

FIOLI

DECEMBER 31, 2021 AND 2020

INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS

Filoli

Independent Auditors' Report and Financial Statements

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A Century Strong

Independent Auditors' Report

THE BOARD OF DIRECTORS
FILOLI
Woodside, California

Opinion

We have audited the financial statements of **FILOLI**, which comprise the statement of financial position as of December 31, 2021 and 2020, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Filoli as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Filoli and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the 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 Filoli's ability to continue as a going concern for one year from the date of this report.

Auditor's 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 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 GAAS 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment 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 Filoli'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Filoli'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.

Hood & Strong LLP

San Francisco, California
May 19, 2022

Filoli

Statement of Financial Position

<i>December 31,</i>	2021	2020
Assets		
Cash and cash equivalents	\$ 6,372,462	\$ 3,872,823
Board-designated cash	814,587	56,586
Receivables, net of discount	104,394	103,167
Prepaid expenses	286,201	208,101
Inventory	170,803	284,105
Investments	510,577	482,381
Board-designated investments	12,176,363	11,476,195
Property and equipment, net	5,101,043	5,559,598
Total assets	\$ 25,536,430	\$ 22,042,956
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 533,453	\$ 164,694
Deferred revenue	573,591	327,684
Accrued expenses	646,251	669,209
Total liabilities	1,753,295	1,161,587
Net Assets:		
Without donor restrictions:		
Operating	4,942,274	3,191,007
Property	5,101,043	5,559,598
Board-designated funds	12,990,950	11,532,781
Total without donor restrictions	23,034,267	20,283,386
With donor restrictions	748,868	597,983
Total net assets	23,783,135	20,881,369
Total liabilities and net assets	\$ 25,536,430	\$ 22,042,956

See the accompanying notes to the financial statements.

Filoli

Statement of Activities

Years ended December 31,

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Contributions and grants	\$ 912,891	\$ 376,174	\$ 1,289,065	\$ 571,125	\$ 323,201	\$ 894,326
Memberships	1,845,321		1,845,321	1,273,611		1,273,611
Programs	5,967,945		5,967,945	2,769,672		2,769,672
Retail gift shop sales	2,052,218		2,052,218	1,110,900		1,110,900
Less - cost of sales	(802,690)		(802,690)	(467,456)		(467,456)
Income from beneficial trust managed by National Trust for Historic Preservation	603,981		603,981	588,191		588,191
Other income	163,848		163,848	201,261		201,261
Net assets released from restrictions	225,289	(225,289)	-	185,027	(185,027)	-
Total revenue and support	10,968,803	150,885	11,119,688	6,232,331	138,174	6,370,505
Expenses:						
Program services	6,776,731		6,776,731	5,009,289		5,009,289
Management and general	1,314,532		1,314,532	1,062,052		1,062,052
Fundraising	922,216		922,216	529,906		529,906
Total expenses	9,013,479	-	9,013,479	6,601,247	-	6,601,247
Change in net assets from operations	1,955,324	150,885	2,106,209	(368,916)	138,174	(230,742)
Other Changes in Net Assets:						
Investment income, net	1,442,589		1,442,589	1,751,662		1,751,662
Deaccession of museum object and other collection	991		991	19,304		19,304
Loss on disposal of property and equipment	(236,903)		(236,903)	(17,201)		(17,201)
Depreciation	(411,120)		(411,120)	(403,624)		(403,624)
Total other changes in net assets	795,557	-	795,557	1,350,141	-	1,350,141
Change in Net Assets	2,750,881	150,885	2,901,766	981,225	138,174	1,119,399
Net Assets, beginning of year	20,283,386	597,983	20,881,369	19,302,161	459,809	19,761,970
Net Assets, end of year	\$ 23,034,267	\$ 748,868	\$ 23,783,135	\$ 20,283,386	\$ 597,983	\$ 20,881,369

See the accompanying notes to the financial statements.

