

CONSOLIDATED FINANCIAL STATEMENTS

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

**FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022**

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

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of the Joshua M. Freeman Foundation and Freeman Arts Pavilion, Inc. (the Organization), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, 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.

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, 2023 and 2022, and the consolidated changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

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.



May 16, 2024

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023 AND 2022**

ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,060,783	\$ 7,654,453
Investments	8,429,812	8,611,644
Accrued interest	65,223	46,773
Due from related parties	110,316	31,545
Grants and contributions receivable	92,842	163,978
Pledges receivable	3,423,097	3,771,366
Prepaid expenses and other assets	<u>26,609</u>	<u>35,477</u>
Total current assets	<u>22,208,682</u>	<u>20,315,236</u>
FIXED ASSETS		
Land	2,102,143	1,257,500
Land improvements	2,372,568	74,255
Building and facilities	2,427,673	-
Furniture and equipment	1,774,178	1,264,186
Signage	98,564	98,564
Vehicles	9,946	9,946
Less: Accumulated depreciation and amortization	<u>(1,193,256)</u>	<u>(879,794)</u>
Net fixed assets	<u>7,591,816</u>	<u>1,824,657</u>
LONG-TERM AND OTHER ASSETS		
Right-of-use asset, net	101,651	150,046
Pledges receivable, net	3,635,856	6,458,195
Construction in progress	<u>117,193</u>	<u>3,117,075</u>
Total long-term and other assets	<u>3,854,700</u>	<u>9,725,316</u>
TOTAL ASSETS	<u>\$ 33,655,198</u>	<u>\$ 31,865,209</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 193,920	\$ 185,043
Refundable advances	-	515,000
Deferred revenue	12,275	-
Lease liability	<u>58,561</u>	<u>45,533</u>
Total current liabilities	264,756	745,576
LONG-TERM LIABILITIES		
Lease liability, net	<u>60,514</u>	<u>119,075</u>
Total liabilities	<u>325,270</u>	<u>864,651</u>
NET ASSETS		
Without donor restrictions	23,056,310	21,115,085
With donor restrictions	<u>10,273,618</u>	<u>9,885,473</u>
Total net assets	<u>33,329,928</u>	<u>31,000,558</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 33,655,198</u>	<u>\$ 31,865,209</u>

See accompanying notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Operating revenue, net of cost of goods sold of \$378,623	\$ 8,627,431	\$ -	\$ 8,627,431
Fundraising and sponsorships, net of cost of auction items of \$15,546	2,315,312	-	2,315,312
Grants and pledges - Government, corporate, foundations and other	114,422	3,470,682	3,585,104
Interest and investment gain, net	451,385	427,418	878,803
Net assets released from donor restrictions	<u>3,509,955</u>	<u>(3,509,955)</u>	<u>-</u>
Total support and revenue	<u>15,018,505</u>	<u>388,145</u>	<u>15,406,650</u>
EXPENSES			
Program Services	11,768,338	-	11,768,338
Management and General	748,198	-	748,198
Fundraising	<u>560,744</u>	<u>-</u>	<u>560,744</u>
Total expenses	<u>13,077,280</u>	<u>-</u>	<u>13,077,280</u>
Changes in net assets	1,941,225	388,145	2,329,370
Net assets at beginning of year	<u>21,115,085</u>	<u>9,885,473</u>	<u>31,000,558</u>
NET ASSETS AT END OF YEAR	<u>\$ 23,056,310</u>	<u>\$ 10,273,618</u>	<u>\$ 33,329,928</u>

