

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

Financial Statements

December 31, 2023 and 2022

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	5-11

Independent Auditors' Report

To the Board of Trustees
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, 2023 and 2022, 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, 2023 and 2022, 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 ("U.S. GAAP").

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 Financial Statements 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 the financial statements in accordance with U.S. GAAP, 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.

Tromona Segarra & Associates LLP

Williamsville, New York
June 27, 2024

The Sports Museum of New England, Inc.

Statements of Financial Position

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash	\$ 1,211,013	\$ 1,003,521
Marketable securities	76,092	73,263
Accounts receivable, net	116,504	105,412
Prepaid expenses	<u>26,976</u>	<u>24,405</u>
Total current assets	1,430,585	1,206,601
Equipment, net	28,221	29,936
Collection of Artwork (Note 1)	<u> </u>	<u> </u>
Total assets	<u>\$ 1,458,806</u>	<u>\$ 1,236,537</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	8,324	995
Accrued expenses	167,838	68,297
Deferred revenue	192,429	193,767
Due to management company	<u>396,822</u>	<u>447,714</u>
Total current liabilities	<u>765,413</u>	<u>710,773</u>
Total liabilities	765,413	710,773
Net Assets		
Without donor restrictions	617,301	427,501
With donor restrictions	<u>76,092</u>	<u>98,263</u>
Total net assets	<u>693,393</u>	<u>525,764</u>
Total liabilities and net assets	<u>\$ 1,458,806</u>	<u>\$ 1,236,537</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, 2023 and 2022

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue						
Admissions	\$ 311,123	\$ 0	\$ 311,123	\$ 216,599	\$ 0	\$ 216,599
Annual fund	83,675	0	83,675	84,714	0	84,714
Auctions	7,500	0	7,500	10,000	0	10,000
Contributions	5,610	0	5,610	0	0	0
Event income	945,914	0	945,914	884,480	0	884,480
Grants and educational programs	522,500	0	522,500	335,164	25,000	360,164
Investment income	0	1,582	1,582	0	974	974
Miscellaneous	24,178	0	24,178	24,830	0	24,830
Sponsor income	146,667	0	146,667	141,667	0	141,667
Unrealized gain (loss) on marketable securities	0	1,247	1,247	0	(7,734)	(7,734)
Contributions of non-financial assets	84,411	0	84,411	64,783	0	64,783
Net assets released from restriction	25,000	(25,000)	0	0	0	0
Total revenue	2,156,578	(22,171)	2,134,407	1,762,237	18,240	1,780,477
Expenses						
Program services	1,737,175	0	1,737,175	1,475,996	0	1,475,996
Management and general	229,603	0	229,603	195,395	0	195,395
Total expenses	1,966,778	0	1,966,778	1,671,391	0	1,671,391
Change in net assets	189,800	(22,171)	167,629	90,846	18,240	109,086
Net Assets, beginning of year	427,501	98,263	525,764	336,655	80,023	416,678
Net Assets, end of year	\$ 617,301	\$ 76,092	\$ 693,393	\$ 427,501	\$ 98,263	\$ 525,764

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, 2023 and 2022

	2023			2022		
	Program Services	Management & General	Total Expenses	Program Services	Management & General	Total Expenses
Bank charges	\$ 0	\$ 12,204	\$ 12,204	\$ 0	\$ 9,987	\$ 9,987
Direct event expense	439,669	0	439,669	391,477	0	391,477
Contribution - related party	0	10,000	10,000	0	0	0
Educational programs	353,914	0	353,914	212,890	0	212,890
Exhibit expense	15,643	0	15,643	19,312	0	19,312
Facility maintenance and repair	0	12,262	12,262	0	12,266	12,266
Fixed overhead	0	55,000	55,000	0	55,000	55,000
Insurance	56,401	0	56,401	50,714	0	50,714
Leased payroll and related	787,137	0	787,137	736,820	0	736,820
Management fees	0	60,439	60,439	0	42,547	42,547
Outside services	0	18,592	18,592	0	5,161	5,161
Postage and shipping	0	7,253	7,253	0	10,446	10,446
Professional fees	0	14,003	14,003	0	16,793	16,793
Seminars and membership dues	0	15,115	15,115	0	12,150	12,150
Supplies	0	7,146	7,146	0	9,141	9,141
Telephone	0	4,405	4,405	0	4,527	4,527
Travel and entertainment	0	13,184	13,184	0	17,377	17,377
Use of contributed facilities	84,411	0	84,411	64,783	0	64,783
	<u>\$ 1,737,175</u>	<u>\$ 229,603</u>	<u>\$ 1,966,778</u>	<u>\$ 1,475,996</u>	<u>\$ 195,395</u>	<u>\$ 1,671,391</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<i>Cash Flows from Operating Activities</i>		
Change in net assets	\$ 167,629	\$ 109,086
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized (gain) loss on marketable securities	(1,247)	7,734
Depreciation	1,715	1,714
(Increase) Decrease in:		
Accounts receivable, net	(11,092)	69,654
Prepaid expenses	(2,571)	(3,512)
Increase (Decrease) in:		
Accounts payable	7,329	(48,575)
Accrued expenses	99,541	(67,113)
Deferred revenue	(1,338)	179,367
Due to management company	(50,892)	37,719
	<u>209,074</u>	<u>286,074</u>
Net cash provided by operating activities	209,074	286,074
<i>Cash Flows from Investing Activities</i>		
Purchases of marketable securities (dividend reinvestment)	<u>(1,582)</u>	<u>(974)</u>
Net cash used in investing activities	(1,582)	(974)
Net increase in cash	207,492	285,100
<i>Cash, beginning of year</i>	<u>1,003,521</u>	<u>718,421</u>
<i>Cash, end of year</i>	<u>\$ 1,211,013</u>	<u>\$ 1,003,521</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 (“U.S. 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 2023 and 2022.