Filoli

Statement of Functional Expenses

Years ended December 31,

	2021				2020			
	Programs	Management and General	Fundraising	Total	Programs	Management and General	Fundraising	Total
Salaries and wages	\$ 3,298,656	\$ 781,872	\$ 416,610	\$ 4,497,138	\$ 2,449,283	\$ 630,491	\$ 237,747	\$ 3,317,521
Payroll taxes and benefits	626,408	99,105	64,852	790,365	594,481	99,600	51,500	745,581
Program services and supplies	380,415	31,182	168,986	580,583	263,652	12,255	88,717	364,624
Professional fees	414,592	104,429	50,554	569,575	279,287	97,276	17,435	393,998
Repairs and maintenance	453,025	48,391	10,537	511,953	320,963	37,816	9,178	367,957
Utilities	294,913	40,532	8,826	344,271	282,410	34,192	8,118	324,720
Bank and merchant fees	265,693	24,886	19,116	309,695	145,967	24,352	13,235	183,554
Information technology	222,592	42,698	27,638	292,928	176,176	37,856	16,435	230,467
Garden supplies and services	274,266			274,266	112,820			112,820
Advertising	165,676		55,225	220,901	80,476		26,825	107,301
Printing and publications	105,788	2,205	59,516	167,509	83,953	4,872	39,697	128,522
Business insurance	96,177	44,859	2,519	143,555	84,115	39,692	2,072	125,879
Office and general expenses	65,380	13,932	25,169	104,481	46,006	11,871	11,226	69,103
Small equipment and equipment rentals	57,316	22,716	2,085	82,117	32,299	9,954	1,627	43,880
Travel, training, and conferences	28,461	34,671	9,354	72,486	19,430	8,974	1,890	30,294
Other expenses	27,373	23,054	1,229	51,656	37,971	12,851	4,204	55,026
	6,776,731	1,314,532	922,216	9,013,479	5,009,289	1,062,052	529,906	6,601,247
Depreciation	308,340	102,780		411,120	302,718	100,906		403,624
Total before cost of goods sold	7,085,071	1,417,312	922,216	9,424,599	5,312,007	1,162,958	529,906	7,004,871
Cost of goods sold	802,690			802,690	467,456			467,456
Total	\$ 7,887,761	\$ 1,417,312	\$ 922,216	\$ 10,227,289	\$ 5,779,463	\$ 1,162,958	\$ 529,906	\$ 7,472,327

See the accompanying notes to the financial statements.

Filoli

Statement of Cash Flows

<i>Years Ended December 31,</i>	2021	2020
Cash Flows from Operating Activities:		
Change in net assets	\$ 2,901,766	\$ 1,119,399
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	411,120	403,624
Loss on disposal of property and equipment	236,903	17,201
Net investment gains	(1,442,589)	(1,654,799)
Change in operating assets and liabilities:		
Receivables	(1,227)	113,907
Prepaid expenses	(78,100)	35,516
Inventory	113,302	(50,721)
Accounts payable	368,759	(86,902)
Deferred revenue	245,907	147,167
Accrued expenses	(22,958)	169,388
Net cash provided by operating activities	2,732,883	213,780
Cash Flows from Investing Activities:		
Purchases of property and equipment	(189,468)	(95,203)
Purchases of investments	(499,012)	(326,530)
Sales of investments	1,213,237	1,920,345
Proceeds from sale of property and equipment		1,078
Net cash provided (used) by investing activities	524,757	1,499,690
Net Change in Cash and Cash Equivalents	3,257,640	1,713,470
Cash and Cash Equivalents, beginning of year	3,929,409	2,215,939
Cash and Cash Equivalents, end of year	\$ 7,187,049	\$ 3,929,409
Supplemental Cash Flow Information:		
Reconciliation of cash and cash equivalents and board-designated cash within the Statement of Financial Position to net change in cash and cash equivalents		
Cash and cash equivalents	\$ 6,372,462	\$ 3,872,823
Board-designated cash	814,587	56,586
Net change in cash and cash equivalents	\$ 7,187,049	\$ 3,929,409

See the accompanying notes to the financial statements.

Filoli

Notes to Financial Statements

Note 1 - Description of the Organization:

Filoli is a California nonprofit corporation formed in February 1976. Filoli's mission is to connect its rich history with a vibrant future through beauty, nature, and shared stories.

Filoli is a vibrant landscape of the Bay Area, situated on the unceded ancestral lands of the Ramaytush Ohlone, in Woodside, California. The estate boasts 654 acres of beauty nestled along the slopes of California's coastal range. Originally built as a private residence in 1917, Filoli was opened to the public in 1977 as a 501(c)(3) nonprofit organization and site of the National Trust for Historic Preservation (National Trust). The property is considered one of the finest remaining country estates of the 20th century, featuring a 54,000+ square-foot Georgian revival-style mansion, 16 acres of exquisite English Renaissance gardens, a 6.8-acre Gentleman's Orchard, and a nature preserve with eight miles of hiking trails.

