

**OJAI FESTIVALS, LTD.**  
**FINANCIAL STATEMENTS**  
**AUGUST 31, 2021**

**OJAI FESTIVALS, LTD.**

AUGUST 31, 2021

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Ojai Festivals, Ltd.  
Ojai, California

We have audited the accompanying statement of financial statements of Ojai Festivals, Ltd. (a non-profit organization), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 Ojai Festivals, Ltd. as of August 31, 2021, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Ojai Festivals, Ltd. August 31, 2020 financial statements, and we expressed an unmodified audit opinion on those statements in our report dated June 18, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2020, is consistent, in all material respects, with the audited financial statement from which it has been derived.

*McGowan Guntermann*

Santa Barbara, California

April 26, 2022

**OJAI FESTIVALS, LTD.**

STATEMENT OF FINANCIAL POSITION  
August 31, 2021  
(With Comparative Totals for August 31, 2020)

	ASSETS			(Memo)
	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 709,260	\$ 8,035	\$ 717,295	\$ 87,319
Accounts and pledges receivable	7,595	287,559	295,154	131,599
Inventory	5,929	-	5,929	6,122
Prepaid expenses and deposits	66,552	-	66,552	30,461
Total Current Assets	<u>789,336</u>	<u>295,594</u>	<u>1,084,930</u>	<u>255,501</u>
INVESTMENTS	-	1,497,396	1,497,396	1,358,377
<b>PROPERTY AND EQUIPMENT</b>				
Land and building	232,248	-	232,248	232,248
Furniture and equipment	316,200	-	316,200	305,304
	548,448	-	548,448	537,552
Less: Accumulated depreciation	(411,500)	-	(411,500)	(393,883)
Net Property and Equipment	<u>136,948</u>	<u>-</u>	<u>136,948</u>	<u>143,669</u>
<b>OTHER ASSETS</b>				
Due from other funds	-	103,875	103,875	115,417
Loan fees, net of amortization of \$8,046	3,242	-	3,242	4,445
Accounts and pledges receivable	-	773,121	773,121	561,759
Total Other Assets	<u>3,242</u>	<u>876,996</u>	<u>880,238</u>	<u>681,621</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 929,526</u></b>	<b><u>\$ 2,669,986</u></b>	<b><u>\$ 3,599,512</u></b>	<b><u>\$ 2,439,168</u></b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 9,475	\$ -	\$ 9,475	\$ -
Accrued expenses	36,863	-	36,863	12,534
Lines of credit	451,961	-	451,961	615,482
Deferred revenue	-	438,033	438,033	126,601
Mortgage payable - current portion	12,246	-	12,246	11,612
Total Current Liabilities	<u>510,545</u>	<u>438,033</u>	<u>948,578</u>	<u>766,229</u>
<b>LONG-TERM LIABILITIES</b>				
Due to other funds	103,875	-	103,875	115,417
Mortgage payable, net of current portion	403,485	-	403,485	415,753
Total long-Term Liabilities	<u>507,360</u>	<u>-</u>	<u>507,360</u>	<u>531,170</u>
<b>TOTAL LIABILITES</b>	<u>1,017,905</u>	<u>438,033</u>	<u>1,455,938</u>	<u>1,297,399</u>
<b>NET ASSETS</b>				
Without donor restrictions				
Operating deficit	(228,569)	-	(228,569)	(1,059,503)
Property and equipment and loan fees, net	140,190	-	140,190	148,114
Total without donor restrictions	<u>(88,379)</u>	<u>-</u>	<u>(88,379)</u>	<u>(911,389)</u>
With donor restrictions	-	2,231,953	2,231,953	2,053,158
Total Net Assets	<u>(88,379)</u>	<u>2,231,953</u>	<u>2,143,574</u>	<u>1,141,769</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 929,526</u></b>	<b><u>\$ 2,669,986</u></b>	<b><u>\$ 3,599,512</u></b>	<b><u>\$ 2,439,168</u></b>

The accompanying notes are an integral part of these financial statements.

