

**THE TRUST FOR HIDDEN VILLA**

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**AUDITED FINANCIAL STATEMENTS**

August 31, 2014

(with summarized financial information for August 31, 2013)

# THE TRUST FOR HIDDEN VILLA

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
The Trust for Hidden Villa  
Los Altos Hills, California

We have audited the accompanying financial statements of The Trust for Hidden Villa (the "Trust," a nonprofit organization) as of August 31, 2014 and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Trust for Hidden Villa as of August 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited The Trust for Hidden Villa's 2013 financial statements, and our report dated January 6, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Burr Pilger Mayer, Inc.*

San Jose, California  
December 12, 2014

**THE TRUST FOR HIDDEN VILLA**  
**STATEMENTS OF FINANCIAL POSITION**

August 31, 2014 and 2013

	2014	2013
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,181,047	\$ 832,792
Certificates of deposit	379,721	474,356
Investments	1,906,515	1,208,644
Unconditional promises to give receivable	9,200	133,940
Other receivables	12,025	8,995
Prepaid and other assets	76,851	78,894
Total current assets	3,565,359	2,737,621
Property and equipment, net	9,493,607	9,665,497
Unconditional promises to give receivable, less current portion	13,200	29,400
Long-term investments	703,912	631,687
	10,210,719	10,326,584
Total assets	\$ 13,776,078	\$ 13,064,205
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 79,053	\$ 104,956
Deferred revenue	199,176	116,913
Total current liabilities	278,229	221,869
Net assets:		
Unrestricted:		
Property and equipment	9,493,607	9,665,497
Board designated	1,569,593	1,106,528
Undesignated	407,728	437,911
Total unrestricted	11,470,928	11,209,936
Temporarily restricted	1,323,009	1,000,713
Permanently restricted	703,912	631,687
Total net assets	13,497,849	12,842,336
Total liabilities and net assets	\$ 13,776,078	\$ 13,064,205

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

# THE TRUST FOR HIDDEN VILLA

## STATEMENT OF ACTIVITIES

For the year ended August 31, 2014  
(with summarized comparative totals for the year ended August 31, 2013)

	2014			Total	2013 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenue and other support:					
Fees	\$ 1,001,867	\$ -	\$ -	\$ 1,001,867	\$ 945,115
Special events, net of expenses of \$75,806 in 2014 and \$73,891 in 2013	117,219	-	-	117,219	150,526
Contributions	595,343	1,301,015	72,225	1,968,583	1,631,586
In-kind contribution income	28,090	-	-	28,090	45,144
Gain on sale of investments	10,516	6,973	-	17,489	379
Dividend income	19,792	13,124	-	32,916	62,214
Net increase in fair value of investments	142,078	94,194	-	236,272	96,891
Rental income	195,725	-	-	195,725	232,614
Miscellaneous income and sales	144,784	-	-	144,784	165,490
Net assets released from restriction	1,093,010	(1,093,010)	-	-	-
Total revenue and other support	3,348,424	322,296	72,225	3,742,945	3,329,959
Expenses:					
Program services:					
Animals	116,331	-	-	116,331	101,983
Youth development	268,975	-	-	268,975	234,618
Community programs	182,435	-	-	182,435	171,545
Community supported agriculture	155,370	-	-	155,370	160,557
Camps/ family and youth	587,681	-	-	587,681	533,896
Environmental education	390,106	-	-	390,106	432,185
Hostel and site rentals	167,273	-	-	167,273	162,679
Volunteers	222,533	-	-	222,533	144,469
Internship	235,038	-	-	235,038	239,102
Total program services	2,325,742	-	-	2,325,742	2,181,034
Supporting services:					
Administration	429,895	-	-	429,895	427,795
Fund development	331,795	-	-	331,795	388,340
Total supporting services	761,690	-	-	761,690	816,135
Total expenses	3,087,432	-	-	3,087,432	2,997,169
Total increase in net assets	260,992	322,296	72,225	655,513	332,790
Net assets, beginning of year	11,209,936	1,000,713	631,687	12,842,336	12,509,546
Net assets, end of year	\$ 11,470,928	\$ 1,323,009	\$ 703,912	\$ 13,497,849	\$ 12,842,336

