

OJAI FESTIVALS, LTD.
FINANCIAL STATEMENTS
AUGUST 31, 2023

OJAI FESTIVALS, LTD.

AUGUST 31, 2023

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Ojai Festivals, Ltd.
Ojai, California

Opinion

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, 2023, 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.

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, 2023, 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.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ojai Festivals, Ltd. 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 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, and for 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Ojai Festivals, Ltd.'s 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 financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ojai Festivals, Ltd.'s 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.

Report on Summarized Comparative Information

We have previously audited the Ojai Festivals, Ltd. August 31, 2022, financial statements, and we expressed an unmodified audit opinion on those statements in our report dated April 29, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2022, is consistent, in all material respects, with the audited financial statement from which it has been derived.

McGowan Guntermann

Santa Barbara, California
April 26, 2024

OJAI FESTIVALS, LTD.

STATEMENT OF FINANCIAL POSITION
August 31, 2023
(With Comparative Totals for August 31, 2022)

	ASSETS			(Memo)
	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
ASSETS				
Cash and cash equivalents	\$ 88,333	\$ 200,000	\$ 288,333	\$ 538,567
Accounts receivable	10,066	-	10,066	1,581
Pledges receivable, net - Note 3	-	364,036	364,036	554,736
In-kind Libbey Bowl lease - Note 3	-	376,833	376,833	394,984
Inventory	9,290	-	9,290	16,430
Prepaid expenses and other assets	36,624	-	36,624	27,895
Investments - Note 5	568,670	1,240,816	1,809,486	1,211,918
Property and equipment, net - Note 4	124,215	-	124,215	127,863
TOTAL ASSETS	\$ 837,198	\$ 2,181,685	\$ 3,018,883	\$ 2,873,974
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and accrued expenses	\$ 97,285	\$ -	\$ 97,285	\$ 88,837
Deferred revenue	104,507	-	104,507	111,522
Note payable - Note 6	-	-	-	403,509
TOTAL LIABILITIES	201,792	-	201,792	603,868
NET ASSETS				
Without donor restrictions - Note 15				
Operating surplus (deficit)	406	-	406	(138,978)
Board designated	635,000	-	635,000	225,000
Total without donor restrictions	635,406	-	635,406	86,022
With donor restrictions - Note 15	-	2,181,685	2,181,685	2,184,084
Total Net Assets	635,406	2,181,685	2,817,091	2,270,106
TOTAL LIABILITIES AND NET ASSETS	\$ 837,198	\$ 2,181,685	\$ 3,018,883	\$ 2,873,974

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, 2023

(With Comparative Totals for August 31, 2022)

	Without Donor	With Donor	2023	(Memo)
	Restrictions	Restrictions	Total	2022
	<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>	<u>Total</u>
OPERATING ACTIVITIES				
PUBLIC SUPPORT AND REVENUE				
Contributions and grants	\$ 806,876	\$ 343,568	\$ 1,150,444	\$ 1,122,416
Government grant	325,000	-	325,000	32,307
75th Comprehensive Campaign	252,300	50,000	302,300	766,674
Festival ticket sales	556,616	-	556,616	906,527
Women's committee (net of expenses of \$29,774)	74,686	-	74,686	33,817
Special events (net of expenses of \$31,092)	7,764	-	7,764	(7,247)
Other income	7,114	-	7,114	42,074
Interest and dividend income	4,262	47,673	51,935	45,014
Net assets released from restrictions	473,632	(473,632)	-	-
Total Public Support and Revenue	<u>2,508,250</u>	<u>(32,391)</u>	<u>2,475,859</u>	<u>2,941,582</u>
EXPENSES				
Program services	1,482,288	-	1,482,288	2,044,232
Management and general	240,243	-	240,243	258,427
Fund development	236,335	-	236,335	293,080
Total Expenses	<u>1,958,866</u>	<u>-</u>	<u>1,958,866</u>	<u>2,595,739</u>
Change in Net Assets from Operations	549,384	(32,391)	516,993	345,843
NONOPERATING ACTIVITIES				
Investment return, net - Note 5	-	29,992	29,992	(219,311)
Total Nonoperating Activities	<u>-</u>	<u>29,992</u>	<u>29,992</u>	<u>(219,311)</u>
CHANGE IN NET ASSETS	549,384	(2,399)	546,985	126,532
NET ASSETS, BEGINNING OF YEAR - RESTATED	<u>86,022</u>	<u>2,184,084</u>	<u>2,270,106</u>	<u>2,143,574</u>
NET ASSETS, END OF YEAR	<u>\$ 635,406</u>	<u>\$ 2,181,685</u>	<u>\$ 2,817,091</u>	<u>\$ 2,270,106</u>