**OJAI FESTIVALS, LTD.**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended August 31, 2021

(With Comparative Totals for August 31, 2020)

	Without Donor	With Donor	2021	(Memo)
	Restrictions	Restrictions	Total	2020
				Total
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>				
Contributions and grants	\$ 620,967	\$ 517,166	\$ 1,138,133	\$ 894,901
Federal grant	119,140	-	119,140	-
75th Comprehensive Campaign	495,000	-	495,000	424,997
Festival ticket sales	-	-	-	163,120
Women's committee (net of expenses of \$21,708)	35,164	-	35,164	16,383
Special events	-	-	-	930
Other income	302	-	302	17,338
Investment income (net of fees of \$13,345)	-	231,206	231,206	59,289
Net assets released from restrictions	<u>569,577</u>	<u>(569,577)</u>	<u>-</u>	<u>-</u>
<b>Total Revenue, Gains, and Other Support</b>	<b><u>1,840,150</u></b>	<b><u>178,795</u></b>	<b><u>2,018,945</u></b>	<b><u>1,576,958</u></b>
 <b>EXPENSES</b>				
Program services	629,340	-	629,340	643,339
Management and general	188,407	-	188,407	379,237
Fundraising	199,393	-	199,393	149,744
<b>Total Expenses</b>	<b><u>1,017,140</u></b>	<b><u>-</u></b>	<b><u>1,017,140</u></b>	<b><u>1,172,320</u></b>
 <b>CHANGE IN NET ASSETS</b>	<b>823,010</b>	<b>178,795</b>	<b>1,001,805</b>	<b>404,638</b>
 <b>NET ASSETS, BEGINNING OF YEAR</b>	<b><u>(911,389)</u></b>	<b><u>2,053,158</u></b>	<b><u>1,141,769</u></b>	<b><u>737,131</u></b>
 <b>NET ASSETS, END OF YEAR</b>	<b><u>\$ (88,379)</u></b>	<b><u>\$ 2,231,953</u></b>	<b><u>\$ 2,143,574</u></b>	<b><u>\$ 1,141,769</u></b>

The accompanying notes are an integral part of these financial statements.

**OJAI FESTIVALS, LTD.**

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended August 31, 2021

(With Comparative Totals for August 31, 2020)

					(Memo)
	Program	Management	Fundraising	2021 Total	2020 Total
EXPENSES					
Contract services	\$ 280,200	\$ 22,007	\$ 10,678	\$ 312,885	\$ 349,655
Salaries and stipends	172,087	85,263	128,301	385,651	507,854
Equipment	33,067	1,860	600	35,527	32,297
Travel and conferences	10,158	374	3,341	13,873	9,954
Material and supplies	32,556	17,007	32,127	81,690	61,702
Rent, utilities and occupancy	10,638	6,858	2,830	20,326	18,544
Marketing	15,568	2,182	7,483	25,233	31,568
Development	450	250	300	1,000	1,110
Payroll taxes	14,040	16,811	10,119	40,970	42,813
Bank and credit card fees	14,019	797	-	14,816	14,558
Benefits	3,082	2,128	1,732	6,942	14,942
Depreciation and amortization	11,292	5,646	1,882	18,820	16,908
Licenses and fees	-	1,690	-	1,690	2,473
Interest	22,209	22,209	-	44,418	55,547
Insurance	9,974	3,325	-	13,299	12,395
<b>TOTAL EXPENSES 2021</b>	<b><u>\$ 629,340</u></b>	<b><u>\$ 188,407</u></b>	<b><u>\$ 199,393</u></b>	<b><u>\$ 1,017,140</u></b>	
 TOTAL EXPENSES 2020 (MEMO)	 <b><u>\$ 643,339</u></b>	 <b><u>\$ 379,237</u></b>	 <b><u>\$ 149,744</u></b>		 <b><u>\$ 1,172,320</u></b>

The accompanying notes are an integral part of these financial statements.

