

CONSOLIDATED FINANCIAL STATEMENTS

**JOSHUA M. FREEMAN FOUNDATION AND
FRIENDS OF THE COASTAL ARTS PAVILION AT
FREEMAN PARK, INC.**

**FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016**

**JOSHUA M. FREEMAN FOUNDATION AND
FRIENDS OF THE COASTAL ARTS PAVILION AT FREEMAN PARK, INC.**

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GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Joshua M. Freeman Foundation (JMFF) and Friends of the Coastal Arts Pavilion at Freeman Park, Inc. (FOCAP) (collectively, "the Organization"), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, 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, 2017 and 2016, 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.

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

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 Statement of Financial Position on page 17 and the Consolidating Schedule of Activities and Change in Net Assets on page 18 are 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".

May 23, 2018

**JOSHUA M. FREEMAN FOUNDATION AND
FRIENDS OF THE COASTAL ARTS PAVILION AT FREEMAN PARK, INC.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016**

ASSETS

	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 969,499	\$ 1,228,886
Investments, net of noncurrent portion	1,657,250	1,731,706
Accrued interest	4,578	3,232
Accounts receivable	-	55,948
Grants and contributions receivable	90,800	121,150
Prepaid expenses and other assets	11,755	3,406
Total current assets	2,733,882	3,144,328
PROPERTY AND EQUIPMENT		
Furniture and equipment	1,539,413	551,095
Signage	99,834	99,834
Vehicles	9,946	9,946
	1,649,193	660,875
Less: Accumulated depreciation and amortization	(539,532)	(355,631)
Net property and equipment	1,109,661	305,244
OTHER ASSETS		
Restricted cash	151,000	1,000
Investments, net of current portion	853,100	1,017,776
Construction in progress	731,252	407,549
Total other assets	1,735,352	1,426,325
TOTAL ASSETS	\$ 5,578,895	\$ 4,875,897

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 142,500	\$ 236,627
Deferred income	1,890	53,403
Total current liabilities	144,390	290,030
NET ASSETS		
Unrestricted	2,829,289	1,432,078
Temporarily restricted	2,605,216	3,153,789
Total net assets	5,434,505	4,585,867
TOTAL LIABILITIES AND NET ASSETS	\$ 5,578,895	\$ 4,875,897

**JOSHUA M. FREEMAN FOUNDATION AND
FRIENDS OF THE COASTAL ARTS PAVILION AT FREEMAN PARK, INC.**

**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Operating revenue, net of cost of goods sold of \$92,877 in 2017 and \$81,986 in 2016	\$ 2,096,314	\$ -	\$ 2,096,314
Fundraising and sponsorships, net of cost of auction items of \$55,256 in 2017 and \$75,063 in 2016	1,397,816	-	1,397,816
Grants - Government, corporate, foundations and other	41,150	1,028,350	1,069,500
Interest and investment income (loss)	(36,367)	15,967	(20,400)
Net assets released from donor restrictions	<u>1,592,890</u>	<u>(1,592,890)</u>	<u>-</u>
Total support and revenue	<u>5,091,803</u>	<u>(548,573)</u>	<u>4,543,230</u>
EXPENSES			
Program Services	2,980,263	-	2,980,263
Management and General	205,103	-	205,103
Fundraising	<u>509,226</u>	<u>-</u>	<u>509,226</u>
Total expenses	<u>3,694,592</u>	<u>-</u>	<u>3,694,592</u>
Changes in net assets	1,397,211	(548,573)	848,638
Net assets at beginning of year	<u>1,432,078</u>	<u>3,153,789</u>	<u>4,585,867</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,829,289</u>	<u>\$ 2,605,216</u>	<u>\$ 5,434,505</u>

2016		
Unrestricted	Temporarily Restricted	Total
\$ 1,936,196	\$ -	\$ 1,936,196
1,338,589	-	1,338,589
22,500	223,400	245,900
86,580	34,478	121,058
<u>227,491</u>	<u>(227,491)</u>	<u>-</u>
<u>3,611,356</u>	<u>30,387</u>	<u>3,641,743</u>
2,797,485	-	2,797,485
132,381	-	132,381
<u>545,034</u>	<u>-</u>	<u>545,034</u>
<u>3,474,900</u>	<u>-</u>	<u>3,474,900</u>
136,456	30,387	166,843
<u>1,295,622</u>	<u>3,123,402</u>	<u>4,419,024</u>
<u>\$ 1,432,078</u>	<u>\$ 3,153,789</u>	<u>\$ 4,585,867</u>

