

**CONSOLIDATED FINANCIAL STATEMENTS**

**JOSHUA M. FREEMAN FOUNDATION AND  
FREEMAN ARTS PAVILION, INC.**

**FOR THE YEARS ENDED  
DECEMBER 31, 2019 AND 2018**

**JOSHUA M. FREEMAN FOUNDATION AND FREEMAN ARTS PAVILION, INC.**

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## CPAs & ADVISORS

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Joshua M. Freeman Foundation and Freeman Arts Pavilion, Inc.  
Selbyville, Delaware

We have audited the accompanying consolidated financial statements of Joshua M. Freeman Foundation and Freeman Arts Pavilion, Inc. (collectively, "the Organization"), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2019 and 2018, and the consolidated changes in its net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

4550 MONTGOMERY AVENUE · SUITE 800 NORTH · BETHESDA, MARYLAND 20814  
(301) 951-9090 · WWW.GRFCPA.COM

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### Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedule of Financial Position on page 20 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

September 18, 2020

**JOSHUA M. FREEMAN FOUNDATION AND FREEMAN ARTS PAVILION, INC.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2019 AND 2018**

**ASSETS**

	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,887,961	\$ 4,537,650
Investments, net of noncurrent portion	802,530	1,096,812
Accrued interest	1,980	4,017
Accounts receivable	-	1,644
Grants and contributions receivable	106,745	94,140
Pledges receivable, net of noncurrent portion	356,500	47,600
Prepaid expenses and other assets	<u>5,303</u>	<u>6,120</u>
Total current assets	<u>5,161,019</u>	<u>5,787,983</u>
<b>FURNITURE AND EQUIPMENT</b>		
Furniture and equipment	1,646,393	1,631,086
Signage	98,564	98,564
Vehicles	<u>9,946</u>	<u>9,946</u>
	1,754,903	1,739,596
Less: Accumulated depreciation and amortization	<u>(963,541)</u>	<u>(762,311)</u>
Net furniture and equipment	<u>791,362</u>	<u>977,285</u>
<b>NONCURRENT AND OTHER ASSETS</b>		
Restricted cash	141,973	137,993
Investments, net of current portion	2,653,315	594,987
Pledges receivable, net of current portion	826,090	106,343
Construction in progress	<u>1,277,261</u>	<u>1,104,051</u>
Total noncurrent and other assets	<u>4,898,639</u>	<u>1,943,374</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 10,851,020</u></b>	<b><u>\$ 8,708,642</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 84,953	\$ 76,582
Deferred income	928	1,802
Refundable advances	<u>15,000</u>	<u>-</u>
Total liabilities	<u>100,881</u>	<u>78,384</u>
<b>NET ASSETS</b>		
Without donor restrictions	2,223,258	2,099,111
With donor restrictions	<u>8,526,881</u>	<u>6,531,147</u>
Total net assets	<u>10,750,139</u>	<u>8,630,258</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 10,851,020</u></b>	<b><u>\$ 8,708,642</u></b>

See accompanying notes to consolidated financial statements.

**JOSHUA M. FREEMAN FOUNDATION AND FREEMAN ARTS PAVILION, INC.**

**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Operating revenue, net of cost of goods sold of \$149,137 in 2019 and \$135,759 in 2018	\$ 3,328,400	\$ -	\$ 3,328,400
Fundraising and sponsorships, net of cost of auction items of \$69,286 in 2019 and \$53,425 in 2018	1,626,683	-	1,626,683
Grants and pledges - Government, corporate, foundations and other	31,500	1,826,264	1,857,764
Interest and investment gain (loss), net	10,662	111,775	122,437
Net assets released from donor restrictions	<u>242,305</u>	<u>(242,305)</u>	<u>-</u>
Total support and revenue	<u>5,239,550</u>	<u>1,695,734</u>	<u>6,935,284</u>
<b>EXPENSES</b>			
Program Services	4,034,153	-	4,034,153
Management and General	249,639	-	249,639
Fundraising	<u>531,611</u>	<u>-</u>	<u>531,611</u>
Total expenses	<u>4,815,403</u>	<u>-</u>	<u>4,815,403</u>
Changes in net assets, before other item	424,147	1,695,734	2,119,881
<b>OTHER ITEM</b>			
Net assets transfer	<u>(300,000)</u>	<u>300,000</u>	<u>-</u>
Changes in net assets	124,147	1,995,734	2,119,881
Net assets at beginning of year, as restated	<u>2,099,111</u>	<u>6,531,147</u>	<u>8,630,258</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 2,223,258</u></b>	<b><u>\$ 8,526,881</u></b>	<b><u>\$ 10,750,139</u></b>

