

AVALON FOUNDATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

AVALON FOUNDATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
of Avalon Foundation, Inc.

We have audited the accompanying financial statements of Avalon Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Avalon Foundation, Inc. as of June 30, 2019 and 2018, and the 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional revenue on page 23 and 24 are presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

KULLMAN CPA, LLC

Annapolis, Maryland
September 16, 2019

AVALON FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 399,880	\$ 649,927
Accounts Receivable, Net	700	5,875
Contributions Receivable	12,250	16,527
Grants Receivable	37,712	99,575
Pledges Receivable	116,250	1,000
Prepaid Expenses	49,892	47,489
Total Current Assets	616,684	820,393
PROPERTY AND EQUIPMENT, NET	2,871,522	1,568,901
OTHER ASSETS		
Investments, at Fair Value	-	51,180
Investments, at Fair Value - Designated	5,355	4,148
Pledges Receivable, Net	94,913	1,000
Total Other Assets	100,268	56,328
Total Assets	\$ 3,588,474	\$ 2,445,622

The accompanying notes are an integral part of the financial statements

AVALON FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2019 AND 2018

	2019	2018
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 53,407	\$ 32,739
Accrued Payroll Expenses	16,557	14,864
Sales Tax Payable	247	547
Deferred Revenue	118,027	184,063
Note Payable - Current Portion	19,214	18,217
Total Current Liabilities	207,452	250,430
LONG-TERM LIABILITIES		
Note Payable, Net of Current Portion	110,365	129,031
Total Liabilities	317,817	379,461
NET ASSETS		
Without Donor Restrictions	3,158,691	1,822,114
With Donor Restrictions	111,966	244,047
Total Net Assets	3,270,657	2,066,161
Total Liabilities and Net Assets	\$ 3,588,474	\$ 2,445,622

The accompanying notes are an integral part of the financial statements

AVALON FOUNDATION, INC.
STATEMENT OF ACTIVITIES
JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and Grants:			
Corporations	\$ 54,843	\$ 2,500	\$ 57,343
Foundations	20,895	-	20,895
Government	276,665	-	276,665
Individuals	291,421	56,403	347,824
Capital Grant	100,137	-	100,137
Capital Contributions	1,126,023	47,708	1,173,731
In-Kind Contributions	1,463	-	1,463
	1,871,447	106,611	1,978,058
PROGRAM AND OTHER REVENUE			
Individual Admissions	805,285	-	805,285
Facility Rental	17,512	-	17,512
Merchandise Sales	73,268	-	73,268
Admissions Surcharge	36,773	-	36,773
Art Sales Income	401,597	-	401,597
Ticket Handling Fees	56,452	-	56,452
Net Investment Gain	852	1,207	2,059
Other Income	998	-	998
	1,392,737	1,207	1,393,944
Net Assets Released from Restrictions	239,899	(239,899)	-
	3,504,083	(132,081)	3,372,002
EXPENSES			
Program Services	1,803,037	-	1,803,037
Supporting Activities:			
Management and General	308,347	-	308,347
Fundraising	56,122	-	56,122
	364,469	-	364,469
Total Expenses	2,167,506	-	2,167,506
Change in Net Assets	1,336,577	(132,081)	1,204,496
Net Assets, Beginning of Year	1,822,114	244,047	2,066,161
Net Assets, End of Year	\$ 3,158,691	\$ 111,966	\$ 3,270,657

