

**THE TRUST FOR HIDDEN VILLA**  
**REPORT ON AUDITS OF**  
**FINANCIAL STATEMENTS**

for the years ended August 31, 2011 and 2010

# 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 statement of financial position of The Trust for Hidden Villa (the "Trust", a nonprofit organization) as of August 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from The Trust for Hidden Villa's 2010 financial statements and, in our report dated April 11, 2011, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Burr Pilger Mayer, INC.*

San Jose, California  
January 4, 2012

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

August 31, 2011 and 2010

ASSETS

	2011	2010
Current Assets:		
Cash and cash equivalents	\$ 579,381	\$ 456,006
Certificates of deposit	474,416	475,335
Investments	1,077,533	942,708
Unconditional promises to give receivable	63,775	201,275
Other receivables	10,135	1,424
Prepaid and other assets	92,502	76,059
Total current assets	2,297,742	2,152,807
Property and equipment	12,930,474	12,862,607
Less accumulated depreciation	(2,891,442)	(2,665,471)
	10,039,032	10,197,136
Unconditional promises to give receivable, long-term	16,800	68,000
Long-term investments	620,188	585,213
	636,988	653,213
Total assets	\$ 12,973,762	\$ 13,003,156

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable and other accrued liabilities	\$ 96,709	\$ 98,820
Deferred revenue	184,211	165,474
Total current liabilities	280,920	264,294
Net Assets:		
Unrestricted:		
Property and equipment	10,039,032	10,197,136
Board designated	1,027,258	942,708
Undesignated	564,988	490,427
Total unrestricted	11,631,278	11,630,271
Temporarily restricted	440,876	523,378
Permanently restricted	620,688	585,213
Total net assets	12,692,842	12,738,862
Total liabilities and net assets	\$ 12,973,762	\$ 13,003,156

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, 2011  
with Summarized Financial Information  
for the year ended August 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011	(For Comparative Purposes Only) Total 2010
<b>REVENUE AND OTHER SUPPORT:</b>					
Fees	\$ 867,577	\$ -	\$ -	\$ 867,577	\$ 852,812
Special events, net of expenses of \$67,234 in 2011 and \$70,688 in 2010	105,232	-	-	105,232	91,189
Contributions	380,052	707,086	35,475	1,122,613	1,378,847
In-kind contribution income	193,885	-	-	193,885	112,293
(Loss) on disposal of fixed assets	(4,796)	-	-	(4,796)	-
Dividend income	8,156	5,067	-	13,223	25,949
Net increase in fair value of investments	107,382	63,945	-	171,327	26,929
Rental income	250,210	-	-	250,210	260,602
Miscellaneous income and sales	142,098	-	-	142,098	108,243
Net assets released from restriction	858,600	(858,600)	-	-	-
<b>Total revenue and other support</b>	<b>\$ 2,908,396</b>	<b>\$ (82,502)</b>	<b>\$ 35,475</b>	<b>\$ 2,861,369</b>	<b>\$ 2,856,864</b>
<b>EXPENSES</b>					
<b>Program Services:</b>					
Animals	\$ 148,163	\$ -	\$ -	\$ 148,163	\$ 140,731
Youth Development	167,765	-	-	167,765	-
Horticulture	-	-	-	-	92,292
Community Programs	159,937	-	-	159,937	160,704
Community Supported					
Agriculture	165,333	-	-	165,333	166,667
Camps/Family and Youth	612,608	-	-	612,608	599,549
Environmental Education	454,214	-	-	454,214	532,744
Hostel and Site Rentals	265,343	-	-	265,343	278,750
Volunteers	34,311	-	-	34,311	61,366
Internship	65,227	-	-	65,227	91,321
<b>Total Program Services</b>	<b>2,072,901</b>	<b>-</b>	<b>-</b>	<b>2,072,901</b>	<b>2,124,124</b>
<b>Supporting Services:</b>					
Administration	343,932	-	-	343,932	413,955
Fund development	490,556	-	-	490,556	338,725
<b>Total Supporting Services</b>	<b>834,488</b>	<b>-</b>	<b>-</b>	<b>834,488</b>	<b>752,680</b>
<b>Total Expenses</b>	<b>2,907,389</b>	<b>-</b>	<b>-</b>	<b>2,907,389</b>	<b>2,876,804</b>
Total increase (decrease) in net assets	1,007	(82,502)	35,475	(46,020)	(19,940)
Net Assets - beginning of year	11,630,271	523,378	585,213	12,738,862	12,758,802
<b>Net Assets - end of year</b>	<b>\$ 11,631,278</b>	<b>\$ 440,876</b>	<b>\$ 620,688</b>	<b>\$ 12,692,842</b>	<b>\$ 12,738,862</b>