As a site of the National Trust, Filoli manages its land and buildings in conformity with national historic preservation standards. The National Trust has set aside the principal of, and income derived from, a fund held for the benefit of Filoli donated to the National Trust by Lurline B. Roth, the former owner of the estate, to assist in maintaining the national historic site.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Presentation

The financial statements of Filoli have been presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), on the basis of net assets without donor restrictions and net assets with donor restrictions as follows:

Net Assets Without Donor Restrictions: net assets that do not contain donor restrictions. These net assets are intended for use by management and the Board of Directors for general operations.

Certain investments and cash have been designated by the Board of Directors to be used for either extraordinary expenditures and/or significant capital improvements to the property.

Net Assets With Donor Restrictions: net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature and will be met by actions of Filoli or by the passage of time. Filoli does not have any donor restrictions which are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Filoli

Notes to Financial Statements

b. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents consist of short-term, highly liquid investments and investments with original maturity dates of three months or less. Cash held within investments accounts which are awaiting reinvestment is not considered cash and cash equivalents.

c. Investments

Investments are recorded at fair value at net asset value (NAV) as determined by the investment managers under the practical expedient method. The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met.

The board approved spending policy requires annual approval and is to be no more than 6% of the average year-end balance over a three-year period to support the operations and capital needs of the estate and gardens.

Generally, management expects that approximately half the allowed withdrawal will be fulfilled through earned portfolio income on an annual basis.

d. Inventory

Inventory, consisting of retail merchandise and beverages, is stated at the lower of cost (average cost method) or market.

e. Property and Equipment

Property and equipment in excess of \$2,500 is recorded at cost for purchased assets and at estimated market or appraisal value on date of donation for donated assets. Depreciation is computed using the straight-line method over lives ranging from 3 to 40 years. Leasehold improvements are amortized using the straight-line method over the lesser of the assets' useful lives or the term of the applicable lease.

f. Museum Objects and Other Collections

Filoli's museum object collection, library collections, and living collections are classified as collections under U.S. GAAP. Collection items acquired through purchase are recognized as accessions and decrease net assets without donor restrictions if purchased with net assets without donor restrictions or result in a release on the Statement of Activities of net assets with donor restrictions if purchased with assets with donor restrictions.

Filoli

Notes to Financial Statements

Collection items are sold solely for the advancement of Filoli's mission and the enhancement of its collections. Proceeds from items sold are used for the acquisition of new collection items or the direct care, preservation, and conservation of existing collections. Filoli defines direct care in accordance with the American Alliance of Museums' guidelines, that is, an investment that enhances the life, usefulness or quality of collections, thereby ensuring the proceeds will continue to benefit the public. Proceeds from deaccessions or insurance recoveries are reflected in the Statement of Activities based on the nature, absence or existence of the original donor-imposed restrictions.

Museum object and library collection items are inventoried and appropriately cared for by in-house curators to preserve the collections' integrity. Similarly, living collections are inventoried and appropriately cared for by horticulturists.

Filoli maintains museum objects which are on loan from various sources. The majority of such "on loan" items are the property of the National Trust. Filoli maintains records of such items.

g. Support and Revenue Recognition

Program revenues include admissions, tours, education classes, public events, and event rental programs. Program revenues from admissions are recognized on the date of admission and all other program revenues are recognized when the event or program takes place.

Retail sales include Clock Tower Shop gift shop sales and beverage sales. Retail sales are recognized at the time of sale.

Membership dues are a combination of nonexchange and exchange transactions. Some membership levels are completely nonexchange and are recognized in accordance with the contribution guidance. For exchange transactions, judgement is used in determining the timing of when a performance obligation is satisfied. If the benefits are deemed to have no determinable term, the revenue associated with the exchange portion will be recognized upon receipt from members.

Income from the beneficial trust fund held by the National Trust is recognized when received. The National Trust transferred to Filoli \$603,981 and \$588,191 for 2021 and 2020, respectively. These amounts represent the return on the beneficial trust fund, which is equal to approximately 4.9% of the average beneficial trust assets over a three-year period.

Unconditional contributions are recognized as revenues at fair value when received or unconditionally promised. Conditional contributions, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met. Filoli received conditional contributions of \$8,000 and \$0 in 2021 and 2020, respectively.

Filoli

Notes to Financial Statements

Contributions with donor restrictions are reported as increases in 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.