<b>2018</b>		
<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
\$ 3,040,638	\$ -	\$ 3,040,638
1,572,364	-	1,572,364
146,600	3,359,293	3,505,893
(134,837)	76,051	(58,786)
<u>225,490</u>	<u>(225,490)</u>	<u>-</u>
<u>4,850,255</u>	<u>3,209,854</u>	<u>8,060,109</u>
4,188,789	-	4,188,789
204,159	-	204,159
<u>471,408</u>	<u>-</u>	<u>471,408</u>
<u>4,864,356</u>	<u>-</u>	<u>4,864,356</u>
(14,101)	3,209,854	3,195,753
<u>-</u>	<u>-</u>	<u>-</u>
(14,101)	3,209,854	3,195,753
<u>2,113,212</u>	<u>3,321,293</u>	<u>5,434,505</u>
<b><u>\$ 2,099,111</u></b>	<b><u>\$ 6,531,147</u></b>	<b><u>\$ 8,630,258</u></b>

**JOSHUA M. FREEMAN FOUNDATION AND FREEMAN ARTS PAVILION, INC.**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Productions	\$ 2,609,006	\$ -	\$ -	\$ 2,609,006
Personnel	743,693	154,648	164,533	1,062,874
Events and activities	-	-	297,029	297,029
Design and print	31,963	-	15,862	47,825
Promotional costs	95,179	-	125	95,304
Professional fees	69,671	15,536	77,389	162,596
Insurance	93,023	1,026	6,525	100,574
Training and travel	24,789	10,463	4,524	39,776
Postage and delivery	2,175	290	3,843	6,308
Facility expenses	289,198	19,323	1,805	310,326
Bank, credit card and ticket processing fees	7,792	1,502	23,469	32,763
Accounting and audit	-	35,914	-	35,914
Depreciation and amortization	199,156	397	2,473	202,026
Telecommunications	10,451	1,394	1,580	13,425
Office expense	7,194	9,146	1,740	18,080
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	4,183,290	249,639	600,897	5,033,826
Less: Cost of sales	(149,137)	-	-	(149,137)
Less: Cost of auction items	-	-	(69,286)	(69,286)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL</b>	<b><u>\$ 4,034,153</u></b>	<b><u>\$ 249,639</u></b>	<b><u>\$ 531,611</u></b>	<b><u>\$ 4,815,403</u></b>



**JOSHUA M. FREEMAN FOUNDATION AND FREEMAN ARTS PAVILION, INC.**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Productions	\$ 2,797,228	\$ -	\$ -	\$ 2,797,228
Personnel	701,493	154,103	174,912	1,030,508
Events and activities	-	-	268,510	268,510
Design and print	38,331	-	11,465	49,796
Promotional costs	112,266	-	248	112,514
Professional fees	36,630	-	16,002	52,632
Insurance	85,085	869	2,616	88,570
Training and travel	36,737	7,886	5,644	50,267
Postage and delivery	1,493	272	4,286	6,051
Facility expenses	280,582	1,379	1,930	283,891
Bank, credit card and ticket processing fees	6,196	978	24,112	31,286
Accounting and audit	-	30,554	-	30,554
Depreciation and amortization	209,262	2,384	11,133	222,779
Telecommunications	11,571	1,814	2,056	15,441
Office expense	7,674	3,920	1,919	13,513
Subtotal	4,324,548	204,159	524,833	5,053,540
Less: Cost of sales	(135,759)	-	-	(135,759)
Less: Cost of auction items	-	-	(53,425)	(53,425)
<b>TOTAL</b>	<b>\$ 4,188,789</b>	<b>\$ 204,159</b>	<b>\$ 471,408</b>	<b>\$ 4,864,356</b>