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, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities:		
(Decrease) in net assets	\$ (46,020)	\$ (19,940)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized (gain) on investments	(171,327)	(26,929)
Realized loss on investments	-	1,213
Depreciation	234,660	243,428
Loss on disposal of fixed assets	4,796	-
Donation of investments	-	(81,445)
Dividends reinvested	(13,223)	(26,469)
(Increase) decrease in operating assets:		
Unconditional promises to give receivable	188,700	25,125
Other receivables	(8,711)	3,078
Prepaid expenses and other assets	(16,443)	(8,159)
Increase (decrease) in operating liabilities:		
Accounts payable and other accrued liabilities	(2,110)	25,550
Deferred revenue	18,737	38,781
Total adjustments	235,079	194,173
Net cash provided by operating activities	189,059	174,233
Cash Flows from Investing Activities:		
Maturity of certificates of deposit	919	1,119
Proceeds on sale of investments	50,225	82,897
Acquisition of investments	(35,475)	(152,382)
Acquisition of property and equipment	(81,353)	(28,536)
Net cash (used in) investing activities	(65,684)	(96,902)
Net increase in cash and cash equivalents	123,375	77,331
Cash and cash equivalents, beginning of year	456,006	378,675
Cash and cash equivalents, end of year	\$ 579,381	\$ 456,006

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, 2011 and 2010

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 equivalent."
2. Schedule of non-cash transactions:

	2011	2010
Acquisition of investments	\$ (35,475)	\$ (233,827)
Donation of investments	-	81,445
	\$ (35,475)	\$ (152,382)

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

# THE TRUST FOR HIDDEN VILLA

## NOTES TO FINANCIAL STATEMENTS

for the years ended August 31, 2011 and 2010

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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.

#### *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 each year 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, concerts, discussions, and forums for families and individuals interested in sustainable practices, animal husbandry, and nature (8,000 visitors participate annually).

**Community Supported Agriculture Program:** 60% 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 15% 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, social justice, organic farming, and animal husbandry.

**Volunteers:** About 600 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.

A nonprofit Trust since 1960, Hidden Villa is supported by contributions from individuals, foundations and corporations throughout the Bay Area.

Continued



# THE TRUST FOR HIDDEN VILLA

## NOTES TO FINANCIAL STATEMENTS

for the years ended August 31, 2011 and 2010

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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.

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, 2010, 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.

#### *Certificates of Deposit*

Certificates of deposit are carried at cost. The Trust has both the ability and the intent to hold them to maturity. Certificates of deposit mature between September 19, 2011 and October 15, 2012 for the year ended August 31, 2011 with interest rates ranging from 0.35% to 0.55%.

#### *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 period such fluctuations occur.

Continued

# THE TRUST FOR HIDDEN VILLA

## NOTES TO FINANCIAL STATEMENTS

for the years ended August 31, 2011 and 2010

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

#### *Investments*, continued

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. Unconditional promise to give pledges receivable that are expected to be collected in future years are recorded at the discounted present value of their estimated future cash flows using the risk free rate modified for certain considerations applicable to the year in which the promise is received. 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, 2011 and 2010.

#### *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	5-7 years
Other equipment	7 years
Vehicles	5-10 years

#### *Donated Assets*

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

#### *Deferred Revenue*

The Trust receives advances for events to be held in the future. The Trust also receives contributions conditional on matching contributions to be made 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 \$184,211 and \$165,474 at August 31, 2011 and 2010, respectively.

Continued

# THE TRUST FOR HIDDEN VILLA

## NOTES TO FINANCIAL STATEMENTS

for the years ended August 31, 2011 and 2010

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

#### *Contributions*

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

#### *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, 2011.

#### **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

for the years ended August 31, 2011 and 2010

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

#### *Endowment, 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 attempts 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.).
- *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.

