

**THE TRUST FOR HIDDEN VILLA**

REPORT ON AUDITS OF  
FINANCIAL STATEMENTS

**For the Years Ended August 31, 2009 and 2008**

# THE TRUST FOR HIDDEN VILLA

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
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, 2009, 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 2008 financial statements and, in our report dated December 19, 2008, 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, 2009, 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*

San Jose, California  
March 3, 2010

*Member of The Leading Edge Alliance*

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

August 31, 2009 and 2008

ASSETS

	2009	2008
Current Assets:		
Cash and cash equivalents	\$ 378,675	\$ 381,373
Certificates of deposit	476,454	485,333
Investments	740,093	890,151
Unconditional promises to give receivable	275,200	43,200
Other receivables	4,502	23,386
Prepaid and other assets	67,900	81,114
Total current assets	1,942,824	1,904,557
Property and equipment	12,834,071	12,714,718
Less accumulated depreciation	(2,422,043)	(2,181,242)
	10,412,028	10,533,476
Unconditional promises to give receivable, long-term	19,200	20,400
Long-term investments	584,713	583,213
	603,913	603,613
Total assets	\$ 12,958,765	\$ 13,041,646

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable and other accrued liabilities	\$ 73,270	\$ 111,052
Deferred revenue	126,693	143,522
Total current liabilities	199,963	254,574
Net Assets:		
Unrestricted:		
Property and equipment	10,412,028	10,533,476
Board designated	769,446	876,659
Undesignated	738,704	442,708
Total unrestricted	11,920,178	11,852,843
Temporarily restricted	253,911	351,016
Permanently restricted	584,713	583,213
Total net assets	12,758,802	12,787,072
Total liabilities and net assets	\$ 12,958,765	\$ 13,041,646

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, 2009  
with Summarized Financial Information  
For the Year Ended August 31, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009	(For Comparative Purposes Only) Total 2008
<b>REVENUE AND OTHER SUPPORT:</b>					
Fees	\$ 897,600	\$ -	\$ -	\$ 897,600	\$ 876,321
Special events, net of expenses of \$58,386 in 2009 and \$16,007 in 2008	93,400	-	-	93,400	4,085
Contributions	759,019	530,573	1,500	1,291,092	1,683,615
In-kind contribution income	6,719	-	-	6,719	-
Investment income, net	62,558	-	-	62,558	101,925
Unrealized (loss) on investments	(116,014)	-	-	(116,014)	(122,816)
Rental income	219,489	-	-	219,489	287,184
Miscellaneous income and sales	111,577	-	-	111,577	99,443
Net assets released from restriction	627,678	(627,678)	-	-	-
<b>Total revenue and other support</b>	<b>\$ 2,662,026</b>	<b>\$ (97,105)</b>	<b>\$ 1,500</b>	<b>\$ 2,566,421</b>	<b>\$ 2,929,757</b>

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, 2009  
with Summarized Financial Information  
For the Year Ended August 31, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009	(For Comparative Purposes Only) Total 2008
<b>EXPENSES</b>					
<u>Program Services:</u>					
Animals	\$ 134,651	\$ -	\$ -	\$ 134,651	\$ 123,688
Horticulture	82,825	-	-	82,825	72,132
Community Programs	132,185	-	-	132,185	140,457
Community Supported Agriculture	160,847	-	-	160,847	155,291
Camps/Family and Youth	565,052	-	-	565,052	582,657
Environmental Education	480,251	-	-	480,251	431,604
Hostel and Site Rentals	275,259	-	-	275,259	301,041
Volunteers	59,854	-	-	59,854	65,213
Internship	95,248	-	-	95,248	86,309
 Total Program Services	 1,986,172	 -	 -	 1,986,172	 1,958,392
<u>Supporting Services:</u>					
Administration	283,732	-	-	283,732	268,307
Fund development	324,787	-	-	324,787	314,941
Total Supporting Services	608,519	-	-	608,519	583,248
 Total Expenses	 2,594,691	 -	 -	 2,594,691	 2,541,640
Total increase (decrease) in net assets	67,335	(97,105)	1,500	(28,270)	388,117
Net Assets - beginning of year	11,852,843	351,016	583,213	12,787,072	12,398,955
Net Assets - end of year	\$ 11,920,178	\$ 253,911	\$ 584,713	\$ 12,758,802	\$ 12,787,072