**JOSHUA M. FREEMAN FOUNDATION AND FREEMAN ARTS PAVILION, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 2,119,881	\$ 3,195,753
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	202,029	222,779
Realized and unrealized (gain) loss on investments	(41,369)	92,551
Loss on disposal of furniture and equipment	3,324	-
Decrease (increase) in:		
Accrued interest	2,037	561
Accounts receivable	1,644	(1,644)
Grants and contributions receivable	(12,605)	(3,340)
Pledges receivable	(1,028,647)	(153,943)
Prepaid expenses and other assets	817	5,635
Decrease (increase) in:		
Accounts payable and accrued liabilities	8,372	(65,919)
Deferred income	(874)	(88)
Refundable advances	<u>15,000</u>	<u>-</u>
Net cash provided by operating activities	<u>1,269,609</u>	<u>3,292,345</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of certificates of deposit	(2,502,677)	(427,000)
Redemption of certificates of deposit	780,000	1,153,000
Purchase of furniture and equipment	(19,431)	(71,859)
Payments for construction in progress	<u>(173,210)</u>	<u>(391,342)</u>
Net cash (used) provided by investing activities	<u>(1,915,318)</u>	<u>262,799</u>
Net (decrease) increase in cash and cash equivalents	(645,709)	3,555,144
Cash and cash equivalents at beginning of year	<u>4,675,643</u>	<u>1,120,499</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING RESTRICTED CASH OF \$141,973 AND \$137,993 ON DECEMBER 31, 2019 AND 2018, RESPECTIVELY</b>	<b><u>\$ 4,029,934</u></b>	<b><u>\$ 4,675,643</u></b>

**JOSHUA M. FREEMAN FOUNDATION AND FREEMAN ARTS PAVILION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization

Joshua M. Freeman Foundation (JMFF) is a not-for-profit organization, incorporated in the State of Delaware in 2007. Its mission is to partner to present memorable performances and provide inspired arts education for all. Its current principal activity is presenting a variety of performances at The Freeman Stage, a seasonal, open air performance space at Bayside in Sussex County, Delaware, as well as other indoor performing arts venues throughout the county.

Joshua M. Freeman Foundation established a not-for-profit supporting organization named Friends of the Coastal Arts Pavilion at Freeman Park, Inc. (FOCAP). During 2019, FOCAP'S Board of Directors voted to change its name to Freeman Arts Pavilion, Inc. The primary activity of the supporting organization is the construction, maintenance and ownership of a new larger performing arts venue near the location of the existing facility. The new venue will directly further the mission of Joshua M. Freeman Foundation, expand programming and accommodate larger audiences. Work continues in the design development phase of the project as well as the quiet phase of the fundraising campaign.

The Board of Directors of Joshua M. Freeman Foundation also serves as the Board of Directors of Freeman Arts Pavilion, Inc.

Basis of presentation

The accompanying consolidated financial statements reflect the activity of Joshua M. Freeman Foundation and Freeman Arts Pavilion, Inc. (collectively, "Organization"). The financial statements have been consolidated as Joshua M. Freeman Foundation controls Freeman Arts Pavilion, Inc. All intercompany transactions have been eliminated in consolidation.

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statements of Activities and Changes in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

**JOSHUA M. FREEMAN FOUNDATION AND FREEMAN ARTS PAVILION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

New accounting pronouncements adopted

During 2019, the Organization adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way the Organization recognized revenue; however, the presentation and disclosures of revenue have been enhanced.

The update states clearly that a donor-imposed condition must have both:

- one or more barriers that must be overcome before a recipient is entitled to the assets transferred or promised, and
- a right of return to the contributor for assets transferred (or the reduction, settlement, or cancellation of liabilities), or a right of release of the promisor from its obligation to transfer assets (or reduce, settle, or cancel liabilities).

If only one of these elements exists, then the contribution will not be deemed conditional.

The Organization has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

Also during 2019, the Organization adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. The Organization adopted the ASU using a modified prospective basis.

Cash and cash equivalents

The Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to the limit of \$250,000. At times during the year, the Organization maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments

Investments are recorded at their readily determinable fair value. Unrealized and realized gains and losses are included in investment gain (loss) net of investment expenses provided by external investment advisors in the Consolidated Statements of Activities and Changes in Net Assets.

Furniture and equipment

Furniture and equipment acquisitions in excess of \$5,000 are capitalized and are stated at cost.

**JOSHUA M. FREEMAN FOUNDATION AND FREEMAN ARTS PAVILION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Furniture and equipment (continued)

Furniture and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to ten years. The cost of maintenance and repairs is recorded as expenses are incurred.

