

THE TRUST FOR HIDDEN VILLA

AUDITED FINANCIAL STATEMENTS

for the year ended August 31, 2013
(with summarized financial information for August 31, 2012)

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, 2013 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, 2013, 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 2012 financial statements, and our report dated February 14, 2013, 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, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Burr Pilger Mayer, Inc.

San Jose, California
January 6, 2014

THE TRUST FOR HIDDEN VILLA

STATEMENTS OF FINANCIAL POSITION

August 31, 2013 and 2012

| | 2013 | 2012 |
|---|----------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 832,792 | \$ 371,791 |
| Certificates of deposit | 474,356 | 475,013 |
| Investments | 1,208,644 | 1,112,620 |
| Unconditional promises to give receivable | 133,940 | 149,700 |
| Other receivables | 8,995 | 20,712 |
| Prepaid and other assets | 78,894 | 108,194 |
| Total current assets | <u>2,737,621</u> | <u>2,238,030</u> |
| Property and equipment, net | 9,665,497 | 9,854,427 |
| Unconditional promises to give receivable, less current portion | 29,400 | 90,600 |
| Long-term investments | 631,687 | 631,687 |
| | <u>661,087</u> | <u>722,287</u> |
| Total assets | <u>\$ 13,064,205</u> | <u>\$ 12,814,744</u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities: | | |
| Accounts payable and other accrued liabilities | \$ 104,956 | \$ 111,597 |
| Deferred revenue | 116,913 | 193,601 |
| Total current liabilities | <u>221,869</u> | <u>305,198</u> |
| Net Assets: | | |
| Unrestricted: | | |
| Property and equipment | 9,665,497 | 9,854,427 |
| Board designated | 1,106,528 | 1,048,637 |
| Undesignated | 437,911 | 490,947 |
| Total unrestricted | <u>11,209,936</u> | <u>11,394,011</u> |
| Temporarily restricted | 1,000,713 | 483,848 |
| Permanently restricted | 631,687 | 631,687 |
| Total net assets | <u>12,842,336</u> | <u>12,509,546</u> |
| Total liabilities and net assets | <u>\$ 13,064,205</u> | <u>\$ 12,814,744</u> |

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, 2013
(with summarized comparative totals for August 31, 2012)

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total 2013 | (For Comparative Purposes Only) Total 2012 |
|---|----------------------|---------------------------|---------------------------|----------------------|---|
| Revenue and other support: | | | | | |
| Fees | \$ 945,115 | \$ - | \$ - | \$ 945,115 | \$ 905,088 |
| Special events, net of expenses of \$73,891 in 2013 and \$67,846 in 2012 | 150,526 | - | - | 150,526 | 166,865 |
| Contributions | 558,538 | 1,073,048 | - | 1,631,586 | 1,033,783 |
| In-kind contribution income | 45,144 | - | - | 45,144 | 78,012 |
| Gain on disposal of fixed assets | 379 | - | - | 379 | 2,631 |
| Dividend income | 37,414 | 24,800 | - | 62,214 | 20,282 |
| Net increase in fair value of investments | 58,412 | 38,479 | - | 96,891 | 73,088 |
| Rental income | 232,614 | - | - | 232,614 | 215,479 |
| Miscellaneous income and sales | 165,490 | - | - | 165,490 | 127,848 |
| Net assets released from restriction | 619,462 | (619,462) | - | - | - |
| Total revenue and other support | <u>\$ 2,813,094</u> | <u>\$ 516,865</u> | <u>\$ -</u> | <u>\$ 3,329,959</u> | <u>\$ 2,623,076</u> |
| Expenses: | | | | | |
| <u>Program Services:</u> | | | | | |
| Animals | \$ 101,983 | \$ - | \$ - | \$ 101,983 | \$ 159,781 |
| Youth Development | 234,618 | - | - | 234,618 | 129,796 |
| Community Programs | 171,545 | - | - | 171,545 | 165,920 |
| Community Supported Agriculture | 160,557 | - | - | 160,557 | 176,429 |
| Camps/Family and Youth | 533,896 | - | - | 533,896 | 659,990 |
| Environmental Education | 432,185 | - | - | 432,185 | 434,782 |
| Hostel and Site Rentals | 162,679 | - | - | 162,679 | 275,770 |
| Volunteers | 144,469 | - | - | 144,469 | 49,194 |
| Internship | 239,102 | - | - | 239,102 | 92,683 |
| Total Program Services | 2,181,034 | - | - | 2,181,034 | 2,144,345 |
| <u>Supporting Services:</u> | | | | | |
| Administration | 427,795 | - | - | 427,795 | 303,307 |
| Fund development | 388,340 | - | - | 388,340 | 358,720 |
| Total Supporting Services | 816,135 | - | - | 816,135 | 662,027 |
| Total Expenses | <u>2,997,169</u> | <u>-</u> | <u>-</u> | <u>2,997,169</u> | <u>2,806,372</u> |
| Total increase (decrease) in net assets | (184,075) | 516,865 | - | 332,790 | (183,296) |
| Net Assets - beginning of year | 11,394,011 | 483,848 | 631,687 | 12,509,546 | 12,692,842 |
| Net Assets - end of year | <u>\$ 11,209,936</u> | <u>\$ 1,000,713</u> | <u>\$ 631,687</u> | <u>\$ 12,842,336</u> | <u>\$ 12,509,546</u> |