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

# THE TRUST FOR HIDDEN VILLA

## STATEMENTS OF CASH FLOWS

For the years ended August 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Increase in net assets	\$ 655,513	\$ 332,790
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized (gain) on investments	(236,272)	(96,857)
Realized (gain) loss on investments	(17,489)	(35)
Depreciation	241,256	255,969
Donation of investments	(62,269)	(43,846)
Dividends reinvested	(32,916)	26,428
(Increase) decrease in operating assets:		
Unconditional promises to give receivable	140,940	76,960
Other receivables	(3,030)	11,717
Prepaid expenses and other assets	2,043	29,300
Increase (decrease) in operating liabilities:		
Accounts payable and other accrued liabilities	(25,903)	(6,641)
Deferred revenue	82,263	(76,688)
Total adjustments	88,623	176,307
Net cash provided by operating activities	744,136	509,097
Cash flows from investing activities:		
Maturity of certificates of deposit	94,635	657
Proceeds on sale of investments	131,269	1,760,668
Acquisition of investments	(552,419)	(1,742,382)
Acquisition of property and equipment	(69,366)	(67,039)
Net cash used in investing activities	(395,881)	(48,096)
Net increase in cash and cash equivalents	348,255	461,001
Cash and cash equivalents, beginning of year	832,792	371,791
Cash and cash equivalents, end of year	\$ 1,181,047	\$ 832,792

### Supplemental disclosure of cash flow information:

1. Accounting Policy - The Trust considers all highly liquid investments with a maturity of three months or less when purchased to be "cash equivalents."
2. Schedule of non-cash investing transactions:

	2014	2013
Acquisition of investments	\$ (29,353)	\$ (70,274)
Dividends reinvested	(32,916)	26,428
Donation of investments	62,269	43,846
	\$ -	\$ -

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

# THE TRUST FOR HIDDEN VILLA

## NOTES TO FINANCIAL STATEMENTS

August 31, 2014

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### 1. Business Description and Summary of Significant Accounting Policies

#### *Organization*

Hidden Villa is a nonprofit educational organization that uses its organic farm, wilderness, and community to teach and provide opportunities to learn about the environment and social justice. Hidden Villa stretches over 1,600 acres of open space in the foothills of the Santa Cruz Mountains, about 40 miles south of San Francisco. Our mission is to inspire a just and sustainable future through our programs, land and legacy.

Hidden Villa was founded by Frank and Josephine Duveneck, who purchased the land in 1924 and offered it as a gathering place for discussion, reflection, and incubation of social reform. Over the following decades, the Duvenecks established the first Hostel on the Pacific Coast (1937), the first multiracial summer camp (1945), and Hidden Villa's Environmental Education Program (1970). The Trust for Hidden Villa ("the Trust") was established as a nonprofit in 1960 and is supported by earned income and contributions from individuals, foundations and corporations throughout the Bay Area.

#### *Nature of Activities*

**Hidden Villa's Environmental Education Program:** teaches key concepts of ecology and environmental stewardship through experiences on the farm and in the wilderness for elementary school children. Hidden Villa's teaching techniques and strategies are unique, striking a balance between scientific investigation and feelings of wonder, awareness, appreciation, and fun (over 20,000 students, teachers and parents participate annually).

**Summer Camp and Youth Development:** builds relationships among youth from diverse socio-economic and cultural backgrounds who come together for shared activities in Hidden Villa's unique environment (1,200 participate annually).

**Community Programs:** provide workshops, discussions, and forums for families and individuals interested in sustainable practices, animal husbandry, and nature (1,500 individuals participate in programs annually).

**Community Supported Agriculture Program:** 70% of our produce is used to supply our neighborhood shareholders with fresh, organic produce; 25% is donated to the Community Service Agency of Mountain View for distribution to their clients; and the remaining 5% is sold to local community members at the Los Altos Farmers Market.

**Resident Intern Program:** provides training for young men and women interested in environmental education, community programs, non-profit management, social justice, organic farming, and animal husbandry.

**Volunteers:** About 1,200 volunteers, including individuals and groups from corporations, scout troops, and faith-based organizations, support Hidden Villa in nearly every department and program.