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

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Operating revenue, net of cost of goods sold of \$303,220	\$ 7,014,957	\$ -	\$ 7,014,957
Fundraising and sponsorships, net of cost of auction items of \$20,476	2,018,039	-	2,018,039
Grants and pledges - Government, corporate, foundations and other	13,502,006	398,813	13,900,819
Interest and investment loss, net	(351,023)	(610,832)	(961,855)
Net assets released from donor restrictions	<u>669,726</u>	<u>(669,726)</u>	<u>-</u>
Total support and revenue	<u>22,853,705</u>	<u>(881,745)</u>	<u>21,971,960</u>
EXPENSES			
Program Services	7,607,087	-	7,607,087
Management and General	392,694	-	392,694
Fundraising	<u>444,094</u>	<u>-</u>	<u>444,094</u>
Total expenses	<u>8,443,875</u>	<u>-</u>	<u>8,443,875</u>
Changes in net assets	14,409,830	(881,745)	13,528,085
Net assets at beginning of year	<u>6,705,255</u>	<u>10,767,218</u>	<u>17,472,473</u>
NET ASSETS AT END OF YEAR	<u>\$ 21,115,085</u>	<u>\$ 9,885,473</u>	<u>\$ 31,000,558</u>

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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Program Services	Management and General	Fundraising	Total Expenses
Productions	\$ 4,485,236	\$ -	\$ 13,360	\$ 4,498,596
Personnel	1,958,994	393,100	289,416	2,641,510
Events and activities	-	-	75,509	75,509
Design and print	8,696	352	9,407	18,455
Promotional costs	389,259	1,124	11,500	401,883
Professional fees	122,901	26,261	17,916	167,078
Insurance	319,856	9,148	845	329,849
Training and travel	31,706	14,521	2,107	48,334
Postage and delivery	406	371	1,604	2,381
Facility expenses	2,994,349	12,031	15,352	3,021,732
Bank, credit card and ticket processing fees	288,931	14,605	38,203	341,739
Accounting and audit	-	42,500	-	42,500
Depreciation and amortization	393,942	6,265	3,110	403,317
Telecommunications	7,237	1,468	1,076	9,781
Loss on disposal of fixed assets	-	82,722	-	82,722
Office expense	16,148	3,305	2,422	21,875
Licenses, memberships and dues	41,486	20,724	5,282	67,492
Equipment rentals and computers	1,087,814	119,701	89,181	1,296,696
Subtotal	12,146,961	748,198	576,290	13,471,449
Less: Cost of sales	(378,623)	-	-	(378,623)
Less: Cost of auction items	-	-	(15,546)	(15,546)
TOTAL	<u>\$ 11,768,338</u>	<u>\$ 748,198</u>	<u>\$ 560,744</u>	<u>\$ 13,077,280</u>

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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Program Services	Management and General	Fundraising	Total Expenses
Productions	\$ 3,614,388	\$ -	\$ 10,135	\$ 3,624,523
Personnel	1,476,647	234,228	253,633	1,964,508
Events and activities	-	-	39,643	39,643
Design and print	13,008	200	8,319	21,527
Promotional costs	263,472	62	6,081	269,615
Professional fees	119,404	11,933	15,468	146,805
Insurance	230,842	1,138	777	232,757
Training and travel	41,736	13,599	2,717	58,052
Postage and delivery	713	829	2,519	4,061
Facility expenses	685,233	2,019	3	687,255
Bank, credit card and ticket processing fees	203,768	21,370	51,575	276,713
Accounting and audit	-	50,032	-	50,032
Depreciation and amortization	93,212	-	3,110	96,322
Telecommunications	5,906	945	1,024	7,875
Loss on disposal of fixed assets	-	26,751	-	26,751
Office expense	15,682	2,199	2,751	20,632
Licenses, memberships and dues	67,569	16,876	14,841	99,286
Equipment rentals and computers	1,078,727	10,513	51,974	1,141,214
Subtotal	7,910,307	392,694	464,570	8,767,571
Less: Cost of sales	(303,220)	-	-	(303,220)
Less: Cost of auction items	-	-	(20,476)	(20,476)
TOTAL	\$ 7,607,087	\$ 392,694	\$ 444,094	\$ 8,443,875