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

THE TRUST FOR HIDDEN VILLA
STATEMENTS OF CASH FLOWS
for the year ended August 31, 2013 and 2012

| | 2013 | 2012 |
|--|-------------|--------------|
| Cash Flows from Operating Activities: | | |
| (Decrease) in net assets | \$ 332,790 | \$ (183,296) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Unrealized (gain) on investments | (96,857) | (73,088) |
| Realized (gain) loss on investments | (35) | 94 |
| Depreciation | 255,969 | 238,732 |
| Donation of investments | (43,846) | (28,436) |
| Dividends reinvested | 26,428 | (20,282) |
| (Increase) decrease in operating assets: | | |
| Unconditional promises to give receivable | 76,960 | (159,725) |
| Other receivables | 11,717 | (10,577) |
| Prepaid expenses and other assets | 29,300 | (15,692) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable and other accrued liabilities | (6,641) | 14,888 |
| Deferred revenue | (76,688) | 9,390 |
| Total adjustments | 176,307 | (44,696) |
| Net cash provided by (used in) operating activities | 509,097 | (227,992) |
| Cash Flows from Investing Activities: | | |
| Maturity of certificates of deposit | 657 | (597) |
| Proceeds on sale of investments | 1,760,668 | 86,125 |
| Acquisition of investments | (1,742,382) | (10,999) |
| Acquisition of property and equipment | (67,039) | (54,127) |
| Net cash (used in) provided by investing activities | (48,096) | 20,402 |
| Net increase (decrease) in cash and cash equivalents | 461,001 | (207,590) |
| Cash and cash equivalents, beginning of year | 371,791 | 579,381 |
| Cash and cash equivalents, end of year | \$ 832,792 | \$ 371,791 |

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

THE TRUST FOR HIDDEN VILLA
STATEMENTS OF CASH FLOWS
for the year ended August 31, 2013 and 2012

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:

| | 2013 | 2012 |
|----------------------------|-------------|-------------|
| Acquisition of investments | \$ (70,274) | \$ (59,717) |
| Dividends reinvested | 26,428 | 20,282 |
| Donation of investments | 43,846 | 28,436 |
| | \$ - | \$ (10,999) |

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

THE TRUST FOR HIDDEN VILLA

NOTES TO FINANCIAL STATEMENTS

August 31, 2013

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, 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.

THE TRUST FOR HIDDEN VILLA

NOTES TO FINANCIAL STATEMENTS

August 31, 2013

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, 2012, 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.

Fifty five percent of the Trusts unconditional promise to give receivables is comprised of a pledge 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 to maturity. Certificates of deposit mature between September 23, 2013 and August 21, 2014 for the year ended August 31, 2013 with interest rates ranging from 0.2% to 0.5%. The certificates which matured subsequent to year end have been renewed with a new maturity date of August 2014.

THE TRUST FOR HIDDEN VILLA

NOTES TO FINANCIAL STATEMENTS

August 31, 2013

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, 2013 and 2012.