**JOSHUA M. FREEMAN FOUNDATION AND
FRIENDS OF THE COASTAL ARTS PAVILION AT FREEMAN PARK, INC.**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Productions	\$ 1,697,651	\$ -	\$ -	\$ 1,697,651
Personnel	670,623	146,393	166,699	983,715
Events and activities	-	-	223,299	223,299
Design and print	38,565	-	12,922	51,487
Promotional costs	114,029	-	350	114,379
Professional fees	39,613	11,208	55,372	106,193
Insurance	75,857	861	3,895	80,613
Training and travel	36,206	4,108	4,301	44,615
Postage and delivery	1,571	303	4,045	5,919
Facility expenses	116,470	1,382	1,566	119,418
Bank, credit card and ticket processing fees	3,142	989	21,538	25,669
Accounting and audit	-	30,618	-	30,618
Depreciation and amortization	169,767	2,384	11,751	183,902
Telecommunications	10,773	1,755	1,989	14,517
Office expense	5,996	5,102	1,499	12,597
	<u>\$ 2,980,263</u>	<u>\$ 205,103</u>	<u>\$ 509,226</u>	<u>\$ 3,694,592</u>
TOTAL				

**JOSHUA M. FREEMAN FOUNDATION AND
FRIENDS OF THE COASTAL ARTS PAVILION AT FREEMAN PARK, INC.**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Productions	\$ 1,736,389	\$ -	\$ -	\$ 1,736,389
Personnel	532,695	89,876	196,092	818,663
Events and activities	-	-	220,890	220,890
Design and print	37,557	-	13,197	50,754
Promotional costs	120,614	-	28	120,642
Professional fees	9,208	3,803	66,762	79,773
Insurance	61,164	890	3,602	65,656
Training and travel	31,047	5,695	5,289	42,031
Postage and delivery	1,708	876	4,277	6,861
Facility expenses	108,922	911	2,685	112,518
Bank, credit card and ticket processing fees	37,711	702	21,520	59,933
Accounting and audit	-	22,511	-	22,511
Depreciation and amortization	102,253	2,862	5,452	110,567
Telecommunications	11,593	1,280	2,794	15,667
Office expense	6,624	2,975	2,446	12,045
TOTAL	<u>\$ 2,797,485</u>	<u>\$ 132,381</u>	<u>\$ 545,034</u>	<u>\$ 3,474,900</u>

**JOSHUA M. FREEMAN FOUNDATION AND
FRIENDS OF THE COASTAL ARTS PAVILION AT FREEMAN PARK, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 848,638	\$ 166,843
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	183,901	110,567
Stock donations	(32,244)	(59,466)
Unrealized loss (gain) on investments	46,293	(96,512)
(Increase) decrease in:		
Accrued interest	(1,346)	1,635
Accounts receivable	55,948	(55,753)
Grants and contributions receivable	30,350	(4,050)
Prepaid expenses and other assets	(8,349)	5,984
(Decrease) increase in:		
Accounts payable and accrued liabilities	(94,127)	168,412
Deferred income	(51,513)	30,656
Net cash provided by operating activities	<u>977,551</u>	<u>268,316</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(994,917)	(355,000)
Redemption of certificates of deposit	1,220,000	1,005,000
Purchase of furniture and equipment	(752,982)	(275,397)
Payments for construction in progress	(559,039)	(407,549)
Net cash used by investing activities	<u>(1,086,938)</u>	<u>(32,946)</u>
Net (decrease) increase in cash and cash equivalents	(109,387)	235,370
Cash and cash equivalents at beginning of year	<u>1,229,886</u>	<u>994,516</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,120,499	\$ 1,229,886

**JOSHUA M. FREEMAN FOUNDATION AND
FRIENDS OF THE COASTAL ARTS PAVILION AT FREEMAN PARK, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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, an outdoor facility 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). 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 facility will directly further the mission of Joshua M. Freeman Foundation and expand programming and accommodate larger audiences.