**OJAI FESTIVALS, LTD.**

STATEMENT OF CASH FLOWS  
For the Year Ended August 31, 2021  
(With Comparative Totals for August 31, 2020)

	<u>2021</u>	<u>(Memo)</u> <u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,001,805	\$ 404,638
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	18,820	16,908
Realized loss on sale of securities	19,940	3,363
Unrealized gain on value of securities	(237,582)	(35,001)
Decrease (increase) in:		
Accounts and pledges receivable	(374,917)	(83,423)
Inventory	193	6,604
Prepaid expenses and deposits	(36,091)	29,204
Increase (decrease) in:		
Accounts payable	9,475	(183,436)
Accrued expenses	24,329	(14,621)
Deferred revenue	311,432	18,601
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>737,404</u>	<u>162,837</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(10,896)	(68,888)
Proceeds from sale of securities	403,134	407,162
Purchase of securities	(324,511)	(364,912)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>67,727</u>	<u>(26,638)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on long-term debt	(11,634)	(10,948)
Net payments on lines of credit	(163,521)	(67,010)
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<u>(175,155)</u>	<u>(77,958)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>629,976</b>	<b>58,241</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>87,319</u>	<u>29,078</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><b>\$ 717,295</b></u>	<u><b>\$ 87,319</b></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for interest	\$ 44,418	\$ 55,548
Non-cash transactions consisted of the following:		
In-kind contributions of goods and services	\$ 8,680	\$ 24,310
In-kind contribution of rent expense	30,000	30,000
In-kind contributions of stock	35,880	118,719
In-kind contribution of interest on long-term lease	12,891	13,390

The accompanying notes are an integral part of these financial statements.



## OJAI FESTIVALS, LTD.

### NOTES TO THE FINANCIAL STATEMENTS

#### Note 1 – FESTIVAL

Ojai Festivals, Ltd. (“Festival”) is a California nonprofit public benefit corporation that was incorporated in 1947. Throughout each year, the Ojai Festival contributes to Southern California’s cultural landscape with in-person and online Festival-related programming as well as robust educational offerings that serve thousands of public-school students and seniors. The organization’s focal point is the world-renowned four-day Festival, which takes place in Ojai and is a perennial platform for the fresh and unexpected.

The Festival’s mission statement is to enable artists and inquisitive audiences to engage with one another around adventurous programming in the intimate setting of Ojai and reach out beyond the Festival and the Ojai community throughout the year to connect with broader audiences.

The Festival has nurtured many important artists and composers to international prominence since its inception. Through its signature structure of the Artistic Director appointing a different Music Director each year, Ojai has presented a “who’s who” of music from Patricia Kopatchinskaja, John Adams, and Barbara Hannigan in recent years to the likes of Aaron Copland, Igor Stravinsky, Michael Tilson Thomas, Kent Nagano, Pierre Boulez, and Esa-Pekka Salonen throughout its history.

The Ojai Music Festival began its 75th anniversary season with much hope and confidence, thanks to the support of the Festival community through a challenging year due to the worldwide pandemic.

Artistic and Executive Director Ara Guzelimian forged ahead with artistic programming for the 75th Ojai Music Festival featuring American composer and conductor John Adams as music director. To celebrate this milestone year, the Festival focused on the next generation of composers including Samuel Carl Adams, Timo Andres, Rhiannon Giddens, Dylan Mattingly, Gabriela Ortiz, Gabriella Smith, and Carlos Simon. Additionally, the Festival invited some of today’s most creative and innovative artists, who included Grammy-award winner Attacca Quartet, violinist Miranda Cuckson, pianist/composer Timo Andres, pianist Víkingur Ólafsson, members of the Los Angeles Philharmonic New Music Group, the Los Angeles Chamber Orchestra, and freelance musicians from Southern California.

In the Fall of 2020, the Board of Directors and staff leadership initiated a Festival COVID-safety advisory team that included medical advisors, local and regional officials, and public health authorities. The priority was to create best practices and guidelines adhering to the highest standards of health and safety for Festival patrons, artists, volunteers, staff, and the great Ojai community.

Between the fall and spring, the Ojai Festival continued producing free online Ojai Talks for patrons. These engaging and insightful sessions with Festival artists gave supporters an opportunity to learn about the upcoming Festival and enjoy music via the virtual world.

## OJAI FESTIVALS, LTD.

### NOTES TO THE FINANCIAL STATEMENTS

#### Note 1 – FESTIVAL (continued)

The Festival's BRAVO music education program also continued to provide free online music workshops and video presentations for Ojai public elementary school students during the pandemic. During the year, BRAVO's education coordinator Laura Walter produced 75 "Song & Play" videos that were also shared on social media which helped broaden the reach to families across the country and world. The goal with the online adaptation of the music education program is to keep the learning experiences social and family-oriented, helping students to find inspiration and mental stimulation to be their best selves through music.