The accompanying notes are an integral part of the financial statements

AVALON FOUNDATION, INC.
STATEMENT OF ACTIVITIES
JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and Grants:			
Corporations	\$ 43,369	\$ 2,500	\$ 45,869
Foundations	23,000	-	23,000
Government	268,135	-	268,135
Individuals	349,541	62,480	412,021
Capital Grant	66,443	-	66,443
Capital Contributions	-	66,572	66,572
In-Kind Contributions	3,250	-	3,250
	753,738	131,552	885,290
PROGRAM AND OTHER REVENUE			
Individual Admissions	642,838	-	642,838
Facility Rental	35,648	-	35,648
Merchandise Sales	82,759	-	82,759
Admissions Surcharge	25,750	-	25,750
Art Sales Income	391,860	-	391,860
Ticket Handling Fees	53,533	-	53,533
Net Investment Gain	2,737	263	3,000
Other Income	257	-	257
	1,235,382	263	1,235,645
Net Assets Released from Restrictions	375,731	(375,731)	-
Total Revenue	2,364,851	(243,916)	2,120,935
EXPENSES			
Program Services	1,635,398	-	1,635,398
Supporting Activities:			
Management and General	304,499	-	304,499
Fundraising	55,019	-	55,019
	359,518	-	359,518
Total Expenses	1,994,916	-	1,994,916
Change in Net Assets	369,935	(243,916)	126,019
Net Assets, Beginning of Year	1,452,179	487,963	1,940,142
Net Assets, End of Year	\$ 1,822,114	\$ 244,047	\$ 2,066,161

The accompanying notes are an integral part of the financial statements

AVALON FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
JUNE 30, 2019

	Program Services						Total
	Avalon Theatre Programs	Avalon Outdoor Programs	MCTV	Programs Total	Management and General	Fundraising	
Advertising and Promotion	\$ -	\$ -	\$ -	\$ -	\$ 74,963	\$ -	\$ 74,963
Art Sales Expenses	-	276,994	-	276,994	-	-	276,994
Artist Fees	402,518	20,675	300	423,493	-	-	423,493
Benefits and Payroll Taxes	54,652	14,329	11,073	80,054	12,952	7,475	100,481
Concession Expense	30,759	-	-	30,759	-	-	30,759
Depreciation	92,289	2,463	11,999	106,751	4,521	1,180	112,452
Direct Mail	378	2,275	-	2,653	5,415	-	8,068
Dues and Licenses	5,005	-	1,830	6,835	4,281	-	11,116
Educational Expenses	260	-	-	260	5,413	-	5,673
Insurance	27,113	724	3,525	31,362	1,328	347	33,037
Interest	7,642	204	994	8,840	374	98	9,312
Office and Other Supplies	4,980	2,864	52	7,896	8,638	-	16,534
Production	95,932	125,021	1,077	222,030	17,499	-	239,529
Professional Fees	599	4,639	-	5,238	48,676	-	53,914
Rent and Occupancy	27,969	746	3,636	32,351	1,370	358	34,079
Repairs and Maintenance	2,463	-	-	2,463	29,076	-	31,539
Salaries	334,258	87,636	67,724	489,618	79,217	45,723	614,558
Subcontracted Services	29,405	13,705	240	43,350	12,415	-	55,765
Telephone	4,858	1,274	984	7,116	1,151	665	8,932
Utilities	21,591	576	2,807	24,974	1,058	276	26,308
Total Expenses	\$ 1,142,671	\$ 554,125	\$ 106,241	\$ 1,803,037	\$ 308,347	\$ 56,122	\$ 2,167,506