Noncash donations, including property, donated securities, and advertising space, are recorded at the fair value of the gift at the date of the donation and are classified based on the presence or absence of donor restrictions. Filoli recorded approximately \$194,000 and \$89,000 of noncash donations for the years ended December 31, 2021 and 2020, respectively.

h. Contribution of Services

Filoli utilizes the services of unpaid volunteers performing various functions who contributed approximately 1,500 and 6,000 hours for the years ended December 31, 2021 and 2020, respectively. This contributed time, while helping to further the mission of Filoli, does not meet the specified criteria for recognition and, as a result, no revenue has been recognized.

i. Income Taxes

Filoli is a tax-exempt organization pursuant to Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the California Revenue and Taxation Code and, accordingly, is exempt from federal and state income taxes on related business income.

Management has evaluated Filoli's tax positions and concluded that Filoli had maintained its tax-exempt status and had taken no uncertain tax positions that required adjustment to the financial statements as of December 31, 2021 and 2020.

j. Functional Expenses

The costs of providing program and supporting services activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification detail of expenses by function. Accordingly, directly identifiable expenses are charged to the related program or service benefited. Salaries and related benefits are charged to the functional area of the employee who incurred the expense and on time spent in the functional area for management. Occupancy related expenses are allocated to the various functional areas based on time and effort. Information technology and other expenses benefiting multiple functions are allocated based on head count.

Filoli

Notes to Financial Statements

k. Fair Value Measurements

Filoli carries certain assets and liabilities at fair value. Fair value is defined 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. Filoli classifies its financial assets and liabilities in one of the following three categories:

Level 1 Inputs are unadjusted quoted prices for identical assets or liabilities in active markets to which Filoli has ready access.

Level 2 Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 Unobservable inputs that are not corroborated by market data.

The valuation levels are not necessarily an indication of the risk or liquidity associated with the investment. In accordance with FASB subtopic 820-10, certain investments that are measured at NAV per share (or its equivalent) practical expedient have not been classified under the fair value hierarchy.

l. Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and these estimates could be material.

m. Recent Accounting Pronouncements

Pronouncement Adopted:

In March 2019, the FASB issued Accounting Standards Update (ASU) 2019-03, *Updating the Definition of Collections*. The ASU modifies the definition of the term collections and requires that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned. If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it should disclose its definition of direct care. The ASU was adopted as of January 1, 2020 on a prospective basis.

Filoli

Notes to Financial Statements

Pronouncements Effective in the Future:

In February 2016, FASB issued ASU 2016-02, *Leases*. Among other things, in the amendments in ASU 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: 1) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and 2) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2021. Early adoption is permitted. Filoli, after careful evaluation, believes this pronouncement will not materially impact the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU changes the required presentation for in-kind contributions other than contributed services. The first element will require separate presentation on the statement of activities and change in net assets and the second element will require additional disclosure about how the in-kind gifts were utilized (in which program or part of management and general or fundraising), donor restrictions associated with the gifts, and valuation techniques employed. The ASU is effective for fiscal years beginning after June 15, 2021 with early application permitted. Filoli, after careful evaluation, believes this pronouncement will not materially impact the financial statements.

n. Subsequent Events

Filoli has evaluated subsequent events from December 31, 2021 through May 19, 2022, the date the financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

Note 3 - Investments:

Investments consisted of the following as of December 31:

	2021	2020
TIFF Multi-Asset Fund (MAF), at NAV	\$ 12,176,363	\$ 11,476,195
Dodge & Cox Balanced Fund	510,577	
Nonprofit investment fund at Silicon Valley Community Foundation (SVCF), at NAV		482,381
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	\$ 12,686,940	\$ 11,958,576

Filoli

Notes to Financial Statements

MAF is a globally diversified mutual fund whose ownership is primarily available for non-profit organizations. The fair value price per share of the MAF is based on the fund's NAV. The MAF investment strategy attempts to exceed the return of inflation plus 5%. The MAF allows normal annual distributions without an exit fee. In addition, the MAF can be redeemed on demand with an exit fee of 0.5% of the redemption amount. Filoli does not have any unfunded commitments as of December 31, 2021.

During the years ended December 31, 2021 and 2020, \$688,572 and \$1,920,345, respectively, was withdrawn from the MAF. of which \$1,393,690 in 2020 was not part of the normal annual distributions (see Note 11). In 2021, all amounts were part of the normal annual distributions.

Assets held at SVCF were pooled and income was allocated to each fund held based on a unit of participation method with a cost basis of \$410,134.

