

AVALON FOUNDATION, INC. AND AFFILIATES

COMBINED FINANCIAL STATEMENTS

JUNE 30, 2023

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COMBINED FINANCIAL STATEMENTS

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Kullman CPA, LLC
888 Bestgate Road
Suite 316
Annapolis, MD 21401
P 410 266 9885
F 410 266 9940 www.kullmancpa.com

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
of Avalon Foundation, Inc. and Affiliates

Opinion

We have audited the accompanying combined financial statements of Avalon Foundation, Inc. (a nonprofit organization) and Affiliates (Easton Events, LLC and The Avalon Condominium), which comprise the combined statement of financial position as of June 30, 2023 and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Avalon Foundation, Inc. and Affiliates as of June 30, 2023, and the changes in its combined net assets and its combined cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Avalon Foundation, Inc. and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Avalon Foundation, Inc. and Affiliates' ability to continue as a going concern for a reasonable period of time.

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

Kullman CPA, LLC

Annapolis, Maryland
February 22, 2024

AVALON FOUNDATION, INC. AND AFFILIATES
COMBINED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS

CURRENT ASSETS	
Cash	\$ 450,277
Certificate of Deposit	151,474
Accounts Receivable	982
Prepaid Expenses	<u>63,340</u>
Total Current Assets	666,073
PROPERTY AND EQUIPMENT, NET	3,358,860
OTHER ASSETS	
Certificate of Deposit	528,287
Contribution Receivable	100,000
Investments, at Fair Value	<u>1,820,140</u>
Total Other Assets	<u>2,448,427</u>
Total Assets	<u>\$ 6,473,360</u>

The accompanying notes are an integral part of the combined financial statements.

AVALON FOUNDATION, INC. AND AFFILIATES
 COMBINED STATEMENT OF FINANCIAL POSITION (CONTINUED)
 JUNE 30, 2023

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable and Accrued Expenses	\$ 60,208
Accrued Payroll Expenses	35,264
Sales Tax Payable	586
Accrued Interest Payable	8,167
Deferred Revenue	84,375
Notes Payable - Current Portion	<u>16,411</u>
Total Current Liabilities	205,011
 LONG-TERM LIABILITIES	
Notes Payable, Net of Current Portion	633,575
Other Liability	<u>560</u>
Total Long-Term Liabilities	<u>634,135</u>
Total Liabilities	839,146
 NET ASSETS	
Without Donor Restrictions	4,755,109
With Donor Restrictions	<u>879,105</u>
Total Net Assets	<u>5,634,214</u>
Total Liabilities and Net Assets	<u><u>\$ 6,473,360</u></u>

The accompanying notes are an integral part of the combined financial statements.

AVALON FOUNDATION, INC. AND AFFILIATES
 COMBINED STATEMENT OF ACTIVITIES
 JUNE 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions and Grants:			
Corporations	\$ 61,563	\$ 500	\$ 62,063
Government	303,123	-	303,123
Individuals	622,715	373,966	996,681
Capital Grant	19,956	-	19,956
Capital Contributions	398	62,970	63,368
Shuttered Venue Operators Grant	<u>252,782</u>	<u>-</u>	<u>252,782</u>
Total Revenue and Support	1,260,537	437,436	1,697,973
PROGRAM AND OTHER REVENUE			
Individual Admissions	823,904	-	823,904
Facility Rental	22,866	-	22,866
Merchandise Sales	107,464	-	107,464
Admissions Surcharge	44,715	-	44,715
Art Sales Income	463,270	-	463,270
Ticket Handling Fees	64,191	-	64,191
Investment Income	<u>39,962</u>	<u>2,181</u>	<u>42,143</u>
Total Program and Other Revenue	1,566,372	2,181	1,568,553
Net Assets Released from Restrictions	<u>348,550</u>	<u>(348,550)</u>	<u>-</u>
Total Revenue	3,175,459	91,067	3,266,526
EXPENSES			
Program Services	2,455,915	-	2,455,915
Supporting Activities:			
Management and General	250,118	75	250,193
Fundraising	<u>173,679</u>	<u>-</u>	<u>173,679</u>
Total Support Activities	<u>423,797</u>	<u>75</u>	<u>423,872</u>
Total Expenses	<u>2,879,712</u>	<u>75</u>	<u>2,879,787</u>
Change in Net Assets	295,747	90,992	386,739
Net Assets, Beginning of Year	<u>4,459,362</u>	<u>788,113</u>	<u>5,247,475</u>
Net Assets, End of Year	<u>\$ 4,755,109</u>	<u>\$ 879,105</u>	<u>\$ 5,634,214</u>

The accompanying notes are an integral part of the combined financial statements.

