

**GARDEN OF DREAMS FOUNDATION**

Financial Statements

as of and for the Year Ended

August 31, 2020, and

Independent Auditors' Report

# **GARDEN OF DREAMS FOUNDATION**

Financial Statements

August 31, 2020

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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 comprises the statement of financial position as of August 31, 2020, 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, 2020, 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.

*Deloitte + Touche LLP*

July 15, 2021

## GARDEN OF DREAMS FOUNDATION

Statement of Financial Position  
as of August 31, 2020

### Assets

Current assets:		
Cash and cash equivalents	\$	3,412,017
Contributions receivable		103,678
Prepaid and other current assets		81,627
Total current assets		<u>3,597,322</u>
Non-current assets:		
Property and equipment (note 4)		137,600
Accumulated depreciation		<u>(137,600)</u>
Total property and equipment		<u>-</u>
<b>Total Assets</b>	<b>\$</b>	<b><u><u>3,597,322</u></u></b>

### Liabilities and Net Assets

Current liabilities:		
Accounts payable	\$	80,138
Accrued expenses		<u>49,512</u>
Total liabilities		129,650
Net assets:		
Without donor restrictions		<u>3,467,672</u>
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b><u><u>3,597,322</u></u></b>

See accompanying notes to financial statements.

**GARDEN OF DREAMS FOUNDATION**  
Statement of Activities and Changes in Net Assets  
For the Year Ended August 31, 2020

	<b>Without Donor Restrictions</b>
<b>Revenues (notes 2 and 3):</b>	
Contributions, including \$2,768,314 of noncash contributions	\$ 3,469,510
Special events	1,341,653
Interest income and other	21,218
Revenue, before noncash contributions from MSG	4,832,381
Noncash contributions from MSG	1,514,149
Total revenues	6,346,530
 <b>Expenses (note 6):</b>	
Program services:	
Noncash grants	2,768,314
Other program services	4,944,922
Total program services	7,713,236
 Supporting services:	
Management and general	737,232
Fundraising	945,990
Total supporting services	1,683,222
Total expenses	9,396,458
Change in net assets	(3,049,928)
 <b>Net Assets at Beginning of Year</b>	6,517,600
<b>Net Assets at End of Year</b>	\$ 3,467,672

See accompanying notes to financial statements.

**GARDEN OF DREAMS FOUNDATION**

Statement of Cash Flows  
for the Year Ended August 31, 2020

Cash flows from operating activities:	
Change in net assets	\$ (3,049,928)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation expense	7,528
Changes in assets and liabilities:	
Increase in contributions receivable	(7,162)
Decrease in prepaid and other current assets	26,238
Increase in accounts payable and accrued expenses	36,688
Decrease in deferred revenue	(14,244)
Net cash provided by operating activities	<u>(3,000,880)</u>
Cash and cash equivalents at beginning of year	<u>6,412,897</u>
Cash and cash equivalents at end of year	<u>\$ 3,412,017</u>

See accompanying notes to financial statements.

## GARDEN OF DREAMS FOUNDATION

Notes to Financial Statements as of and for the Year Ended August 31, 2020

### (1) Organization and Purpose

The Garden of Dreams Foundation (the “Foundation”) is a non-profit organization that works with Madison Square Garden Entertainment Corp. (“MSG”), MSG Networks, Inc. (“MSGN”) and Madison Square Garden Sports Corp. (“MSGS”), 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, 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. Effective July 9, 2021, MSGN became a wholly-owned subsidiary of MSG pursuant to an Agreement and Plan of Merger, dated March 25, 2021, among MSG, MSGN and Broadway Sub Inc.

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

- *Education:* Through scholarships for college and trade schools, Garden of Dreams inspires students to envision and being to 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 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 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 have been disrupted. On June 24, 2021, New York State Governor Andrew M. Cuomo announced that the state disaster emergency had expired. While Federal CDC guidance will remain in effect, New York State’s restrictions were lifted. Although the Foundation has not experienced

the effects of the restrictions being lifted, the expectations is that general gatherings and fundraisers will begin to re-occur and ultimately drive donations and gift-giving for 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. There are no net assets with donor restrictions at August 31, 2020.

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 and reported in the statement of activities as net assets released from restrictions.

Noncash contributions of \$2,768,314 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 and office overhead valued at \$1,450,282 and operational support consisting primarily of arena suite services valued at \$63,867. See Note 3.



**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 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.

**vi. New Accounting Pronouncement**

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU amends, supersedes, and adds guidance to assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance, and determining whether a contribution is conditional. This guidance is effective for annual reporting periods beginning after December 15, 2018. This guidance requires modified prospective adoption. The Foundation has adopted this guidance for the year ended August 31, 2020 and the adoption did not have an impact on our financial statements.

**vii. 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 recorded in the accompanying financial statements. As of August 31, 2020, tax years 2017 through 2020 are subject to examination by the federal tax authorities.

**(3) Related Party Transactions**

During the year ended August 31, 2020, the Foundation reimbursed MSG for expenses that MSG incurred on behalf of the Foundation. These amounts included \$95,612 for expenses in connection with the Foundation's program services, and \$6,376 for expenses associated with certain fundraising efforts.

Some 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, 2020 includes contributions from special events, net of expenses, of \$924,553.

During the year ended August 31, 2020, the Foundation received the services of MSG employees along with the use of facilities and office overhead services from MSG, including office space, office supplies, usage of office equipment and furniture, telephone services, mailing services, electricity and computer support. These MSG contributed services of \$534,498, \$506,433 and \$473,218 are recorded within program services, management and general services, and fundraising services, respectively, in the accompanying statement of activities.

**(4) 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, 2020, property and equipment is fully depreciated. For the year ended August 31, 2020, the Foundation recorded depreciation expense of \$7,528. During the year ended August 31, 2020, the Foundation wrote off \$11,000 of fully depreciated property & equipment.

**(5) Liquidity and Availability of Resources**

Financial assets available for general expenditures within one year as of August 31, 2020 consist of cash and cash equivalents totaling \$3,412,017. The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due.

**(6) Functional Expenses**

Expenses by functional classification for the year ended August 31, 2020 consist of the following:

	<b>Program Services</b>	<b>Supporting Services</b>	<b>Total</b>
Grants	\$ 6,530,756	\$ -	\$ 6,530,756
Compensation	431,168	898,513	1,329,681
Rent and other office expenses	39,463	85,032	124,495
Communications, meetings and events	128,456	569,632	698,088
Other expenses	583,393	130,045	713,438
	<u>\$ 7,713,236</u>	<u>\$ 1,683,222</u>	<u>\$ 9,396,458</u>

**(7) Subsequent Events**

The Foundation has evaluated subsequent events through July 15, 2021, 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.