

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

Financial Statements

December 31, 2022 and 2021

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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Statement section of our report. We are required to be independent of The Sports Museum of New England, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Sports Museum of New England Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sports Museum of New England, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Sports Museum of New England, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Tromon Segarra & Associates LLP

Williamsville, New York
July 17, 2023

The Sports Museum of New England, Inc.

Statements of Financial Position

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash	\$ 1,003,521	\$ 718,421
Marketable securities	73,263	80,023
Accounts receivable, net	105,412	175,066
Prepaid expenses	<u>24,405</u>	<u>20,893</u>
Total current assets	1,206,601	994,403
Property and Equipment, net	29,936	31,650
Collection of Artwork (Note 1)	<u> </u>	<u> </u>
Total assets	<u>\$ 1,236,537</u>	<u>\$ 1,026,053</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	995	49,570
Accrued expenses	68,297	135,410
Deferred revenue	193,767	14,400
Due to management company	<u>447,714</u>	<u>409,995</u>
Total current liabilities	<u>710,773</u>	<u>609,375</u>
Total liabilities	710,773	609,375
Net Assets		
Without donor restrictions	427,501	336,655
With donor restrictions	<u>98,263</u>	<u>80,023</u>
Total net assets	<u>525,764</u>	<u>416,678</u>
Total liabilities and net assets	<u>\$ 1,236,537</u>	<u>\$ 1,026,053</u>

See independent auditors' report and notes to financial statements.

The Sports Museum of New England, Inc.
Statements of Activities
For the years ended December 31, 2022 and 2021

	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue						
Admissions	\$ 216,599	\$ 0	\$ 216,599	\$ 52,550	\$ 0	\$ 52,550
Annual fund	84,714	0	84,714	82,220	0	82,220
Auctions	10,000	0	10,000	0	0	0
Contributions	0	0	0	72,567	0	72,567
Event income	884,480	0	884,480	807,726	0	807,726
Grants and educational programs	335,164	25,000	360,164	476,996	0	476,996
Investment income	0	974	974	0	729	729
Miscellaneous	24,830	0	24,830	1,131	0	1,131
Sponsor income	141,667	0	141,667	133,333	0	133,333
Unrealized loss on marketable securities	0	(7,734)	(7,734)	0	(2,480)	(2,480)
Use of contributed facilities	64,783	0	64,783	64,062	0	64,062
In-kind donations	0	0	0	20,833	0	20,833
Total revenue	1,762,237	18,240	1,780,477	1,711,418	(1,751)	1,709,667
Expenses						
Program services	1,475,996	0	1,475,996	1,284,033	0	1,284,033
Management and general	195,395	0	195,395	201,392	0	201,392
Total expenses	1,671,391	0	1,671,391	1,485,425	0	1,485,425
Change in net assets	90,846	18,240	109,086	225,993	(1,751)	224,242
Net Assets, beginning of year	336,655	80,023	416,678	110,662	81,774	192,436
Net Assets, end of year	\$ 427,501	\$ 98,263	\$ 525,764	\$ 336,655	\$ 80,023	\$ 416,678

See independent auditors' report and notes to financial statements.

The Sports Museum of New England, Inc.

Statements of Functional Expenses

For the years ended December 31, 2022 and 2021

	2022			2021		
	Program Services	Management & General	Total Expenses	Program Services	Management & General	Total Expenses
Bank charges	\$ 0	\$ 9,987	\$ 9,987	\$ 0	\$ 11,335	\$ 11,335
Direct event expense	391,477	0	391,477	336,055	0	336,055
Educational programs	212,890	0	212,890	188,744	0	188,744
Exhibit expense	19,312	0	19,312	19,327	0	19,327
Facility maintenance and repair	0	12,266	12,266	0	11,852	11,852
Fixed overhead	0	55,000	55,000	0	50,000	50,000
Insurance	50,714	0	50,714	46,418	0	46,418
Leased payroll and related	736,820	0	736,820	629,427	0	629,427
Management fees	0	42,547	42,547	0	70,928	70,928
Outside services	0	5,161	5,161	0	13,261	13,261
Postage and shipping	0	10,446	10,446	0	5,637	5,637
Professional fees	0	16,793	16,793	0	11,791	11,791
Seminars and membership dues	0	12,150	12,150	0	10,912	10,912
Supplies	0	9,141	9,141	0	7,356	7,356
Telephone	0	4,527	4,527	0	3,600	3,600
Travel and entertainment	0	17,377	17,377	0	4,720	4,720
Use of contributed facilities	64,783	0	64,783	64,062	0	64,062
	<u>\$ 1,475,996</u>	<u>\$ 195,395</u>	<u>\$ 1,671,391</u>	<u>\$ 1,284,033</u>	<u>\$ 201,392</u>	<u>\$ 1,485,425</u>

See independent auditors' report and notes to financial statements

The Sports Museum of New England, Inc.

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<i>Cash Flows from Operating Activities</i>		
Change in net assets	\$ 109,086	\$ 224,242
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized loss on marketable securities	7,734	2,480
Depreciation	1,714	1,715
(Increase) Decrease in:		
Accounts receivable, net	69,654	9,541
Prepaid expenses	(3,512)	98
Increase (Decrease) in:		
Accounts payable	(48,575)	46,613
Accrued expenses	(67,113)	99,047
Deferred revenue	179,367	300
Due to management company	37,719	85,566
	<u>286,074</u>	<u>469,602</u>
Net cash provided by operating activities	286,074	469,602
<i>Cash Flows from Investing Activities</i>		
Purchases of marketable securities (dividend reinvestment)	<u>(974)</u>	<u>(729)</u>
Net cash used in investing activities	(974)	(729)
Net increase in cash	285,100	468,873
<i>Cash, beginning of year</i>	<u>718,421</u>	<u>249,548</u>
<i>Cash, end of year</i>	<u><u>\$ 1,003,521</u></u>	<u><u>\$ 718,421</u></u>

See independent auditors' report 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 2022 and 2021.