Total investment income for the years ended December 31, 2021 and 2020 consists of the following:

	2021	2020
Dividends and capital gain distributions	\$ 1,682,125	\$ 105,250
Realized gains	290,278	197,903
Unrealized gains (losses)	(524,410)	1,456,896
Less: investment management fees	(5,404)	(8,387)
	<u>\$ 1,442,589</u>	<u>\$ 1,751,662</u>

Note 4 - Property and Equipment:

Property and equipment was as follows as of December 31:

	2021	2020
Land (Parcel C)	\$ 551,844	\$ 551,844
Land and building improvements	11,107,491	11,479,632
Furnishings and equipment	974,036	1,006,352
Gardening and maintenance equipment	635,598	635,598
Vehicles	272,161	208,528
Construction in progress	16,720	26,645
	<u>13,557,850</u>	<u>13,908,599</u>
Less accumulated depreciation	<u>(8,456,807)</u>	<u>(8,349,001)</u>
Net property and equipment	<u>\$ 5,101,043</u>	<u>\$ 5,559,598</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$411,120 and \$403,624, respectively.

Filoli

Notes to Financial Statements

Note 5 - Net Assets:

Net assets with donor restrictions were available for the following purposes as of December 31:

	2021	2020
Horticulture internship and apprenticeship program	\$ 282,797	\$ 292,802
Vegetable garden project	250,892	175,058
Ballroom terrace restoration	103,254	
Internship program	81,813	84,635
House flower arrangement	22,921	23,755
Preschool program	7,191	
Gentlemen's lounge restoration		21,733
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	\$ 748,868	\$ 597,983

Net assets released from donor restrictions were as follows for the years ended December 31:

	2021	2020
Horticulture internship and apprenticeship program	\$ 10,004	\$ 21,121
Vegetable garden project	34,417	1,813
Ballroom terrace restoration	22,483	
Internship program	2,822	
House flower arrangement	834	1,245
Preschool program	5,809	
Gentlemen's lounge restoration	22,858	8,567
Branding	50,000	
Pandemic relief	25,000	
Historic house and garden restoration	24,241	6,422
Interpretation	10,000	10,000
Climate action	7,500	
Marketing initiatives	4,500	9,022
Horticulture program	3,071	4,531
School program	1,750	15,333
Drawing room restoration		78,487
Public events		3,486
Facility master plan		25,000
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	\$ 225,289	\$ 185,027

Filoli

Notes to Financial Statements

Note 6 - Commitments and Contingencies:

Filoli is responsible for operations under the terms of a cooperative agreement with the National Trust originally dated July 1, 1976 and revised on September 30, 2017. Additionally, the National Trust lends certain fine art object collections to Filoli under the terms of a loan agreement dated September 30, 2017. Both agreements will remain effective through September 29, 2047 unless the lease (described below) is terminated, or agreements are modified or terminated by mutual written agreement of both parties.

Under the terms of the lease with the National Trust, Filoli leases approximately 125 acres of land (Parcels A and B) and the main residence building at an annual rental of \$10 through September 29, 2047. Filoli must pay for all taxes, insurance, utilities, repairs and maintenance and capital improvements.

The land included in the accompanying Statement of Financial Position is Parcel C only, which is owned directly by Filoli. Parcel C consists of approximately 529 acres of undeveloped land contiguous to Parcels A and B. The land is used for research and educational purposes.

Filoli leases 11.88 acres from the City and County of San Francisco at an annual rental of \$1. Filoli is responsible for all taxes, licenses, permit fees, assessments, and maintenance applicable to this acreage. The use of this land is restricted for maintenance and horticultural operations.

The City and County of San Francisco leases 237 acres from Filoli at an annual rental of \$1. The City's use of the land is restricted to the maintenance and preservation of its watershed nature and to the protection of the quality of the water derived therefrom.

The above leases between Filoli and the City and County of San Francisco are for 40 years and expire in November 2022. As of the date of the financial statements were available to be issued, the lease renewal is being negotiated with the City and County of San Francisco.

Note 7 - Retirement Plan:

Filoli maintains a 401(k) plan. The plan is a defined contribution plan and covers full-time and part-time employees who have attained age of 21 and completed 6 months of service. Employees may contribute up to \$19,500 for 2021 and 2020 and an additional \$6,500 for 2021 and 2020 at age 50 and above. Filoli matched employee contributions up to 4% of the employee's compensation in 2021 and 2020, respectively. For 2021 and 2020, Filoli contributed \$110,642 and \$95,332, respectively, to the plan.