Construction in progress

The Organization records acquisitions of certain long-term assets (including construction costs) as Construction in progress in the Other Assets section in the accompanying Consolidated Statements of Financial Position. At the time such assets are placed in service, they will be transferred into Property and Equipment (and released from donor restrictions), and will be depreciated over the estimated useful lives of the assets.

Income taxes

Joshua M. Freeman Foundation has been recognized as an exempt organization under Section 501 (c)(3) of the Internal Revenue Code effective as of March 7, 2007 and is further classified as a public charity under Section 170(b)(1)(A)(vi). Freeman Arts Pavilion, Inc. has been recognized as an exempt organization under Section 501 (c)(3) of the Internal Revenue Code and is further classified as a public charity under 509(a)(3). JMFF is not a private foundation.

Uncertain tax positions

For the years ended December 31, 2019 and 2018, the Organization has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

Revenue recognition

Operating revenue is recorded on an accrual basis and consists of ticket and concession sales from programs that are primarily offered at The Freeman Stage. Fundraising and sponsorship revenue includes charitable contributions and other support and is recognized in the year it is received from the donor.

Contributions and grants received without donor restrictions and with donor restrictions are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions are recognized as without donor restrictions only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying consolidated financial statements.

The Organization has received a conditional sponsorship in the amount of \$15,000. The sponsorship contains both barriers that must be overcome before it can be recognized as a contribution. The amount was received in advance and is recorded as a refundable advance on the Consolidated Statements of Financial Position.

**JOSHUA M. FREEMAN FOUNDATION AND FREEMAN ARTS PAVILION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Use of estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and Changes in Net Assets.

Expenses directly attributed to a specific functional area of the Organization are reported as expenses of those functional areas which include the following:

- Program Services - costs related to the production of performances and arts education
- Fundraising - costs related to all fundraising efforts and related development activities
- Management and General - costs not directly applicable to program services or fundraising

At year end, certain management and general expenses are allocated to program services and fundraising based on the allocation of staff hours worked as recorded in bi-weekly timesheets throughout the year. These specific management and general expenses are allocated as they have been identified as providing support to both program services and the fundraising functions, and include office expenses such as utilities and supplies.

Fair value measurement

The Organization adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Organization accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncements not yet adopted

FASB issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Consolidated Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for non public entities beginning after December 15, 2020. Early adoption is permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment. The Organization plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying consolidated financial statements.

**JOSHUA M. FREEMAN FOUNDATION AND FREEMAN ARTS PAVILION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**2. INVESTMENTS**

Investments consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Common stock/equities	\$ 229,716	\$ 426,450	\$ 229,042	\$ 419,564
Certificates of deposit - current	375,000	376,080	681,708	677,248
Certificates of deposit - noncurrent	<u>2,627,000</u>	<u>2,653,315</u>	<u>602,000</u>	<u>594,987</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 3,231,716</u></b>	<b><u>\$ 3,455,845</u></b>	<b><u>\$ 1,512,750</u></b>	<b><u>\$ 1,691,799</u></b>

Included in interest and investment income (loss), net of fees, are the following during the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 81,418	\$ 33,765
Investment fees	(350)	-
Realized and unrealized gain (loss) on investments	<u>41,369</u>	<u>(92,551)</u>
<b>TOTAL INTEREST AND INVESTMENT INCOME (LOSS)</b>	<b><u>\$ 122,437</u></b>	<b><u>\$ (58,786)</u></b>

**3. PLEDGES RECEIVABLE**

The Organization has received written promises to give of which \$1,228,000 remained outstanding as of December 31, 2019. As of December 31, 2019 and 2018, pledges due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate of 2.59% and 3.63%, respectively. Pledges are due as follows at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 356,500	\$ 47,600
One to five years	<u>871,500</u>	<u>113,000</u>
Total pledges receivable	1,228,000	160,600
Less: Allowance to discount balance to present value	<u>(45,410)</u>	<u>(6,657)</u>
<b>NET PLEDGES RECEIVABLE</b>	<b><u>\$ 1,182,590</u></b>	<b><u>\$ 153,943</u></b>

**4. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Facility Planning and Development	\$ 8,288,113	\$ 6,295,064
Program Services	<u>238,768</u>	<u>236,083</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 8,526,881</u></b>	<b><u>\$ 6,531,147</u></b>

**JOSHUA M. FREEMAN FOUNDATION AND FREEMAN ARTS PAVILION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**4. NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

During the year ended December 31, 2019, JMFF awarded the Freeman Arts Pavilion \$300,000 for facility planning and development. This activity was eliminated in consolidation. At December 31, 2019, these funds are represented by a transfer of net assets on the Consolidated Statement of Activities.