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. These amounts are recorded as deferred revenue when received and are recognized as revenue when the event or match occurs. Deferred revenue was \$116,913 and \$193,601 at August 31, 2013 and 2012, respectively.

Continued

THE TRUST FOR HIDDEN VILLA

NOTES TO FINANCIAL STATEMENTS

August 31, 2013

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.

The Trust has received contributions from one donor which is approximately 19% of total contributions.

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, 2013.

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.

THE TRUST FOR HIDDEN VILLA

NOTES TO FINANCIAL STATEMENTS

August 31, 2013

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 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).

Continued

THE TRUST FOR HIDDEN VILLA

NOTES TO FINANCIAL STATEMENTS

August 31, 2013

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

Fair Value Measurement—Definition and Hierarchy, continued

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, 2013. The Trust's income tax returns are subject to examination by the taxing authorities and its tax returns for years subsequent to 2009 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.

2. Unconditional Promises to Give Receivable

Unconditional promises to give receivable at August 31, 2013 and 2012 are summarized as follows:

| | 2013 | 2012 |
|---|-------------------|-------------------|
| Foundation | \$ 121,760 | \$ 150,000 |
| Other | 41,580 | 90,300 |
| | <u>\$ 163,340</u> | <u>\$ 240,300</u> |
| Receivable in less than one year | \$ 133,940 | \$ 149,700 |
| Receivable in one to five years | 21,000 | 81,000 |
| Receivable in more than five years | 8,400 | 9,600 |
| Total unconditional promises to give receivable | 163,340 | 240,300 |
| Less current portion | (133,940) | (149,700) |
| Unconditional promises to receivable, long-term | <u>\$ 29,400</u> | <u>\$ 90,600</u> |

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

Continued

THE TRUST FOR HIDDEN VILLA

NOTES TO FINANCIAL STATEMENTS

August 31, 2013

3. Property and Equipment, net

Property and equipment, net at August 31, 2013 and 2012 are summarized as follows:

| | 2013 | 2012 |
|-----------------------------------|---------------------|---------------------|
| Land | \$ 6,385,143 | \$ 6,385,143 |
| Buildings and land improvements | 6,304,035 | 6,304,680 |
| Furniture, equipment and vehicles | 358,293 | 294,778 |
| | <u>13,047,471</u> | <u>12,984,601</u> |
| Less accumulated depreciation | <u>(3,381,974)</u> | <u>(3,130,174)</u> |
| | <u>\$ 9,665,497</u> | <u>\$ 9,854,427</u> |

Depreciation expense for the years ended August 31, 2013 and 2012 is \$255,969 and \$238,732, respectively.

4. Investments

The Trust's investments, consisting of mutual funds are recorded at fair value, at August 31, 2013 and 2012 are summarized as follows:

| | 2013 | 2012 |
|-----------------------------|---------------------|---------------------|
| U.S. Equity | \$ 575,530 | \$ - |
| International Equity | 393,911 | - |
| Global Fixed | 242,692 | 254,191 |
| Domestic Fixed | 234,697 | - |
| Inflation Linked Securities | 111,322 | - |
| Real Estate | 102,536 | - |
| Emerging Markets Equity | 102,256 | - |
| Commodities | 40,770 | - |
| Precious Metals | 36,617 | - |
| Multisector | - | 829,691 |
| Short-Term | - | 336,574 |
| Mid-Cap | - | 323,851 |
| | <u>\$ 1,840,331</u> | <u>\$ 1,744,307</u> |

During the year ended August 31, 2013 the Trust engaged the services of an investment advisor to evaluate the existing investment portfolio and recommend updates to the investment strategy. The Trust implemented the revised investment strategy through the sale and subsequent purchase of various investments.

The following schedule summarizes the investment return at August 31, 2013 and 2012:

| | 2013 | 2012 |
|--|------------------|------------------|
| Total dividend income | <u>\$ 62,214</u> | <u>\$ 20,282</u> |
| Net increase in fair value of investments | <u>\$ 96,891</u> | <u>\$ 73,088</u> |

Continued

THE TRUST FOR HIDDEN VILLA

NOTES TO FINANCIAL STATEMENTS

August 31, 2013

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, 2013 and 2012.

