

FILOLI

DECEMBER 31, 2019 AND 2018

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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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **FILOLI**, which comprise the statement of financial position as of December 31, 2019 and 2018 and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' 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 Filoli'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 Filoli'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 Filoli as of December 31, 2019 and 2018 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Hood & Strong LLP*

San Francisco, California  
May 11, 2020

# Filoli

## Statement of Financial Position

<i>December 31,</i>	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 1,916,840	\$ 1,463,275
Board designated cash	299,099	385,471
Receivables, net of discount	217,074	99,215
Prepaid expenses	243,617	161,240
Inventory	233,384	281,625
Investments	194,137	174,190
Board designated investments	11,703,455	10,310,257
Property and equipment, net	5,886,298	5,727,658
<b>Total assets</b>	<b>\$ 20,693,904</b>	<b>\$ 18,602,931</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 251,596	\$ 278,837
Deferred revenue	180,517	197,392
Accrued expenses	499,821	379,786
<b>Total liabilities</b>	<b>931,934</b>	<b>856,015</b>
<b>Net Assets:</b>		
Without donor restrictions:		
Operating	1,413,309	1,059,868
Property	5,886,298	5,727,658
Board designated funds	12,002,554	10,695,728
<b>Total without donor restrictions</b>	<b>19,302,161</b>	<b>17,483,254</b>
With donor restrictions	459,809	263,662
<b>Total net assets</b>	<b>19,761,970</b>	<b>17,746,916</b>
<b>Total liabilities and net assets</b>	<b>\$ 20,693,904</b>	<b>\$ 18,602,931</b>

See the accompanying notes to the financial statements.

# Filoli

## Statement of Activities

Years ended December 31,

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support:</b>						
Contributions and grants	\$ 566,798	\$ 426,372	\$ 993,170	\$ 524,993	\$ 382,345	\$ 907,338
Memberships	1,197,274	-	1,197,274	1,104,861	-	1,104,861
Programs	4,939,612	-	4,939,612	4,229,321	-	4,229,321
Retail gift shop sales	1,447,895	-	1,447,895	1,331,871	-	1,331,871
less - cost of sales	(609,186)	-	(609,186)	(557,874)	-	(557,874)
Income from beneficial trust managed by National Trust for Historic Preservation	586,912	-	586,912	593,718	-	593,718
Other income	124,294	-	124,294	124,037	-	124,037
Net assets released from restrictions	230,225	(230,225)	-	179,195	(179,195)	-
<b>Total revenue and support</b>	<b>8,483,824</b>	<b>196,147</b>	<b>8,679,971</b>	<b>7,530,122</b>	<b>203,150</b>	<b>7,733,272</b>
<b>Expenses:</b>						
Program services	6,218,195	-	6,218,195	5,716,884	-	5,716,884
Supporting services:						
Management and general	1,234,867	-	1,234,867	1,296,290	-	1,296,290
Fundraising	698,270	-	698,270	625,864	-	625,864
<b>Total support services</b>	<b>1,933,137</b>	<b>-</b>	<b>1,933,137</b>	<b>1,922,154</b>	<b>-</b>	<b>1,922,154</b>
<b>Total expenses</b>	<b>8,151,332</b>	<b>-</b>	<b>8,151,332</b>	<b>7,639,038</b>	<b>-</b>	<b>7,639,038</b>
Change in net assets from operations	332,492	196,147	528,639	(108,916)	203,150	94,234
<b>Other Changes in Net Assets:</b>						
Investment income/(loss)	1,877,095	-	1,877,095	(1,139,977)	-	(1,139,977)
Loss on disposal of property and equipment	(7,963)	-	(7,963)	(267)	-	(267)
Depreciation	(382,717)	-	(382,717)	(352,557)	-	(352,557)
<b>Total other changes in net assets</b>	<b>1,486,415</b>	<b>-</b>	<b>1,486,415</b>	<b>(1,492,801)</b>	<b>-</b>	<b>(1,492,801)</b>
<b>Change in Net Assets</b>	<b>1,818,907</b>	<b>196,147</b>	<b>2,015,054</b>	<b>(1,601,717)</b>	<b>203,150</b>	<b>(1,398,567)</b>
<b>Net Assets, beginning of year</b>	<b>17,483,254</b>	<b>263,662</b>	<b>17,746,916</b>	<b>19,084,971</b>	<b>60,512</b>	<b>19,145,483</b>
<b>Net Assets, end of year</b>	<b>\$ 19,302,161</b>	<b>\$ 459,809</b>	<b>\$ 19,761,970</b>	<b>\$ 17,483,254</b>	<b>\$ 263,662</b>	<b>\$ 17,746,916</b>