**5. NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

The following net assets with donor restrictions were released from donor restrictions during the years ended December 31, 2019 and 2018 by incurring expenses which satisfied the restricted purposes specified by the donors:

	<u>2019</u>	<u>2018</u>
Facility Planning and Development	\$ 7,395	\$ 3,900
Program Services	<u>234,910</u>	<u>221,590</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 242,305</u></b>	<b><u>\$ 225,490</u></b>

**6. AVAILABILITY OF FINANCIAL ASSETS (LIQUIDITY)**

Financial assets available for use within one year of the Consolidated Statement of Financial Position for general expenditures comprise the following as of December 31, 2019:

	<u>Joshua M. Freeman Foundation</u>	<u>Freeman Arts Pavilion, Inc.</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,197,884	\$ 2,690,077	\$ 3,887,961
Investments, net of noncurrent portion	426,450	376,080	802,530
Accrued interest	-	1,980	1,980
Grants and contributions receivable	106,745	-	106,745
Pledges receivable, net of noncurrent portion	356,500	-	356,500
Due from JMFF	<u>-</u>	<u>1,186,810</u>	<u>1,186,810</u>
Total financial assets available within one year	2,087,579	4,254,947	6,342,526
Less: Amounts unavailable for general expenditures within one year due to donor restrictions	<u>(199,883)</u>	<u>(4,254,449)</u>	<u>(4,454,332)</u>
<b>FINANCIAL (DEFICIT) ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 1,887,696</u></b>	<b><u>\$ 498</u></b>	<b><u>\$ 1,888,194</u></b>



**JOSHUA M. FREEMAN FOUNDATION AND FREEMAN ARTS PAVILION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**6. AVAILABILITY OF FINANCIAL ASSETS (LIQUIDITY) (Continued)**

Financial assets available for use within one year of the Consolidated Statement of Financial Position for general expenditures comprise the following as of December 31, 2018 :

	<u>Joshua M. Freeman Foundation</u>	<u>Freeman Arts Pavilion, Inc.</u>	<u>Total</u>
Cash and cash equivalents	\$ 890,977	\$ 3,646,673	\$ 4,537,650
Investments, net of noncurrent portion	419,564	677,248	1,096,812
Accrued interest	-	4,017	4,017
Accounts receivable	1,644	-	1,644
Grants and contributions receivable	94,140	-	94,140
Pledges receivable, net of noncurrent portion	47,600	-	47,600
Due from JMFF	<u>(57,000)</u>	<u>57,000</u>	<u>-</u>
Total financial assets available within one year	1,396,925	4,384,938	5,781,863
Less: Amounts unavailable for general expenditures within one year due to donor restrictions	<u>(201,178)</u>	<u>(5,087,925)</u>	<u>(5,289,103)</u>
<b>FINANCIAL (DEFICIT) ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 1,195,747</u></b>	<b><u>\$ (702,987)</u></b>	<b><u>\$ 492,760</u></b>

The Organization has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2019 and 2018, JMFF has financial assets equal to approximately four and three months of operating expenses. The donor restricted contributions for the Freeman Arts Pavilion, Inc. are available to fund the design and construction of the new venue, and are being invested to create liquidity as the capital expenditures are incurred.

**7. RETIREMENT PLAN**

The Organization provides retirement benefits to its employees through a defined contribution plan covering all full-time employees after six months of employment. Contributions to the Plan during the years ended December 31, 2019 and 2018 totaled \$23,091 and \$20,667, respectively.

**8. RELATED PARTY ACTIVITIES**

Michelle Freeman, Chairman of the Board of the Organizations, as well as majority owner and Chairman of Carl M. Freeman Associates, Inc. (CMFA), a for-profit corporation controlled by the Freeman family, contributed \$85,529 and \$55,224 to the Organization during 2019 and 2018, respectively. Included in these contributions were in-kind donations of \$49,530 and \$24,494 during 2019 and 2018, respectively, for items used for the Organization's fundraising events, as discussed further in Note 9.