In March 2021, the Board of Directors voted to move the June 2021 Festival to September 16 to 19 2021 due to the still uncertain times of the pandemic and the continued strict guidelines of large gatherings based on state and county policies. Once the decision was made, Festival staff immediately contacted all subscribers with the new dates, which was well received and appreciated by patrons.

Because of this decision, staff leadership with consultation of their accounting firm will roll-forward all earned revenue to the following fiscal year (FY2022), and set-up accounting files to show two Festivals in one fiscal year, including related festival expenses. This structure is in place for all management reports.

During the year, the Ojai Festival received a second PPP loan which was forgiven in the fall of 2021. It was also a grant recipient of the Federal SVOG (Shuttered Venue Operators Grant) and was grateful to also receive a Ventura County grant to assist with funding the Festival's COVID-safety protocol expenses.

As COVID rates began to decrease and more County residents became vaccinated, the County of Ventura began to allow smaller public gatherings in June 2021. With that in mind and to honor the dates of the Festival (June 10-13), the Festival staff offered free musical pop-ups for the Ojai community during the weekend, held around the area. These free events were produced with the highest safety protocols for artists and residents.

At the August 2021 Board meeting, the Ojai Festival Board of Directors confirmed and established the COVID-safety protocol for the September Festival, which was proof of vaccination and masking requirements for all artists, production team, staff, volunteers, and patrons. This, too, was well-received by the entire Festival community and the greater Ojai community.

Even through the challenges of the pandemic, the Board of Directors, under the leadership of Chair Jerry Eberhardt, took upon the goal to continue working on a comprehensive campaign to ensure the future of the Festival. This campaign was supported by the Board with 100% commitment before the end of the year. The three pillars of the campaign are supporting new artistic programs and works, growth of the BRAVO education program, and expansion of online initiatives. And through the Board's continued efforts, the Festival was also able to pay \$100,000 to help retire the debt before the end of August 2021.

# OJAI FESTIVALS, LTD.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 1 – FESTIVAL (continued)

Moving forward, the Festival culminates its 75th anniversary season with the multi-disciplinary collective, AMOC (American Modern Opera Company), a 17-member ensemble of today's most creative musicians, composers, singers, choreographers, and dancers. The 2022 Festival returns to its 'normal' slot in June 2022 at the Libbey Bowl and will include 20-plus concerts, discussions, poetry reading, and free music events for the Ojai community.

### Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting

The financial statements of the Festival have been prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

#### Description of Net Assets

The Festival reports information regarding its financial position and activities in two classes of net assets - with donor restrictions and without donor restrictions - based on the existence or absence of donor-imposed restrictions.

#### *Without Donor Restrictions*

Net assets without donor restrictions represent net assets that are not subject to donor-imposed time or use restrictions. Net assets without donor restrictions include board designated funds.

#### Description of Net Assets (continued)

#### *With Donor Restrictions*

Net assets with donor restrictions represent net assets that are subject to donor-imposed time or use restrictions. Net assets with donor restrictions generally include contributions and bequests receivable and planned gifts. Earnings on net assets with donor restrictions are reported as an increase in net assets with donor restrictions. Earnings on donor-restricted endowment funds that have not yet been appropriated are also classified as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as "Net assets released from restrictions". Net assets with donor restrictions include perpetual income trusts for which the related income is reported as contributions without donor restrictions when received on the Statement of Activities. The change in value of the underlying assets is recorded as an unrealized gain or loss in net assets with donor restrictions on the Statement of Activities. Net assets with donor restrictions also consist of those donor-restricted endowments held by the Organization as defined under the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

# OJAI FESTIVALS, LTD.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, amounts in checking, savings, money market accounts, and certificates of deposit with maturities of 90 days or less.

#### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Those estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. It is at least reasonably possible that the significant estimates could change in the coming year.

Significant estimates used in the preparation of these financial statements include: allocation of certain expenses by function, collectability of receivables, fair value of donated in-kind contributions, and depreciable lives of property and equipment.

#### Investments

Investments in marketable securities with readily determinable fair values and all investments in marketable debt securities are valued at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets. Donated securities are recorded at their estimated value at date of receipt.

