



GARDEN OF DREAMS FOUNDATION

Financial Statements

August 31, 2015

(With Independent Auditors' Report Thereon)

GARDEN OF DREAMS FOUNDATION

Financial Statements

August 31, 2015

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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
Garden of Dreams Foundation:

We have audited the accompanying financial statements of the Garden of Dreams Foundation (the Foundation), which comprise the statement of financial position as of August 31, 2015, and the related statements of activities and cash flows for the year 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 U.S. generally accepted accounting principles; 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 audit. We conducted our audit 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Garden of Dreams Foundation as of August 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

April 13, 2016

GARDEN OF DREAMS FOUNDATION

Statement of Financial Position

August 31, 2015

Assets

Cash and cash equivalents	\$	4,421,550
Contributions receivable		87,118
Prepaid and other assets		65,866
Property and equipment, net (note 5)		<u>8,022</u>
Total assets	\$	<u><u>4,582,556</u></u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$	101,823
Deferred revenue		<u>9,966</u>
Total liabilities		<u>111,789</u>

Net assets:

Unrestricted		4,440,185
Temporarily restricted (note 6)		<u>30,582</u>
Total net assets		<u>4,470,767</u>
Total liabilities and net assets	\$	<u><u>4,582,556</u></u>

See accompanying notes to financial statements.

GARDEN OF DREAMS FOUNDATION

Statement of Activities

Year ended August 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Contributions, including \$9,050,733 of noncash contributions	\$ 9,372,420	—	9,372,420
Special events	3,033,589	—	3,033,589
Interest income	3,225	—	3,225
	<u>12,409,234</u>	<u>—</u>	<u>12,409,234</u>
Net assets released from restrictions	20,000	(20,000)	—
Total revenues	<u>12,429,234</u>	<u>(20,000)</u>	<u>12,409,234</u>
Expenses:			
Program services:			
Noncash grants	7,113,611	—	7,113,611
Other program services	2,724,169	—	2,724,169
Total program services	<u>9,837,780</u>	<u>—</u>	<u>9,837,780</u>
Supporting services:			
Management and general	528,346	—	528,346
Fundraising	978,690	—	978,690
Total supporting services	<u>1,507,036</u>	<u>—</u>	<u>1,507,036</u>
Total expenses	<u>11,344,816</u>	<u>—</u>	<u>11,344,816</u>
Change in net assets	1,084,418	(20,000)	1,064,418
Net assets at beginning of year	<u>3,355,767</u>	<u>50,582</u>	<u>3,406,349</u>
Net assets at end of year	<u>\$ 4,440,185</u>	<u>30,582</u>	<u>4,470,767</u>

See accompanying notes to financial statements.

GARDEN OF DREAMS FOUNDATION

Statement of Cash Flows

Year ended August 31, 2015

Cash flows from operating activities:	
Increase in net assets	\$ 1,064,418
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation expense	11,424
Changes in assets and liabilities:	
Increase in contributions receivable	(55,919)
Decrease in prepaid and other current assets	15,773
Increase in accounts payable and accrued expenses	10,834
Decrease in deferred revenue	(2,443)
Net cash provided by operating activities	<u>1,044,087</u>
Cash flows from investing activities:	
Capital expenditures	<u>(8,175)</u>
Net increase in cash and cash equivalents	<u>1,035,912</u>
Cash and cash equivalents at beginning of year	<u>3,385,638</u>
Cash and cash equivalents at end of year	<u><u>\$ 4,421,550</u></u>

See accompanying notes to financial statements.

GARDEN OF DREAMS FOUNDATION

Notes to Financial Statements

August 31, 2015

(1) Organization and Purpose

The Garden of Dreams Foundation (the Foundation) is committed to making dreams come true for kids facing obstacles in the New York / New Jersey / Connecticut tri-state area. MSG Holdings, L.P. (MSG), a wholly owned subsidiary of The Madison Square Garden Company, is the sole member of the Foundation. The Foundation works closely with all areas of MSG (including The New York Knicks, The New York Rangers, The New York Liberty, MSG Media, and MSG Entertainment) to build meaningful, unforgettable programs for children affiliated with the Foundation's local partner organizations.

Program services consist principally of noncash grants and other direct support to the Foundation's local partner organizations, which work with children facing enormous obstacles, including illness, abuse, homelessness, hunger, extreme poverty and tragedy. The Foundation supports the children and families who are part of these organizations through special experiences, all access behind-the-scenes tours and dream nights at Madison Square Garden, Radio City Music Hall, the training center for MSG sports teams, and the Beacon Theatre. In addition, the Foundation supports these children and families through tickets to games and shows and through one-on-one interactions with players and staff at various community organizations. Another program of the Foundation involves visits to local children's hospitals to lift the spirits and hope of children by bringing the magic of MSG to children too ill to travel.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (GAAP). Net assets and the changes there-in are classified and reported as follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted – Net assets subject to donor-imposed restrictions that will be met by actions of the Foundation and/or the passage of time.