In both 2019 and 2018, CMFA provided to the Organization, at no cost, a golf course for a fundraising event valued at \$7,500 each year. In addition, CMFA has a program to match its employee charitable donations up to \$1,000 per employee per year. As part of this program, CMFA donated \$130 to the Organization during the years ended December 31, 2019 and 2018, respectively.

**JOSHUA M. FREEMAN FOUNDATION AND FREEMAN ARTS PAVILION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**8. RELATED PARTY ACTIVITIES (Continued)**

Since its inception, the Organization received contributions in the amount of \$8,180,000 from the Carl M. Freeman Foundation, Inc. (CMFF), a 501(c)(3) private foundation. Of that amount, \$5,295,000 was for operations and \$2,885,000 was for the facility. Two of the three CMFF Trustees also serve as Directors of the Organization. During the years ended December 31, 2019 and 2018 the Organization received contributions of zero and \$125,000 from CMFF.

Through December 31, 2019, The Carl M. Freeman Foundation, Inc. (CMFF) made contributions aggregating \$2,885,000 supporting capital improvements to expand and enhance the capacity of the Joshua M. Freeman Foundation's operations in a new arts pavilion. In 2020, CMFF made an additional \$13,000,000 commitment to this project. The payment of the funds is contingent upon fundraising and construction milestones for the capital project.

All of the Organization's employees are deemed to be co-employed by either the Organization and TriNet (a Professional Employer Organization) or CMFF and TriNet. The Organization shares in the cost with CMFF of those employees that provide services to both the Organization and CMFF. In addition, certain CMFA employees provide support services to the Organization. All personnel services are purchased by the Organization at cost.

During the years ended December 31, 2019 and 2018, the Organization incurred the following expenses:

	<u>2019</u>	<u>2018</u>
Shared Personnel Services - CMFA	\$ 7,592	\$ 6,459
Shared Personnel Services - CMFF	\$ 475,882	\$ 466,801

**9. IN-KIND CONTRIBUTIONS**

The Organization receives donations of auction items for its fundraising events as well as in-kind donations of advertising space and other goods and services. The values of such items are recorded as contributions at their actual sales price or retail value, respectively.

Further, as discussed in Note 8, the Organization recorded a contribution from CMFA for use of its golf course and office space at the estimated market value for use of these facilities.

The total value of these in-kind contributions has been recognized as income and expense in the accompanying consolidated financial statements during the years ended December 31, 2019 and 2018, totaling \$205,616 and \$180,628, respectively.

**10. FAIR VALUE MEASUREMENT**

In accordance with FASB ASC 820, *Fair Value Measurement*, the Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

**JOSHUA M. FREEMAN FOUNDATION AND FREEMAN ARTS PAVILION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**10. FAIR VALUE MEASUREMENT (Continued)**

Investments recorded in the Consolidated Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Organization has the ability to access.

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used or transfers between levels as of December 31, 2019 and 2018.

- *Common Stocks/Equities* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Certificates of Deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.

The table below summarizes, by level within the fair value hierarchy, the Organization's investments as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Asset Class:</b>				
Investments - Stocks	\$ 426,450	\$ -	\$ -	\$ 426,450
Investments - Certificates of Deposit	<u>-</u>	<u>3,029,395</u>	<u>-</u>	<u>3,029,395</u>
<b>TOTAL</b>	<b><u>\$ 426,450</u></b>	<b><u>\$ 3,029,395</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,455,845</u></b>

The table below summarizes, by level within the fair value hierarchy, the Organization's investments as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Asset Class:</b>				
Investments - Stocks	\$ 419,564	\$ -	\$ -	\$ 419,564
Investments - Certificates of Deposit	<u>-</u>	<u>1,272,235</u>	<u>-</u>	<u>1,272,235</u>
<b>TOTAL</b>	<b><u>\$ 419,564</u></b>	<b><u>\$ 1,272,235</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,691,799</u></b>

**11. COMMITMENTS**

In August 2009, the Organization entered into a lease agreement with CMFF for use of certain land, buildings and improvements in Sussex County, DE owned by CMFF. The Organization uses this real property for its programming at The Freeman Stage.