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

OJAI FESTIVALS, LTD.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended August 31, 2023

(With Comparative Totals for August 31, 2022)

	Program	Management and General	Fund Development	2023 Total	(Memo) 2022 Total
EXPENSES					
Salaries	\$ 249,115	\$ 124,033	\$ 109,292	\$ 482,440	\$ 484,558
Payroll taxes	18,345	12,626	8,384	39,355	40,038
Employee benefits	8,283	3,899	3,488	15,670	12,977
Total Personnel Expenses	275,743	140,558	121,164	537,465	537,573
Professional and contract services	702,078	35,604	46,848	784,530	1,201,544
Materials and supplies	253,561	143	59,716	313,420	400,896
Travel and conferences	108,690	6,970	23,600	139,260	175,608
Equipment	72,137	6,108	-	78,245	110,961
Utilities	8,684	4,188	3,879	16,751	16,001
Marketing	23,899	13,603	7,261	44,763	89,887
Interest	-	10,402	-	10,402	39,076
Bank and credit card fees	11,454	11,574	-	23,028	26,222
Depreciation	9,918	4,959	4,959	19,836	21,472
Insurance	13,240	4,413	-	17,653	16,435
Licenses and fees	2,884	1,721	-	4,605	1,268
Total Expenses by Function	1,482,288	240,243	267,427	1,989,958	
Less expenses included with revenues on the statement of activities					
Special events direct expenses	-	-	(31,092)	(31,092)	(41,204)
TOTAL EXPENSES 2023	\$ 1,482,288	\$ 240,243	\$ 236,335	\$ 1,958,866	
TOTAL EXPENSES 2022 (MEMO)	<u>\$ 2,044,232</u>	<u>\$ 258,427</u>	<u>\$ 293,080</u>		<u>\$ 2,595,739</u>

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

OJAI FESTIVALS, LTD.

STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2023
(With Comparative Totals for August 31, 2022)

	2023	(Memo) 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 546,985	\$ 126,532
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	19,836	21,472
Realized loss (gain) on sale of securities	48,967	(7,095)
Unrealized loss (gain) on value of securities	(92,119)	212,811
Contributions restricted for long term investment	(21,500)	-
Changes in operating assets and liabilities:		
Pledges receivable	190,700	93,189
In-kind Libbey Bowl lease	18,151	17,771
Accounts receivable	(8,485)	6,014
Inventory	7,140	(10,501)
Prepaid expenses and other assets	(8,729)	41,216
Accounts payable and accrued expenses	8,448	42,499
Deferred revenue	(7,015)	(326,511)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>702,379</u>	<u>217,397</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(16,188)	(11,704)
Proceeds from sale of securities	1,075,390	389,203
Purchase of securities	<u>(1,629,806)</u>	<u>(377,781)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(570,604)</u>	<u>(282)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long term investment	21,500	-
Payments on long-term debt	(403,509)	(12,222)
Net payments on lines of credit	<u>-</u>	<u>(451,961)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(382,009)</u>	<u>(464,183)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(250,234)	(247,068)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>538,567</u>	<u>785,635</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 288,333</u>	<u>\$ 538,567</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 10,402	\$ 39,076
Non-cash transactions consisted of the following:		
In-kind contributions of goods and services	\$ 18,220	\$ 11,031
In-kind contribution of rent expense	30,000	30,000
In-kind contributions of stock	97,644	329,230
In-kind contribution of interest on long-term lease	11,850	12,378

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. Incorporated in 1947, the organization’s signature program is the world-renowned four-day music Festival, which takes place in Ojai and remains a creative laboratory for fresh and innovative music programs. 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 free educational offerings that serve thousands of public school students and seniors in the Ojai Valley.

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 the Ojai Valley and reach out beyond the Festival and the Ojai community throughout the year to connect with broader audiences.

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.

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”.

OJAI FESTIVALS, LTD.

NOTES TO THE FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Description of Net Assets (continued)

With Donor Restrictions (continued)

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).

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.

OJAI FESTIVALS, LTD.

NOTES TO THE FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

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, 2023, totaled \$19,836.

