



GARDEN OF DREAMS FOUNDATION

Financial Statements

August 31, 2019

(With Independent Auditors' Report Thereon)

GARDEN OF DREAMS FOUNDATION

Financial Statements

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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, 2019, and the related statements of activities and cash flows for the year 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, 2019, 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

June 11, 2020

GARDEN OF DREAMS FOUNDATION

Statement of Financial Position

August 31, 2019

Assets

Cash and cash equivalents	\$	6,412,897
Contributions receivable		96,516
Prepaid and other assets		107,865
Property and equipment, net (note 5)		<u>7,528</u>
Total assets	\$	<u><u>6,624,806</u></u>

Liabilities and Net Assets

Liabilities:		
Accounts payable and accrued expenses	\$	92,962
Deferred revenue		<u>14,244</u>
Total liabilities		107,206
Net assets:		
Without donor restrictions		<u>6,517,600</u>
Total liabilities and net assets	\$	<u><u>6,624,806</u></u>

See accompanying notes to financial statements.

GARDEN OF DREAMS FOUNDATION

Statement of Activities

Year ended August 31, 2019

	<u>Net Assets without Donor Restrictions</u>
Revenues (note 4):	
Contributions, including \$3,723,609 of noncash contributions	\$ 5,078,770
Special events	3,378,562
Interest income and other	18,589
	<hr/>
Revenue, before noncash contributions from MSG	8,475,921
Noncash contributions from MSG	2,388,705
	<hr/>
Total revenues	10,864,626
	<hr/>
Expenses (note 7):	
Program services:	
Noncash grants	3,723,609
Other program services	4,180,159
	<hr/>
Total program services	7,903,768
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Supporting services:	
Management and general	536,060
Fundraising	966,922
	<hr/>
Total supporting services	1,502,982
	<hr/>
Total expenses	9,406,750
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Change in net assets	1,457,876
Net assets at beginning of year	5,059,724
	<hr/>
Net assets at end of year	\$ <u><u>6,517,600</u></u>

See accompanying notes to financial statements.

GARDEN OF DREAMS FOUNDATION

Statement of Cash Flows

Year ended August 31, 2019

Cash flows from operating activities:	
Increase in net assets	\$ 1,457,876
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation expense	29,833
Changes in assets and liabilities:	
Increase in contributions receivable	(48,381)
Increase in prepaid and other current assets	(30,695)
Increase in accounts payable and accrued expenses	33,145
Increase in deferred revenue	<u>8,298</u>
Net cash provided by operating activities	1,450,076
Cash and cash equivalents at beginning of year	<u>4,962,821</u>
Cash and cash equivalents at end of year	<u>\$ 6,412,897</u>

See accompanying notes to financial statements.

GARDEN OF DREAMS FOUNDATION

Notes to Financial Statements

August 31, 2019

(1) Organization and Purpose

The Garden of Dreams Foundation is a non-profit organization that works with Madison Square Garden Entertainment Corp. (MSG), Madison Square Garden Sports Corp., and MSG Networks, Inc. to bring life-changing opportunities to young people in need. Through this partnership, the Garden of Dreams Foundation provides young people in our communities with life-changing access to educational and skills opportunities; mentoring programs, and memorable experiences that enhance their lives, help shape their futures and create lasting joy. The Foundation focuses on young people facing illness or financial challenges, as well as children of uniformed personnel who have been lost or injured while serving our communities. MSG Entertainment Group, LLC, a wholly owned subsidiary of MSG, is the sole member of the Foundation. Program services consist principally of cash and noncash grants and other direct support to the Foundation's partner organizations, which work with children facing illness or financial challenges, as well as children of uniformed personnel who have been lost or injured while serving our communities.

The Foundation supports the young people and their families who are part of these organizations through four guiding pillars – Education, Inspiration, Grants and Joy:

- *Education:* Through scholarships for colleges and trade schools, Garden of Dreams inspires students to envision and shape their futures.
- *Inspiration:* Garden of Dreams runs formal, meaningful programs where young people in our communities have opportunity to be inspired, mentored by and develop relationships with the Madison Square Garden Entertainment Corp., Madison Square Garden Sports Corp., and MSG Networks, Inc. employees and talent in the workplaces.
- *Grants:* Through direct financial support for bricks and mortar improvements to community facilities, as well as for community-based sports, entertainment and media projects, Garden of Dreams enhances the environment of young people where they live and grow.
- *Joy:* Garden of Dreams utilizes our unmatched line-up of events and assets at Madison Square Garden, Radio City Music Hall, HULU Theater at Madison Square Garden and the Beacon Theatre to provide unforgettable experiences to young people that foster healing and joy. Far more than a singular moment in time, these ongoing experiences inspire courage and connection that offer both celebration and hope for the future.