The accompanying notes are an integral part of the financial statements

AVALON FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
JUNE 30, 2018

	Program Services						Total
	Avalon Theatre Programs	Avalon Outdoor Programs	MCTV	Programs Total	Management and General	Fundraising	
Advertising and Promotion	\$ -	\$ -	\$ -	\$ -	\$ 70,667	\$ -	\$ 70,667
Art Sales Expenses	-	272,545	-	272,545	-	-	272,545
Artist Fees	337,625	21,760	-	359,385	2,000	-	361,385
Benefits and Payroll Taxes	50,089	13,291	11,326	74,706	12,769	7,462	94,937
Concession Expense	37,336	-	-	37,336	-	-	37,336
Depreciation	60,522	1,659	7,793	69,974	2,971	782	73,727
Direct Mail	-	-	-	-	21,410	-	21,410
Dues and Licenses	4,113	-	1,800	5,913	3,014	-	8,927
Educational Expenses	10	1,649	500	2,159	6,339	-	8,498
Insurance	32,684	896	4,208	37,788	1,605	422	39,815
Interest	7,036	193	906	8,135	345	91	8,571
Office and Other Supplies	4,667	3,224	23	7,914	7,256	-	15,170
Production	78,449	115,436	4,297	198,182	17,492	-	215,674
Professional Fees	599	2,560	-	3,159	43,863	-	47,022
Rent and Occupancy	42,199	1,157	5,434	48,790	2,072	544	51,406
Repairs and Maintenance	5,599	-	-	5,599	14,038	-	19,637
Salaries	301,189	79,922	68,104	449,215	76,782	44,870	570,867
Subcontracted Services	15,060	11,230	467	26,757	19,916	-	46,673
Telephone	4,060	1,077	918	6,055	1,035	605	7,695
Utilities	18,843	516	2,427	21,786	925	243	22,954
Total Expenses	\$ 1,000,080	\$ 527,115	\$ 108,203	\$ 1,635,398	\$ 304,499	\$ 55,019	\$ 1,994,916

The accompanying notes are an integral part of the financial statements

AVALON FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,204,496	\$ 126,019
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	112,452	73,727
Unrealized Gain on Investments	(118)	(732)
Changes in Operating Assets and Liabilities:		
Accounts Receivable, Net	5,175	(974)
Contributions Receivable	4,277	(12,000)
Grants Receivable	61,863	(48,075)
Pledges Receivable, Net	(209,163)	2,000
Prepaid Expenses	(2,403)	(3,774)
Accounts Payable and Accrued Expenses	20,668	2,224
Accrued Payroll Expenses	1,693	2,000
Sales Tax Payable	(300)	-
Deferred Revenue	(66,036)	132,770
	1,132,604	273,185
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income Reinvestment	(1,909)	(2,160)
Proceeds from Investments	52,000	-
Purchase of Fixed Assets	(1,415,073)	(414,436)
	(1,364,982)	(416,596)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of Notes Payable	(17,669)	(16,726)
	(17,669)	(16,726)
Net Decrease in Cash	(250,047)	(160,137)
Cash, Beginning of Year	649,927	810,064
Cash, End of Year	\$ 399,880	\$ 649,927
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	\$ 9,312	\$ 8,571

The accompanying notes are an integral part of the financial statements

AVALON FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Avalon Foundation, Inc. (Foundation) was established in 1993 as a non-profit corporation organized under the laws of the State of Maryland. The Foundation's mission is to foster a strong community on the Eastern Shore by creating accessible, uplifting arts, education, and cultural experiences that appeal to the interests of a diverse population and to ensure the long-term viability of the historic Avalon Theatre. It accomplishes this by presenting diversified arts and educational programs, by working with other organizations that serve the community, by serving as a facilitator and resource for community groups, and by acting as a home for arts organizations. The Foundation serves the community through three major functions: the Avalon Theatre, Avalon Outdoor Programming, and Midshore Community Television (MCTV), a public access television station. It is supported by contributions and grants, ticket sales, art sales, and other program revenue.

The Avalon Theatre (Theatre) offers extensive cultural arts on a year-round basis, showcasing national, regional, and local musical and theatrical performers. It provides outreach programming in partnership with the local schools and offers acting classes for children and theatre day camps in the summertime. The Theatre is also a base for educational and other civic forums. The Theatre's programs are a significant source of the Foundation's revenue, providing 22% and 27% of total revenue at June 30, 2019 and 2018, respectively.

Local television programming is offered through the Foundation's MCTV operations. Individuals and institutions have programming and video production opportunities available to them through MCTV.

The Foundation produces and promotes outdoor art events, such as two outdoor Summer Concert Series, the Easton Farmers' Market, the Talbot County Multicultural Festival, and Plein Air Easton, the nation's largest outdoor painting competition. The Foundation receives major support for these outdoor arts events from the Town of Easton, as well as many local businesses and individuals.