**JOSHUA M. FREEMAN FOUNDATION AND FREEMAN ARTS PAVILION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**11. COMMITMENTS (Continued)**

Under this agreement, all rent has been waived; however, the Organization is obligated to pay for all operating and necessary maintenance expenses. The agreement, expired in December 2019, has been extended on the same terms through December 2022.

In May 2011, the Organization entered into a lease agreement with a subsidiary of CMFA (Sussex Sports Amenities, L.L.C.) for use of land adjacent to the property leased from CMFF as described above. Under this agreement, all rent has been waived; however, the Organization is obligated to pay for all operating and necessary maintenance expenses, excluding real estate taxes which are paid by Sussex Sports Amenities, L.L.C. The agreement expired in September 2020 and was extended to March 2021.

In May 2014, the Organization entered into lease agreements with another subsidiary of CMFA (CMF Bayside L.L.C.) for use of land located on Lake View Drive, adjacent to The Freeman Stage and land located behind the former post office. Under these agreements, all rent has been waived; however, the Organization is obligated to pay all operating and necessary maintenance expenses, excluding real estate taxes, which are paid by CMF Bayside L.L.C. The agreements expired in September 2020 and was extended to March 2021.

**12. SUBSEQUENT EVENTS**

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 18, 2020, the date the consolidated financial statements were issued.

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact the Organization's operations. The overall potential impact is unknown at this time.

In April 2020, to offset the impact of the pandemic, JMFF entered into a two year promissory note agreement in the amount of approximately \$180,487 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note beginning in November 2020, unless otherwise forgiven. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the U.S. Small Business Administration in whole or in part.

**SUPPLEMENTAL INFORMATION**

## JOSHUA M. FREEMAN FOUNDATION AND FREEMAN ARTS PAVILION, INC.

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2019**

	<b>ASSETS</b>			
	<b>JMFF</b>	<b>Freeman Arts Pavilion</b>	<b>Eliminations</b>	<b>Total</b>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 1,197,884	\$ 2,690,077	\$ -	\$ 3,887,961
Investments, net of noncurrent portion	426,450	376,080	-	802,530
Accrued interest	-	1,980	-	1,980
Grants and contributions receivable	106,745	-	-	106,745
Pledges receivable, net of noncurrent portion	356,500	-	-	356,500
Due from JMFF	-	1,186,810	(1,186,810)	-
Prepaid expenses and other assets	5,303	-	-	5,303
Total current assets	<u>2,092,882</u>	<u>4,254,947</u>	<u>(1,186,810)</u>	<u>5,161,019</u>
<b>PROPERTY AND EQUIPMENT</b>				
Furniture and equipment	1,646,393	-	-	1,646,393
Signage	98,564	-	-	98,564
Vehicles	9,946	-	-	9,946
	1,754,903	-	-	1,754,903
Less: Accumulated depreciation and amortization	(963,541)	-	-	(963,541)
Net property and equipment	<u>791,362</u>	<u>-</u>	<u>-</u>	<u>791,362</u>
<b>NONCURRENT AND OTHER ASSETS</b>				
Restricted cash	141,973	-	-	141,973
Investments, net of current portion	-	2,653,315	-	2,653,315
Pledges receivable, net of current portion	826,090	-	-	826,090
Construction in progress	-	1,277,261	-	1,277,261
Total noncurrent assets and other assets	<u>968,063</u>	<u>3,930,576</u>	<u>-</u>	<u>4,898,639</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,852,307</u></b>	<b><u>\$ 8,185,523</u></b>	<b><u>\$ (1,186,810)</u></b>	<b><u>\$ 10,851,020</u></b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 84,953	\$ -	\$ -	\$ 84,953
Due to Freeman Arts Pavilion	1,186,810	-	(1,186,810)	-
Deferred income	928	-	-	928
Refundable advances	15,000	-	-	15,000
Total liabilities	<u>1,287,691</u>	<u>-</u>	<u>(1,186,810)</u>	<u>100,881</u>
<b>NET ASSETS</b>				
Without donor restrictions	295,338	1,927,920	-	2,223,258
With donor restrictions	341,856	8,185,025	-	8,526,881
Total net assets	<u>637,194</u>	<u>10,112,945</u>	<u>-</u>	<u>10,750,139</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,924,885</u></b>	<b><u>\$ 10,112,945</u></b>	<b><u>\$ (1,186,810)</u></b>	<b><u>\$ 10,851,020</u></b>