AVALON FOUNDATION, INC. AND AFFILIATES
 COMBINED STATEMENT OF FUNCTIONAL EXPENSES
 JUNE 30, 2023

	Program Services							Fundraising	Total
	Avalon Theatre Programs	Avalon Outdoor Programs	MCTV	Children's Programming	Programs Total	Management and General	Total		
Advertising and Promotion	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,118	\$ -	\$ 68,118	
Art Sales Expenses	-	279,410	-	-	279,410	-	-	279,410	
Artist Fees	342,730	62,109	-	34,739	439,578	200	10,000	449,778	
Concession Expense	65,915	589	12	392	66,908	12	17	66,937	
Depreciation	130,493	4,177	27,132	103,842	265,644	31,399	3,425	300,468	
Direct Mail	348	213	54	45	660	49	1,752	2,461	
Dues and Licenses	5,128	570	1,885	202	7,785	221	1,175	9,181	
Educational Expenses	13,419	1,985	844	701	16,949	771	1,147	18,867	
Employee Benefits and Payroll Taxes	72,639	26,449	15,026	5,163	119,277	19,308	16,000	154,585	
Insurance	24,582	787	5,111	19,562	50,042	5,915	645	56,602	
Interest	8,873	284	1,844	7,061	18,062	2,135	233	20,430	
Office and Other Supplies	5,890	5,562	592	5,748	17,792	3,633	2,885	24,310	
Production	144,776	163,343	19,668	14,377	342,164	3,838	35,487	381,489	
Professional Fees	45,930	14,078	4,965	4,064	69,037	4,495	8,625	82,157	
Property Taxes	6,746	-	-	-	6,746	-	-	6,746	
Rent and Occupancy	6,033	193	1,255	4,801	12,282	1,452	158	13,892	
Repairs and Maintenance	53,953	16,448	6,863	5,701	82,965	6,558	9,326	98,849	
Salaries	365,320	133,020	75,567	25,967	599,874	97,103	80,465	777,442	
Subcontracted Services	14,716	10,937	752	625	27,030	685	1,023	28,738	
Telephone	4,425	1,612	916	315	7,268	1,176	975	9,419	
Utilities	12,989	416	2,701	10,336	26,442	3,125	341	29,908	
Total Expenses	\$ 1,324,905	\$ 722,182	\$ 165,187	\$ 243,641	\$ 2,455,915	\$ 250,193	\$ 173,679	\$ 2,879,787	

The accompanying notes are an integral part of the combined financial statements.

AVALON FOUNDATION, INC. AND AFFILIATES
 COMBINED STATEMENT OF CASH FLOWS
 JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$	386,739
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation		300,468
Changes in Operating Assets and Liabilities:		
Accounts Receivable		3,603
Contributions Receivable		58,800
Pledges Receivable, Net		4,602
Prepaid Expenses		(36,088)
Accounts Payable and Accrued Expenses		21,410
Accrued Payroll Expenses		6,392
Sales Tax Payable		478
Accrued Interest Payable		8,167
Deferred Revenue		<u>(81,230)</u>
Net Cash Provided by Operating Activities		673,341

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Certificates of Deposit		(679,761)
Purchase of Investments and Investment Income Reinvestment		(1,691,479)
Purchase of Property and Equipment		<u>(1,066,034)</u>
Net Cash Used by Investing Activities		(3,437,274)

CASH FLOWS FROM FINANCING ACTIVITIES

Principal Payment on Long-Term Debt		(14)
Loan Proceeds		<u>500,000</u>
Net Cash Provided by Financing Activities		<u>499,986</u>

Net Decrease in Cash		(2,263,947)
Cash, Beginning of Year		<u>2,714,224</u>
Cash, End of Year	\$	<u><u>450,277</u></u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOWS:

Property and Equipment Acquired through Long-Term Debt	\$	<u>500,000</u>
Interest Paid	\$	<u>20,430</u>

The accompanying notes are an integral part of the combined financial statements.