An additional 20,000 visitors come to our preserve annually to explore our farm and gardens or to hike on our eight miles of trails. Our constituents cover a wide spectrum of age, physical ability, geography, ethnicity, cultural and socio-economic backgrounds and our organic farm, rustic barns, newer sustainable structures and pristine riparian, woodland and chaparral wilderness provide opportunities to experience the beauty of our environment on a first hand basis.

Continued

# THE TRUST FOR HIDDEN VILLA

## NOTES TO FINANCIAL STATEMENTS

August 31, 2014

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### 1. Business Description and Summary of Significant Accounting Policies, continued

#### *Basis of Accounting*

The financial statements of the Trust have been prepared on the accrual basis of accounting.

#### *Basis of Presentation*

The Trust is required to report information regarding its financial position and activities in accordance with three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Unrestricted Net Assets** - The portion of net assets that is neither temporarily restricted nor permanently restricted by donor-imposed stipulations.

**Temporarily Restricted Net Assets** - The portion of net assets whose use by the Trust is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Trust according to the terms of the contribution.

**Permanently Restricted Net Assets** - The portion of net assets whose use by the Trust is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Trust.

#### *Prior Year Comparative Information*

The financial statements include certain prior year summarized comparative information in total but not by net asset class or program and supporting service classifications. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Trust's financial statements for the year ended August 31, 2013, from which the summarized information was derived.

#### *Concentration of Credit Risk*

The Trust maintains its cash and cash equivalents in commercial checking and money market accounts. Periodically throughout the year, cash is maintained at the bank in excess of the insured (FDIC) amount of \$250,000.

Sixty-six percent (66%) of the Trust's unconditional promise to give receivables are comprised of an annuity from one donor.

#### *Certificates of Deposit*

Certificates of deposit are carried at cost. The Trust has both the ability and the intent to hold them until maturity. Certificates of deposit mature between November 14, 2014 and November 30, 2015 for the year ended August 31, 2014 with interest rates ranging from 0.25% to 0.35%.

Continued



# THE TRUST FOR HIDDEN VILLA

## NOTES TO FINANCIAL STATEMENTS

August 31, 2014

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### 1. Business Description and Summary of Significant Accounting Policies, continued

#### *Investments*

Investments are stated at their fair market value based on quoted market prices. Investments received by donation are recorded at their fair market value on the date received. Net realized and unrealized gains or losses are reflected as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by the donor. If a restriction is fulfilled in the same fiscal year in which the investment income and/or gain is earned, the Trust reports the earnings as unrestricted. Gains or losses that result from market fluctuations are recognized in the fiscal year such fluctuations occur.

Investment securities are exposed to various risks, such as interest rate, market fluctuations and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect fair value and the amounts reported in the Statements of Financial Position and the Statement of Activities.

#### *Unconditional Promises to Give*

Unconditional verifiable promises to give are recognized as revenue in the period they are pledged. Conditional promises to give are recognized as revenue when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

#### *Accounts Receivable*

The Trust utilizes the allowance method for recognizing bad debts. The allowance is based on experience in prior years and management's analysis of specific accounts. Management has determined that an allowance for uncollectible accounts is not deemed necessary at August 31, 2014 and 2013.

#### *Property and Equipment*

The Trust records purchased property and equipment at cost and donated property and equipment at fair value, with cost or fair value in excess of \$2,500. Depreciation is computed using the straight-line method over the following useful lives:

Building	30 years
Building improvements	30 years
Office equipment	5 to 7 years
Other equipment	7 years
Vehicles	5 to 10 years

#### *Donated Assets*

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. These donated assets are depreciated over their useful lives upon being put in service.

Continued

# THE TRUST FOR HIDDEN VILLA

## NOTES TO FINANCIAL STATEMENTS

August 31, 2014

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### 1. **Business Description and Summary of Significant Accounting Policies**, continued

#### ***Deferred Revenue***

The Trust receives advances for events to be held in the future. These amounts are recorded as deferred revenue when received and are recognized as revenue when the event or match occurs. Deferred revenue was \$199,176 and \$116,913 at August 31, 2014 and 2013, respectively.