Continued

# THE TRUST FOR HIDDEN VILLA

## NOTES TO FINANCIAL STATEMENTS

for the years ended August 31, 2011 and 2010

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

#### ***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 began reviewing and assessing tax positions taken or expected to be taken against the more-likely-than-not recognition threshold and measurement attributes for financial statement recognition.

The Trust's policy for evaluating uncertain tax positions is a two step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more-likely-than-not that the position will be sustained upon audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit or liability as the largest amount that is more than 50% likely to be realized or incurred upon settlement. Based on an analysis prepared by the Trust, it was determined that the tax positions taken or expected to be taken had no material effect on the recorded tax assets and liabilities of the Trust.

The Trust applied this guidance to all tax positions for which the statute of limitations remained open (fiscal years ended since August 31, 2007) and determined there were no material unrecognized tax benefits as of that date. In addition, there have been no material changes in unrecognized benefits since September 1, 2009. There have been no related tax penalties or interest, which would be classified as tax expense in the statement of activities. As the Trust is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and is generally not subject to federal or state income taxes, the adoption of this guidance did not have a material effect on the Trust's financial statements.

#### ***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.

#### ***Reclassifications***

Certain reclassifications have been made to the August 31, 2010 financial statement presentation to conform to the August 31, 2011 presentation.

Continued

# THE TRUST FOR HIDDEN VILLA

## NOTES TO FINANCIAL STATEMENTS

for the years ended August 31, 2011 and 2010

### 2. Unconditional Promises to Give Receivable

Unconditional promises to give receivable at August 31, 2011 and 2010 are summarized as follows:

	2011	2010
Foundations	\$ -	\$ 125,000
Other	80,575	144,275
	<u>\$ 80,575</u>	<u>\$ 269,275</u>
Receivable in less than one year	\$ 63,775	\$ 201,275
Receivable in one to five years	6,000	56,000
Receivable in more than five years	10,800	12,000
Total unconditional promises to give receivable	80,575	269,275
Less current portion	(63,775)	(201,275)
Unconditional promises to give receivable, long-term	<u>\$ 16,800</u>	<u>\$ 68,000</u>

### 3. Property and Equipment

Property and equipment at August 31, 2011 and 2010 are summarized as follows:

	2011	2010
Land	\$ 6,385,143	\$ 6,385,143
Buildings and land improvements	6,264,553	6,212,078
Furniture, equipment and vehicles	280,778	258,510
Improvements in process	-	6,876
	<u>12,930,474</u>	<u>12,862,607</u>
Less accumulated depreciation	(2,891,442)	(2,665,471)
	<u>\$ 10,039,032</u>	<u>\$ 10,197,136</u>

Depreciation expense for the years ended August 31, 2011 is \$234,660 and \$243,428, respectively.

### 4. Investments

The Trust's investments, consisting of mutual funds are recorded at fair market value, at August 31, 2011 and 2010 are summarized as follows:

	2011	2010
Mutual funds:		
Multisector	\$ 822,931	\$ 756,706
Short-term	334,174	328,284
Mid Cap	296,288	222,146
World	244,328	220,785
	<u>\$ 1,697,721</u>	<u>\$ 1,527,921</u>

Continued

# THE TRUST FOR HIDDEN VILLA

## NOTES TO FINANCIAL STATEMENTS

for the years ended August 31, 2011 and 2010

### 4. Investments, continued

The following schedule summarizes the investment return at August 31, 2011 and 2010:

	2011	2010
Total dividend income	\$ 13,223	\$ 18,251
Net increase in fair value of investments	\$ 171,327	\$ 26,929

### 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. There were no outstanding borrowings at August 31, 2011 and 2010.

### 6. Lease

In December 2007, the Trust entered into a land lease agreement with Heifer Project International, an unrelated third party, for the use of approximately ten acres of the Trust's land for the purpose of constructing and operating a Global Village. It was determined that the land identified in the original lease was not usable by Heifer Project International and lease payments were suspended. The Trust entered into a lease amendment. The lease amendment grants a substitution of the original premises for relocation premises of approximately 8.5 acres. The term of the lease is twenty-two years and two months. Heifer Project International has the right to terminate the lease pending certain requirements, to obtain approval of necessary permits.

