

**FINANCIAL STATEMENTS**

**JOSHUA M. FREEMAN FOUNDATION**

**FOR THE YEARS ENDED  
DECEMBER 31, 2010 AND 2009**

# 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 (the Foundation) as of December 31, 2010 and 2009, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Foundation'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 the Foundation'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 the Foundation as of December 31, 2010 and 2009, and its changes 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 29, 2011

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**JOSHUA M. FREEMAN FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2010 AND 2009**

**ASSETS**

	<b>2010</b>	<b>2009</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 825,997	\$ 831,083
Investments	136,522	26,500
Prepaid expenses and other assets	30,791	37,243
Inventory	-	28,534
Total current assets	<u>993,310</u>	<u>923,360</u>
<b>FURNITURE AND EQUIPMENT</b>		
Buildings	4,870	-
Equipment	3,972	-
Furniture	11,925	6,867
Computer related equipment	26,494	10,149
	47,261	17,016
Less: Accumulated depreciation and amortization	(11,575)	(5,183)
Net furniture and equipment	<u>35,686</u>	<u>11,833</u>
<b>TOTAL ASSETS</b>	<b>\$ 1,028,996</b>	<b>\$ 935,193</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 42,318	\$ 43,005
Deferred sponsorships	1,500	-
Total current liabilities	<u>43,818</u>	<u>43,005</u>
<b>NET ASSETS</b>		
Unrestricted	985,178	892,188
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,028,996</b>	<b>\$ 935,193</b>

See accompanying notes to financial statements.

**JOSHUA M. FREEMAN FOUNDATION**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
	<b>Unrestricted</b>	<b>Unrestricted</b>
<b>SUPPORT AND REVENUE</b>		
Contributions and grants	\$ 717,395	\$ 1,035,451
Interest and investment income (loss)	17,790	(5,168)
In-kind contributions	25,520	34,755
Fundraising events and sponsorships, net of cost of auction items of \$32,863 in 2010 and \$47,064 in 2009	304,112	245,632
Other revenue	17,417	19,866
Total support and revenue	1,082,234	1,330,536
<b>EXPENSES</b>		
Program Services	679,990	615,883
Management and General	141,955	185,534
Fundraising	167,299	183,597
Total expenses	989,244	985,014
Changes in net assets	92,990	345,522
Net assets at beginning of year	892,188	546,666
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 985,178</b>	<b>\$ 892,188</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>
Salaries and related expenses	\$ 202,934	\$ 73,302	\$ 80,648	\$ 356,884
Fundraising	-	-	60,880	60,880
Programming costs	365,422	-	-	365,422
Printing and production	32,583	734	13,910	47,227
Advertising and marketing	41,743	-	-	41,743
Professional fees	1,363	12,487	-	13,850
Insurance	-	5,393	-	5,393
Travel and related expenses	-	8,349	-	8,349
Postage and delivery	56	965	5,331	6,352
Public relations	-	100	-	100
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**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and related expenses	\$ 307,424	\$ 110,034	\$ 94,242	\$ 511,700
Fundraising	-	-	72,236	72,236
Programming costs	223,742	-	-	223,742
Printing and production	33,127	411	7,129	40,667
Advertising and marketing	17,779	30	-	17,809
Professional fees	-	26,789	-	26,789
Insurance	-	3,513	-	3,513
Travel and related expenses	3,213	8,983	2,714	14,910
Postage and delivery	81	616	2,204	2,901
Public relations	-	2,455	-	2,455
Facility expenses	11,241	722	-	11,963
Bank fees	-	654	3,316	3,970
Accounting and audit	-	21,125	-	21,125
Depreciation and amortization	2,178	-	1,756	3,934
Telecommunications	17,098	916	-	18,014
Other	-	9,286	-	9,286
<b>TOTAL</b>	<b><u>\$ 615,883</u></b>	<b><u>\$ 185,534</u></b>	<b><u>\$ 183,597</u></b>	<b><u>\$ 985,014</u></b>

See accompanying notes to financial statements.

**JOSHUA M. FREEMAN FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 92,990	\$ 345,522
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	10,051	3,934
Stock donations	-	(20,008)
Realized loss on sales of investments	-	98,003
Unrealized gain on investments	(10,022)	(87,859)
(Increase) decrease in:		
Prepaid expenses and other assets	34,986	(3,180)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(688)	(34,491)
Deferred sponsorships	<u>1,500</u>	<u>-</u>
Net cash provided by operating activities	<u>128,817</u>	<u>301,921</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(100,000)	(2,235)
Proceeds from sales of investments	-	440,034
Purchase of capital assets	(35,513)	(4,880)
Gain on disposal of fixed assets	<u>1,610</u>	<u>-</u>
Net cash (used) provided by investing activities	<u>(133,903)</u>	<u>432,919</u>
Net (decrease) increase in cash and cash equivalents	(5,086)	734,840
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>831,083</u>	<u>96,243</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 825,997</u></b>	<b><u>\$ 831,083</u></b>
<b>NONCASH INVESTING ACTIVITIES</b>		
Donated Stock	<u>\$ -</u>	<u>\$ 20,008</u>

See accompanying notes to financial statements.



## JOSHUA M. FREEMAN FOUNDATION

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

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

##### Organization

The Joshua M. Freeman Foundation (the Foundation) is a non-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*.