#### ***Contributions***

Contribution revenue is recognized when contributions are received. All contributions are considered available for general operations unless specifically restricted by the donor.

The Trust has received multi-year contributions from two donors which are approximately 20% and 11% of total contributions, respectively.

#### ***Contributed Services***

Contributed services, which require a specialized skill and which the Trust would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The Trust also receives donated services that do not require specific expertise but which are nonetheless essential to the Trust's operations. These contributed services are not reflected in the financial statements.

#### ***Grants***

Grants to support the Trust's programs are received from individuals, foundations, governmental agencies and corporations and are recorded as revenue when received.

#### ***Endowments***

The State of California enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective January 1, 2009, the provisions of which apply to endowment funds existing on or established after that date. Net asset classifications of donor-restricted endowment funds subject to an enacted version of UPMIFA have been accounted for appropriately in these financial statements. Additional disclosures about the Trust's endowment funds (both donor-restricted and board-designated endowment funds) whether or not the Trust is subject to UPMIFA have been included for the year ending August 31, 2014.

#### **Interpretation of Relevant Law**

The Board of the Trust has interpreted the State of California's enacted version of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Trust classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts donated to the permanent endowment, and (3) additions to the permanent endowment in accordance with donor directions. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Trust in a manner consistent with the standard of prudence prescribed by the enacted version of UPMIFA.

Continued

# THE TRUST FOR HIDDEN VILLA

## NOTES TO FINANCIAL STATEMENTS

August 31, 2014

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### 1. Business Description and Summary of Significant Accounting Policies, continued

#### *Endowments*, continued

##### **Spending Policy**

In accordance with the State of California's enacted version of UPMIFA, the Trust considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Trust and the endowment funds
- (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 Trust
- (7) The investment policies of the Trust

##### **Investment Policy, Strategies, and Objectives**

The Trust has adopted investment and spending policies for endowment assets that attempt to maximize total return consistent with an acceptable level of risk. The goal is to produce a growing level of income and principal to insure that the funding for the activities supported by the endowment can be maintained in the face of inflation.

Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the funds to unacceptable levels of risk.

##### ***Fair Value Measurement - Definition and Hierarchy***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Trust uses various valuation approaches. A hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Trust. Unobservable inputs are inputs that reflect the Trust's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

*Level 1* - quoted prices in active markets for identical investments.

*Level 2* - other significant observable inputs (including quoted prices for similar instruments, interest rates, prepayment speeds, credit risk, etc.).

Continued

# THE TRUST FOR HIDDEN VILLA

## NOTES TO FINANCIAL STATEMENTS

August 31, 2014

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### 1. Business Description and Summary of Significant Accounting Policies, continued

#### *Fair Value Measurement - Definition and Hierarchy*, continued

*Level 3* - significant unobservable inputs (including the Trust's own assumptions in determining fair value instruments).

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

#### *Expense Allocations*

Expenses, such as depreciation, insurance, and occupancy costs, are allocated among program services and supporting services on the basis of full-time employee equivalent (FTE) ratios and on estimates made by the Trust's management. Management reviews and evaluates the allocations based on changes in programs and the time spent by individuals on the different program or supporting services.

#### *Income Taxes and Uncertainty in Income Taxes*

No provision has been made for income taxes as the Trust is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and state income taxes under Section 23701(d) of the California Revenue Taxation Code.

The Trust has reviewed their accounting for uncertainty in income taxes, including the recognition threshold and related measurement model for recognizing tax positions. For those tax benefits to be recognized, a tax position must more-likely-than-not be sustained upon examination by the taxing authorities. In management's opinion there are no uncertain tax positions for the year ended August 31, 2014. The Trust's income tax returns are subject to examination by the taxing authorities and its tax returns for years subsequent to 2010 are currently subject to examination.