Basis of Accounting and Presentation

The financial statements are prepared on the accrual basis method of accounting.

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

- Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. The net assets may be used at the discretion of the Foundation's management and the Board of Trustees.

AVALON FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Presentation (Continued)

- Net Assets With Donor Restriction - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash

The Foundation's Board of Trustees has established a separate bank account for capital funds. The purpose of the account is to segregate funds raised for capital improvements through donations and ticket admission surcharges. Cash consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Cash - Unrestricted	\$ 113,328	\$ 273,186
Cash - Capital Fund	<u>286,552</u>	<u>376,741</u>
Total Cash	<u>\$ 399,880</u>	<u>\$ 649,927</u>

Concentration of Credit Risk

The Foundation maintains a majority of their cash balances at one financial institution. Accounts at the financial institution are insured by the Federal Deposit Insurance Corporation, up to \$250,000. The Foundation has not experienced any loss in such accounts, and believes it is not exposed to any significant credit risk on its cash balances. As of June 30, 2019 and 2018, the uninsured balance was \$203,419 and \$210,630, respectively.

Accounts, Contributions, Grants, and Pledges Receivable, Net

The Foundation reports receivables at amounts estimated to be collectible. The estimated amount of uncollectible accounts is determined by an analysis of the balance in the receivables, and the Foundation's prior collection history. An allowance is provided for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. As of June 30, 2019 and 2018, management deemed all receivables to be collectible. Conditional promises to give are not included as support until the conditions are met. Pledges receivable that are expected to be collected within one year are recorded at net realizable value.

AVALON FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts, Contributions, Grants, and Pledges Receivable, Net (Continued)

Pledges receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on these amounts are computed using a risk-free interest rate applicable to the year in which the contribution is made. Amortization of the discount is included in contribution revenue.

Property and Equipment, Net

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years. The Foundation's policy is to capitalize property and equipment acquired for greater than \$2,500 and expense normal repairs and maintenance as incurred.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that priorities investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an organization's assumptions (unobservable inputs). The Foundation groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 - Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 - Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 - Unobservable inputs that cannot be corroborated by observable market data.

Sales Tax Payable

The Foundation presents sales tax charged on sales of merchandise and art on a net basis. Therefore, such taxes are excluded from sales, and are reflected as a liability, which is satisfied when remitted to the governmental authority.

AVALON FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Deferred revenue is cash received for gift certificates not yet redeemed and ticket sales and capital campaign contributions received for shows to be performed after the fiscal year end.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

In-Kind Contributions

In-kind contributions are reflected as contributions at their fair value at date of donation, and are reported as unrestricted support. The Foundation benefited from donated lodging accommodations, which were valued by the donor at \$1,463 and \$3,250 for the years ended June 30, 2019 and 2018, respectively. This amount has been reported as in-kind contribution revenue and rent and occupancy expense on the statements of activities and statements of functional expenses.

The Foundation recognizes the fair value of contributed services received if such services (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not contributed. The Foundation receives services from a large number of volunteers who give significant amounts of their time to the Foundation's programs and administrative activities, but which do not meet the criteria for financial statement recognition.

Advertising

The Foundation follows the practice of charging the cost of advertising to expense as incurred. Advertising expenses of \$74,963 and \$70,667 were incurred for the years ended June 30, 2019 and 2018, respectively, to promote the Foundation's programs.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

AVALON FOUNDATION, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

Expense	Method of Allocation
Benefits and Payroll Taxes	Payroll Based Percentage
Depreciation	Square Footage Based Percentage
Insurance	Square Footage Based Percentage
Interest	Square Footage Based Percentage
Rent and Occupancy	Square Footage Based Percentage
Salaries	Payroll Based Percentage
Telephone	Payroll Based Percentage
Utilities	Square Footage Based Percentage

Income Taxes

The Foundation is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. There was no unrelated business income for the years ending June 30, 2019 and 2018. The Foundation has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements for Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