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization (the pandemic). Because of the pandemic and related government-imposed mandates, the Foundation's typical fundraising and programming activities have been disrupted and postponed and there is significant uncertainty around the duration and extent of the impacts to future Foundation operations.

(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:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions.

GARDEN OF DREAMS FOUNDATION

Notes to Financial Statements

August 31, 2019

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions that will be met by actions of the Foundation and/or the passage of time. There are no net assets with donor restrictions at August 31, 2019.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by explicit donor-imposed restrictions or by law. Expenses are reported as decreases in net assets.

(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 net assets with donor restrictions. When a donor restriction is met (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Noncash contributions of \$3,723,609 primarily represent tickets and access to suites in connection with events at MSG's venues which were donated to the Foundation by the tickets and suite license holders. 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 compensation, rent and other expenses of \$1,937,522 and operational support consisting primarily of facilities usage and arena services valued at \$451,183. See Note 4.

(c) Grants

Grants are reported as an expense and a liability of the Foundation when approved by the Foundation's management, as well as the Foundation's board of directors, and communicated to the grantee unless conditions imposed on the grantee have not been fulfilled. Such conditional grants are recorded when the conditions have been satisfied.

(d) 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, including in-kind contributions and expenses, during the reporting period. Actual results could differ from those estimates.

GARDEN OF DREAMS FOUNDATION

Notes to Financial Statements

August 31, 2019

(e) 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.

(f) New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. ASU 2016-14 reduces the number of net assets classes from three to two: net assets without donor restrictions and net assets with donor restrictions. Additionally, it expands the quantitative and qualitative disclosures regarding liquidity and availability of resources and requires expenses to be reported by both their natural and functional classification in one location. The Foundation adopted ASU 2016-14 in 2019 and applied the changes retrospectively.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 helps an entity evaluate whether it should account for a grant (or similar transaction) as a contribution or as an exchange transaction. The ASU also clarifies and expands the criteria for determining whether a contribution is conditional, which may delay recognition of contribution revenue (recipient) or expense (resource provided). The provisions in this ASU are effective for annual reporting periods beginning after December 15, 2018. The Foundation is in the process of evaluating the impact of the ASU and plans to adopt ASU 2018-08 for the year ending August 31, 2020.

(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

During the year ended August 31, 2019, the Foundation reimbursed MSG for expenses that MSG incurred on behalf of the Foundation. These amounts included \$132,221 for expenses in connection with the Foundation's program services, and \$1,271 for expenses associated with certain fundraising efforts.

Certain of the Foundation's fundraising special events are hosted at MSG venues. In these situations, MSG will remit to the Foundation the amount of contributions from the event collected on behalf of the Foundation, less fundraising expenses from the event. The accompanying statement of activities for the year ended August 31, 2019 includes contributions from special events, net of expenses, of \$1,308,707.

The Foundation received contributions in the form of facilities and services from MSG during the year ended August 31, 2019, 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 \$1,580,452, \$310,616 and \$497,637 are recorded within program services, management and general services, and fundraising services, respectively, in the accompanying statement of activities.

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August 31, 2019

(5) Property and Equipment

Property and equipment pertains primarily to the cost of design and implementation of the Foundation's website. Property and equipment is depreciated on a straight-line basis over the estimated useful lives, which is typically 3 years. As of August 31, 2019, gross property and equipment and accumulated depreciation is \$148,600 and \$141,072, respectively. During 2019, the Foundation wrote off \$69,425 of fully depreciated property and equipment.

(6) Liquidity and Availability of Resources

Financial assets available for general expenditures within one year as of August 31, 2019 consist of cash and cash equivalents totaling \$6,412,897. The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due.

(7) Functional Expenses

The Foundation's primary program service is inspirational, educational and other grant giving and providing experiences to young people. Expenses reported as supporting services are incurred in support of this primary program. All natural expenses (other than grants) are included in program and support services.

Expenses by functional classification for the year ended August 31, 2019 consist of the following:

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
Grants	\$ 5,289,709	—	5,289,709
Compensation	1,016,451	617,165	1,633,616
Rent and other office expense	201,817	102,089	303,906
Communications, meetings, and events	583,328	484,594	1,067,922
Other expenses	812,463	299,134	1,111,597
	<u>\$ 7,903,768</u>	<u>1,502,982</u>	<u>9,406,750</u>

(8) Subsequent Events

The Foundation evaluated subsequent events through June 11, 2020, the date the financial statements were available to be issued, and determined no additional disclosures were required.