AVALON FOUNDATION, INC. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2023

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 (Theatre). It accomplishes this by presenting diversified arts and educational programs, working with other organizations that serve the community, serving as a facilitator and resource for community groups, and acting as a home for arts organizations.

The Foundation has historically served the community through three major programs: the Avalon Theatre, Avalon Outdoor Programming, and Mid-Sore Community Television (MCTV), a public access television station. The Foundation has provided a wide array of programming intended for children for the past 13 years, which was mostly accounted for through the Avalon Theatre division. As this programming has grown significantly, and the Foundation has made a strategic decision to further increase its offerings to young people, the Foundation has created a new division, Children's Programming. In addition, the Foundation has established an endowment, the Sara B. Ryan Fund, of which the investment returns will be exclusively restricted for Children's Programming in perpetuity.

The work of the Foundation is supported by contributions and grants, ticket sales, art sales, and other program revenue. The Theatre has historically offered cultural arts on a year-round basis, showcasing national, regional, and local musical and theatrical performers. The Theatre is also a base for educational and other civic forums. Local television programming is offered through the Foundation's MCTV operations. Programming and video production opportunities are available to individuals and institutions through MCTV. The Foundation also produces and promotes outdoor art events, such as the Summer Concert Series, Easton Farmers' Market, Talbot County Multicultural Festival, Plein Air Easton (the nation's largest outdoor painting competition) and its companion podcast. The Foundation receives support for these outdoor art events from the Town of Easton, Talbot County, the State of Maryland, as well as many local businesses and individuals.

Since its inception, the Foundation has strived to serve and educate the youth in its community. While the pandemic impacted the Foundation's access to schools, it continued to operate the Avalon Children's Theatre and its summer day camps for children.

Affiliates

Easton Events, LLC

The Foundation established Easton Events, LLC (LLC) on April 13, 2023 under the laws of the State of Maryland. The purpose of the LLC is to conduct any business as directed by the Foundation. At June 30, 2023, the accounts of the LLC were included in the combined financial statements and inter entity balances were eliminated.

AVALON FOUNDATION, INC. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Affiliates (Continued)

The Avalon Condominium

The Avalon Condominium (Condominium) was established for the purpose of maintaining the Avalon Building and was administered by the council of unit owners. For the year ended June 30, 2022, the Foundation had 81.26% ownership interest in the Condominium. In September 2022, the Foundation acquired the remaining portion of the building for 100% ownership interest in the Avalon Building. At June 30, 2023, the accounts of the Condominium were included in the combined financial statements and inter entity balances were eliminated.

Basis of Accounting and Presentation

The Foundation prepares its combined financial statements on the accrual basis method of accounting.

For the year ended June 30, 2023, the Foundation combined its financial statements with the accounts of the LLC and Condominium. The fiscal year ends on June 30 for all entities.

The combined 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 combined financial position and combined 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.
- Net Assets With Donor Restrictions - 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 combined statement 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.

AVALON FOUNDATION, INC. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash (Continued)

Cash consisted of the following at June 30, 2023:

Cash - Operating	\$ 241,604
Cash - Capital Fund	<u>208,673</u>
Total Cash	<u>\$ 450,277</u>

Concentration of Credit Risk

The Foundation maintains a majority of their cash and certificates of deposit 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, 2023, the uninsured balances was \$821,774.

Certificates of Deposit

Certificates of deposit (CDs) are carried at cost plus accrued interest. The current portion consists of CDs with remaining maturities of less than one year.

Accounts, Contributions, Grants, and Pledges Receivable, Net

The Foundation reports receivables at amounts estimated to be collectible. 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. For the year ended June 30, 2023, management deemed all receivables to be collectible.

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. 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.

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 prioritizes investments based on those assumptions.

AVALON FOUNDATION, INC. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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.

Property and Equipment, Net

Property and equipment are stated at cost at the date of purchase, 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.

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.

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 same reporting period in which the contribution is recognized.

AVALON FOUNDATION, INC. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

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 combined statement of activities as net assets released from restrictions.

In-Kind Contributions

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 recognition in the combined financial statement.

