these standards.

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 July 18, 2019, 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.

3. Liquidity and Availability of Financial Assets

The Museum primarily generates financial assets by fundraising for the purpose of planning, implementing and administering a non-profit museum of sports. The financial assets are acquired throughout the year to help meet the Museum’s cash needs for general expenditures. The following table presents the Museum’s financial assets available for general expenditures within one year of the statement of financial position date:

**The Sports Museum
of New England, Inc.**
Notes to Financial Statements (continued)
December 31, 2018 and 2017

3. Liquidity and Availability of Financial Assets (continued)

	2018	2017
Current assets at December 31, excluding non-financial assets:		
Cash	\$ 765,086	\$ 724,541
Marketable securities	73,973	73,111
Accounts receivable, net	343,589	299,171
	1,182,648	1,096,823
Less those unavailable for general expenditures within one year, due to restrictions:		
	73,974	73,112
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,108,674	\$ 1,023,711

4. 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, 2018 and 2017, the Museum had only Level 1 recurring basis marketable securities, which represented an investment in a Fidelity Intermediate Government Income Mutual Fund.

**The Sports Museum
of New England, Inc.**
Notes to Financial Statements (continued)
December 31, 2018 and 2017

5. 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.

Future maturities on this note payable are as follows:

Years ending December 31,		
2019	\$	2,925
2020		2,925
2021		2,925
2022		2,925
2023		2,925
Thereafter		<u>32,175</u>
	\$	<u><u>46,800</u></u>

6. 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. A new agreement was finalized effective September 1, 2018 through August 31, 2021 with annual sponsorship fee amounts of \$235,000 per contract year. 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, 2018 and 2017

6. Deferred Revenue (continued)

Deferred revenue at December 31, 2018 and 2017 consists of:

	<u>2018</u>	<u>2017</u>
New Balance:		
Baseball writers dinner	\$ 15,058	\$ 90,400
Other sponsorship	<u>12,817</u>	<u>15,692</u>
	<u>\$ 27,875</u>	<u>\$ 106,092</u>

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 continued to occupy the space related to this lease on a month-to-month basis through April 2018. The Museum signed a new agreement for space at The Transfer Station Warehouse Building in Wompatuck State Park in Hingham, Massachusetts, with the Commonwealth of Massachusetts, Department of Conservation and Recreation beginning in April 2018 for a nominal rental of \$9,600 per year with a two percent annual escalation through April 2023. The estimated fair market value for current use of the above facilities is an additional \$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 2018 and 2017.

**The Sports Museum
of New England, Inc.**
Notes to Financial Statements (continued)
December 31, 2018 and 2017

7. Commitments (continued)

Future minimum rental payments required for the above lease is as follows:

<u>For the years ending December 31,</u>	
2019	\$ 9,744
2020	9,939
2021	10,138
2022	10,340
2023	<u>2,598</u>
	<u>\$ 42,759</u>

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 expired in December 2018, provides for DNC-Boston to conduct the day-to-day management of the Museum facilities at the TD Garden. A new management agreement was finalized in May 2019 for the period January 1, 2019 through December 31, 2021.

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 shortfalls 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, 2018 and 2017 totaled \$5,849 and \$24,765, respectively. Amounts due to DNC-Boston totaled \$1,145,180 and \$1,118,340 at December 31, 2018 and 2017, 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.