Leases

In February 2016, the FASB established Topic 842, Leases, by issuing Accounting Standards Update (ASU) 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU No. 2018-10, Codification Improvements to Topic 842, Leases; and ASU No. 2018-11, Targeted Improvements.

The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition on the income statement.

The new standard is effective for the Festival as of September 1, 2022, and has been adopted for the year ended August 31, 2023. As of September 1, 2022, and for the year ended August 31, 2023, the Festival had no material noncancellable operating or capital leases.

Further, the Festival elected a short-term lease extension policy, permitting the Festival to not apply the recognition requirements of this standard to short-term leases (i.e., leases with terms of 12 months or less) and an accounting policy to account for lease and non-lease components as a single component for certain classes of assets.

Advertising

The Festival expenses advertising costs as they are incurred.

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.

OJAI FESTIVALS, LTD.

NOTES TO THE FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions (continued)

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, 2022, in the accompanying financial statements are included to provide a basis for comparison with August 31, 2023, and are not intended to present all information necessary for a fair presentation of the August 31, 2022, financial statements in conformity with accounting principles generally accepted in the United States of America.

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).

OJAI FESTIVALS, LTD.

NOTES TO THE FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Exempt Status (continued)

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, 2023, 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, 2019, and August 31, 2018, respectively.

Intangible Assets

The Festival had amortized loan fees of two loans over their respective lives, 5 to 10 years. The loans were paid off during the year and the loan fees were fully amortized as of August 31, 2023. Amortization expense for the year ended August 31, 2023, was \$2,559.

Subsequent Events

In preparing these financial statements, the Festival has evaluated subsequent events through April 26, 2024, the date which the financial statements were available to be issued.

Note 3 – PLEDGES RECEIVABLE

Unconditional promises to give at August 31, 2023, represent receivables with donor restrictions of \$364,036, which are expected to be received in subsequent fiscal years. At August 31, 2023, 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 2014, 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, 2023, totaling \$376,833. The current portion to be received within one year is \$18,695.

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:

2024	\$	222,377
2025		70,917
2026		37,333
2027		32,929
2028		21,041
Thereafter		<u>377,579</u>
		762,176
Discount		<u>(21,307)</u>
Total	\$	<u>740,869</u>

Note 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31, 2023:

Land and building	\$	232,248
Furniture and equipment		<u>344,092</u>
		576,340
Less accumulated depreciation		<u>(452,125)</u>
Net property and equipment	\$	<u>124,215</u>

For the year ending August 31, 2023, the Festival recognized depreciation expense of \$19,836.

Note 5 – 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, 2023, investments consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/(Loss)</u>
Certificate of deposit	\$ 393,314	\$ 395,229	\$ 1,915
Commodities	49,897	49,586	(311)
Equity securities	483,336	619,475	136,139
Fixed income	520,858	512,688	(8,170)
Real estate	51,741	50,375	(1,366)
VCCF agency fund	<u>161,257</u>	<u>182,133</u>	<u>20,876</u>
Total Investments	<u>\$ 1,660,403</u>	<u>\$ 1,809,486</u>	<u>\$ 149,083</u>

OJAI FESTIVALS, LTD.

NOTES TO THE FINANCIAL STATEMENTS

Note 5 – INVESTMENTS (continued)

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

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
Balance at end of the year	\$ 1,660,403	\$1,809,486	\$ 149,083
Balance at beginning of the year	1,154,954	1,211,918	<u>56,964</u>
Net change in unrealized gain (loss)			<u>\$ 92,119</u>

The following summarizes the investment return included as unrestricted revenue in the statement of activities for the year ended August 31, 2023:

Dividend and interest	\$ 51,935
Realized loss on sale of securities	(48,967)
Unrealized gain on value of securities	92,119
Investment fees	<u>(13,160)</u>
Total Investment Return	<u>\$ 81,927</u>

Note 6 – NOTE PAYABLE

The Festival had 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 was 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 note was paid in full as of August 31, 2023.

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, 2023, 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)

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 5% spending policy for the year ended August 31, 2023, and 5% for the year ending August 31, 2024.

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, 2023, the shortfall totaled \$282,807.