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, 2022 and 2021. 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 \$14,001 and \$12,287 at December 31, 2022 and 2021, 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 \$12,280,500 at December 31, 2022. The most recent appraisal was prepared on March 3, 2022. Previously, the collection had an estimated current retail replacement value of \$6,955,500 through December 31, 2021, based on an appraisal prepared on September 30, 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.

Deferred Revenue – The Museum solicits various sponsorships for events. Income received is recognized in the period in which the event takes place. Deferred revenue is also recorded for grants received in the current year, which relate to fundraising events occurring subsequent to year end.

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. In addition, a \$25,000 grant with donor restrictions was received in 2022, but was not expended in 2022. As such, this grant is recorded as a net asset with donor restriction, and it will be released from restriction in the year that the funds are spent. Net assets with donor restriction amounted to \$98,263 and \$80,023, at December 31, 2022 and 2021, 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.

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

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

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.

Contributions of Nonfinancial Assets – In September 2020, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which provides more transparency about the measurement of contributed nonfinancial assets and the amounts of these contributions used in programs and other activities. ASU 2020-07 was adopted by the Organization for the year ended December 31, 2022 and was applied on a retrospective basis. See Note 5.

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 received donated services or materials which meet the criteria for recognition in the amount of \$20,833 for the year ended December 31, 2021. No such donated services were received in 2022.

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.

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

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

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 17, 2023, the date the Museum’s financial statements were available to be issued. During the first quarter of 2023, the Museum received a donation from a single donor in the amount of \$100,000.

2. Concentrations

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 Museum had 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. The Museum signed an amendment on November 26, 2021 that extended the agreement from September 1, 2021 through August 31, 2024 with annual sponsorship fee amounts of \$245,000 in the first contract year, \$250,000 in the second contract year, and \$255,000 in the third contract year. The annual sponsorship fees are allocated to the proper revenue categories based on the signed agreement with New Balance. The Museum had \$76,667 of receivables outstanding from New Balance at December 31, 2021. There were no such receivables outstanding at December 31, 2022.

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

3. Liquidity and Availability of Financial Assets (continued)

The following table presents the Museum's financial assets available for general expenditures within one year of the statement of financial position date:

	2022	2021
Current assets at December 31, excluding non-financial assets		
Cash	\$ 1,003,521	\$ 718,421
Marketable securities	73,263	80,023
Accounts receivable, net	105,412	175,066
	1,182,196	973,510
Less those unavailable for general expenditures within one year, due to restrictions	98,263	80,023
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,083,933	\$ 893,487

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, 2022 and 2021, 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)

5. 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. Future minimum rental payments required for the above lease are \$2,598 for the year ending December 31, 2023. The estimated fair market value for current use of the above facilities based on inputs from the third-party landlord is an additional \$36,783 and \$36,062 for the years ended December 31, 2022 and 2021, respectively, which is recognized as a contribution from the lessor.

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 based on inputs from the third-party landlord is \$28,000 for the years ended December 31, 2022 and 2021, which is recognized as a contribution from the lessor.

Accordingly, \$64,783 and \$64,062 has been reported as revenue and support with an offsetting amount included as use of contributed facilities in 2022 and 2021, respectively.

The Museum operated under a management agreement with the Delaware North Companies, Inc. – Boston (“DNC-Boston”) that was effective for the period January 1, 2019 through December 31, 2021. The management agreement was renewed on February 21, 2022, extending the agreement to the period January 1, 2022 through December 31, 2024.

Under the management agreement, 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. For any operating deficits, the Museum will not owe a management fee to DNC-Boston for that year through December 31, 2024. 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. Through December 31, 2021, DNC-Boston received the first \$25,000 of net proceeds from a specified annual fundraising event from the Museum to fund the repayment of certain Museum expenditures previously paid for by DNC-Boston. DNC-Boston also was to receive \$55,000 and \$50,000 annually, in fixed overhead allocated costs incurred by DNC-Boston with respect to the arena on behalf of the Museum for the years ended December 31, 2022 and 2021, respectively. DNC-Boston will continue to receive \$55,000 annually through December 31, 2024.

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

5. Commitments (continued)

DNC-Boston only charged the Museum \$29,167 for the year ended December 31, 2021. DNC-Boston did not require the Museum to make the entire \$50,000 payment for the year ended December 31, 2021 due to the COVID-19 pandemic. Accordingly, the difference between the payment made and the \$50,000 has been recorded as an in-kind donation on the statement of activities for the year ended December 31, 2021.

The management agreement also stipulates a management fee of 25% of the Museum's year to date profits are paid to DNC-Boston for services provided. The management fee calculated under this agreement for the years ended December 31, 2022 and 2021 totaled \$42,547 and \$70,928, respectively. Amounts due to DNC-Boston totaled \$447,714 and \$409,995 at December 31, 2022 and 2021, respectively. The amount due to DNC-Boston includes past audits and filing fees as well as, primarily, monies maintained at varying levels for purposes of cash flow.