

**FINANCIAL STATEMENTS**

**JOSHUA M. FREEMAN FOUNDATION**

**FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010**

# JOSHUA M. FREEMAN FOUNDATION

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**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Joshua M. Freeman Foundation  
Selbyville, Delaware

We have audited the accompanying statements of financial position of the Joshua M. Freeman Foundation (JMFF) as of December 31, 2011 and 2010, and the related statements of activities and change in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of JMFF's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of JMFF's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JMFF as of December 31, 2011 and 2010, and its change in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Gelman Rosenberg & Freedman*

November 12, 2012

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**JOSHUA M. FREEMAN FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2011 AND 2010**

**ASSETS**

	<b>2011</b>	<b>2010</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 972,225	\$ 825,997
Investments	36,801	136,522
Prepaid expenses and other assets	29,740	30,791
Total current assets	<u>1,038,766</u>	<u>993,310</u>
<b>FURNITURE AND EQUIPMENT</b>		
Buildings	12,641	4,870
Equipment	3,972	3,972
Furniture	11,925	11,925
Computer related equipment	27,817	26,494
Vehicles	9,946	-
	66,301	47,261
Less: Accumulated depreciation and amortization	<u>(28,894)</u>	<u>(11,575)</u>
Net furniture and equipment	<u>37,407</u>	<u>35,686</u>
<b>TOTAL ASSETS</b>	<b>\$ 1,076,173</b>	<b>\$ 1,028,996</b>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	\$ 77,123	\$ 42,318
Refundable advances	7,190	1,500
Total current liabilities	<u>84,313</u>	<u>43,818</u>

**NET ASSETS**

Unrestricted	991,860	985,178
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,076,173</b>	<b>\$ 1,028,996</b>

See accompanying notes to financial statements.

**JOSHUA M. FREEMAN FOUNDATION**

**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
	<u>Unrestricted</u>	<u>Unrestricted</u>
<b>SUPPORT AND REVENUE</b>		
Operating revenue, net of cost of goods sold of \$40,201 in 2011 and \$44,144 in 2010	\$ 270,858	\$ 17,417
Fundraising and sponsorships, net of cost of auction items of \$28,734 in 2011 and \$32,863 in 2010	318,333	323,507
In-kind contributions	39,598	25,520
Grants - government, corporate foundations, other	45,242	8,000
Legacy grant - Carl M. Freeman Foundation, Inc.	780,000	690,000
Interest and investment income	<u>5,860</u>	<u>17,790</u>
Total support and revenue	<u>1,459,891</u>	<u>1,082,234</u>
<b>EXPENSES</b>		
Program Services	1,061,135	679,990
Management and General	168,232	141,955
Fundraising	<u>223,842</u>	<u>167,299</u>
Total expenses	<u>1,453,209</u>	<u>989,244</u>
Change in net assets	6,682	92,990
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>985,178</u>	<u>892,188</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><b>\$ 991,860</b></u>	<u><b>\$ 985,178</b></u>

See accompanying notes to financial statements.

**JOSHUA M. FREEMAN FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Productions	\$ 608,124	\$ -	\$ -	\$ 608,124
Personnel	244,082	51,573	120,607	416,262
Events and activities	-	-	69,380	69,380
Design and print	39,406	572	10,827	50,805
Promotional costs	65,923	-	-	65,923
Professional fees	550	57,600	-	58,150
Insurance	9,435	2,333	-	11,768
Travel and related	20,079	12,790	2,046	34,915
Postage and delivery	91	512	1,941	2,544
Facility expenses	37,171	3,607	1,812	42,590
Bank fees	8,006	394	3,394	11,794
Accounting and audit	-	22,922	-	22,922
Depreciation and amortization	14,802	890	1,627	17,319
Telecommunications	3,559	1,706	8,306	13,571
Other	9,907	13,333	3,902	27,142
<b>TOTAL</b>	<b><u>\$ 1,061,135</u></b>	<b><u>\$ 168,232</u></b>	<b><u>\$ 223,842</u></b>	<b><u>\$ 1,453,209</u></b>

See accompanying notes to financial statements.

**JOSHUA M. FREEMAN FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Productions	\$ 365,422	\$ -	\$ -	\$ 365,422
Personnel	202,934	73,302	80,648	356,884
Events and activities	-	-	60,880	60,880
Design and print	32,583	734	13,910	47,227
Promotional costs	41,743	100	-	41,843
Professional fees	1,363	12,487	-	13,850
Insurance	-	5,393	-	5,393
Travel and related	-	8,349	-	8,349
Postage and delivery	56	965	5,331	6,352
Facility expenses	28,213	2,697	-	30,910
Bank fees	-	137	3,147	3,284
Accounting and audit	-	20,366	-	20,366
Depreciation and amortization	6,477	191	3,383	10,051
Telecommunications	1,199	1,546	-	2,745
Other	-	15,688	-	15,688
<b>TOTAL</b>	<b><u>\$ 679,990</u></b>	<b><u>\$ 141,955</u></b>	<b><u>\$ 167,299</u></b>	<b><u>\$ 989,244</u></b>

See accompanying notes to financial statements.