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 2,329,370	\$ 13,528,085
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	403,317	96,322
Realized and unrealized (gain) loss on investments	(115,611)	1,144,535
Loss on disposal of fixed assets	82,722	26,751
Donated land	(775,000)	-
Amortization of right-of-use asset	48,395	47,128
Change in discount on noncurrent pledges receivable	(296,187)	470,891
(Increase) decrease in:		
Accrued interest	(18,450)	(27,159)
Due from related parties	(78,771)	(7,023)
Grants and contributions receivable	71,136	132,420
Pledges receivable	3,466,795	(10,054,892)
Prepaid expenses and other assets	8,868	(29,978)
Increase (decrease) in:		
Accounts payable and accrued liabilities	8,877	63,359
Deferred revenue	12,275	-
Refundable advances	(515,000)	-
Lease liability	<u>(45,533)</u>	<u>(40,516)</u>
Net cash provided by operating activities	<u>4,587,203</u>	<u>5,349,923</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,767,250)	(4,560,774)
Proceeds from sales of investments	3,064,693	26,710
Purchase of fixed assets	(2,361,123)	(264,009)
Payments for construction in progress	<u>(117,193)</u>	<u>(483,399)</u>
Net cash used by investing activities	<u>(2,180,873)</u>	<u>(5,281,472)</u>
Net increase in cash and cash equivalents	2,406,330	68,451
Cash and cash equivalents at beginning of year	<u>7,654,453</u>	<u>7,586,002</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 10,060,783</u>	<u>\$ 7,654,453</u>
SCHEDULE OF NONCASH INVESTING TRANSACTIONS:		
Reclassification of Construction in Progress to Capital Assets	<u>\$ 3,117,075</u>	<u>\$ -</u>
Donated Land Received	<u>\$ 775,000</u>	<u>\$ -</u>

See accompanying notes to consolidated financial statements.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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 purpose is creating opportunities that elevate the human spirit. Its current principal activity is presenting a variety of performances at the Freeman Arts Pavilion, a seasonal, open air performance space at Bayside in Sussex County, Delaware. Additionally, the Arts Access Initiative offers high-quality, diverse arts experiences at no cost to participants. The initiative includes four programs designed to reach different audiences, including children, their families, and the underserved community-at-large. Those programs include Arts Education, Community Access, Young Audience Series and free evening programming at Freeman Arts Pavilion.

Joshua M. Freeman Foundation established a not-for-profit supporting organization named "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 the Joshua M. Freeman Foundation, expand programming and accommodate larger audiences.

The Board of Directors of JMFF also serves as the Board of Directors of the Freeman Arts Pavilion, Inc., who elected to implement a multi-phase plan for the new venue which expanded seating in 2021. Construction for additional phases is expected to occur over the coming four to six years with work being completed primarily in the off-season (October through May) based on the fundraising initiatives of the capital campaign. This will allow seasonal programming at the venue to continue without interruption. Current plans provide that, when complete, the new facility will accommodate approximately 4,000 patrons, with 2,500 fixed seats, and feature state-of-art sound, lighting and video capabilities, an expanded concession and dining area, additional restrooms, artists' dressing rooms, and production space.

Principles of consolidation and basis of presentation

The accompanying consolidated financial statements are presented in accordance with the criterion established by FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*. Under FASB ASC 958-810, consolidation is required if a separate not-for-profit organization has control (i.e., major voting interest) and significant economic interest in that other organization. The accompanying consolidated financial statements include the operations of Joshua M. Freeman Foundation and Freeman Arts Pavilion, Inc. (collectively, the Organization). All significant inter-company accounts and transactions have been eliminated in consolidation.

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) related to nonprofit 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". Net assets set aside 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** - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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

Basis of presentation (continued)

- **Net Assets with Donor Restrictions (continued)** - Other donor imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

New accounting pronouncement adopted

Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 are trade accounts receivable. The Organization implemented the ASU on January 1, 2023, using a modified retrospective approach.

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 interest and investment gain (loss), net of investment expenses paid to external investment advisors in the Consolidated Statements of Activities and Changes in Net Assets.

Accounts receivable

Accounts receivable primarily consists of amounts due within one year related to ticket sales. Accounts receivable are recorded at their net realizable value which approximates fair value. Accounts receivable are presented net of an allowance for credit losses resulting from the inability of customers to make required payments. The allowance for credit losses is based upon historical loss experience in combination with current economic conditions and a forecast of future economic conditions. Any change in the assumptions used in analyzing a specific account receivable might result in an additional allowance for credit losses being recognized in the period in which the change occurs. Based on analysis from management, there were no receivables from ticket sales throughout the year. Due to the nature of the ticket sales, there generally are no receivables. Management will analyze potential credit losses each year.