Rent income was \$49,998 and \$91,663 for the years ended August 31, 2011 and 2010, respectively.

Subsequent to the fiscal year ended August 31, 2010, Heifer Project International decided to terminate the Global Village project and had stopped lease payments as of February 2011. The Trust has engaged legal counsel to determine how to proceed against the lessee. The status of the lease agreement is uncertain as of the financial statement date and no amounts have been recorded in these financial statements.

### 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 \$7,755 and \$5,307 for the years ended August 31, 2011 and August 31, 2010, respectively.

Continued

# THE TRUST FOR HIDDEN VILLA

## NOTES TO FINANCIAL STATEMENTS

for the years ended August 31, 2011 and 2010

### 8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2011	2010
Programs	\$ 258,510	\$ 247,743
Operations	84,911	201,672
General operations	49,775	-
Legacy fund	27,552	30,107
Capital improvements	13,646	27,551
Scholarships	6,482	16,305
Total temporarily restricted net assets	\$ 440,876	\$ 523,378

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

	2011
Purpose restriction accomplished:	
Programs	\$ 383,491
Operations	287,874
Scholarships	129,113
Capital improvements	36,330
General operations	19,237
Legacy fund	2,555
Total restrictions released	\$ 858,600

### 9. Endowment

Endowment net assets composition by type of fund as of August 31, 2011 and 2010 are summarized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
<u>2011</u>				
Donor-restricted endowment funds	\$ -	\$ 49,775	\$ 620,688	\$ 670,463
Board-designated endowment funds	1,027,258	-	-	1,027,258
	\$ 1,027,258	\$ 49,775	\$ 620,688	\$ 1,697,721
<u>2010</u>				
Donor-restricted endowment funds	\$ -	\$ -	\$ 585,213	\$ 585,213
Board-designated endowment funds	942,708	-	-	942,708
	\$ 942,708	\$ -	\$ 585,213	\$ 1,527,921

Continued



# THE TRUST FOR HIDDEN VILLA

## NOTES TO FINANCIAL STATEMENTS

for the years ended August 31, 2011 and 2010

### 9. Endowment, continued

Changes in endowment net assets as of August 31, 2011 and 2010 are summarized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, August 31, 2009	\$ 769,446	\$ -	\$ 584,713	\$ 1,354,159
Contributions	175,060	-	500	175,560
Dividend income	10,586	7,665	-	18,251
Net appreciation	15,619	11,310	-	26,929
Amounts appropriated for expenditure	(28,003)	(18,975)	-	(46,978)
Endowment net assets, August 31, 2010	942,708	-	585,213	1,527,921
Contributions	-	-	35,475	35,475
Dividend income	8,156	5,067	-	13,223
Net appreciation	107,382	63,945	-	171,327
Amounts appropriated for expenditure	(30,988)	(19,237)	-	(50,225)
Endowment net assets, August 31, 2011	<u>\$ 1,027,258</u>	<u>\$ 49,775</u>	<u>\$ 620,688</u>	<u>\$ 1,697,721</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 \$35,475 and \$500 of permanently restricted contributions for the fiscal years ended August 31, 2011 and 2010, respectively.

### 10. Fair Value Measurement

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

	Assets at Fair Value as of August 31, 2011	
	(Level 1)	Total
Money market funds	\$ 295,406	\$ 295,406
Certificates of deposit	474,416	474,416
Mutual funds	1,697,721	1,697,721
	<u>\$ 2,467,543</u>	<u>\$ 2,467,543</u>
	Assets at Fair Value as of August 31, 2010	
	(Level 1)	Total
Money market funds	\$ 326,216	\$ 326,216
Certificates of deposit	475,335	475,335
Mutual funds	1,527,921	1,527,921
	<u>\$ 2,329,472</u>	<u>\$ 2,329,472</u>

As of August 31, 2011 and 2010, the Trust did not have any Level 2 or Level 3 assets or liabilities.

Continued

# THE TRUST FOR HIDDEN VILLA

## NOTES TO FINANCIAL STATEMENTS

for the years ended August 31, 2011 and 2010

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### 11. Subsequent Events

The Trust evaluated subsequent events for recognition and disclosure through January 4, 2012, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since January 4, 2012 that require recognition or disclosure in such financial statements.