#### *Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that 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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Continued

# THE TRUST FOR HIDDEN VILLA

## NOTES TO FINANCIAL STATEMENTS

August 31, 2014

### 2. Unconditional Promises to Give Receivable

Unconditional promises to give receivable at August 31, 2014 and 2013 are summarized as follows:

	2014	2013
Foundation	\$ 8,000	\$ 121,760
Other	14,400	41,580
	<u>\$ 22,400</u>	<u>\$ 163,340</u>
Receivable in less than one year	\$ 9,200	\$ 133,940
Receivable in one to five years	6,000	21,000
Receivable in more than five years	7,200	8,400
Total unconditional promises to give receivable	22,400	163,340
Less current portion	(9,200)	(133,940)
Unconditional promises to receivable, long-term	<u>\$ 13,200</u>	<u>\$ 29,400</u>

The receivables are not stated at present value since any discount would not be material.

### 3. Property and Equipment, net

Property and equipment, net at August 31, 2014 and 2013 are summarized as follows:

	2014	2013
Land	\$ 6,385,143	\$ 6,385,143
Buildings and land improvements	6,334,442	6,304,035
Furniture, equipment and vehicles	358,210	358,293
	<u>13,077,795</u>	<u>13,047,471</u>
Less accumulated depreciation	<u>(3,584,188)</u>	<u>(3,381,974)</u>
	<u>\$ 9,493,607</u>	<u>\$ 9,665,497</u>

Depreciation expense for the years ended August 31, 2014 and 2013 is \$241,256 and \$255,969, respectively.

Continued

# THE TRUST FOR HIDDEN VILLA

## NOTES TO FINANCIAL STATEMENTS

August 31, 2014

### 4. Investments

The Trust's investments, consisting of mutual funds are recorded at fair value, at August 31, 2014 and 2013 are summarized as follows:

	2014	2013
U.S. equity	\$ 713,866	\$ 575,530
International equity	525,154	393,911
Global fixed	365,375	242,692
Domestic fixed	367,164	234,697
Inflation linked securities	182,286	111,322
Real estate	157,880	102,536
Emerging markets equity	170,418	102,256
Commodities	64,001	40,770
Precious metals	64,283	36,617
	<u>\$ 2,610,427</u>	<u>\$ 1,840,331</u>

The following schedule summarizes the investment return at August 31, 2014 and 2013:

	2014	2013
Total dividend income	\$ 32,916	\$ 62,214
Net increase in fair value of investments	<u>\$ 236,272</u>	<u>\$ 96,891</u>

### 5. Line of Credit

The Trust has a \$500,000 line of credit agreement with Comerica Bank-California, with interest at prime rate plus 1.50% (currently at 4.75%), due on demand. The line of credit is secured by all assets of the Trust, except real estate. There were no outstanding borrowings at August 31, 2014 and 2013.

### 6. Lease

The Trust has a month to month lease with Heifer Project International for office space. Rental income was \$12,000 for each of the years ended August 31, 2014 and 2013, respectively.

### 7. Retirement Plan

The Trust has a tax deferred savings 403(b) plan covering all eligible employees. Participants may receive matching contributions of 1% of their annual salary. Employer contributions were \$43,884 and \$7,536 for the years ended August 31, 2014 and 2013, respectively. For the year ended August 31, 2014 the Trust received a grant of \$34,144 with the restricted purpose of retaining long term employees.

Continued

# THE TRUST FOR HIDDEN VILLA

## NOTES TO FINANCIAL STATEMENTS

August 31, 2014

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### 8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2014	2013
Programs	\$ 426,746	\$ 430,780
Operations, endowment	336,921	102,116
Operations	320,079	400,347
Capital improvements	121,732	9,501
Scholarships	97,979	35,417
Legacy fund	19,552	22,552
Total temporarily restricted net assets	\$ 1,323,009	\$ 1,000,713

Included in temporarily restricted net assets is approximately \$811,000 restricted for time and to be used in fiscal years ending August 31, 2015 and 2016.