Program Revenue

In accordance with FASB ASC 606, *Revenue from Contracts with Customers*, the Foundation recognizes revenue upon transfer of promised goods or services to customers in an amount that reflects the consideration to which the Foundation expects to be entitled in exchange for those goods or services.

Advertising

The Foundation follows the practice of charging the cost of advertising to expense as incurred. Advertising expenses to promote the Foundation's programs of \$68,118 were incurred for the year ended June 30, 2023.

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 year ending June 30, 2023. The Foundation has processes 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 combined financial statements.

Use of Estimates

The preparation of combined 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. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2023

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 combined statement 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
Depreciation	Square Footage Based Percentage
Employee Benefits and Payroll Taxes	Payroll 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

NOTE 2 - PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at June 30, 2023:

Land, Buildings, and Improvements	\$ 4,261,512
Furniture and Fixtures	695,552
Software	60,954
Total Property and Equipment	<u>5,018,018</u>
Less: Accumulated Depreciation	<u>(1,659,158)</u>
Total Property and Equipment, Net	<u>\$ 3,358,860</u>

For the year ended June 30, 2023, depreciation expense totaled \$300,468.

On November 30, 2021, as operations resumed to normal, the Stoltz Pavilion outdoor fixed asset was taken out of service and stored for future use. Depreciation has since ceased and will only continue once it is placed back in service. At June 30, 2023, cost and accumulated depreciation on this fixed asset amount to \$220,580 and \$22,354, respectively.

AVALON FOUNDATION, INC. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 - INVESTMENTS, AT FAIR VALUE

The following table presents the Foundation’s hierarchy for assets, measured at fair value, as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 890,349	\$ -	\$ -	\$ 890,349
Mutual Funds	104,662	-	-	104,662
Exchange Traded Funds	416,035	-	-	416,035
Bonds	402,003	-	-	402,003
Funds Invested by Mid-Shore Community Foundation	<u>7,091</u>	<u>-</u>	<u>-</u>	<u>7,091</u>
Total Investments at Fair Value	<u>\$ 1,820,140</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,820,140</u>

For the year ended June 30, 2023, included in investments was \$7,091, designated by Mid-Shore Community Foundation. Such investments were with donor restrictions.

In accordance with the Gift Agreement signed in January 2020, the Foundation established a separate account to maintain the Stoltz Listening Room (SLR) endowment fund. The amount maintained in this account at June 30, 2023 amounted to \$99,286.

During fiscal year 2023, the Avalon Foundation established an endowment, the Sara B. Ryan Fund, for which the contributions, and investment returns, are exclusively restricted for Children’s Programming. The amount maintained in this investment account at June 30, 2023 was \$229,286.

On March 30, 2023, the Avalon Foundation transferred \$300,000 of Board-designated funds from the capital fund bank account into an investment account with Charles Schwab. The funds remain Board-designated. The amount maintained in this investment account at June 30, 2023 was \$303,306.

NOTE 4 - RETIREMENT PLAN

The Foundation has a SIMPLE IRA plan. All employees who have been employed for more than twelve months and have 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 \$19,135 for the year ended June 30, 2023.

NOTE 5 - COMMERCIAL LEASE

The Foundation and The Cannery, LLC entered into a commercial space lease agreement with monthly payments of \$2,500 from June 1, 2023 through May 31, 2024, with a renewal option of two consecutive terms of one year each.

AVALON FOUNDATION, INC. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 - LINE OF CREDIT

The Foundation has a \$250,000 unsecured line of credit with Shore United Bank. The line bears interest at the prime rate plus 0.50% per annum and renews annually. As of June 30, 2023, 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 year ended June 30, 2023.

