



GARDEN OF DREAMS FOUNDATION

Financial Statements

August 31, 2018

(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, 2018, 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, 2018, 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 15, 2019

GARDEN OF DREAMS FOUNDATION

Statement of Financial Position

August 31, 2018

Assets

Cash and cash equivalents	\$	4,962,821
Contributions receivable		48,135
Prepaid and other assets		77,170
Property and equipment, net (note 5)		<u>37,361</u>
Total assets	\$	<u><u>5,125,487</u></u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$	59,817
Deferred revenue		<u>5,946</u>
Total liabilities		<u>65,763</u>

Net assets:

Unrestricted		<u>5,059,724</u>
Total net assets		<u>5,059,724</u>
Total liabilities and net assets	\$	<u><u>5,125,487</u></u>

See accompanying notes to financial statements.

GARDEN OF DREAMS FOUNDATION

Statement of Activities
Year ended August 31, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Contributions, including \$5,568,339 of noncash contributions \$	7,015,257	—	7,015,257
Special events	2,635,267	—	2,635,267
Interest income	22,016	—	22,016
	<u>9,672,540</u>	<u>—</u>	<u>9,672,540</u>
Net assets released from restrictions	<u>—</u>	<u>—</u>	<u>—</u>
Total revenues	<u>9,672,540</u>	<u>—</u>	<u>9,672,540</u>
Expenses:			
Program services			
Noncash grants	3,266,181	—	3,266,181
Other program services	5,217,041	—	5,217,041
Total program services	<u>8,483,222</u>	<u>—</u>	<u>8,483,222</u>
Supporting services:			
Management and genera	555,357	—	555,357
Fundraising	988,859	—	988,859
Total supporting services	<u>1,544,216</u>	<u>—</u>	<u>1,544,216</u>
Total expenses	<u>10,027,438</u>	<u>—</u>	<u>10,027,438</u>
cr as in net assets	(354,898)	—	(354,898)
Net assets at beginning of year	<u>5,414,622</u>	<u>—</u>	<u>5,414,622</u>
Net assets at end of year	<u>\$ 5,059,724</u>	<u>—</u>	<u>5,059,724</u>

See accompanying notes to financial statements.

GARDEN OF DREAMS FOUNDATION

Statement of Cash Flows

Year ended August 31, 2018

Cash flows from operating activities:	
Decrease in net assets	\$ (354,898)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation expense	49,288
Changes in assets and liabilities:	
Increase in contributions receivable	(45,827)
Decrease in prepaid and other current assets	4,964
Decrease in accounts payable and accrued expenses	(2,596)
Decrease in deferred revenue	(6,614)
Net cash used in operating activities	<u>(355,683)</u>
 Cash and cash equivalents at beginning of year	 <u>5,318,504</u>
Cash and cash equivalents at end of year	\$ <u><u>4,962,821</u></u>

See accompanying notes to financial statements.

GARDEN OF DREAMS FOUNDATION

Notes to Financial Statements

August 31, 2018

(1) Organization and Purpose

The Garden of Dreams Foundation is committed to making dreams come true for kids facing obstacles in the New York/New Jersey/Connecticut tri-state area. MSG Sports & Entertainment, LLC (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 Networks Inc. and Rockettes) to build meaningful, unforgettable programs for children affiliated with the Foundation's local partner organizations.

Program services consist principally of cash and 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. In addition, the Foundation helps its partner organizations through direct support of college scholarships and tangible, targeted community projects. These grants support refurbishments of community centers and hospital pediatric areas.

(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.

(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.

Noncash contributions of \$3,266,181 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 grants distributed. These items are recorded at fair value within program services expense in the accompanying statement of activities.

GARDEN OF DREAMS FOUNDATION

Notes to Financial Statements

August 31, 2018

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.

The Foundation recognizes the services received from personnel of MSG that directly benefit the Foundation. These services are measured at the cost of the personnel providing the services. MSG contributed to the Foundation employee support services valued at \$2,000,681 and operational support consisting primarily of facilities usage and arena suite services valued at \$301,476. (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 in-kind contributions and expenses grants during the reporting period. Actual results could differ from those estimates.

(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. The Foundation did not have any amounts classified as net assets with donor restrictions. Additionally, it expands the quantitative and qualitative disclosures regarding liquidity and availability of resources, and require expenses to be reported by both their natural and functional classification in one location. ASU 2016-14 is effective for the Foundation starting with the fiscal year ending August 31, 2019. The Foundation is currently evaluating the impact of ASU 2016-14 on its financial statements and disclosures.

(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, 2018 includes cash contributions received from MSG of \$338,669.

GARDEN OF DREAMS FOUNDATION

Notes to Financial Statements

August 31, 2018

During the year ended August 31, 2018, the Foundation reimbursed MSG for expenses that MSG incurred on behalf of the Foundation. These amounts included \$142,664 for expenses in connection with the Foundation's program services, and \$3,566 for expenses associated with certain fundraising efforts. The Foundation received use of facilities and services from MSG during the year ended August 31, 2018, including office space, office supplies, usage of office equipment and furniture, telephone services, mailing service, electricity, computer support, as well as the services of MSG employees to the Foundation. These MSG contributed services of \$1,531,559, \$306,113 and \$464,486 are recorded within program services, management and general services, and fundraising services, respectively, in the accompanying statement of activities.

(5) Property and Equipment

As of August 31, 2018, property and equipment consisted of the following assets, which are depreciated on a straight-line basis over the estimated useful lives shown below:

		Estimated Useful Life
Website	215,925	3 Years
Software	<u>2,100</u>	3 Years
	218,025	
Less: Accumulated Depreciation	<u>(180,664)</u>	
	<u><u>\$ 37,361</u></u>	

(6) Subsequent Events

The Foundation evaluated subsequent events through April 15, 2019 the date the financial statements were available to be issued, and determined no additional disclosures were required.