AVALON FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - AVAILABILITY AND LIQUIDITY

The following represents the Foundation's financial assets at June 30, 2019:

Financial Assets at Year End:	
Cash	\$ 399,880
Receivable, Net	261,825
Prepaid Expenses	49,892
Investments, at Fair Value - Designated	<u>5,355</u>
Total Financial Assets	716,952
Less Amounts Not Available to be Used for General:	
Operation Within One Year	
Pledges Receivable (Long-Term), Net	(94,913)
Board Designated Funds	(251,884)
Net Assets With Donor Restrictions	<u>(111,966)</u>
	<u>(458,763)</u>
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	<u>\$ 258,189</u>

The Foundation's goal is generally to maintain financial assets to meet 90 days of operating expenses. The Foundation has a \$250,000 line of credit available to meet cash flow needs.

NOTE 3 - PLEDGES RECEIVABLE, NET

Pledges receivable, net consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 116,250	\$ 1,000
Receivable in one to five years	<u>97,500</u>	<u>1,000</u>
Total Pledges Receivable	213,750	2,000
Less: Discount at 2.65%	<u>(2,587)</u>	<u>-</u>
Total Pledges Receivable, Net	<u>\$ 211,163</u>	<u>\$ 2,000</u>

NOTE 4 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Land, Buildings, and Improvements	\$ 2,920,274	\$ 1,750,049
Furniture and Fixtures	606,552	412,344
Software	<u>35,674</u>	<u>35,674</u>
Total Property and Equipment	3,562,500	2,198,067
Less: Accumulated Depreciation	<u>(690,978)</u>	<u>(629,166)</u>
Total Property and Equipment, Net	<u>\$ 2,871,522</u>	<u>\$ 1,568,901</u>

AVALON FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 4 - PROPERTY AND EQUIPMENT, NET (CONTINUED)

For the years ended June 30, 2019 and 2018, depreciation expense totaled \$112,452 and \$73,727, respectively. Construction in progress on planned renovations to the building amounted to \$0 and \$242,931 at June 30, 2019 and 2018, respectively, and was included in the Land, Buildings, and Improvements account. Depreciation commenced on these assets when the renovation was completed in May 2019.

NOTE 5 - INVESTMENTS

The following tables present the Foundation's fair value hierarchy for assets, measured at fair value, as of June 30:

<u>2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 75	\$ -	\$ -	\$ 75
Mutual Funds	1,029	-	-	1,029
Exchange Traded Funds	3,300	-	-	3,300
Bonds	415	-	-	415
Stocks	536	-	-	536
Total Investments at Fair Value	<u>\$ 5,355</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,355</u>
<u>2018</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 1,039	\$ -	\$ -	\$ 1,039
Mutual Funds	11,115	-	-	11,115
Hedge Funds	-	32	-	32
Exchange Traded Funds	32,532	-	-	32,532
Bonds	4,225	-	-	4,225
Stocks	6,385	-	-	6,385
Total Investments at Fair Value	<u>\$ 55,296</u>	<u>\$ 32</u>	<u>\$ -</u>	<u>\$ 55,328</u>

For the years ended June 30, 2019 and 2018, included in the investments was \$5,355 and 4,148, respectively, of investments designated by Mid-Shore Community Foundation. Such investments were with donor restrictions.

NOTE 6 - LINE OF CREDIT

The Foundation has a \$250,000 unsecured line of credit with Shore United Bank. The line of credit bears interest at the Prime rate plus 0.50 percent per annum. This line renews annually. As of June 30, 2019 and 2018, available credit on the line was \$250,000 and the outstanding balance was \$0. No amounts were drawn on the line of credit during the years ended June 30, 2019 and 2018.

AVALON FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 6 - LINE OF CREDIT (CONTINUED)

The Foundation obtained a \$500,000 construction line of credit with Shore United Bank in January 2019. Advances are collateralized by assets of the Foundation, and bear interest at the Prime rate less 0.250 percent per annum. The line of credit matures on July 1, 2020. As of June 30, 2019, available credit on the line was \$500,000 and the outstanding balance was \$0. For the year ended June 30, 2019, the interest paid on the loan totaled \$1,685.