NOTE 7 - NOTES PAYABLE

Notes payable consisted of the following at June 30, 2023:

Note payable to the U.S. Small Business Administration with an interest rate of 2.75% per annum; Interest accruing at a rate of \$11.30/day, starting July 10, 2020; monthly interest payments of \$641 began January 7, 2023; monthly principal and interest payments of \$641, beginning November 7, 2025; final principal and interest payment of \$24,027 on July 7, 2050. Accrued interest payable at June 30, 2023 totaled \$8,167. The note is secured by a lien on all assets owned by the Foundation.	\$ 150,000
Note payable to Shore United Bank with an interest rate of 2.00% per annum; monthly interest payments, beginning October 14, 2022; monthly principal and interest payments of \$2,645, beginning October 14, 2023; final principal and interest payment of \$412,762 on September 14, 2027. The note is secured by a certificate of deposit held with Shore United Bank.	<u>499,986</u>
Total Notes Payable	649,986
Less: Current Portion of Notes Payable	<u>(16,411)</u>
Total Long-Term Notes Payable	\$ <u>633,575</u>

The following presents the maturity of the notes payable as of:

June 30, 2024	\$ 16,411
June 30, 2025	22,267
June 30, 2026	25,560
June 30, 2027	26,867
June 30, 2028	419,224
Thereafter	<u>139,657</u>
Total	\$ <u>649,986</u>

AVALON FOUNDATION, INC. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 - AVAILABILITY AND LIQUIDITY

The following represents the Foundation's financial assets at June 30, 2023:

Financial Assets at Year End:	
Cash	\$ 450,277
Certificates of Deposit	679,761
Receivables, Net	100,982
Investments, at Fair Value	<u>1,820,140</u>
Total Financial Assets	3,051,160
Less Amounts Not Available to be Used for General Operations Within One Year:	
Board Designated Funds	(363,357)
Net Assets With Donor Restrictions	<u>(879,105)</u>
	<u>(1,242,462)</u>
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	<u>\$ 1,808,698</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 normal operating cash flow needs.

NOTE 9 - 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. A portion of the capital improvement fund is maintained in a separate bank account (see Note 1), and the remaining portion is maintained in a separate investment account (see Note 4). At June 30, 2023, the Board-designated funds, consisted of the following:

Capital Improvement Fund – Cash	\$ 50,317
Capital Improvement Fund – Investments	303,306
Ellen's Magic Fund	<u>13,040</u>
Total	<u>\$ 366,663</u>

NOTE 10 - NET ASSETS

Net assets released from donor restrictions for the year ended June 30, 2023 are as follows:

Building Acquisition & Improvements	\$ 231,547
Jazz Weekend	1,000
Plein Air Easton	<u>116,003</u>
Total	<u>\$ 348,550</u>

AVALON FOUNDATION, INC. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 - NET ASSETS (CONTINUED)

Net assets with donor restrictions consisted of the following for the year ended June 30, 2023:

Support for Theatre Programs	\$	466,813
Support for Outdoor Programs		147,390
Support for General Operations and Other Programming		264,902
Total	\$	879,105

NOTE 11 - AFFILIATES

At June 30, 2023, the following accounts and financial statements of the LLC and Condominium were combined with the Foundation. All inter entity balances were eliminated in the combined financial statements:

Easton Events, LLC

Balance Sheet:

Assets	\$	42,850
Liabilities	\$	42,850
Equity	\$	-

Profit and Loss:

Revenue	\$	-
Expenses	\$	-
Net Income (Loss)	\$	-

The Avalon Condominium

Balance Sheet:

Assets	\$	42,439
Liabilities	\$	560
Equity	\$	41,879

Profit and Loss:

Revenue	\$	-
Expenses	\$	-
Net Income (Loss)	\$	-

AVALON FOUNDATION, INC. AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12 - DISAGGREGATION OF REVENUE

The following table provides disaggregation of revenue from contracts with customers based on the timing of revenue recognition for the year ended June 30, 2023:

Revenue recognized at a point in time:	
Individual Admissions	\$ 823,904
Merchandise Sales	107,464
Admissions Surcharge	44,715
Art Sales Income	463,270
Ticket Handling Fees	<u>60,272</u>
Total Revenue recognized at a point in time	<u>1,499,625</u>
Total Revenue from contracts with customers	\$ <u><u>1,499,625</u></u>

Various economic factors affect revenue and cash flows. Revenue and related profit from contracts are recognized as performance obligations are satisfied over time or at a point in time. A contract's period of performance is usually one year.

NOTE 13 - SUBSEQUENT EVENTS

The Foundation evaluated subsequent events through the date that the combined financial statements were available to be issued. The Foundation is not aware of any significant events that occurred subsequent to the combined statement of financial position date but prior to February 22, 2024 that would have a material impact on the combined financial statements.