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, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities:		
Increase (decrease) in net assets	\$ (28,270)	\$ 388,117
Adjustments to reconcile change in net assets to net cash provided by (used in) by operating activities:		
Unrealized loss on investments	116,014	122,816
Depreciation	240,801	237,982
Donation of investments	(494,344)	(428,365)
Dividends reinvested	(45,477)	(73,962)
(Increase) decrease in operating assets:		
Unconditional promises to give receivable	(230,800)	(33,935)
Other receivables	18,884	(6,290)
Prepaid expenses and other assets	13,214	(25,672)
Increase (decrease) in operating liabilities:		
Accounts payable and other accrued liabilities	(37,782)	39,000
Deferred revenue	(16,829)	93,191
Total adjustments	(436,319)	(75,235)
Net cash provided by (used in) operating activities	(464,589)	312,882
Cash Flows from Investing Activities:		
Purchase of certificates of deposit	(476,454)	(485,000)
Maturity of certificates of deposit	485,333	388,780
Proceeds on sale of investments	804,325	654,492
Acquisition of investments	(231,960)	(558,274)
Acquisition of property and equipment	(119,353)	(131,546)
Net cash provided by (used in) investing activities	461,891	(131,548)
Net increase (decrease) in cash and cash equivalents	(2,698)	181,334
Cash and cash equivalents, beginning of year	381,373	200,039
Cash and cash equivalents, end of year	\$ 378,675	\$ 381,373

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

**THE TRUST FOR HIDDEN VILLA**  
**STATEMENTS OF CASH FLOWS, Continued**  
**For the Years Ended August 31, 2009 and 2008**

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:

	2009	2008
Acquisition of investments	\$ (726,304)	\$ (986,639)
Donation of investments	494,344	428,365
	\$ (231,960)	\$ (558,274)

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, 2009 and 2008

### 1. BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 was established as a nonprofit in 1960.

#### Core Programs

**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).

**Summer Camp** builds relationships among youth from diverse socio-economic and cultural backgrounds who come together for shared activities in Hidden Villa's unique environment (1,000 campers annually).

**Community Programs** provides workshops, concerts, discussions, and forums for families and individuals interested in sustainable practices, animal husbandry, and nature (8,000 visitors 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 non-profit organization 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, 2009 and 2008

### 1. BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The financial statements are prepared using the accrual basis of accounting and are in accordance with Statements of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made," and No. 117, "Financial Statements of Not-for-Profit Organizations." Accordingly, the classification of the Trust's net assets and its revenues and expenditures is based on the existence or absence of donor-imposed restrictions. The provisions of these standards require amounts for each of three classes of net assets - permanently restricted, temporarily restricted, and unrestricted - be displayed in the Statement of Financial Position and the change in each of these classes of net assets be presented in the Statement of Activities.

Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Trust.

Temporarily restricted net assets include those assets which are subject to a donor restriction and for which the applicable restriction was not met as of the end of the current reporting period.

Permanently restricted net assets include those assets which are subject to a nonexpiring donor restriction, such as endowments.

The Trust utilizes SFAS No. 116, "Accounting for Contributions Received and Made," which requires unconditional promises to give to be reported as support of the Trust.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. 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, 2008, from which the summarized information was derived.

#### **Certificates of Deposit**

Certificates of deposits are carried at cost. The Trust has both the ability and the intent to hold them to maturity. Certificates of deposit mature between September 3, 2009 and June 25, 2010 for the year ended August 31, 2009 with interest rates ranging from 1.05% to 3.9%.

#### **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 no allowance for uncollectible accounts is deemed necessary at August 31, 2009 and 2008.

#### **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.

Continued

# THE TRUST FOR HIDDEN VILLA

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2009 and 2008

### 1. BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

#### Investments

The Trust has adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values. Unrealized gains and losses are included in the change in net assets. The Trust's investments are in stocks and mutual funds, which have a readily determinable fair value.

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 the various risks will occur in the near term that could materially affect fair value and the amounts reported in the Statements of Financial Position and the Statement of Activities.

#### 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.

#### 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.

Continued

# THE TRUST FOR HIDDEN VILLA

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2009 and 2008

### 1. BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

#### 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.

#### Grants

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

#### Deferred Revenue

The Trust received 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 \$126,693 and \$143,522 at August 31, 2009 and 2008, respectively.

#### Endowments

In August 2008, the Financial Accounting Standards Board issued FASB Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FSP FAS 117-1). FSP FAS No. 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FSP FAS No. 117-1 also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of California enacted UPMIFA effective January 1, 2009, the provisions of which apply to endowment funds existing on or established after that date. The Trust has adopted FSP FAS No. 117-1 for the year ending August 31, 2009.

The Trust's endowment includes donor-restricted endowment funds, and as required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Continued

# THE TRUST FOR HIDDEN VILLA

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2009 and 2008

### 1. BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

#### Interpretation of Relevant Law

The Trust's Board has interpreted 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 does not have any temporarily restricted donor-restricted endowment funds at August 31, 2009 and 2008.