Grants, contributions, and pledges receivable include unconditional promises to give that are expected to be collected in future years. Grants, contributions, and pledges receivable are recorded at their fair value, which is measured as the present value of the future cash flows. The discount on long-term pledges receivable is computed using the risk-adjusted interest rates applicable to the years in which the promises to give were received. Amortization of the discount is included in contributions.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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

Fixed assets

Fixed asset acquisitions in excess of \$5,000 are capitalized and are stated at cost. Furniture and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to thirty-nine 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 "Long-term and Other Assets" section in the accompanying Consolidated Statements of Financial Position. At such time when the assets are placed in service, these amounts are transferred into fixed assets (and released from donor restrictions), and are depreciated over the estimated useful lives of the assets.

Impairment of long-lived assets

Management reviews asset carrying values whenever events or circumstances indicate that such carrying values may not be recoverable. The carrying values of assets is reduced by a charge in the Consolidated Statements of Activities and Changes in Net Assets to current fair value when assets are considered by management to be impaired.

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). The 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.

Revenue from contracts with customers

The Organization's ticket sales and concessions are the most significant revenue streams that are treated as exchange transaction revenue following ASC Topic 606. Revenue from contracts with customers is recorded in the year performance obligations are met. The Organization has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on cost and/or sales price. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue. The Organization's contracts with customers generally have initial terms of one year or less.

Support from grants and pledges

The Organization receives grants and pledges from individuals, foundations, corporations, and pass-through government agencies. Contributions are recognized in the appropriate category of net assets in the period received. The Organization performs an analysis of the individual contribution agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

For grants qualifying under the contribution rules, support is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions, including grants qualifying as contributions, that are unconditional but have 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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

Support from grants and pledges (continued)

Contributions with donor restrictions either in excess of expenses incurred or with outstanding time restrictions are shown as net assets with donor restrictions in the accompanying consolidated financial statements. Contributions that are both received and released from restrictions in the same year are classified as without donor restrictions.

Conditional contributions contain a right of return and a measurable barrier. Contributions are recognized when conditions have been satisfied. Most Federal grants are for direct and indirect program costs and are considered to be conditional contributions which are recognized as contributions when the amounts become unconditional. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. As of December 31, 2022, refundable advances aggregated \$515,000 (none as of December 31, 2023).

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 since they have been identified as providing support to both program services and the fundraising functions, and include office expenses such as utilities and supplies.

Investment risks and uncertainties

The Organization 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 consolidated financial statements.

2. INVESTMENTS AND 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

2. INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

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 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 and there were no transfers between levels in the fair value hierarchy during the years ended 2023 and 2022. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Fixed Income* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.
- *Equities* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual Funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by the Organization are deemed to be actively traded.
- *Asset-Backed Securities* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.

The table below summarizes investments, which are measured at fair value on a recurring basis, by level within the fair value hierarchy as of December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Fixed Income (Corporate and Government Bonds/Securities)	\$ 5,798,816	\$ -	\$ -	\$ 5,798,816
Equities	496,418	-	-	496,418
Asset-Backed Securities		531,599	-	531,599
Mutual Funds	<u>1,602,979</u>	<u>-</u>	<u>-</u>	<u>1,602,979</u>
TOTAL INVESTMENTS	<u>\$ 7,898,213</u>	<u>\$ 531,599</u>	<u>\$ -</u>	<u>\$ 8,429,812</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

2. INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

The table below summarizes investments, which are measured at fair value on a recurring basis, by level within the fair value hierarchy as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Fixed Income (Corporate and Government Bonds/Securities)	\$ 8,157,674	\$ -	\$ -	\$ 8,157,674
Equities	<u>453,970</u>	<u>-</u>	<u>-</u>	<u>453,970</u>
TOTAL INVESTMENTS	<u>\$ 8,611,644</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,611,644</u>