NOTE 7 - NOTE PAYABLE

Note payable consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Note payable to Fred Frederick with an interest rate of 5.5% per annum and monthly installments of \$2,108 beginning July 7, 2010 and maturing on June 7, 2025. The note is secured by a lien on both the second and third floor real property owned by the Foundation.	\$ 129,579	\$ 147,248
Less: Current Portion of Note Payable	<u>19,214</u>	<u>18,217</u>
Total Long-Term Note Payable	<u>\$ 110,365</u>	<u>\$ 129,031</u>

The maturity of the note as of June 30 is as follows:

2020	\$ 19,214
2021	19,719
2022	20,831
2023	22,006
2024	23,248
Thereafter	<u>24,561</u>
Total	<u>\$ 129,579</u>

NOTE 8 - RETIREMENT PLAN

The Foundation has a SIMPLE IRA plan. All employees who have been employed for more than twelve months and earned more than \$5,000 annually are eligible to participate in the plan. The Foundation makes a matching contribution of 50% of employee deferrals up to 3% of a participant's annual salary. This matching contribution amounted to \$8,576 and \$7,122 for the years ended June 30, 2019 and 2018, respectively.

NOTE 9 - RELATED PARTY TRANSACTIONS

The Foundation commands a majority vote, and owns 81.26% and 75.43% ownership interest in the Avalon Condominium (Condominium) at June 30, 2019 and 2018, respectively.

AVALON FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 9 - RELATED PARTY TRANSACTIONS (CONTINUED)

The Condominium is administered by the council of unit owners, with the purpose of maintaining the Avalon Building. The financial position and operation at June 30 are as follows:

	<u>2019</u>	<u>2018</u>
<u>Balance Sheet:</u>		
Assets	\$ 58,797	\$ 60,381
Liabilities	\$ 2,168	\$ 990
Equity	\$ 56,629	\$ 59,391
 <u>Profit and Loss:</u>		
Revenue	\$ 34,899	\$ 55,305
Expenses	\$ (37,294)	\$ (75,001)
Net Income (Loss)	\$ (2,395)	\$ (19,696)

The Condominium collects assessments from unit owners for repairs and maintenance of the Avalon Building. For the years ended June 30, 2019 and 2018, the Foundation contributed \$31,714 and \$42,030, respectively, for assessments. There was \$0 payable to and receivable from the Condominium at June 30, 2019 and 2018.

NOTE 10 - NET ASSETS

Net assets with donor restrictions were as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Building Acquisition & Improvements	\$ 47,708	\$ 174,919
July 4th Celebration	2,500	2,500
Plein Air Easton	56,403	62,480
Designated Investments	<u>5,355</u>	<u>4,148</u>
Total	\$ <u>111,966</u>	\$ <u>244,047</u>

Net assets released from donor restrictions for the years ended June 30 are as follows:

	<u>2019</u>	<u>2018</u>
Building Acquisition & Improvements	\$ 174,919	\$ 260,242
July 4th Celebration	2,500	3,000
Plein Air Easton	62,480	68,900
MCTV Projects	<u>-</u>	<u>43,589</u>
Total	\$ <u>239,899</u>	\$ <u>375,731</u>

AVALON FOUNDATION, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 11 - BOARD-DESIGNATED FUNDS

Board-designated funds consist of admission surcharge fees and interest income that are designated for capital improvements, as well as Ellen’s Magic Fund. The capital improvement fund is maintained in a separate bank account (see Note 1). At June 30, the Board-designated funds consisted of the following:

	<u>2019</u>	<u>2018</u>
Capital Improvement Fund	\$ 238,844	\$ 201,822
Ellen's Magic Fund	13,040	13,040
	<hr/>	<hr/>
Total	\$ <u>251,884</u>	\$ <u>214,862</u>

NOTE 12 - SUBSEQUENT EVENTS

The Foundation evaluated subsequent events through the date that the financial statements were available to be issued. The Foundation is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to September 16, 2019 that would have a material impact on the financial statements.