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	2014
Purpose restriction accomplished:	
Programs	\$ 510,067
Operations	362,507
Scholarships	170,155
Operations, endowment	27,512
Capital improvements	19,769
Legacy fund	3,000
Total restrictions released	\$ 1,093,010

### 9. Endowment

Endowment net assets composition by type of fund as of August 31, 2014 and 2013 are summarized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
<u>2014</u>				
Donor-restricted endowment funds	\$ -	\$ 336,921	\$ 703,912	\$ 1,040,833
Board-designated endowment funds	1,569,593	-	-	1,569,593
	\$ 1,569,593	\$ 336,921	\$ 703,912	\$ 2,610,426
<u>2013</u>				
Donor-restricted endowment funds	\$ -	\$ 102,116	\$ 631,687	\$ 733,803
Board-designated endowment funds	1,106,528	-	-	1,106,528
	\$ 1,106,528	\$ 102,116	\$ 631,687	\$ 1,840,331

Continued

# THE TRUST FOR HIDDEN VILLA

## NOTES TO FINANCIAL STATEMENTS

August 31, 2014

### 9. Endowment, continued

Changes in endowment net assets for the fiscal years ended August 31, 2014 and 2013 are summarized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, August 31, 2012	\$ 1,048,637	\$ 63,983	\$ 631,687	\$ 1,744,307
Dividend income	37,414	24,800	-	62,214
Net appreciation	58,412	38,479	-	96,891
Amounts appropriated for expenditure	(37,935)	(25,146)	-	(63,081)
Endowment net assets, August 31, 2013	1,106,528	102,116	631,687	1,840,331
Contributions	332,167	148,026	72,225	552,418
Dividend income	19,792	13,124	-	32,916
Net appreciation	152,594	101,167	-	253,761
Amounts appropriated for expenditure	(41,488)	(27,512)	-	(69,000)
Endowment net assets, August 31, 2014	<u>\$ 1,569,593</u>	<u>\$ 336,921</u>	<u>\$ 703,912</u>	<u>\$ 2,610,426</u>

The amount classified as permanently restricted represents the amount of the endowment fund that must be retained permanently in accordance with explicit donor stipulations. The Trust received \$72,225 and \$0 of permanently restricted contributions for the fiscal years ended August 31, 2014 and 2013, respectively.

### 10. Fair Value Measurement

The following table summarizes the Trust's financial assets measured at fair value on a recurring basis:

	Assets at Fair Value as of August 31, 2014		
	(Level 1)	(Level 2)	Total
Money market funds	\$ 987,023	\$ -	\$ 987,023
Certificates of deposit		379,721	379,721
Investments:			
U.S. equity	713,866	-	713,866
International equity	525,154	-	525,154
Global fixed	365,375	-	365,375
Domestic fixed	367,164	-	367,164
Inflation linked securities	182,286	-	182,286
Real estate	157,880	-	157,880
Emerging markets equity	170,418	-	170,418
Commodities	64,001	-	64,001
Precious metals	64,283	-	64,283
Total investments	<u>2,610,427</u>	<u>379,721</u>	<u>2,990,148</u>
	<u>\$ 3,597,450</u>	<u>\$ 379,721</u>	<u>\$ 3,977,171</u>

Continued



# THE TRUST FOR HIDDEN VILLA

## NOTES TO FINANCIAL STATEMENTS

August 31, 2014

### 10. Fair Value Measurement, continued

	Assets at Fair Value as of August 31, 2013		
	(Level 1)	(Level 2)	Total
Money market funds	\$ 600,285	\$ -	\$ 600,285
Certificates of deposit		474,356	474,356
Investments:			
U.S. equity	575,530	-	575,530
International equity	393,911	-	393,911
Global fixed	242,692	-	242,692
Domestic fixed	234,697	-	234,697
Inflation linked securities	111,322	-	111,322
Real estate	102,536	-	102,536
Emerging markets equity	102,256	-	102,256
Commodities	40,770	-	40,770
Precious metals	36,617	-	36,617
Total investments	1,840,331	474,356	2,314,687
	<u>\$ 2,440,616</u>	<u>\$ 474,356</u>	<u>\$ 2,914,972</u>

As of August 31, 2014 and 2013, the Trust did not have any Level 3 assets or liabilities.

### 11. Fund Development

Fund development expenses at August 31, 2014 and 2013 are summarized as follows:

	2014	2013
Salaries and related expenses	\$ 217,468	\$ 249,422
Other operating expenses	92,702	112,485
Professional services	21,625	26,433
	<u>\$ 331,795</u>	<u>\$ 388,340</u>

### 12. Subsequent Events

The Trust evaluated subsequent events for recognition and disclosure through December 12, 2014, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since August 31, 2014 that require recognition or disclosure in such financial statements.