See the accompanying notes to the financial statements.

# Filoli

## Statement of Functional Expenses

*Years ended December 31,*

	2019				2018			
	Programs	Management and General	Fundraising	Total	Programs	Management and General	Fundraising	Total
Salaries and wages	\$ 3,199,460	\$ 736,451	\$ 292,958	\$ 4,228,869	\$ 3,023,939	\$ 687,938	\$ 233,309	\$ 3,945,186
Payroll taxes and benefits	704,411	125,446	63,608	893,465	672,577	140,188	51,988	864,753
Professional fees	145,365	86,406	20,197	251,968	145,649	149,685	12,705	308,039
Repairs and maintenance	351,099	46,383	10,585	408,067	248,922	64,249	16,062	329,233
Small equipment and equipment rentals	42,795	9,927	2,001	54,723	38,729	13,859	4,936	57,524
Printing and publications	112,426	501	61,289	174,216	59,255	526	50,365	110,146
Information technology	142,983	29,608	12,263	184,854	146,763	27,237	9,666	183,666
Travel, training, conferences	49,098	22,306	6,275	77,679	44,020	33,956	9,511	87,487
Temporary staffing	4,638	8,817	362	13,817	4,000	782	-	4,782
Advertising	82,099	-	27,367	109,466	80,331	-	26,752	107,083
Bank and merchant fees	175,787	28,388	11,676	215,851	149,873	26,762	9,656	186,291
Garden supplies and services	182,301	-	-	182,301	136,237	-	-	136,237
Program services and supplies	600,888	43,490	154,016	798,394	592,141	37,428	162,230	791,799
Utilities	264,429	35,680	8,133	308,242	225,201	60,054	15,013	300,268
Business insurance	82,384	34,418	2,124	118,926	79,977	32,685	4,317	116,979
Office and general expenses	52,626	15,463	21,157	89,246	53,898	12,953	15,700	82,551
Other expenses	25,406	11,583	4,259	41,248	15,372	7,988	3,654	27,014
	6,218,195	1,234,867	698,270	8,151,332	5,716,884	1,296,290	625,864	7,639,038
Depreciation	287,038	95,679	-	382,717	264,418	88,139	-	352,557
Total before cost of goods sold	6,505,233	1,330,546	698,270	8,534,049	5,981,302	1,384,429	625,864	7,991,595
Cost of goods sold	609,186	-	-	609,186	557,874	-	-	557,874
<b>Total</b>	<b>\$ 7,114,419</b>	<b>\$ 1,330,546</b>	<b>\$ 698,270</b>	<b>\$ 9,143,235</b>	<b>\$ 6,539,176</b>	<b>\$ 1,384,429</b>	<b>\$ 625,864</b>	<b>\$ 8,549,469</b>

See the accompanying notes to the financial statements.

