

GARDEN OF DREAMS FOUNDATION

Financial Statements

as of and for the Year Ended

August 31, 2021, and

Independent Auditors' Report

GARDEN OF DREAMS FOUNDATION

Financial Statements

August 31, 2021

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INDEPENDENT AUDITORS' REPORT

To 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, 2021, and the related statements of activities and changes in net assets, 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 accounting principles generally accepted in the United States of America; 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 from 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 auditor's 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 Foundation'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 Foundation'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, 2021, and the results of its activities and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



July 27, 2022

GARDEN OF DREAMS FOUNDATION

Statement of Financial Position

as of August 31, 2021

Assets

Current assets:

Cash and cash equivalents	\$	3,022,501
Contributions receivable		118,344
Due from MSGE		4,973
Prepaid and other current assets		75,246

Total Assets \$ 3,221,064

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$	4,692
Accrued expenses		19,222
Deferred revenue		8,328
Due to MSGS		8,233

Total liabilities 40,475

Net assets:

Without donor restrictions		3,143,429
With donor restrictions		37,160

Total net assets 3,180,589

Total Liabilities and Net Assets \$ 3,221,064

See accompanying notes to financial statements.

GARDEN OF DREAMS FOUNDATION
Statement of Activities and Changes in Net Assets
for the Year Ended August 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues (notes 2 and 3):			
Contributions, including non-cash contributions of \$258,347 received without donor restrictions	\$ 732,913	\$ 387,160	\$ 1,120,073
Special events	135,671	-	135,671
Interest income and other	5,915	-	5,915
Revenue, before noncash contributions from MSGE	<u>874,499</u>	<u>387,160</u>	<u>1,261,659</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>350,000</u>	<u>(350,000)</u>	<u>-</u>
Total net assets released from restrictions	<u>350,000</u>	<u>(350,000)</u>	<u>-</u>
Noncash contributions from MSGE	<u>516,777</u>	<u>-</u>	<u>516,777</u>
Total revenues	<u>1,741,276</u>	<u>37,160</u>	<u>1,778,436</u>
Expenses (note 5):			
Program services:			
Noncash grants	258,347	-	258,347
Other program services	1,215,383	-	1,215,383
Total program services	<u>1,473,730</u>	<u>-</u>	<u>1,473,730</u>
Supporting services:			
Management and general	360,544	-	360,544
Fundraising	231,245	-	231,245
Total supporting services	<u>591,789</u>	<u>-</u>	<u>591,789</u>
Total expenses	<u>2,065,519</u>	<u>-</u>	<u>2,065,519</u>
Change in net assets	(324,243)	37,160	(287,083)
Net Assets at Beginning of Year	<u>3,467,672</u>	<u>-</u>	<u>3,467,672</u>
Net Assets at End of Year	<u>\$ 3,143,429</u>	<u>\$ 37,160</u>	<u>\$ 3,180,589</u>

See accompanying notes to financial statements.

GARDEN OF DREAMS FOUNDATION

Statement of Cash Flows for the Year Ended August 31, 2021

Cash flows from operating activities:

Change in net assets	\$ (287,083)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Changes in assets and liabilities:	
Increase in contributions receivable	(14,666)
Increase in due from MSGE	(4,973)
Decrease in prepaid and other current assets	6,381
Decrease in accounts payable	(75,446)
Decrease in accrued expenses	(30,290)
Increase in deferred revenue	8,328
Increase in due to MSGS	8,233
Net cash used in operating activities	<u>(389,516)</u>
Cash and cash equivalents at beginning of year	<u>3,412,017</u>
Cash and cash equivalents at end of year	<u><u>\$ 3,022,501</u></u>

See accompanying notes to financial statements.

GARDEN OF DREAMS FOUNDATION

Notes to Financial Statements as of and for the Year Ended August 31, 2021

(1) Organization and Purpose

The Garden of Dreams Foundation (the “Foundation”, or “Garden of Dreams”) is a non-profit organization that works with Madison Square Garden Entertainment Corp. (“MSGE”) and Madison Square Garden Sports Corp. (“MSG”) to bring life-changing opportunities to young people in need. Through these partnerships, the 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 MSGE, 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 college and trade schools, Garden of Dreams inspires students to envision and begin to shape their futures.
- *Inspiration:* Garden of Dreams runs formal, meaningful programs where young people in our communities have an opportunity to be inspired and mentored by, and develop relationships with, MSGE and MSG 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 offers both celebration and hope for the future.

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the “COVID-19 outbreak”). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. As a result of the COVID-19 outbreak and related government-imposed mandates, the Foundation’s typical fundraising and programming activities were disrupted, and the operations and operating results of the Foundation were materially impacted.