**JOSHUA M. FREEMAN FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 6,682	\$ 92,990
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	17,319	10,051
Unrealized gain on investments	(279)	(10,022)
Expensed capital asset	4,648	-
(Increase) decrease in:		
Prepaid expenses and other assets	1,051	34,986
Increase (decrease) in:		
Accounts payable and accrued liabilities	34,805	(688)
Refundable advances	<u>5,690</u>	<u>1,500</u>
Net cash provided by operating activities	<u>69,916</u>	<u>128,817</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of certificate of deposit	-	(100,000)
Proceeds from redemption of certificate of deposit	100,000	-
Purchase of capital assets	(23,688)	(35,513)
Gain on disposal of fixed assets	<u>-</u>	<u>1,610</u>
Net cash provided (used) by investing activities	<u>76,312</u>	<u>(133,903)</u>
Net increase (decrease) in cash and cash equivalents	146,228	(5,086)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>825,997</u>	<u>831,083</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><b>\$ 972,225</b></u>	<u><b>\$ 825,997</b></u>

See accompanying notes to financial statements.



## JOSHUA M. FREEMAN FOUNDATION

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

#### 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 at Bayside", an open air facility in Sussex County, Delaware.

##### Basis of presentation

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

##### Cash and cash equivalents

JMFF considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) - insured depository institutions (the "Dodd-Frank Deposit Insurance Provision"). JMFF maintains a portion of its cash balances at financial institutions in noninterest-bearing accounts; thereby, all of these cash balances are protected by the FDIC under this Act.

At times during the year, JMFF maintains cash balances in interest-bearing accounts at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

##### Investments

Investments are recorded at fair value. Unrealized and realized gains and losses are included in investment income in the Statements of Activities and Change in Net Assets.

##### Furniture and equipment

Furniture and equipment acquisitions in excess of \$2,500 are capitalized and are stated at cost basis. Furniture and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred.

##### Income taxes

JMFF has been recognized as an exempt organization under Section 501(c)(3) of the Internal Revenue Code, effective as of March 7, 2007. Accordingly, no provision for income taxes has been made in the accompanying financial statements. JMFF is further classified as a public charity under Section 170(b)(1)(A)(vi), and is not a private foundation.

##### Uncertain tax positions

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the years ended December 31, 2011 and 2010, JMFF has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

## JOSHUA M. FREEMAN FOUNDATION

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

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

##### Uncertain tax positions (continued)

IRS Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

##### Net asset classification

JMFF's net assets are all classified as unrestricted, and include revenue received without donor-imposed restrictions. These net assets are available for the operation of JMFF and include both internally designated and undesignated resources.

##### Revenue recognition

Operating revenue is recorded on an accrual basis and consists of ticket and concession sales from programs which are primarily offered at The Freeman Stage at Bayside. Fundraising and sponsorship revenue includes charitable contributions and other support; such revenue is recognized in the year it is received from the donor. As of December 31, 2011 and 2010, there were no temporarily restricted net assets.

##### Use of estimates

The preparation of the 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 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 Statements of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

##### Risks and uncertainties

JMFF invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

##### Fair value measurements

JMFF adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. 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. JMFF accounts for a portion of its financial instruments at fair value or considers fair value in their measurement.

##### Reclassification

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

**JOSHUA M. FREEMAN FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**2. INVESTMENTS**

Investments consisted of the following at December 31, 2011 and 2010:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Equities	\$ 20,008	\$ 36,801	\$ 20,008	\$ 36,522
Certificate of deposit	-	-	100,000	100,000
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 20,008</u></b>	<b><u>\$ 36,801</u></b>	<b><u>\$ 120,008</u></b>	<b><u>\$ 136,522</u></b>

Included in interest and investment income are the following for the years ended December 31, 2011 and 2010:

	2011	2010
Interest and dividends	\$ 5,581	\$ 7,768
Unrealized gain on investments	<u>279</u>	<u>10,022</u>
<b>TOTAL INTEREST AND INVESTMENT INCOME</b>	<b><u>\$ 5,860</u></b>	<b><u>\$ 17,790</u></b>

**3. CONCENTRATION OF REVENUE**

JMFF receives a significant portion of its annual support from the Carl M. Freeman Foundation, Inc. (CMFF), a 501(c)(3) private foundation whose Trustees also serve as Directors of the Foundation. During the years ended December 31, 2011 and 2010, JMFF received \$780,000 and \$690,000, respectively, from CMFF, representing 53% and 64%, respectively, of its annual support and revenue.