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

Basis of presentation

The accompanying consolidated financial statements reflect the activity of Joshua M. Freeman Foundation and Friends of Coastal Arts Pavilion at Freeman Park, Inc. (collectively, "the Organization"). The financial statements have been consolidated as the entities are under common control. 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 FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*. The consolidated financial statements are available at the Organization's headquarters.

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 fair value. Unrealized and realized gains and losses are included in investment income in the Consolidated Statements of Activities and Changes in Net Assets.

Property and equipment

Property and equipment acquisitions in excess of \$2,500 are capitalized and are stated at cost basis. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to ten years.

**JOSHUA M. FREEMAN FOUNDATION AND
FRIENDS OF THE COASTAL ARTS PAVILION AT FREEMAN PARK, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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

Property and equipment (continued)

The cost of maintenance and repairs is recorded as expenses are incurred.

Construction in process

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 will be depreciated over their estimated useful lives.

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). Friends of the Coastal Arts Pavilion at Freeman Park, 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).

Neither organization is a private foundation. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

Uncertain tax positions

For the years ended December 31, 2017 and 2016, 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.

Net asset classification

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Organization and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities and Changes in Net Assets as net assets released from restrictions.

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; such revenue is recognized in the year it is received from the donor.

**JOSHUA M. FREEMAN FOUNDATION AND
FRIENDS OF THE COASTAL ARTS PAVILION AT FREEMAN PARK, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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

Contributions and grants revenue

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support 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 temporarily restricted net assets in the accompanying consolidated financial statements.

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassification

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

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.

2. INVESTMENTS

Investments consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Stock	\$ 229,042	\$ 505,228	\$ 196,798	\$ 511,455
Certificates of deposit - current	1,153,000	1,152,022	1,220,000	1,220,250
Certificates of deposit - noncurrent	<u>858,917</u>	<u>853,100</u>	<u>1,017,000</u>	<u>1,017,777</u>
TOTAL INVESTMENTS	<u>\$ 2,240,959</u>	<u>\$ 2,510,350</u>	<u>\$ 2,433,798</u>	<u>\$ 2,749,482</u>

**JOSHUA M. FREEMAN FOUNDATION AND
FRIENDS OF THE COASTAL ARTS PAVILION AT FREEMAN PARK, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

2. INVESTMENTS (Continued)

Included in interest and investment (loss) income are the following during the years ended December 31, 2017 and 2016:

	2017	2016
Interest and dividends	\$ 25,893	\$ 24,546
Unrealized (loss) gain on investments	(46,293)	96,512
TOTAL INTEREST AND INVESTMENT (LOSS) INCOME	\$ (20,400)	\$ 121,058

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2017 and 2016:

	2017	2016
Carl M. Freeman Foundation - Facility Planning and Development Grant	\$ 2,231,993	\$ 2,925,002
Delaware Division of the Arts - Operating Grants	158,600	179,000
2018 Freeman Stage Events	34,750	-
Delaware Division of the Arts - Education Resource Grants	15,000	11,000
Sussex County Council - Transportation Grant	13,873	10,000
USDA - Facility Planning and Development Grant	-	9,387
Sysco Eastern Maryland	-	18,400
Capital Campaign - Friends of the Coastal Arts Pavilion at Freeman Park, Inc.	151,000	1,000
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ 2,605,216	\$ 3,153,789

4. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions during the years ended December 31, 2017 and 2016 by incurring expenses which satisfied the restricted purposes specified by the donors:

	2017	2016
Carl M. Freeman Foundation - Facility Planning and Development Grant	\$ 708,976	\$ -
Carl M. Freeman Foundation - Capital Projects Grant	650,000	-
Delaware Division of the Arts - Operating Grants	179,000	186,800
Sysco Eastern Maryland	18,400	-
Delaware Division of the Arts - Education Resource Grants	11,000	12,200
USDA - Facility Planning and Development Grant	9,387	5,613
Sussex County Council - Transportation Grant	6,127	12,546
M&T Charitable Foundation	5,000	4,000
Atlantic Community Thrift Shop Grant	5,000	-
State of Delaware - Facility Planning and Development Grant	-	6,332
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ 1,592,890	\$ 227,491

**JOSHUA M. FREEMAN FOUNDATION AND
FRIENDS OF THE COASTAL ARTS PAVILION AT FREEMAN PARK, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

5. 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, 2017 and 2016 totaled \$17,907 and \$15,285, respectively.