#### Property and Equipment

Property and Equipment are recorded at cost or, if donated, at fair market value at the time of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. It is management's policy to capitalize certain purchases and donations with a useful life greater than one year and a value greater than \$500.

Depreciation is computed using the straight-line method over estimated useful lives as follows:

Buildings and improvements	30 years
Furniture and fixtures	7 years
Equipment	5 years
Software	3 years

Depreciation expense for the year ended August 31, 2021, totaled \$17,617.

#### Advertising

The Festival expenses advertising costs as they are incurred.

# OJAI FESTIVALS, LTD.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Contributions

All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as contributions with donor restrictions that increases net asset with donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Festival reports the support as contributions without donor restrictions.

The Festival solicits donations of items to be used for programs and various special events. The Festival has adopted the policy of recording these gifts in-kind at their estimated fair market value on the date of donation.

#### Donated Services

Some individuals and organizations have donated time to the Festival, to further its programs and objectives. As these volunteer services do not meet the recognition requirements of generally accepted accounting principles, no amounts have been recorded in the financial statements for these services.

#### Deferred Revenue

Deferred revenue consists primarily of funds received for tickets in advance of an upcoming event. The Festival records these sales as deferred revenue until the event occurs.

#### Functional Expenses

The Festival allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program and support service are allocated directly, according to their expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

#### Comparative Amounts

The amounts shown for the year ended August 31, 2020, in the accompanying financial statements are included to provide a basis for comparison with August 31, 2021 and are not intended to present all information necessary for a fair presentation of the August 31, 2020 financial statements in conformity with accounting principles generally accepted in the United States of America.

## OJAI FESTIVALS, LTD.

### NOTES TO THE FINANCIAL STATEMENTS

#### Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Tax Exempt Status

The Festival is a California nonprofit public benefit corporation, which is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and State of California Revenue and Taxation Code Section 23701(d); therefore, no provision for income taxes is required. The Festival qualifies for the charitable contribution deduction under Section 170(b) (1) (A) and has been classified as a Festival that is not a private foundation under Section 509(a) (1).

The Festival evaluates uncertain tax positions, whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of August 31, 2021, the Festival had no uncertain tax positions requiring accrual.

The Festival files tax returns in California and U.S. federal jurisdictions. The Festival is no longer subject to U.S. federal and state examinations by tax authorities for years before August 31, 2017 and August 31, 2016, respectively.

##### Intangible Assets

The Festival has amortized loan fees of two loans over their respective lives, 5 to 10 years. Loan fees were a total of \$11,288, and amortization expense for the year ended August 31, 2021, was \$1,203.

#### Note 3 – PLEDGES RECEIVABLE

Unconditional promises to give at August 31, 2021, represent receivables with donor restrictions of \$648,075, which are expected to be received in subsequent fiscal years. At August 31, 2021, these amounts are considered fully collectible and therefore no allowance for uncollectible promises to give has been recorded.

In addition, The Festival entered into a 25 year lease in July 2015, with the City of Ojai for use of the Libbey Bowl. Under the terms of this lease, the Festival has use of the facilities for 25 days per annum. The difference between the estimated fair value and the cost to the Festival represents an in-kind contribution. The estimated present value of donated facilities to be used in future periods (using a discount factor of 3%) is recorded as a pledge receivable as of August 31, 2021, totaling \$412,605. The current portion to be received within one year is \$17,622.

## OJAI FESTIVALS, LTD.

### NOTES TO THE FINANCIAL STATEMENTS

#### Note 3 – PLEDGES RECEIVABLE (continued)

The recognition of all pledges and receivables for the five years ended August 31 and after is expected to be as follows:

2022	\$ 287,559
2023	180,650
2024	126,195
2025	41,756
2026	29,834
Thereafter	<u>419,048</u>
	1,085,042
Discount	<u>(24,362)</u>
 Total	 <u>\$1,060,680</u>

#### Note 4 – INVESTMENTS

Investments are presented in the financial statements at fair market value, which is derived from quoted market prices at year end. At August 31, 2021, investments consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/(Loss)</u>
Cash held for investment	\$ 68,340	\$ 68,340	\$ -
Equities	502,294	684,853	182,559
Fixed income	461,312	464,934	3,622
Real estate	53,970	62,956	8,986
VCCF agency fund	<u>141,705</u>	<u>216,313</u>	<u>74,608</u>
Total Investments	<u>\$ 1,227,621</u>	<u>\$ 1,497,396</u>	<u>\$ 269,775</u>