Interest and investment gain (loss), net, consisted of the following for the years ended December 31,:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 788,966	\$ 183,030
Investment fees	(25,774)	(350)
Realized and unrealized gain (loss) on investments	<u>115,611</u>	<u>(1,144,535)</u>
INTEREST AND INVESTMENT GAIN (LOSS), NET	<u>\$ 878,803</u>	<u>\$ (961,855)</u>

3. PLEDGES RECEIVABLE

The Organization has received written promises to give of which \$7,238,097 and \$10,704,892 remained outstanding as of December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, pledges due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate of 4.79% and 4.73%, respectively. Pledges are due as follows at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 3,423,097	\$ 3,771,366
One to five years	<u>3,815,000</u>	<u>6,933,526</u>
Total pledges receivable	7,238,097	10,704,892
Less: Allowance to discount balance to present value	<u>(179,144)</u>	<u>(475,331)</u>
NET PLEDGES RECEIVABLE	<u>\$ 7,058,953</u>	<u>\$ 10,229,561</u>

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Facility Planning and Development	\$ 9,449,587	\$ 9,358,890
Program Services	<u>824,031</u>	<u>526,583</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 10,273,618</u>	<u>\$ 9,885,473</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

4. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

During the year ended December 31, 2023, JMFF awarded the Freeman Arts Pavilion grants totaling \$1,341,234 of which \$341,234 is for facility planning and development and \$1,000,000 is for the capital campaign. As the financial statements are presented on a consolidated basis, this award activity has been eliminated in consolidation.

During the year ended December 31, 2022, JMFF awarded the Freeman Arts Pavilion grants totaling \$252,136 (for facility planning and development). As the financial statements are presented on a consolidated basis, this award activity has been eliminated in consolidation.

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, 2023 and 2022 by incurring expenses which satisfied the restricted purposes specified by the donors:

	<u>2023</u>	<u>2022</u>
Facility Planning and Development	\$ 1,815,353	\$ 190,836
Program Services	<u>1,694,602</u>	<u>478,890</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 3,509,955</u>	<u>\$ 669,726</u>

6. AVAILABILITY OF FINANCIAL ASSETS (LIQUIDITY)

Financial assets available for use within one year of the Consolidated Statements of Financial Position for general expenditures comprise the following as of December 31, 2023:

	<u>Joshua M. Freeman Foundation</u>	<u>Freeman Arts Pavilion, Inc.</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,314,491	\$ 6,746,292	\$10,060,783
Investments	3,591,416	4,838,396	8,429,812
Accrued interest	40,609	24,614	65,223
Due from related parties	110,316	-	110,316
Grants and contributions receivable	92,842	-	92,842
Pledges receivable	<u>423,097</u>	<u>3,000,000</u>	<u>3,423,097</u>
Total financial assets available within one year	7,572,771	14,609,302	22,182,073
Less: Amounts unavailable for general expenditures within one year due to donor restrictions	<u>(824,031)</u>	<u>(9,449,587)</u>	<u>10,273,618)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 6,748,740</u>	<u>\$ 5,159,715</u>	<u>\$11,908,455</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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

Financial assets available for use within one year of the Consolidated Statements of Financial Position for general expenditures comprise the following as of December 31, 2022:

	Joshua M. Freeman Foundation	Freeman Arts Pavilion, Inc.	Total
Cash and cash equivalents	\$ 2,392,192	\$ 5,262,261	\$ 7,654,453
Investments	4,012,719	4,598,925	8,611,644
Accrued interest	26,648	20,125	46,773
Due from related parties	31,545	-	31,545
Grants and contributions receivable	163,978	-	163,978
Pledges receivable	<u>271,366</u>	<u>3,500,000</u>	<u>3,771,366</u>
Total financial assets available within one year	6,898,448	13,381,311	20,279,759
Less: Amounts unavailable for general expenditures within one year due to donor restrictions	<u>(801,929)</u>	<u>(9,083,544)</u>	<u>(9,885,473)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 6,096,519</u>	<u>\$ 4,297,767</u>	<u>\$ 10,394,286</u>

The Organization has a policy to structure its financial assets to be available and liquid as its obligations become due.