Revenues are reported as increases in unrestricted net assets unless their use is limited by explicit donor-imposed restrictions or by law. Expenses are reported as decreases in net assets.

All contributions receivable as of August 31, 2015 are expected to be received within one year.

(b) Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenue in the period received or pledged.

Donor-restricted support, if any, is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction is met (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

GARDEN OF DREAMS FOUNDATION

Notes to Financial Statements

August 31, 2015

Noncash contributions of \$7,113,611 primarily represent tickets and other items which were donated to the Foundation. These items are subsequently distributed to the Foundation's local partner and after school organizations, and recorded as noncash grant expense. These items are recorded at fair value within program services expense in the accompanying statement of activities.

Noncash contributions of tickets and suites for events are recorded at face value and rate card value, respectively, which represents fair value. Donated articles of clothing and miscellaneous articles, if new, are recorded at cost of comparable items which represents fair value. Donated articles of used clothing are valued at average thrift store price which represents fair value.

In addition, MSG contributed to the Foundation employee support services valued at \$1,612,730, and operational support consisting primarily of facilities usage and arena suite services valued at \$324,392 (see Note 4).

(c) *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(d) *Cash and Cash Equivalents*

The Foundation considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. The carrying value of cash and cash equivalents either approximates fair value due to the short-term maturity of these instruments, or is at fair value. The Foundation maintains its cash balance at financial institutions in excess of amounts insured under the Federal Deposit Insurance Corporation.

(e) *New Accounting Pronouncements*

In April 2013, the Financial Accounting Standards Board issued Accounting Standards Update 2013-06, *Not-for-Profit Entities* (ASU 2013-06). ASU 2013-06 provides guidance for not-for-profit entities for recognizing and measuring services received from personnel of an affiliate that benefit the non-for-profit entity. The Foundation adopted ASU 2013-06 in the current year. Due to the adoption, the Foundation recognized additional employee services received from MSG in fiscal year 2015 as per the table below.

GARDEN OF DREAMS FOUNDATION

Notes to Financial Statements

August 31, 2015

		August 31, 2015
Contributions	\$	918,407
Expenses:		
Program services		580,839
Management and general		140,775
Fundraising		196,794
Total expenses	\$	918,407

(3) Income Taxes

The Foundation is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Accordingly, there are no provisions for income taxes.

(4) Related Party Transactions

The accompanying statement of activities for the year ended August 31, 2015 includes special events revenues and cash contributions from MSG of \$15,000 and \$5,000, respectively.

During the year ended August 31, 2015, the Foundation reimbursed MSG for expenses that MSG incurred on behalf of the Foundation. These amounts included \$15,554 for expenses in connection with the Foundation's program services, and \$85,453 for expenses associated with certain fundraising efforts. The Foundation received use of facilities and services from MSG during the year ended August 31, 2015, including office space, office supplies, usage of office equipment and furniture, telephone services, mailing services, electricity, computer support, as well as the services of MSG employees to the Foundation. These MSG contributed services of \$1,176,688, \$291,428 and \$469,006 are recorded within program services, management and general services, and fundraising services, respectively, in the accompanying statement of activities.

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Notes to Financial Statements

August 31, 2015

(5) Property and Equipment

As of August 31, 2015, property and equipment consisted of the following assets, which are depreciated on a straight-line basis over the estimated useful lives shown below:

		<u>Estimated useful lives</u>
Website ⁽¹⁾	\$ 30,000	2 years 4 months
Website dream notes upgrade ⁽²⁾	10,500	3 years
Website upgrade ⁽³⁾	20,750	3 years
Website upgrade ⁽⁴⁾	8,175	3 years
Software	<u>2,100</u>	3 years
	71,525	
Less accumulated depreciation	<u>(63,503)</u>	
	<u>\$ 8,022</u>	

(1) The website was donated to the Foundation during the year ended August 31, 2008 and was recorded at its estimated fair value of \$30,000. This asset was placed in service in the year ended August 31, 2009.

(2) A \$10,500 upgrade to accept online Dream Note requests which are broadcast in the Madison Square Garden Arena during events was added in the year ended August 31, 2012.

(3) A \$20,750 upgrade to improve website performance and functionality was added in the year ended August 31, 2013.

(4) A \$8,175 upgrade to improve website performance and functionality was added in the year ended August 31, 2015.

(6) Temporarily Restricted Net Assets

Temporarily restricted net assets total \$30,582 as of August 31, 2015, of which \$20,524 is available for the Foundation's Hospital Support program and \$10,058 is for hockey instruction related to the Power Players Program.

(7) Subsequent Events

The Foundation evaluated subsequent events through April 13, 2016 the date the financial statements were available to be issued, and determined no additional disclosures were required.