Changes in endowment net assets for the year ended August 31, 2023, are as follows:

	<u>Subject to Appropriation</u>	<u>Held in Perpetuity</u>	<u>Endowment Defecit</u>	<u>Total</u>
Endowment net assets				
At August 31, 2021	\$ -	\$ 1,523,623	\$ (21,423)	\$ 1,502,200
Interest and dividend income	40,367			40,367
Unrealized gain on investments	(205,716)			(205,716)
Investment management fees	<u>(13,595)</u>	-	-	<u>(13,595)</u>
Total Investment Return on Endowment Funds	(178,944)	-	-	(178,944)
Due to with donor restrictions	271,407	-	(271,407)	-
Appropriation of expenditure	<u>(92,463)</u>	-	-	<u>(92,463)</u>
Endowment net assets				
At August 31, 2022	-	1,523,623	(292,830)	1,230,793
Interest and dividend income	47,673			47,673
Unrealized gain on investments	43,152			43,152
Investment management fees	<u>(13,160)</u>	-	-	<u>(13,160)</u>
Total Investment Return on Endowment Funds	77,665	-	-	77,665
Contributions to endowment	-	21,500	-	21,500
Due to With Donor Restrictions	(10,023)	-	10,023	-
Appropriation of expenditure	<u>(67,642)</u>	-	-	<u>(67,642)</u>
Endowment net assets				
At August 31, 2023	<u>\$ -</u>	<u>\$ 1,545,123</u>	<u>\$ (282,807)</u>	<u>\$ 1,262,316</u>

OJAI FESTIVALS, LTD.

NOTES TO THE FINANCIAL STATEMENTS

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, 2023, totaling \$182,133 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;

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, 2023.

OJAI FESTIVALS, LTD.

NOTES TO THE FINANCIAL STATEMENTS

Note 11 – FAIR VALUE MEASUREMENT (continued)

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.

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, 2023:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 395,229	\$ -	\$ 395,229
Commodities	49,586	-	-	49,586
Equity securities	619,475	-	-	619,475
Fixed income	512,688	-	-	512,688
Real estate	50,375	-	-	50,375
VCCF agency fund	<u>-</u>	<u>182,133</u>	<u>-</u>	<u>182,133</u>
Total assets measured at fair value	<u>\$ 1,232,124</u>	<u>\$ 577,362</u>	<u>\$ -</u>	<u>\$ 1,809,486</u>

Note 12 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by satisfying the restricted purposes. For the year ended August 31, 2023, the fulfillment of donor restrictions and the passage of time restrictions resulted in net assets released from restrictions of \$473,632.

OJAI FESTIVALS, LTD.

NOTES TO THE FINANCIAL STATEMENTS

Note 13 – 75th COMPREHENSIVE CAMPAIGN

The Board of Directors approved a 75th 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 \$302,300 toward the Campaign. The total received toward the campaign as of August 31, 2023, is \$3,370,008.

Note 14 – 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.

Financial assets available to meet cash needs for general expenditures within one year as of August 31, 2023:

Financial assets	
Cash and cash equivalents available within one year	\$ 88,333
Grants and contributions receivable	275,344
Accounts receivable	10,066
Investments	568,671
Liabilities	<u>(201,792)</u>
Financial assets available to meet cash needs for general expenditures within one year as of August 31, 2023	<u>\$ 740,622</u>

Note 15 – NET ASSETS

Net Assets Without Donor Restrictions

As of August 31, 2023, net assets without donor restrictions consist of the following:

Cumulative operating surplus	\$ 406
Board designated	<u>635,000</u>
Total Net Assets Without Donor Restrictions	<u>\$ 635,406</u>

Net Assets With Donor Restrictions

As of August 31, 2023, net assets with donor restrictions consist of the following:

In-kind contribution receivable (Libbey Bowl)	\$ 376,833
2024 Festival	150,000
Bravo and education	28,500
Pledges and bequests receivable	364,036
Endowment fund deficit	(282,807)
Donor-restricted endowments	<u>1,545,123</u>
Total Net Assets With Donor Restrictions	<u>\$ 2,181,685</u>

OJAI FESTIVALS, LTD.

NOTES TO THE FINANCIAL STATEMENTS

Note 15 – RESTATEMENT OF NET ASSETS

During the year ending August 31, 2023, the Festival reclassified deferred revenue as a liability without donor restrictions, reducing deferred revenue with donor restrictions and increasing deferred revenue without donor restrictions by \$111,522. In addition, \$225,000 of net assets with donor restrictions was reclassified as board designated net assets without donor restrictions. As a result of the restatement, the net assets with donor restrictions as of September 1, 2022, have decreased by \$113,478 and net assets without donor restrictions as of September 1, 2022, have increased by \$113,478.