

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

Financial Statements

December 31, 2020 and 2019

The Sports Museum of New England, Inc.

Financial Statements

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Independent Auditors' Report

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, 2020 and 2019, 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; which 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, 2020 and 2019, 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.

Other Matter

As discussed in Note 9 to the financial statements, the 2019 financial statements have been restated to correct misstatements.

Tomomi Segawa & Associates LLP

Williamsville, New York

July 26, 2021

The Sports Museum of New England, Inc.

Statements of Financial Position

December 31, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash	\$ 249,548	\$ 949,311
Marketable securities	81,774	77,618
Accounts receivable, net	184,607	181,085
Prepaid expenses	20,991	19,785
Total current assets	536,920	1,227,799
Property and Equipment, net	33,365	34,936
Collection of Artwork (Note 1)		
Total assets	\$ 570,285	\$ 1,262,735
Liabilities and Net Assets		
Current Liabilities		
Current portion of note payable	\$ 0	\$ 5,850
Accounts payable and accrued expenses	39,320	182,651
Deferred revenue	14,100	85,702
Due to management company	324,429	850,516
Total current liabilities	377,849	1,124,719
Long-Term Debt		
Note payable, less current portion	0	40,950
Total liabilities	377,849	1,165,669
Net Assets		
Without donor restrictions	110,662	19,448
With donor restrictions	81,774	77,618
Total net assets	192,436	97,066
Total liabilities and net assets	\$ 570,285	\$ 1,262,735

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, 2020 and 2019

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue						
Admissions	\$ 11,635	\$ 0	\$ 11,635	\$ 55,732	\$ 0	\$ 55,732
Annual fund	82,984	0	82,984	91,240	0	91,240
Auctions	0	0	0	11,594	0	11,594
Event income	591,407	0	591,407	1,055,165	0	1,055,165
Grants and educational programs	167,620	0	167,620	185,000	0	185,000
Investment income	0	2,127	2,127	0	1,415	1,415
Miscellaneous	6,660	0	6,660	92,308	0	92,308
Sponsor income	130,000	0	130,000	130,000	0	130,000
Unrealized gain on investments	0	2,029	2,029	0	2,230	2,230
Use of contributed facilities	45,128	0	45,128	45,128	0	45,128
Gain on forgiveness of debt	31,800	0	31,800	0	0	0
In-kind donations	50,000	0	50,000	0	0	0
	1,117,234	4,156	1,121,390	1,666,167	3,645	1,669,812
Expenses						
Program services	894,616	0	894,616	1,400,585	0	1,400,585
Management and general	131,404	0	131,404	168,862	0	168,862
	1,026,020	0	1,026,020	1,569,447	0	1,569,447
Change in net assets	91,214	4,156	95,370	96,720	3,645	100,365
Net Assets (Deficit), beginning of year	19,448	77,618	97,066	(77,272)	73,973	(3,299)
Net Assets, end of year	\$ 110,662	\$ 81,774	\$ 192,436	\$ 19,448	\$ 77,618	\$ 97,066

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, 2020 and 2019

	2020			2019		
	Program Services	Management & General	Total Expenses	Program Services	Management & General	Total Expenses
Bank charges	\$ 0	\$ 5,378	\$ 5,378	\$ 0	\$ 9,502	\$ 9,502
Direct event expense	199,422	0	199,422	448,027	0	448,027
Educational programs	110,615	0	110,615	194,310	0	194,310
Exhibit expense	10,284	0	10,284	18,862	0	18,862
Facility maintenance and repair	0	11,305	11,305	0	11,431	11,431
Fixed overhead	0	50,000	50,000	0	60,000	60,000
Insurance	47,499	0	47,499	59,703	0	59,703
Leased payroll and related	481,668	0	481,668	634,555	0	634,555
Management fees	0	15,486	15,486	0	26,933	26,933
Outside services	0	7,102	7,102	0	7,543	7,543
Postage and shipping	0	4,281	4,281	0	8,426	8,426
Professional fees	0	12,045	12,045	0	12,000	12,000
Seminars and membership dues	0	9,890	9,890	0	9,098	9,098
Supplies	0	4,954	4,954	0	7,087	7,087
Telephone	0	3,946	3,946	0	3,892	3,892
Travel and entertainment	0	2,017	2,017	0	12,950	12,950
Use of contributed facilities	45,128	0	45,128	45,128	0	45,128
Other	0	5,000	5,000	0	0	0
	<u>\$ 894,616</u>	<u>\$ 131,404</u>	<u>\$ 1,026,020</u>	<u>\$ 1,400,585</u>	<u>\$ 168,862</u>	<u>\$ 1,569,447</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, 2020 and 2019