**4. RELATED PARTY ACTIVITIES**

Michelle Freeman, Chairman of the Board of JMFF, as well as majority owner and Chairman of Carl M. Freeman Associates, Inc. (CMFA), a for-profit corporation controlled by the Freeman family, contributed \$20,155 and \$11,920 to JMFF during 2011 and 2010, respectively. Included in these contributions were in-kind donations of \$12,270 and \$11,920 during 2011 and 2010, respectively, for items used for JMFF's fundraising events, as discussed further in Note 5.

During both 2011 and 2010, CMFA provided a golf course for fundraisers as well as office facilities to JMFF at no cost. 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 \$1,975 and \$4,380 to JMFF during the years ended December 31, 2011 and 2010, respectively.

Under an agreement with Insperty, Inc., a professional employer organization, all employees are deemed to be co-employed by CMFA and Insperty. All personnel services are therefore provided by CMFA to JMFF and CMFF. Further, certain employees provide services to both JMFF and CMFF. As such, JMFF shares in the cost with CMFF of those employees. All personnel services are purchased by JMFF at cost.

## JOSHUA M. FREEMAN FOUNDATION

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

#### 4. RELATED PARTY ACTIVITIES (Continued)

During the years ended December 31, 2011 and 2010, JMFF incurred the following:

	<u>2011</u>	<u>2010</u>
Shared personnel services - CMFA	\$ 45,442	\$ 115,390
Shared personnel services - CMFF	\$ 365,952	\$ 202,946

Amounts due to CMFA and CMFF as of December 31 are as follows:

	<u>2011</u>	<u>2010</u>
Due to CMFA: Shared personnel services	\$ 7,714	\$ 4,324
Due to CMFF: Shared personnel services	\$ 40,053	-
Due to CMFA: Miscellaneous expenses	\$ 100	-
Due to CMFF: Miscellaneous expenses	\$ 876	-

#### 5. IN-KIND CONTRIBUTIONS

JMFF receives donations of auction items for its fundraising events as well as in-kind donations of advertising space. The values of such items are recorded as contributions at their actual sales price or retail value, respectively. Further, as discussed in Note 4, JMFF recorded a contribution from CMFA for use of its golf course at the estimated market value for use of this facility, and for donated office space based on the cost per square foot of space used exclusively by JMFF. The total value of these in-kind contributions has been recognized as income and expense in the accompanying financial statements during the years ended December 31, 2011 and 2010, totaling \$39,598 and \$25,520, respectively.

#### 6. FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, JMFF 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. Investments recorded in the 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 JMFF 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.** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**JOSHUA M. FREEMAN FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**6. FAIR VALUE MEASUREMENTS (Continued)**

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2011 and 2010.

*Common stocks* - 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.

Financial assets recorded in the Statements of Financial Position are categorized based on the inputs to the valuation technique as follows as of December 31, 2011 and 2010:

	<u>2011</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<b>Asset Category:</b>				
<b>Investments - Equities</b>	<u>\$ 36,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,801</u>

	<u>2010</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<b>Asset Category:</b>				
<b>Investments - Equities and     Certificate of Deposit</b>	<u>\$ 36,522</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 136,522</u>

**7. COMMITMENTS**

In August 2009, JMFF entered into a lease agreement with CMFF for use of certain land, buildings and improvements in Sussex County, DE owned by CMFF. JMFF uses this real property for its programming at the Freeman Stage at Bayside. Under this agreement, all rent has been waived; however, JMFF is obligated to pay for all operating and necessary maintenance expenses, excluding real estate taxes which are paid by CMFF. The agreement, originally scheduled to expire in August 2012, has been extended on the same terms through December 2015.

In May 2011, JMFF entered into a lease agreement with a subsidiary of CMFA (the "Subsidiary") for use of land adjacent to the property leased from CMFF as described above. Under this agreement, all rent has been waived; however, JMFF is obligated to pay for all operating and necessary maintenance expenses, excluding real estate taxes which are paid by the Subsidiary. The agreement expires in May 2014.

**8. SUBSEQUENT EVENTS**

In preparing these financial statements, JMFF has evaluated events and transactions for potential recognition or disclosure through November 12, 2012, the date the financial statements were issued.