# Filoli

## Statement of Cash Flows

<i>Years Ended December 31,</i>	2019	2018
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 2,015,054	\$ (1,398,567)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in discount	(226)	(347)
Depreciation	382,717	352,557
Net realized and unrealized (gains) losses on investments	(1,877,484)	1,945,719
Loss on disposal of property and equipment	7,963	267
Change in operating assets and liabilities:		
Receivables	(117,633)	28,940
Prepaid expenses	(82,377)	11,264
Inventory	48,241	60,779
Accounts payable	(27,241)	(134,842)
Deferred revenue	(16,875)	119,398
Accrued expenses	120,035	51,172
<b>Net cash from operating activities</b>	<b>452,174</b>	<b>1,036,340</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	(550,811)	(323,698)
Purchases of investments (reinvested income)	(2,232)	(979,933)
Sales of investments	466,571	1,669,264
Proceeds from sale of property and equipment	1,491	5,090
<b>Net cash from investing activities</b>	<b>(84,981)</b>	<b>370,723</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>367,193</b>	<b>1,407,063</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>1,848,746</b>	<b>441,683</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 2,215,939</b>	<b>\$ 1,848,746</b>

See the accompanying notes to the financial statements.



# Filoli

## Notes to Financial Statements

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### 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 offers unique restorative experiences for the whole family every season. From the historic home and manicured gardens to a vast estate and natural trails, guests explore the beauty and tranquility of another time. Filoli also hosts seasonal activities, including tours of the home and grounds, art shows, education programs, and special events. Located between San Francisco and San Jose, California, this 654-acre estate is open to the public to visit as a guest or member.

As a site of the National Trust for Historic Preservation (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:* represent the portion of 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; those restrictions 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

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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 re-investment 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 5% of the average year-end balance over a three-year period to support the operations and capital needs of the estate and gardens.

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

During 2019 and 2018, the National Trust transferred to Filoli, as return on the beneficial trust fund, an amount approximately equal to 5% of the average beneficial trust assets over a three-year period which amounted to \$586,912 and \$593,718 for 2019 and 2018, respectively.

d. Inventory

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

e. Property and Equipment

Property and equipment are recorded at cost for purchased assets and at the estimated market value, or appraisal value, on date of donation for donated assets. Depreciation is computed using the straight-line method with 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.

# Filoli

## Notes to Financial Statements

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f. Fine Arts and Furnishings

Under Accounting Standards Codification (ASC) 958-605, Filoli's collection qualifies as a museum collection. Collection items acquired through purchase are recognized as accessions and are recognized as decreases in net assets without donor restrictions if purchased with net assets without donor restrictions and as releases of net assets with donor restrictions if purchased with assets with donor restrictions on the Statement of Activities. Collection items are only sold if, in the opinion of the curator and the Collections Committee, the item is not relevant to Filoli's mission and, as such, the proceeds from the sold item will be used to purchase a new item or items. Proceeds from deaccessions or insurance recoveries are reflected in the Statement of Activities based on the absence or existence and nature of the original donor-imposed restrictions.

Fine arts and furnishings are inventoried and appropriately cared for, by in-house curators, to preserve the Collection's integrity.

Filoli maintains fine arts and furnishings 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 consist of revenues including 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 sale consists of revenues including Clock Tower Shop gift shop sales and beverage sales. Retail sales are recognized at the time of sale.

Membership dues consist of both non-exchange and exchange transactions. Some membership levels are completely non-exchange. Revenue from non-exchange transactions is recognized in accordance with the contribution guidance. For the exchange transactions, judgements are 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.

Payments from the beneficial trust fund held by the National Trust are recognized when received.

Unconditional contributions are recognized as revenues at fair value when received or unconditionally promised. Conditional contributions are recognized as revenue when the conditions are substantially met. Contributions containing 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.

# Filoli

## Notes to Financial Statements

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Non-cash donations, including property and donated securities, 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.

h. Contribution of Services

Filoli has a substantial number of unpaid volunteers performing various functions who contributed approximately 46,100 and 56,800 hours for the years ended December 31, 2019 and 2018, 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, 2019 or 2018.

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, certain costs have been allocated among programs and supporting services benefited based on time and usage percentages determined by management estimates.

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 quoted prices unadjusted in active markets for identical assets or liabilities.

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.