#### 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, and to provide a predictable stream of funding to programs supported by its endowment. The Trust expects its endowment funds, over time, to provide a rate of return that ensures funding can be maintained.

To satisfy its long-term rate-of-return objectives, the Trust relies on a total return strategy in which returns from socially responsible investments are achieved through both capital appreciation and current yield.

Continued

# THE TRUST FOR HIDDEN VILLA

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2009 and 2008

### 1. BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

#### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Trust to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$16,330 as of August 31, 2009. There were no deficiencies as of August 31, 2008. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Board (See Note 9).

#### Income Taxes

No provision has been made for income taxes as the Trust is exempt under Internal Revenue Code Section 501(c)(3) and comparable laws of the State of California. The Trust is not classified as a private trust.

#### 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.

#### Recent Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, ("SFAS No. 159"), which provides organizations an option to report selected financial assets and liabilities at fair value. SFAS No. 159 requires companies to provide information helping financial statement users to understand the effect of an organization's choice to use fair value on its earnings, as well as to display the fair value of the assets and liabilities a company has chosen to use fair value for on the face of the statement of financial position. SFAS No. 159 was effective for fiscal years beginning after November 15, 2007. The Trust adopted SFAS No. 159 in 2008 and did not elect the fair value option for any of its financial assets or liabilities.

Continued

**THE TRUST FOR HIDDEN VILLA**

**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended August 31, 2009 and 2008

**2. UNCONDITIONAL PROMISES TO GIVE RECEIVABLE**

Unconditional promises to give receivable at August 31, 2009 and 2008 are summarized as follows:

	2009	2008
Foundations	\$ 40,000	\$ 46,600
Other	254,400	17,000
	\$ 294,400	\$ 63,600
Receivable in less than one year	\$ 275,200	\$ 43,200
Receivable in one to five years	6,000	6,000
Receivable in more than five years	13,200	14,400
Total unconditional promises to give	294,400	63,600
Less current portion	(275,200)	(43,200)
Long-term unconditional promises to give	\$ 19,200	\$ 20,400

**3. PROPERTY AND EQUIPMENT**

Property and equipment at August 31, 2009 and 2008 are summarized as follows:

	2009	2008
Land	\$ 6,385,143	\$ 6,385,143
Buildings and land improvements	6,152,287	5,996,174
Furniture, equipment and vehicles	252,509	252,509
Improvements in process	44,132	80,892
	12,834,071	12,714,718
Less accumulated depreciation	(2,422,043)	(2,181,242)
	\$ 10,412,028	\$ 10,533,476

At fiscal year end, the Trust had one improvement project in process. The project is expected to be completed February 2010. The estimated total cost to complete the improvements is approximately \$45,000.

Continued

**THE TRUST FOR HIDDEN VILLA**

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended August 31, 2009 and 2008

**4. INVESTMENTS**

The fair value of investments is based on quoted market values. Investments as of August 31, 2009 and 2008 are summarized as follows:

<u>2009</u>	Cost	Fair Market Value	Carrying Value
Permanently Restricted:			
Mutual Fund	\$ 584,713	\$ 584,713	\$ 584,713
Unrestricted:			
Mutual Fund	858,345	740,093	740,093
	\$ 1,443,058	\$ 1,324,806	\$ 1,324,806

2008

Permanently Restricted:			
Mutual Fund	\$ 583,213	\$ 583,213	\$ 583,213
Unrestricted:			
Mutual Fund	1,014,397	890,151	890,151
	\$ 1,597,610	\$ 1,473,364	\$ 1,473,364

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>2009</u>				
Interest and dividends	\$ 62,558	\$ -	\$ -	\$ 62,558
Unrealized (loss)	(116,014)	-	-	(116,014)
Total investment (loss)	\$ (53,456)	\$ -	\$ -	\$ (53,456)
<u>2008</u>				
Interest and dividends	\$ 101,925	\$ -	\$ -	\$ 101,925
Unrealized (loss)	(122,816)	-	-	(122,816)
Total investment (loss)	\$ (20,891)	\$ -	\$ -	\$ (20,891)

**5. LINE OF CREDIT**

The Trust has a \$500,000 unsecured line of credit agreement with Comerica Bank-California, with interest at the bank's rate plus .75% (currently at 4.75%), due June 3, 2010. There were no borrowings during the years ended August 31, 2009 and 2008.