The following summarizes the net change in unrealized gain (loss) on investments:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/(Loss)</u>
Balance at end of the year	\$ 1,227,621	\$1,497,396	\$ 269,775
Balance at beginning of the year	1,326,184	1,358,377	<u>32,193</u>
Net change in unrealized gain (loss)			<u>\$ 237,582</u>

The following summarizes the investment return included as unrestricted revenue in the statement of activities for the year ended August 31, 2021:

Dividend and interest	\$ 26,909
Realized loss on value of securities	(19,940)
Unrealized gain on value of securities	237,582
Investment fees	<u>(13,345)</u>
Total Investment Return	<u>\$ 231,206</u>

# OJAI FESTIVALS, LTD.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 5 – LINES OF CREDIT

The Festival maintains two lines of credit as follows.

Northern Trust for \$550,000, secured by investments held at Northern Trust, due May 23, 2022. Interest rate is LIBOR plus .a margin rate of 3.25%, with a current effective rate of 3.33%. The outstanding balance at August 31, 2021, is \$334,600.

Wells Fargo Bank for \$150,000, due June 2022. Interest is set at a variable rate of prime plus 2.75%, with a rate of 6.00% at year end. The outstanding balance at August 31, 2021, is \$117,361.

### Note 6 – MORTGAGE PAYABLE

The Festival has a note payable with Bank of the Sierra with a principal balance of \$415,731 secured by first deed of trust on property on Signal Street and monthly payments of principal and interest of \$2,837. The Festival building on Signal Street was appraised on April 21, 2015, for \$964,000. Interest is calculated at a variable rate of Prime + 2% (5.50% as of August 31, 2021) per annum, with an estimated balloon payment of \$355,655 due May 24, 2026. The Festival is committed to the following maturity of notes payable for the years ended August 31:

2022	\$ 12,246
2023	12,914
2024	13,561
2025	14,358
2026	<u>362,652</u>
Total	<u>\$ 415,731</u>

### Note 7 – COMMITMENTS

#### Libbey Bowl

The Festival entered into a 25 year lease in July 2015, with the City of Ojai for use of the Libbey Bowl. Under the terms of this lease, the Festival has use for 25 days per annum, in exchange; the Festival must remit \$1 per year, provide notice of programs, maintain certain insurance, and comply with other tenant responsibilities. For the year end August 31, 2021, the Festival received in-kind rent totaling \$30,000 from the City of Ojai related to the use of the Libbey Bowl.

### Note 8 – CONCENTRATIONS AND MARKET RISK

The Festival holds its investments in a diversified portfolio. Nevertheless, these investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.



# OJAI FESTIVALS, LTD.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 9 – ENDOWMENT FUNDS

#### Interpretation of Relevant Law

The Festival has interpreted the California adopted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring a long-term investment strategy designed to preserve the value of the original gift, as of the gift date. As a result, the Festival has classified, with the explicit request by the donor, as permanently restricted net assets (a) the original value of gifts to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the donor. The portion of the donor-restricted endowment funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until the amounts are appropriated for expenditure by the Festival in a manner consistent with the standard for prudence prescribed by UPMIFA.

In accordance with California UPMIFA, the Festival considers the following factors in making a determination to appropriate or invest donor restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Festival and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Festival
- (7) The investment policies of the Festival

#### Endowment Investment and Spending Policies

The Festival has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the long-term purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Festival must hold in perpetuity for donor-specified periods. The endowment assets are invested in a manner that is intended to produce results that provide a reasonable balance between the quest for growth and the need to protect principal. The investment policy calls for a diversified portfolio utilizing various asset classes with a goal of reducing portfolio volatility and risk.

The Festival's endowment is invested in a diversified portfolio of cash, equities, and fixed income. The portfolio's objective is to achieve a total return equivalent to or greater than the Festival's financial requirements over the long-term time horizon. Long-term investment strategies are used to manage risk and ensure that charitable dollars grow and are available forever.