6. 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 \$61,805 and \$45,612 to the Organization during 2017 and 2016, respectively.

Included in these contributions were in-kind donations of \$30,602 and \$22,319 during 2017 and 2016, respectively, for items used for the Organization's fundraising events, as discussed further in Note 7.

In both 2017 and 2016, 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, 2017 and 2016, respectively.

The Organization receives annual support from the Carl M. Freeman Foundation, Inc. (CMFF), a 501(c)(3) private foundation whose Trustees also serve as Directors of the Organization. Michelle Freeman controls CMFF and is the principal sponsor of CMFF. During the years ended December 31, 2017 and 2016, the Organization received \$653,000 and \$3,700 respectively.

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, 2017 and 2016, the Organization incurred the following:

	2017	2016
Shared Personnel Services - CMFA	\$ 11,506	\$ 11,372
Shared Personnel Services - CMFF	\$ 488,118	\$ 467,776

Amounts due to CMFA and CMFF as of December 31, 2017 and 2016 are as follows and are included in accounts payable and accrued liabilities on the Consolidated Statements of Financial Position:

	2017	2016
Due to CMFA: Shared Personnel Services	\$ 1,271	\$ 619
Due to CMFA: Miscellaneous Expenses	\$ 7,558	\$ -

**JOSHUA M. FREEMAN FOUNDATION AND
FRIENDS OF THE COASTAL ARTS PAVILION AT FREEMAN PARK, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

7. 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 6, 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 in-kind contributions has been recognized as income and expense in the accompanying consolidated financial statements during the years ended December 31, 2017 and 2016, totaling \$186,639 and \$193,697, respectively.

8. 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. 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 were no transfers between levels in the fair value hierarchy at December 31, 2017 and 2016.

- *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, 2017:

	2017			Total
	Level 1	Level 2	Level 3	
Asset Class:				
Investments - Stocks	\$ 505,228	\$ -	\$ -	\$ 505,228
Investments - Certificates of Deposit	<u>-</u>	<u>2,005,122</u>	<u>-</u>	<u>2,005,122</u>
TOTAL	<u>\$ 505,228</u>	<u>\$ 2,005,122</u>	<u>\$ -</u>	<u>\$ 2,510,350</u>

**JOSHUA M. FREEMAN FOUNDATION AND
FRIENDS OF THE COASTAL ARTS PAVILION AT FREEMAN PARK, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

8. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, the Organization's investments as of December 31, 2016:

Asset Class:	2016			Total
	Level 1	Level 2	Level 3	
Investments - Stocks	\$ 511,455	\$ -	\$ -	\$ 511,455
Investments - Certificates of Deposit	-	2,238,027	-	2,238,027
TOTAL	\$ 511,455	\$ 2,238,027	\$ -	\$ 2,749,482

9. 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. 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 CMFF. The agreement, originally scheduled to expire in August 2012, has been extended on the same terms through December 2019.

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 2017 and was extended to September 2020.

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 2017 and were extended to September 2020.

10. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 23, 2018, the date the consolidated financial statements were issued.

SUPPLEMENTAL INFORMATION

**JOSHUA M. FREEMAN FOUNDATION AND
FRIENDS OF THE COASTAL ARTS PAVILION AT FREEMAN PARK, INC.**
**CONSOLIDATING SCHEDULE OF STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017**