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, 2023 and 2022 totaled \$61,016 and \$29,462, respectively.

8. RELATED PARTY ACTIVITIES

Michelle Freeman, Chair of the Boards of the Organization, along with a business owned by her relatives, contributed \$16,876 and \$19,886 to the Organization during 2023 and 2022, respectively. Included in these contributions were in-kind donations.

Ms. Freeman is majority owner and Chair of Carl M. Freeman Associates, Inc. (CMFA), a for-profit corporation controlled by the Freeman family. CMFA and its affiliated entities contributed \$27,149 and \$24,034 to the Organization during 2023 and 2022, respectively. This included, at no cost, a golf course for a fundraising event valued at \$7,500 each year and a CMFA program to match its employee charitable donations up to \$1,000 per employee per year. As part of this program, CMFA donated \$135 and \$85 to the Organization during 2023 and 2022, respectively.

Ms. Freeman is also Chair of the Board of Carl M. Freeman Foundation (CMFF), a 501(c)(3) private foundation whose principal sponsor is the Freeman family. Ms. Freeman and another CMFF Trustee serve as Directors of the Organization. CMFF contributed \$26,319 and \$27,998 to the Organization during 2023 and 2022, respectively. Included in these contributions were in kind donations and cash contributions. The cash contributions totaled \$5,000 each year. As further discussed in Note 10, CMFF leases office space and other real estate to the Organization.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

8. RELATED PARTY ACTIVITIES (Continued)

In 2020, CMFF made a commitment of \$13,000,000 to expand and enhance the capacity of the Joshua M. Freeman Foundation's operations in a new arts pavilion. \$3,000,000 of this commitment was paid in December 2020 and recognized as revenue in that year. The remaining \$10,000,000 was conditional upon fundraising and construction milestones which were fully met in 2022 at which time the balance of the commitment was recognized by the Organization as revenue. \$775,000 of this commitment was paid in April 2023 through a land grant and \$2,725,000 was paid in December 2023. Remaining payments on this commitment are anticipated to be \$3,000,000 in 2024 and \$3,500,000 in 2025.

Since its inception, the Organization has received contribution payments of \$14,749,743 from CMFF. Of that amount, \$5,364,743 was for operations and \$9,385,000 was for the facility capital improvements.

During the year ended December 31, 2023, all of the Organization's employees are employed by JMFF. During the year ended December 31, 2022, all of the Organization's employees were deemed to be co-employed by JMFF and TriNet (a Professional Employer Organization). During the years ended December 31, 2023 and 2022, certain JMFF employees also provide services to CMFF for which JMFF is reimbursed.

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, 2023 and 2022, the Organization incurred the following expenses:

	<u>2023</u>	<u>2022</u>
Shared Personnel Services - CMFA	<u>\$ 8,639</u>	<u>\$ 6,102</u>

9. CONTRIBUTED NONFINANCIAL ASSETS

The Organization receives donations of auction items for its fundraising events as well as 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 at the estimated market value for use of this facility.

The total value of these contributions has been recognized as income and expense for the years ended December 31, 2023 and 2022, totaling \$132,455 and \$110,240, respectively. Contributed nonfinancial assets are recorded in "Fundraising and Sponsorships" in the accompanying Consolidating Statements of Activities and Changes in Net Assets, and as "Facility Expenses" in the accompanying Consolidated Statements of Functional Expenses.

10. COMMITMENTS

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 Arts Pavilion. Under this agreement, all rent has been waived; however, the Organization is obligated to pay for all operating and necessary maintenance expenses. This lease was terminated in December 2022 and was replaced with an annual lease signed on January 1, 2023 at the same terms as the original lease. On April 27, 2023, the land under this lease was granted to JMFF from CMFF as part of its contribution commitment.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

10. COMMITMENTS (Continued)

The Organization follows FASB ASC 842 for leases. The Organization has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes. The Organization has also elected to use a risk-free rate as the lease discount rate for all leases as allowed under FASB ASC 842.