SUPPLEMENTARY INFORMATION

AVALON FOUNDATION, INC.
SCHEDULE I - SCHEDULE OF FUNCTIONAL REVENUE
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services					Management and General	Total
	Avalon Theatre Programs	Avalon Outdoor Programs	MCTV	Programs Total			
Contributions with Donor Restrictions	\$ -	\$ 58,903	\$ -	\$ 58,903	\$ 47,708	\$ 106,611	
Earned Income							
Individual Admissions	704,679	33,227	2,365	740,271	-	740,271	
Art Sales Income	-	401,597	-	401,597	-	401,597	
Event Income	300	56,654	8,060	65,014	-	65,014	
Admission Surcharge - Capital Campaign	36,773	-	-	36,773	-	36,773	
Other Income	146,760	-	-	146,760	472	147,232	
Total Earned Income	<u>888,512</u>	<u>491,478</u>	<u>10,425</u>	<u>1,390,415</u>	<u>472</u>	<u>1,390,887</u>	
Private Contributed Support	19,644	67,372	22,741	109,757	257,402	367,159	
Public Contributed Support	-	47,000	70,000	117,000	159,665	276,665	
Other Income							
Capital Grant Income	-	-	-	-	100,137	100,137	
In-Kind Contributions	-	1,463	-	1,463	-	1,463	
Investment & Other Income	2,870	-	-	2,870	187	3,057	
One Time Contributions	-	-	-	-	1,126,023	1,126,023	
Total Other Income	<u>2,870</u>	<u>1,463</u>	<u>-</u>	<u>4,333</u>	<u>1,226,347</u>	<u>1,230,680</u>	
Total Revenue	<u>\$ 911,026</u>	<u>\$ 666,216</u>	<u>\$ 103,166</u>	<u>\$ 1,680,408</u>	<u>\$ 1,691,594</u>	<u>\$ 3,372,002</u>	

AVALON FOUNDATION, INC.
SCHEDULE I - SCHEDULE OF FUNCTIONAL REVENUE
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services					Management and General	Total
	Avalon Theatre Programs	Avalon Outdoor Programs	MCTV	Programs Total			
Contributions with Donor Restrictions	\$ -	\$ 64,980	\$ -	\$ 64,980	\$ 66,572	\$ 131,552	
Earned Income							
Individual Admissions	551,944	21,640	-	573,584	-	573,584	
Art Sales Income	-	391,860	-	391,860	-	391,860	
Event Income	410	60,004	8,840	69,254	-	69,254	
Admission Surcharge - Capital Campaign	25,750	-	-	25,750	-	25,750	
Other Income	169,952	140	-	170,092	1,849	171,941	
Total Earned Income	<u>748,056</u>	<u>473,644</u>	<u>8,840</u>	<u>1,230,540</u>	<u>1,849</u>	<u>1,232,389</u>	
Private Contributed Support	35,028	76,044	20,306	131,378	284,531	415,909	
Public Contributed Support	27,575	47,000	66,132	140,707	155,003	295,710	
Other Income							
Capital Grant Income	-	-	-	-	15,000	15,000	
In-Kind Contributions	-	3,250	-	3,250	-	3,250	
Investment & Other Income	-	-	-	-	3,257	3,257	
One Time Contributions	-	-	23,868	23,868	-	23,868	
Total Other Income	<u>-</u>	<u>3,250</u>	<u>23,868</u>	<u>27,118</u>	<u>18,257</u>	<u>45,375</u>	
Total Revenue	<u>\$ 810,659</u>	<u>\$ 664,918</u>	<u>\$ 119,146</u>	<u>\$ 1,594,723</u>	<u>\$ 526,212</u>	<u>\$ 2,120,935</u>	