Filoli

Notes to Financial Statements

Note 8 - Concentrations of Risk:

Filoli has identified its financial instruments which potentially subject it to risk, as cash and cash equivalents and investments. At times, Filoli has cash deposits in financial institutions in excess of federally insured limits. Board-designated investments are held in one mutual fund.

Note 9 - Liquidity and Availability:

Filoli is substantially reliant on guests and members visiting the site, attending events and programs, and continuing their memberships. Approximately 81% of Filoli's support results from membership, programs, and net gift shop sales. This reliance subjects Filoli to seasonal attendance and renewal variations which can result in financial assets not being available for general expenditure throughout the year.

The following reflects Filoli's financial assets as of the date of the Statement of Financial Position, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the Statement of Financial Position. Amounts not available include amounts set aside for long-term investing in a board designated fund that could be drawn upon if the board approves that action.

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 6,372,462	\$ 3,872,823
Board designated cash	814,587	56,586
Receivables, net of discount	104,394	103,167
Investments	510,577	482,381
Board designated investments	12,176,363	11,476,195
Total financial assets	19,978,383	15,991,152
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Not to be released within 12 months	-	(4,875)
Board designations:		
Investment fund, primarily for long-term investing and maintenance reserve	(12,176,363)	(11,476,195)
Cash set aside for board-approved capital projects	(814,587)	(56,586)
Financial assets available to meet cash needs for general expenditures within one year	\$ 6,987,433	\$ 4,453,496

Filoli

Notes to Financial Statements

In addition to contributions and program revenue that are received throughout the year to fund general expenditures, Filoli receives income distributions from the beneficial trust fund maintained by the National Trust for the benefit of Filoli based on the spending policy of approximately 4.9%. Such income is not restricted for any specific purposes and, therefore, is available for general expenditure. Filoli generally receives between \$580,000 and \$610,000 from the National Trust annually.

Note 10 - Related Party Transactions:

On January 7, 2020, Filoli entered into a multi-year master plan contract with a landscape architecture firm which subcontracts with various consulting firms including a firm whose principal is a board member. The estimated total contract obligation is \$545,000, which includes an estimated contract amount of \$173,030 to a related party. In 2021 and 2020, \$32,646 and \$69,045, respectively, was paid to the related party.

In 2021, Filoli contracted with firms related to board members and paid a total of \$66,445 for house restoration and garden services.

Note 11 - COVID-19 Response:

On March 16, 2020, the individual governments of the Greater San Francisco Bay Area announced a mandatory shelter in place order for all residents in the area due to the COVID-19 pandemic. The orders required that all nonessential businesses close until the orders were lifted. As a result, Filoli was forced to close and make some immediate operational adjustments, including cancellation of various programs and staff reductions.

On May 11, 2020, according to the updated San Mateo County Health Officer order, Filoli was allowed to partially reopen with a reduced capacity. Modifications have been made to operations in accordance with continuously changing state and local governmental orders, including but not limited to, limiting occupancy to provide for social distancing, changing the format of program service deliveries and requiring employees and visitors to wear face coverings.

During the complete closure period, memberships and program revenue decreased by approximately \$1,413,000 or 70.3%, compared with 2019; during the partial reopening, membership and program revenue decreased by approximately \$802,000 or 18.6%, compared with 2019. To respond to the pandemic, the Board approved the normal annual distribution from the MAF for the year ended December 31, 2020 in the amount of \$526,655 for general expenditures. Furthermore, the Board approved additional redemptions from the MAF in the amount of \$1,393,690 to be available for general expenditures.

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Since spring 2021, Filoli has been fully open to public with operational modifications in accordance with governmental orders. Some programs including education classes, public events, and volunteer programs are either suspended or have been significantly modified to adhere to governmental health orders and in accordance with the strategic plan. Such changes in programs did not materially impact financial statements.

Under the Coronavirus, Aid, Relief and Economic Security Act (CARES Act), Filoli received federal employee retention credits in the amount of \$255,844 during the full or partial suspension of its operations, which offset expenses in the Statement of Activities for 2020. In addition, Filoli deferred payments of employer's share of social security taxes in the amount of \$109,698 until the years 2021 and 2022, which is included in accrued expenses in Statement of Financial Position as of December 31, 2020. A deferred payment of employer's share of social security taxes was made in full in 2021.

Filoli continues to evaluate on-going and long-term business plans and adhere to any governmental health orders.