The Festival uses a total investment return methodology for determining its spending policy each year. The portfolio's total returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

## OJAI FESTIVALS, LTD.

### NOTES TO THE FINANCIAL STATEMENTS

#### Note 9 – ENDOWMENT FUNDS (continued)

##### Endowment Investment and Spending Policies (continued)

The spending policy calculates the amount of money annually distributed from the Festival's endowed funds for program and administrative support. Accordingly, over the long-term, the Festival expects the current spending policy to allow its endowment assets to grow. The Festival has used a spending policy equal to 4% of the investment account balance. Funds held with the Ventura County Community Foundation (VCCF) are subject to the distribution and spending policies of VCCF. The Board approved a 7% spending policy for the years ending August 31, 2021 and 2022.

##### Endowment Funds with Deficiencies

From time to time, the fair value of the assets associated with donor-restricted funds may fall below the level that current law requires the Festival to retain for a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, these deficiencies are reported as a reduction in net assets with donor restrictions. Such deficiencies may result from unfavorable market fluctuations, particularly if the funds were invested in the endowment pool shortly prior to significant market declines. As of August 31, 2021, the shortfall totaled \$21,423.

Endowment net assets with donor restrictions totaled \$1,523,623, consisting of total original gift endowment contributions of \$1,523,623. There were no accumulated earnings as of August 31, 2021.

#### Note 10 – AGENCY FUND HELD WITH COMMUNITY FOUNDATION

The Festival maintains an agency fund endowment with the Ventura County Community Foundation (VCCF). Investment allocation and distributions are subject to the policies of VCCF. The balance as of August 31, 2021, totaling \$216,313 is included with investment assets on the Statement of Financial position.

#### Note 11 – FAIR VALUE MEASUREMENT

The Festival has established a framework for measuring fair value and expanding disclosures about fair value measurements. Accounting principles define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities;

## OJAI FESTIVALS, LTD.

### NOTES TO THE FINANCIAL STATEMENTS

#### Note 11 – FAIR VALUE MEASUREMENT (continued)

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; discounted cash flows; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

Level 3: Unobservable inputs that are supported by little or no market activity;

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying Statement of Financial Position, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then Level 2 fair values are estimated by using pricing models quoted prices of securities with similar characteristics or discounted cash flows. The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Fair market valuation of Level 3 investments are determined by management in good faith with the assistance of an independent third-party appraiser using methods they consider appropriate. Because of the inherent uncertainty of valuations, however, those estimated values may differ from the values that would have been used had a ready market existed, and the differences could be material. The Festival did not classify any assets as Level 3 as of August 31, 2021.

The following is a description of the general classification of investments pursuant to the valuation hierarchy:

*Cash held for investment* – Cash held for investment purposes includes money market funds and cash equivalent assets, and is valued at face value.

*Equities*– Equities include mutual funds as well as a variety of publically traded stocks from various industries invested for both growth and value. They are valued utilizing quoted market prices available in active markets for identical investments at the reporting date.

*Fixed income* – Fixed income includes corporate and government bond funds. They are valued utilizing quoted market prices available in active markets for identical investments at the reporting date.

*Real estate* – Real estate includes real estate focused mutual funds. They are valued utilizing quoted market prices available in active markets for identical investments at the reporting date.

*VCCF agency fund* – VCCF agency fund includes a diversified portfolio of investments held for growth and value.

## OJAI FESTIVALS, LTD.

### NOTES TO THE FINANCIAL STATEMENTS

#### Note 11 – FAIR VALUE MEASUREMENT (continued)

The following table presents assets and liabilities recognized in the accompanying Statement of Financial Position measured at fair value on a recurring basis and the level in which the fair value measurements fall at August 31, 2021:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash held for investment	\$ 68,340	\$ -	\$ -	\$ 68,340
Equities	684,853	-	-	684,853
Fixed income	464,934	-	-	464,934
Real estate	62,956	-	-	62,956
VCCF agency fund	-	216,313	-	216,313
Total assets measured at fair value	<u>\$ 1,281,083</u>	<u>\$ 216,313</u>	<u>\$ -</u>	<u>\$ 1,497,396</u>

#### Note 12 – SBA LOAN UNDER PAYROLL PROTECTION PROGRAM

On May 4, 2020, the Festival received loan funding of \$111,012 under the Paycheck Protection Program (PPP) as allowed under the CARES Tax Act, related to the 2020 COVID-19 pandemic. The loan allows for the loan proceeds to be used on allowable costs for the Festival.