Operating Lease:

In January 2021, the Organization entered into a five-year lease agreement with CMFF for rental of office space. Base annual rent is \$66,990 per year with annual increases of 3%. The lease also includes abated rent of 33.33% in years one through three and 20% in years four and five.

For the years ended December 31, 2023 and 2022, total amortization on the right-of-use asset was \$48,395 and \$47,128, respectively. As of December 31, 2023 and 2022, the weighted-average remaining lease term and rate for financing leases is 2 years and 3%, respectively.

The following is a schedule of the future minimum lease payments due under the operating lease, net of imputed interest, as of December 31, 2023:

Year Ending December 31,

2024	\$	58,561
2025		<u>64,089</u>
		122,650
Less: Imputed interest		<u>(3,575)</u>
		119,075
Less: Current portion		<u>(58,561)</u>
LONG-TERM PORTION	\$	<u>60,514</u>

In connection with the aforementioned accounting treatment, office lease expense for the years ended December 31, 2023 and 2022 totaled \$52,613 and \$52,613, respectively.

11. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 16, 2024, the date the consolidated financial statements were issued.

SUPPLEMENTAL INFORMATION

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

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023**

	ASSETS			
	JMFF	Freeman Arts Pavilion	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 3,314,491	\$ 6,746,292	\$ -	\$ 10,060,783
Investments	3,591,416	4,838,396	-	8,429,812
Accrued interest	40,609	24,614	-	65,223
Due from related parties	110,316	-	-	110,316
Grants and contributions receivable	92,842	-	-	92,842
Pledges receivable	423,097	3,000,000	-	3,423,097
Due from JMFF	-	718,940	(718,940)	-
Prepaid expenses and other assets	26,609	-	-	26,609
Total current assets	<u>7,599,380</u>	<u>15,328,242</u>	<u>(718,940)</u>	<u>22,208,682</u>
FIXED ASSETS				
Land	-	2,102,143	-	2,102,143
Land Improvements	230,390	2,142,178	-	2,372,568
Building and facilities	-	2,427,673	-	2,427,673
Furniture and equipment	1,378,878	395,300	-	1,774,178
Signage	98,564	-	-	98,564
Vehicles	9,946	-	-	9,946
Less: Accumulated depreciation and amortization	(949,822)	(243,434)	-	(1,193,256)
Net fixed assets	<u>767,956</u>	<u>6,823,860</u>	<u>-</u>	<u>7,591,816</u>
NONCURRENT AND OTHER ASSETS				
Right-of-use asset	101,651	-	-	101,651
Pledges receivable, net	295,843	3,340,013	-	3,635,856
Construction in progress	-	117,193	-	117,193
Total noncurrent assets and other assets	<u>397,494</u>	<u>3,457,206</u>	<u>-</u>	<u>3,854,700</u>
TOTAL ASSETS	<u>\$ 8,764,830</u>	<u>\$ 25,609,308</u>	<u>\$ (718,940)</u>	<u>\$ 33,655,198</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 180,209	\$ 13,711	\$ -	\$ 193,920
Deferred revenue	12,275	-	-	12,275
Due to Freeman Arts Pavilion	718,940	-	(718,940)	-
Lease liability	58,561	-	-	58,561
Total current liabilities	<u>969,985</u>	<u>13,711</u>	<u>(718,940)</u>	<u>264,756</u>
NONCURRENT LIABILITIES				
Lease liability, net	60,514	-	-	60,514
Total liabilities	<u>1,030,499</u>	<u>13,711</u>	<u>(718,940)</u>	<u>325,270</u>
NET ASSETS				
Without donor restrictions	6,910,300	15,439,333	706,677	23,056,310
With donor restrictions	824,031	10,156,264	(706,677)	10,273,618
Total net assets	<u>7,734,331</u>	<u>25,595,597</u>	<u>-</u>	<u>33,329,928</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,764,830</u>	<u>\$ 25,609,308</u>	<u>\$ (718,940)</u>	<u>\$ 33,655,198</u>