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, 2013 and 2012, 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 \$7,536 and \$7,094 for the years ended August 31, 2013 and 2012, respectively.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

| | 2013 | 2012 |
|---|---------------------|-------------------|
| Programs | \$ 430,780 | \$ 267,874 |
| Operations | 400,347 | 113,304 |
| Operations, endowment | 102,116 | 63,983 |
| Scholarships | 35,417 | - |
| Legacy fund | 22,552 | 27,552 |
| Capital improvements | 9,501 | 11,135 |
| Total temporarily restricted net assets | <u>\$ 1,000,713</u> | <u>\$ 483,848</u> |

Included in temporarily restricted net assets is approximately \$804,000 restricted for time and to be used in fiscal years ending August 31, 2014 and 2015.

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

| | 2013 |
|-----------------------------------|-------------------|
| Purpose restriction accomplished: | |
| Programs | \$ 373,552 |
| Scholarships | 165,000 |
| Operations | 48,630 |
| Operations, endowment | 25,146 |
| Legacy fund | 5,000 |
| Capital improvements | 2,134 |
| Total restrictions released | <u>\$ 619,462</u> |

Continued

THE TRUST FOR HIDDEN VILLA

NOTES TO FINANCIAL STATEMENTS

August 31, 2013

9. Endowment

Endowment net assets composition by type of fund as of August 31, 2013 and 2012 are summarized as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total Endowment Net Assets |
|----------------------------------|--------------|---------------------------|---------------------------|----------------------------------|
| <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 |
| <u>2012</u> | | | | |
| Donor-restricted endowment funds | \$ - | \$ 63,983 | \$ 631,687 | \$ 695,670 |
| Board-designated endowment funds | 1,048,637 | - | - | 1,048,637 |
| | \$ 1,048,637 | \$ 63,983 | \$ 631,687 | \$ 1,744,307 |

Changes in endowment net assets for the fiscal years ended August 31, 2013 and 2012 are summarized as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total Endowment Net Assets |
|---------------------------------------|--------------|---------------------------|---------------------------|----------------------------------|
| Endowment net assets, August 31, 2011 | \$ 1,027,258 | \$ 49,775 | \$ 620,688 | \$ 1,697,721 |
| Contributions | - | - | 10,999 | 10,999 |
| Dividend income | 12,275 | 8,007 | - | 20,282 |
| Net appreciation | 44,078 | 29,010 | - | 73,088 |
| Amounts appropriated for expenditure | (34,974) | (22,809) | - | (57,783) |
| Endowment net assets, August 31, 2012 | 1,048,637 | 63,983 | 631,687 | 1,744,307 |
| Contributions | - | - | - | - |
| 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 |

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 \$0 and \$10,999 of permanently restricted contributions for the fiscal years ended August 31, 2013 and 2012, respectively.

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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, 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 |
| | \$ 2,440,616 | \$ 474,356 | \$ 2,914,972 |

| | Assets at Fair Value as of August 31, 2012 | | |
|-------------------------|--|------------|--------------|
| | (Level 1) | (Level 2) | Total |
| Money Market Funds | \$ 237,771 | \$ - | \$ 237,771 |
| Certificates of Deposit | | 475,013 | 475,013 |
| Investments: | | | |
| U.S. Equity | 829,691 | - | 829,691 |
| International Equity | 336,574 | - | 336,574 |
| Global Fixed | 323,851 | - | 323,851 |
| Domestic Fixed | 254,191 | - | 254,191 |
| Total Investments | 1,744,307 | 475,013 | 2,219,320 |
| | \$ 1,982,078 | \$ 475,013 | \$ 2,457,091 |

As of August 31, 2013 and 2012, the Trust did not have any Level 3 assets or liabilities.

11. Fund Development

Fund development expenses at August 31, 2013 and 2012 are summarized as follows:

| | 2013 | 2012 |
|-------------------------------|------------|------------|
| Salaries and related expenses | \$ 249,422 | \$ 249,865 |
| In-kind | - | 21,702 |
| Professional services | 26,433 | 18,310 |
| Other operating expenses | 112,485 | 68,843 |
| | \$ 388,340 | \$ 358,720 |

Continued

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August 31, 2013

12. Subsequent Events

The Trust evaluated subsequent events for recognition and disclosure through January 6, 2014, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since August 31, 2013 that require recognition or disclosure in such financial statements.