The loan may be fully forgiven and treated as grant revenue if the funds are used for payroll costs, rent and utilities and at least 60% of the forgiven amount must be used for payroll. Loan payments will also be deferred for six months. No collateral or personal guarantees were required.

Forgiveness will be based on maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease. The loan has a maturity of five years and an interest rate of 1%. The Festival intends to comply with all regulations and expects for the loan to be fully forgiven. The loan was forgiven April 5, 2021. The Festival recorded the loan as grant revenue for the year ended August 31, 2020.

On January 29, 2021, the Festival received a Second Draw PPP Loan in the amount of \$119,140 under the Paycheck Protection Program with the same general loan terms as the First Draw PPP Loan. The loan allows for the loan proceeds to be used on allowable costs for the Festival. The loan was forgiven October 28, 2021. The Festival has recorded the loan as grant revenue for the year ended August 31, 2021.

#### Note 13 – LIQUIDITY

Financial assets available to meet cash needs for general expenditure for the following year are comprised of current assets and investments, adjusted for amounts unavailable due to illiquidity, endowments and other funds spending policy appropriations beyond one year.

## OJAI FESTIVALS, LTD.

### NOTES TO THE FINANCIAL STATEMENTS

#### Note 13 – LIQUIDITY (continued)

Financial assets available to meet cash needs for general expenditures within one year as of August 31, 2021:

Current assets	
Cash and cash equivalents available within one year	\$ 717,295
Accounts and pledges receivable, current portion	295,154
Other current assets	<u>72,481</u>
Total Current Assets	<u>1,084,930</u>
Investments	1,497,396
Less investments unavailable for general expenditures within one year:	
Endowments and other funds subject to spending policy appropriations beyond one year:	
With donor restrictions	<u>(1,392,578)</u>
Total Investments	<u>104,818</u>
Current Liabilities	<u>(948,578)</u>
Financial assets available to meet cash needs for general expenditures within one year as of August 31, 2021	<u>\$ 241,170</u>

#### Note 14 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by satisfying the restricted purposes. For the year ended August 31, 2021, the fulfillment of donor restrictions and the passage of time restrictions resulted in net assets released from restrictions of \$569,577.

#### Note 15 – NET ASSETS

##### Net Assets Without Donor Restrictions

As of August 31, 2021, net assets without donor restrictions consist of the following:

Cumulative operating deficit	\$ (228,569)
Property and equipment and loan fees, net	<u>140,190</u>
Total Net Assets Without Donor Restrictions	<u>\$ (88,379)</u>

##### Net Assets With Donor Restrictions

As of August 31, 2021, net assets with donor restrictions consist of the following:

In-kind contribution receivable (Libbey Bowl)	\$ 412,605
Bravo and education	107,106
Pledges and bequests receivable	648,075
Deferred revenue	(438,033)
Endowment fund deficit	(21,423)
Donor-restricted endowments	<u>1,523,623</u>
Total Net Assets With Donor Restrictions	<u>\$ 2,231,953</u>

## OJAI FESTIVALS, LTD.

### NOTES TO THE FINANCIAL STATEMENTS

#### Note 16 – 75<sup>th</sup> COMPREHENSIVE CAMPAIGN

The Board of Directors approved a 75<sup>th</sup> anniversary campaign after receiving a \$1,000,000 gift from a long-time donor, during the year ended August 31, 2017, who wanted to encourage others to donate to the campaign. This donation gave the Festival confidence in moving forward with long-range planning. During the current year the Festival received \$495,000 toward the Campaign. The total received toward the campaign as of August 31, 2021, is \$2,301,034.

#### Note 17 – RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As of April 26, 2022, the Festival's office remains open, subject to regulated and reduced hours.

The Festival cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the Festival's financial position, changes in net assets and cash flows in 2022 and the future.

#### Note 18 – SUBSEQUENT EVENTS

In preparing these financial statements, the Festival has evaluated subsequent events through April 26, 2022, the date which the financial statements were available to be issued.