While operations have started to resume, it is unclear to what extent COVID-19 concerns, including with respect to new variants, could result in new government restrictions or vaccination/mask requirements. Such restrictions could continue to impact the contributions and operations of the Foundation.

(2) Summary of Significant Accounting Policies

i. Basis of Presentation

The Foundation's financial statements have been prepared 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 and may be expended for any purpose in performing the primary objectives of the Foundation.

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.

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.

ii. 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, 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), net assets with donor restrictions are reclassified to net assets without donor restrictions in the statement of financial position and reported as net assets released from restrictions in the statement of activities and changes in net assets. For the year ended August 31, 2021, net assets with donor restrictions of \$387,160 were contributed to the foundation, of which \$350,000 were released from restrictions in satisfaction of program restrictions. As of August 31, 2021, net assets with donor restrictions of \$37,160 were restricted for specified program use in future periods.

Noncash contributions of \$258,347 primarily represent 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 at fair value within program services expense in the accompanying statement of activities and changes in net assets.

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.

As a result of the COVID-19 outbreak and related government-imposed mandates, the Foundation experienced a pause in contributions and did not receive any noncash contributions of tickets and suites for events. As discussed above, the Foundation did receive noncash contributions relating to donated articles of clothing and miscellaneous articles with an estimated value of \$258,347 during the year ended August 31, 2021. The Foundation's expectation is that general contributions will begin to increase in the following years.

In addition, MSGE contributed to the Foundation employee support services and office overhead valued at \$516,777. During the year ended August 31, 2021, there was no operational support of arena suite services provided to the Foundation by MSGE. See Note 3.

Deferred revenue primarily relates to the Foundation's receipt of cash contributions from a donor in advance of the Foundation's transfer of goods or services. Deferred revenue is reduced, and the related contributions are recognized as revenue once the underlying goods or services are transferred.

iii. 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.

iv. 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.

v. Cash and Cash Equivalents

The Foundation considers all highly liquid financial instruments with original maturities of three months or less to be cash equivalents. The carrying value of cash and cash equivalents, which includes money market funds, 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.

vi. 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 is no provision for income taxes recorded in the accompanying financial statements. As of August 31, 2021, tax years 2018 through 2021 are subject to examination by the federal tax authorities.

(3) Related Party Transactions

The accompanying statement of activities for the year ended August 31, 2021 includes cash contributions received from MSGE of \$126,794.

During the year ended August 31, 2021, the Foundation reimbursed MSGE for expenses that MSGE incurred on behalf of the Foundation. These amounts included \$277 for expenses in connection with the Foundation's program services, and there were no expenses reimbursed to MSGE associated with fundraising efforts. In addition, the Foundation has a due from MSGE balance of \$4,973 and a due to MSGS balance of \$8,233 for cash reimbursements between the related parties as of August 31, 2021.

Some of the Foundation's fundraising special events are hosted at MSGE venues. In these situations, MSGE 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 and changes in net assets for the year ended August 31, 2021 includes contributions from special events, net of expenses, of \$131,918.

During the year ended August 31, 2021, the Foundation received the services of MSGE employees along with the use of facilities and office overhead services from MSGE, including office space, office supplies, usage of office equipment and furniture, telephone services, mailing services, electricity and computer support. The Foundation recognized expenses of \$942,664 related to these services from MSGE for the year ended August 31, 2021, of which a total of \$516,777 was contributed to the Foundation by MSGE and the remainder of the services were paid for in cash by the Foundation.

MSGE-contributed services were recorded within the following expense lines of the accompanying statement of activities and changes in net assets:

	MSGE- Contributed Employee Services	MSGE- Contributed Overhead Services	Total
Other program services	\$225,502	\$48,125	\$273,627
Management and general services	121,214	25,868	147,082
Fundraising services	79,172	16,896	96,068
Total	<u>\$425,888</u>	<u>\$90,889</u>	<u>\$516,777</u>

(4) Liquidity and Availability of Resources

As of August 31, 2021, cash and cash equivalents are \$3,022,501, of which \$37,160 are restricted for specified program use in future periods. Financial assets available for general expenditures within one year as of August 31, 2021 consist of cash and cash equivalents totaling \$2,985,341. The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due.

(5) Functional Expenses

Expenses by functional classification for the year ended August 31, 2021 consist of the following:

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
Grants	\$870,976	\$ —	\$870,976
Compensation	451,004	400,771	851,775
Rent and other office expenses	48,125	43,530	91,655
Communications, meetings and events	6,224	59,680	65,904
Other expenses	97,401	87,808	185,209
	<u>\$1,473,730</u>	<u>\$591,789</u>	<u>\$2,065,519</u>

(6) Subsequent Events

The Foundation has evaluated subsequent events through July 27, 2022, which is the date the financial statements were available to be issued and has determined that there are no subsequent events requiring adjustments to, or disclosure in, the financial statements.