# Filoli

## Notes to Financial Statements

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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 fair value using the 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. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent 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.

m. Reclassifications

Certain 2018 balances have been reclassified to conform to the 2019 presentation. These reclassifications had no effect on Filoli's change in net assets or financial position as previously reported.

n. Recent Accounting Pronouncements

*Pronouncements Adopted:*

Filoli adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605), effective for its fiscal year ended December 31, 2019. Filoli applies the guidance on a modified prospective basis to all agreements that were either not complete at the effective date or entered into after the effective date. Application of this standard did not have a material impact to Filoli's financial statements.

Filoli adopted ASU 2014-09, *Revenue from Contract with Customers* (Topic 606), as amended, for its fiscal year ended December 31, 2019. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application. Filoli applies the modified retrospective transition method to only customer contracts that are not completed at the date of initial application. Application of this standard did not have a material impact to Filoli's revenue recognition. Accordingly, no changes to the previously issued audited financial statements were required on a modified retrospective basis. However, policies have been updated to comply with the newly effective standard, and the presentation and disclosures of revenue have been enhanced in accordance with the standard.

# Filoli

## Notes to Financial Statements

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### *Pronouncements Effective in the Future:*

In March 2019, FASB issued ASU 2019-03, *Updating the Definition of Collections*, as an amendment to Topic 958. 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 (that is, removed from a collection). 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 effective date for ASU 2019-03 is for fiscal years beginning after December 15, 2019. Filoli is assessing the impact of this ASU to its disclosures but does not currently believe the ASU will have a material impact on Filoli's financial statements.

o. Subsequent Events

Filoli has evaluated subsequent events from December 31, 2019 through May 11, 2020, 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 except as discussed in Note 10.

### **Note 3 - Investments:**

At December 31, 2019 and 2018, investments consisted of:

	2019	2018
TIFF Multi-Asset Fund (MAF), at NAV	\$ 11,703,455	\$ 10,310,257
Nonprofit investment fund at Silicon Valley Community Foundation (SVCF), at NAV	194,137	174,190
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	\$ 11,897,592	\$ 10,484,447

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 can be redeemed on demand with an exit fee of 0.5% of the redemption amount. Filoli does not have any unfunded commitments.

During the year ended December 31, 2019 and 2018, \$463,961 and \$1,685,855, respectively, was withdrawn from the MAF of which \$0 and \$1,090,000, respectively, was not part of the normal annual distributions.

Assets held at SVCF are pooled and income is allocated to each fund held based on a unit of participation method with a cost basis of \$184,215.

# Filoli

## Notes to Financial Statements

Total investment income (loss) for the years ended December 31, 2019 and 2018 consists of the following:

	2019	2018
Dividends and capital gains	\$ 2,232	\$ 811,872
Realized gains	37,426	304,404
Unrealized gains (losses)	1,840,058	(2,250,123)
Less: investment management fees	(2,621)	(6,130)
	<u>\$ 1,877,095</u>	<u>\$ (1,139,977)</u>

### Note 4 - Property and equipment:

Property and equipment as of December 31 is as follows:

	2019	2018
Land (Parcel C)	\$ 551,844	\$ 551,844
Land and building improvements	11,408,370	11,213,809
Furnishings and equipment	977,653	946,141
Gardening and maintenance equipment	650,251	658,757
Vehicles	208,528	153,468
Construction in progress	64,763	36,419
	<u>13,861,409</u>	<u>13,560,438</u>
Less accumulated depreciation	<u>(7,975,111)</u>	<u>(7,832,780)</u>
Net property and equipment	<u>\$ 5,886,298</u>	<u>\$ 5,727,658</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$382,717 and \$352,557, respectively.