##### Recently issued accounting standards

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB ASC 105, *Generally Accepted Accounting Principles*, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, the Foundation has updated references to GAAP in its financial statements issued for the years ended December 31, 2010 and 2009. The adoption of FASB ASC 105 did not impact the Foundation's financial position or results of operations.

##### Cash and cash equivalents

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

At times during the year, the Foundation maintains cash balances 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 Changes in Net Assets.

##### Furniture and equipment

Furniture and equipment acquisitions in excess of \$1,000 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

The Foundation 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. The Foundation 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, 2010 and 2009, the Foundation 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, 2010 AND 2009

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

##### Uncertain tax positions (continued)

The Federal 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.

##### Inventory

Inventory consists of concession stand merchandise which is recorded at the lower of cost or market value using the first-in, first-out method. Inventory also consists of items received in-kind for auction; these items are recorded at estimated market value as of the date of donation. As of December 31, 2010, there was no inventory on hand.

##### Net asset classification

The net assets are reported 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 Foundation 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 Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

##### Contributions

Contributions are recorded as revenue in the year notification is received from the donor. During the years ended December 31, 2010 and 2009, the Foundation did not receive any gifts that were considered restricted and accordingly there are 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 Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

##### Risks and uncertainties

The Foundation 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.

# JOSHUA M. FREEMAN FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

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

#### Fair value measurements

The Foundation 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. The Foundation 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.

### 2. INVESTMENTS

Investments consisted of the following at December 31, 2010 and 2009:

	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equities	\$ 20,008	\$ 36,522	\$ 20,008	\$ 26,500
Certificate of deposit	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 120,008</u></b>	<b><u>\$ 136,522</u></b>	<b><u>\$ 20,008</u></b>	<b><u>\$ 26,500</u></b>

Included in interest and investment income (loss) are the following for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 7,768	\$ 4,976
Realized loss on sales of investments	-	(98,003)
Unrealized gain on investments	<u>10,022</u>	<u>87,859</u>
<b>TOTAL INTEREST AND INVESTMENT INCOME (LOSS)</b>	<b><u>\$ 17,790</u></b>	<b><u>\$ (5,168)</u></b>

### 3. CONCENTRATION OF REVENUE

The Foundation receives a significant portion of its annual support from the Carl M. Freeman Foundation, Inc. (CMFF), a 501(c)(3) private foundation. During the years ended December 31, 2010 and 2009, the Foundation received \$690,000 and \$900,000, respectively, from CMFF, representing 64% and 68%, respectively, of its annual support and revenue.

## JOSHUA M. FREEMAN FOUNDATION

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

#### 4. RELATED PARTY ACTIVITIES

Michelle Freeman, Chairman of the Board of the Foundation, as well as majority owner and Chairman of Carl M. Freeman Associates, Inc. (CMFA), a corporation controlled by the Freeman family, contributed \$11,920 and \$16,855 to the Foundation during 2010 and 2009, respectively. Included in these contributions were in-kind donations of \$11,120 and \$16,495 during 2010 and 2009, respectively, for items used for the Foundation's fundraising events, as discussed further in Note 5.

During both 2010 and 2009, CMFA provided a golf course for fundraisers as well as office facilities to the Foundation 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 \$4,380 and \$4,913 to the Foundation during the years ended December 31, 2010 and 2009, respectively.

Carl M. Freeman Foundation, Inc. (CMFF), a 501(c)(3) private foundation whose Trustees also serve as Directors of the Foundation, has made substantial annual contributions to the Foundation since inception. For the years ended December 31, 2010 and 2009, CMFF contributed \$690,000 and \$900,000, respectively.

The Foundation does not employ any of its own staff; all personnel services are provided by CMFA and CMFF employees. These services are purchased at cost by the Foundation. During the years ended December 31, 2010 and 2009, the Foundation incurred the following:

	<u>2010</u>	<u>2009</u>
Personnel Services Purchased from CMFA	\$ 115,390	\$ 198,978
Personnel Services Purchased from CMFF	\$ 202,946	\$ 311,727

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

	<u>2010</u>	<u>2009</u>
Due to CMFA: Purchase of Personnel Services	\$ 4,324	\$ 3,371
Due to CMFF: Purchase of Personnel Services	\$ -	\$ 2,139
Due to CMFA: Miscellaneous Expenses	\$ -	\$ 5,075

#### 5. IN-KIND CONTRIBUTIONS

The Foundation receives donations of auction items for its fundraising events, and the value of such items are recorded as contributions at their actual sales price. Further, as discussed in Note 4, the Foundation recorded a contribution from CMFA for the use of a 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 financial statements during the years ended December 31, 2010 and 2009, totaling \$25,520 and \$34,755, respectively.

**JOSHUA M. FREEMAN FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**6. FAIR VALUE MEASUREMENTS**

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, the Foundation 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 the Foundation has the ability to access.

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

**Level 3.** These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

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, 2010 and 2009:

	<b>2010</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Asset Category:</b>				
Investments - Equities and				
Certificate of Deposit	<b>\$ 36,522</b>	<b>\$ 100,000</b>	<b>\$ -</b>	<b>\$ 136,522</b>
	<b>2009</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Asset Category:</b>				
Investments - Equities	<b>\$ 26,500</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 26,500</b>

**7. SUBSEQUENT EVENTS**

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through November 29, 2011, the date the financial statements were issued.