	2020	2019
<i>Cash Flows from Operating Activities</i>		
Change in net assets	\$ 95,370	\$ 100,365
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gain in marketable securities	(2,029)	(2,230)
Depreciation	1,571	1,715
Gain on forgiveness of debt	(31,800)	0
(Increase) Decrease in:		
Accounts receivable, net	(3,522)	162,504
Prepaid expenses	(1,206)	1,073
Increase (Decrease) in:		
Accounts payable and accrued expenses	(143,331)	32,188
Deferred revenue	(71,602)	57,827
Due to management company	(526,087)	(157,801)
Net cash provided by (used in) operating activities	(682,636)	195,641
<i>Cash Flows from Investing Activities</i>		
Purchases of marketable securities (dividend reinvestment)	(2,127)	(1,415)
Net cash used in investing activities	(2,127)	(1,415)
<i>Cash Flows from Financing Activities</i>		
Principal payments on note payable	(15,000)	0
Net cash used in financing activities	(15,000)	0
Net increase (decrease) in cash	(699,763)	194,226
<i>Cash, beginning of year</i>	949,311	755,085
<i>Cash, end of year</i>	\$ 249,548	\$ 949,311

See report of independent auditors and notes to financial statements.

The Sports Museum of New England, Inc.

Notes to Financial Statements

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 2020 and 2019.

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, 2020 and 2019. 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 \$10,572 and \$9,001 at December 31, 2020 and 2019, 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)

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

Collection of Antiques and 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, 2020 and 2019. 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 assets 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 \$81,774 and \$77,618, at December 31, 2020 and 2019, 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.

The Museum identified a single performance obligation in customer arrangements for admissions and event income. The Museum recognizes revenue when it satisfies a performance obligation and is based on set prices for admission or event related revenues.

The Sports Museum of New England, Inc.
Notes to Financial Statements (continued)

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

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 require 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 received donated services or materials which meet the criteria for recognition in the amount of \$50,000 and \$0 for the years ended December 31, 2020 and 2019, respectively.

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 – Management periodically assesses the applicability of new accounting pronouncements and technical guidance and the effect, if any, on the Museum’s financial statements.

The Museum adopted the provisions of ASU 2018-13, *Fair Value Measurement-Disclosure Framework (Topic 820)*, using the retrospective approach for the year ended December 31, 2020. The updated guidance improves the disclosure requirements on fair value measurements. The adoption of ASU 2018-13 did not have a significant impact on the fair value measurement disclosures of the Museum.

The Sports Museum of New England, Inc.
Notes to Financial Statements (continued)

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

Recently Issued Accounting Pronouncements – In February 2016, the FASB issued 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 does not significantly change lease accounting requirements applicable to lessors; however, certain changes will be made to align, when necessary, lessor accounting with the lessee accounting model. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*, which defers the effective date of ASU 2016-02. ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, was issued June 3, 2020 and defers the effective date of Topic 842 for the Museum for its fiscal year beginning after December 15, 2021 (year ending December 31, 2022), with early adoption permitted.

In September 2020, the FASB issued ASU No. 2020-07, *Contributed Nonfinancial Assets*, which enhances the presentation and disclosure of contributed nonfinancial assets. ASU 2020-07 is scheduled to take effect for the Museum for fiscal years beginning after June 15, 2021 (year ending December 31, 2022), with early adoption permitted.

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

Subsequent Events – Management of the Museum has evaluated subsequent events, for recognition or disclosure, through July 26, 2021, the date the Museum’s financial statements were available to be issued. See Note 8.