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 expected credit losses based on historical experience with collections, as well as current credit conditions. After all reasonable attempts to collect the outstanding balances, the accounts are written off. The allowance for expected credit losses was \$7,000 at December 31, 2023 and 2022. The Museum does not accrue interest on its receivables.

Equipment, net – Equipment is carried at cost, except equipment donated to the Museum, which is recorded at estimated fair value on the date the asset is received. Equipment and exhibits are net of accumulated depreciation of \$15,716 and \$14,001 at December 31, 2023 and 2022, 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 \$12,280,000 at December 31, 2023. The most recent appraisal was prepared on March 3, 2022. 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 limited 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 and included in net assets with donor restrictions at December 31, 2022, and was subsequently fully expended in 2023. Net assets with donor restriction amounted to \$76,092 and \$98,263, at December 31, 2023 and 2022, 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 Sports Museum of New England, Inc.
Notes to Financial Statements (continued)

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

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 – U.S. 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. 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 benefited.

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.

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.

Recently Adopted Accounting Pronouncement – On January 1, 2023, the Museum adopted Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The standard replaces the incurred loss model with the current expected credit loss ("CECL") model to estimate credit losses for financial assets measured at amortized cost, such as accounts receivable. Under the CECL model, the Museum estimates credit losses expected over the life of the financial assets based on historical experience, current conditions, and reasonable and supportable forecasts. The adoption of this standard did not have a material impact to the Museum's 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)

Subsequent Events – Management of the Museum has evaluated subsequent events, for recognition or disclosure, through June 27, 2024, the date the Museum’s financial statements were available to be issued. See Note 5.

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. 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. There are three members of the Museum’s Board of Trustees that are also current or former officers of New Balance. The Museum had no receivables outstanding from New Balance at December 31, 2023 and 2022, respectively.

The Museum holds several special fundraising events throughout each year. Event income from two special events, the Golf Tournament and the Tradition, accounted for \$813,068 and \$718,822 (86% and 81%) of the total event income for the years ending December 31, 2023 and 2022, respectively.

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:

	2023	2022
Current assets at December 31, excluding non-financial assets		
Cash	\$ 1,211,013	\$ 1,003,521
Marketable securities	76,092	73,263
Accounts receivable, net	116,504	105,412
	1,403,609	1,182,196
Less those unavailable for general expenditures within one year, due to restrictions	76,092	98,263
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,327,517	\$ 1,083,933

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, 2023 and 2022, 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 had 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 agreement is continuing on a month-to-month basis. The estimated fair market value for current use of the above facilities based on inputs from the third-party landlord is an additional \$39,801 and \$36,783 for the years ended December 31, 2023 and 2022, 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 \$44,610 and \$28,000 for the years ended December 31, 2023 and 2022, respectively.

Accordingly, \$84,411 and \$64,783 has been reported as revenue and support with an offsetting amount included as use of contributed facilities in 2023 and 2022, respectively, in the accompanying statements of activities and statements of functional expenses.

The Museum operates under a management agreement with the Delaware North Companies, Inc. – Boston (“DNC-Boston”) that is effective for 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. DNC-Boston is to receive \$55,000 annually, in fixed overhead allocated costs incurred by DNC-Boston, with respect to the Museum's operations within the TD Garden. DNC-Boston will continue to receive \$55,000 annually through December 31, 2024.

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, 2023 and 2022 totaled \$60,439 and \$42,547, respectively. Amounts due to DNC-Boston totaled \$396,822 and \$447,714 at December 31, 2023 and 2022, respectively. The amounts due to DNC-Boston are primarily for payroll reimbursements, are maintained at varying levels for purposes of cash flow, and are mostly paid subsequent to fiscal year end.

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

5. Commitments (continued)

The Museum entered into a service agreement with Boston Professional Hockey Association, Inc. (“BPHA”), commencing on March 6, 2024 and expiring December 31, 2025. Under the service agreement, the Museum will perform services for BPHA within the Heritage Hall venue located in TD Garden. The Museum is eligible to receive a management fee from BPHA contingent upon the Museum’s net ticketing and admissions revenues. BPHA will also reimburse the Museum for all direct staffing and payroll costs, as well as other incremental costs associated with Heritage Hall incurred in performing the services. Additionally, beginning in 2024, the Museum will remit to BPHA an operative percentage based on net ticketing and admissions revenue of the Museum, including Heritage Hall, as defined in the service agreement.