	<u>JMFF</u>	<u>FOCAP</u>	<u>Elimination</u>	<u>Total</u>
CURRENT ASSETS				
Cash and cash equivalents	\$ 969,499	\$ -	\$ -	\$ 969,499
Investments, net of non current portion	1,657,250	-	-	1,657,250
Accrued interest	4,578	-	-	4,578
Grants and contributions receivable	90,800	151,000	(151,000)	90,800
Prepaid expenses and other assets	11,755	-	-	11,755
	<u>2,733,882</u>	<u>151,000</u>	<u>(151,000)</u>	<u>2,733,882</u>
PROPERTY AND EQUIPMENT				
Furniture and equipment	1,539,413	-	-	1,539,413
Signage	99,834	-	-	99,834
Vehicles	9,946	-	-	9,946
	<u>1,649,193</u>	<u>-</u>	<u>-</u>	<u>1,649,193</u>
Less: Accumulated depreciation and amortization	(539,532)	-	-	(539,532)
	<u>1,109,661</u>	<u>-</u>	<u>-</u>	<u>1,109,661</u>
OTHER ASSETS				
Restricted cash	151,000	-	-	151,000
Investments, net of current portion	853,100	-	-	853,100
Construction in progress	18,543	712,709	-	731,252
	<u>1,022,643</u>	<u>712,709</u>	<u>-</u>	<u>1,735,352</u>
TOTAL ASSETS	<u>\$ 4,866,186</u>	<u>\$ 863,709</u>	<u>\$ (151,000)</u>	<u>\$ 5,578,895</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 293,500	\$ -	\$ (151,000)	\$ 142,500
Deferred income	1,890	-	-	1,890
	<u>295,390</u>	<u>-</u>	<u>(151,000)</u>	<u>144,390</u>
NET ASSETS				
Unrestricted	2,116,580	712,709	-	2,829,289
Temporarily restricted	2,454,216	151,000	-	2,605,216
	<u>4,570,796</u>	<u>863,709</u>	<u>-</u>	<u>5,434,505</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,866,186</u>	<u>\$ 863,709</u>	<u>\$ (151,000)</u>	<u>\$ 5,578,895</u>

**JOSHUA M. FREEMAN FOUNDATION AND
FRIENDS OF THE COASTAL ARTS PAVILION AT FREEMAN PARK, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	JMFF			FOCAP			Eliminations	Total
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total		
SUPPORT AND REVENUE								
Operating revenue, net of cost of goods sold of \$92,877	\$ 2,096,314	\$ -	\$ 2,096,314	\$ -	\$ -	\$ -	\$ -	\$ 2,096,314
Fundraising and sponsorships, net of cost of auction items of \$55,256	1,397,816	-	1,397,816	-	-	-	-	1,397,816
Grants - Government, corporate, foundations and other	41,150	1,028,350	1,069,500	869,363	-	869,363	(869,363)	1,069,500
Interest and investment income (loss)	(36,367)	15,967	(20,400)	-	-	-	-	(20,400)
Reclassification of net assets released of donor restricted assets	-	-	-	(151,000)	151,000	-	-	-
Net assets released from donor restrictions	<u>1,743,890</u>	<u>(1,743,890)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>5,242,803</u>	<u>(699,573)</u>	<u>4,543,230</u>	<u>718,363</u>	<u>151,000</u>	<u>869,363</u>	<u>(869,363)</u>	<u>4,543,230</u>
EXPENSES								
Program Services	3,847,340	-	3,847,340	2,286	-	2,286	(869,363)	2,980,263
Management and General	205,103	-	205,103	-	-	-	-	205,103
Fundraising	<u>509,226</u>	<u>-</u>	<u>509,226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>509,226</u>
Total expenses	<u>4,561,669</u>	<u>-</u>	<u>4,561,669</u>	<u>2,286</u>	<u>-</u>	<u>2,286</u>	<u>(869,363)</u>	<u>3,694,592</u>
Change in net assets	681,134	(699,573)	(18,439)	716,077	151,000	867,077	-	848,638
Net assets at beginning of year	<u>1,435,446</u>	<u>3,153,789</u>	<u>4,589,235</u>	<u>(3,368)</u>	<u>-</u>	<u>(3,368)</u>	<u>-</u>	<u>4,585,867</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,116,580</u>	<u>\$ 2,454,216</u>	<u>\$ 4,570,796</u>	<u>\$ 712,709</u>	<u>\$ 151,000</u>	<u>\$ 863,709</u>	<u>\$ -</u>	<u>\$ 5,434,505</u>