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)

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:

	2020	2019
Current assets at December 31, excluding non-financial assets		
Cash	\$ 249,548	\$ 949,311
Marketable securities	81,774	77,618
Accounts receivable, net	184,607	181,085
	515,929	1,208,014
Less those unavailable for general expenditures within one year, due to restrictions	81,774	77,618
Financial assets available to meet cash needs for general expenditures within one year	\$ 434,155	\$ 1,130,396

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.

The Sports Museum of New England, Inc.
Notes to Financial Statements (continued)

4. Fair Value Measurements (continued)

At December 31, 2020 and 2019, the Museum had only Level 1 recurring basis marketable securities, which represented an investment in a Fidelity Intermediate Government Income Mutual Fund.

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.

On April 17, 2020, the Museum and the Lender amended and restated the agreement. Commencing on May 1, 2020, the Lender agreed to accept the total sum of \$15,000 in full and final settlement of all obligations under the Note (the “Settlement Payment”), which was paid upon finalization of the settlement. The Museum recognized the \$31,800 forgiveness of debt as revenue in the statement of activities for the year ended December 31, 2020.

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, 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)

6. Deferred Revenue (continued)

Deferred revenue at December 31, 2020 and 2019 consists of:

	2020	2019
Baseball writers dinner	\$ 5,600	\$ 55,602
Other sponsorship	8,500	30,100
	\$ 14,100	\$ 85,702

7. Commitments

The Museum has an 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 20-year agreement with Iron Mountain, commencing on September 25, 2015, 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 use of contributed facilities in 2020 and 2019.

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

<u>For the years ending December 31,</u>	
2021	\$ 10,138
2022	10,340
2023	2,598
	\$ 23,076

The Sports Museum of New England, Inc.
Notes to Financial Statements (continued)

7. Commitments (continued)

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, and 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. Under the new management agreement, for any operating deficits, the Museum will not owe a management fee to DNC-Boston for that year through December 31, 2021. 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 \$50,000 annually in fixed overhead allocated costs incurred by DNC-Boston with respect to the arena on behalf of the Museum. DNC-Boston did not require the Museum to make the \$50,000 payment for the year ended December 31, 2020 due to the COVID-19 pandemic. Accordingly, this has been recorded as an in-kind donation on the statement of activities. There was a one-time payment of \$10,000 relating to administration fees that were included within the fixed overhead allocated costs at December 31, 2019.

The management fee calculated under this agreement for the years ended December 31, 2020 and 2019 totaled \$15,486 and \$26,933, respectively. Amounts due to DNC-Boston totaled \$324,429 and \$850,516 at December 31, 2020 and 2019, 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.

8. Subsequent Events

During April 2021, management applied for funds through the U.S. Small Business Administration’s (“SBA”) Shuttered Venue Operators Grant (“SVOG”) in the amount of \$159,173. In June 2021, the application was approved by the SBA, and the requested funds were received by the Museum in July 2021.

The Sports Museum of New England, Inc.
Notes to Financial Statements (continued)

9. Restatement of Previously Issued Audited Financial Statements

During the year ended December 31, 2020, the Museum determined it was not accurately classifying payments made to the management company.

The following table presents the changes to the previously issued financial statements as of and for the year ended December 31, 2019:

	<u>As Reported</u>	<u>As Restated</u>	<u>Change</u>
Statement of Financial Position			
Cash	\$ 959,312	\$ 949,311	\$ (10,001)
Due to management company	1,000,379	850,516	(149,863)
Net assets (deficit) without donor restrictions	(120,414)	19,448	139,862
Statement of Activities			
Event income	\$ 1,030,165	\$ 1,055,165	\$ 25,000
Management and general expenses	156,862	168,862	12,000
Net deficit without donor restrictions, beginning of year	(204,134)	(77,272)	126,862
Net assets (deficit) without donor restrictions, end of year	(120,414)	19,448	139,862
Statement of Functional Expenses			
Management fees	\$ 15,433	\$ 26,933	\$ 11,500
Professional fees	11,500	12,000	500
Statement of Cash Flows			
Change in net assets	\$ 87,365	\$ 100,365	\$ 13,000
Due to management company	(144,801)	(157,801)	(13,000)
Cash, beginning of year	765,086	755,085	(10,001)
Cash, end of year	959,312	949,311	(10,001)