# Filoli

## Notes to Financial Statements

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### Note 5 - Net Assets:

Net assets with donor restrictions are available for the following purposes:

	2019	2018
Horticulture internship and apprenticeship program	\$ 304,563	\$ 158,737
Horticulture	1,000	14,170
Events	-	2,000
Education programs	6,857	35,339
Restorations	28,732	28,416
House flower arrangements	25,000	25,000
Internship program	84,635	-
Marketing initiatives	9,022	-
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	\$ 459,809	\$ 263,662

Net assets released from donor restrictions are as follows:

	2019	2018
Library		\$ 18,994
Horticulture internship and apprenticeship program	\$ 11,350	10,300
Horticulture	39,867	28,605
Events	48,500	25,800
Education programs	42,008	57,172
Restorations	33,522	37,524
Interpretation	9,000	3,500
Marketing initiatives	40,978	-
Collection digitization	5,000	-
Other	-	800
	<hr/>	<hr/>
	\$ 230,225	\$ 179,195

### Note 6 - Commitments and Contingencies:

The National Trust is responsible for the operations of Filoli under the terms of a cooperative agreement originally dated July 1, 1976 and revised on September 30, 2017. 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.



# Filoli

## Notes to Financial Statements

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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. The lessee 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 these premises. The use of this land is restricted as described in the lease.

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.

### **Note 7 - Retirement Plan:**

Filoli maintains a profit sharing 401(k) plan, which covers full and part-time employees. The plan is comprised of a salary reduction provision and a defined contribution component. Employees may contribute up to \$19,000 and \$18,500 for 2019 and 2018, respectively, and an additional \$6,000 at age 50 and above. Filoli matched the employee's contribution up to 2% of the employee's salary in 2018. In 2019, Filoli matched 4%. For 2019 and 2018, Filoli contributed \$100,828 and \$50,836, respectively, to the plan.

### **Note 8 - Concentrations of Risk:**

Filoli has defined its financial instruments, which are potentially subject 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.

# Filoli

## Notes to Financial Statements

### 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 80% 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.

	2019	2018
Financial assets, at year-end:		
Cash and cash equivalents	\$ 1,916,840	\$ 1,463,275
Board designated cash	299,099	385,471
Receivables, net of discount	217,074	99,215
Investments	194,137	174,190
Board designated investments	11,703,455	10,310,257
Total financial assets	14,330,605	12,432,408
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Not to be released within 12 months	(298,546)	(160,111)
Board designations:		
Investment fund, primarily for long-term investing and maintenance reserve	(11,703,455)	(10,310,257)
Cash set aside for board-approved capital projects	(299,099)	(385,471)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,029,505	\$ 1,576,569

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 5%. Such income is not restricted for any specific purposes and, therefore, is available for general expenditure. Filoli generally receives between \$550,000 and \$600,000 from the National Trust annually.

# Filoli

## Notes to Financial Statements

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### Note 10 - Subsequent Events:

On January 7, 2020, Filoli entered into a master plan contract with a landscape architecture firm which subcontracts with a firm whose principal is a board member. The estimated total contract obligation is \$525,000.

An outbreak of respiratory disease caused by a novel (new) coronavirus was first detected in China and has now been detected in more than 100 locations internationally, including in the United States. The virus has been named “SARS-CoV-2” and the disease it causes has been named “coronavirus disease 2019” (abbreviated “COVID-19”). On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic.

On March 16, 2020, the individual governments of the Greater San Francisco Bay Area (which includes San Mateo County) announced a mandatory shelter in place order for all residents in the area due to the COVID-19 pandemic. The orders required that all non-essential businesses close until the orders are lifted. As a result, Filoli was forced to close until May 3, 2020. According to the updated Health Officer orders effective May 4, 2020, Filoli was partially open with a limited capacity as of May 11, 2020. Upon the closure, Filoli made some immediate operational adjustments. Filoli is currently evaluating on-going and long-term recovery plans and adaptations to current business plans to help Filoli recover from the circumstances and adhere to any continuing Health Department orders. The board approved that the normal annual distribution from the board-designated TIFF Multi-Asset Fund (“MAF”) for the year ending December 31, 2020 in the amount of \$527,000 is made available for general expenditures. In addition, the board approved additional redemption from the MAF in the amount of \$750,000 for general expenditures. MAF was valued at NAV for \$9,750,000 as of May 11, 2020.