Continued



# THE TRUST FOR HIDDEN VILLA

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2009 and 2008

### 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. During the current year it was determined that the land identified in the lease was not usable by Heifer Project International and lease payments were suspended. Subsequent to the fiscal year end, 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. In addition, the lease amendment waives the monthly rental installments due, per the original lease, through October 1, 2009.

The minimum payments to be received by the Trust are as follows:

<u>Year Ending August 31,</u>	
2010	\$ 91,667
2011	100,000
2012	100,000
2013	100,000
2014 and thereafter	1,641,666
	<u>\$ 2,033,333</u>

### 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 \$4,881 and \$6,496 for the year ended August 31, 2009 and August 31, 2008, respectively.

### 8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Capital improvements	\$ 30,833	\$ 92,311
Scholarships	93,271	34,038
Legacy Fund	38,895	38,895
Programs	90,912	185,772
Total temporarily restricted net assets	<u>\$ 253,911</u>	<u>\$ 351,016</u>

Continued

**THE TRUST FOR HIDDEN VILLA**

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended August 31, 2009 and 2008

8. **TEMPORARILY RESTRICTED NET ASSETS**, continued

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

	2009
Purpose restriction accomplished:	
Capital improvement grants	\$ 77,478
Scholarships	153,592
Program grants	396,608
Total restrictions released	\$ 627,678

9. **ENDOWMENT**

Endowment net asset composition by type of fund as of August 31, 2009 and 2008 is as follows:

	Unrestricted	Permanently Restricted	Total Net Endowment Assets
<u>2009</u>			
Donor-restricted endowment funds	\$ (16,330)	\$ 584,713	\$ 568,383
Board-designated endowment funds	785,776	-	785,776
	\$ 769,446	\$ 584,713	\$ 1,354,159

	Unrestricted	Permanently Restricted	Total Net Endowment Assets
<u>2008</u>			
Donor-restricted endowment funds	\$ 13,492	\$ 583,213	\$ 596,705
Board-designated endowment funds	876,659	-	876,659
	\$ 890,151	\$ 583,213	\$ 1,473,364

Continued

## THE TRUST FOR HIDDEN VILLA

### NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2009 and 2008

#### 9. ENDOWMENT, continued

Changes in endowment net assets as of August 31, 2009 and 2008 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, August 31, 2007	\$ 670,021	\$ -	\$ 332,368	\$ 1,002,389
Contributions	307,429	-	250,845	558,274
Investment income	73,962	-	-	73,962
Net depreciation	(124,246)	-	-	(124,246)
Amounts appropriated for expenditure	(37,015)	-	-	(37,015)
Endowment net assets, August 31, 2008	890,151	-	583,213	1,473,364
Net asset reclassification based on change in law	(13,492)	13,492	-	-
Endowment net assets after reclassification	876,659	13,492	583,213	1,473,364
Contributions	-	-	1,500	1,500
Investment income	27,165	18,312	-	45,477
Net depreciation	(86,378)	(31,804)	-	(118,182)
Amounts appropriated for expenditure	(48,000)	-	-	(48,000)
Endowment net assets, August 31, 2009	\$ 769,446	\$ -	\$ 584,713	\$ 1,354,159

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 \$1,500 of permanently restricted contributions for the fiscal year ended August 31, 2009 and \$250,845 of permanently restricted contributions for the fiscal year ended August 31, 2008.

Under UPMIFA, on September 1, 2008 the Trust reclassified the portion of the endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets (time restricted) until appropriated for expenditure. The net amount consists of the cumulative investment income, net appreciation or depreciation of investments, amounts appropriated for expenditure, reclassifications, and other changes to the Trust's endowment fund.

During the fiscal year, the losses on investments of the Trust's endowment fund exceeded the net amount of the fund classified as temporarily restricted. In accordance with FASB Stmt. No 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, losses on the investments of the endowment fund reduces temporarily restricted net assets to the extent there are insufficient temporarily restricted net assets. Any remaining loss reduces unrestricted net assets.

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# THE TRUST FOR HIDDEN VILLA

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2009 and 2008

### 10. FAIR VALUE MEASUREMENT

On September 1, 2008, the Trust adopted SFAS No. 157, *Fair Value Measurement*, (“SFAS 157”) which defines fair value, establishes a framework for measuring fair value to measure assets and liabilities, and expands disclosures about fair value measurements. Fair value is defined under SFAS 157 as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the assets or liabilities in an orderly transaction between market participants on the measurement date. Subsequent changes in fair value of these financial assets and liabilities are recognized in earnings when they occur. SFAS 157 applies whenever other statements require or permit assets or liabilities to be measured at fair value. SFAS 157 is effective for fiscal years beginning after November 15, 2007, except for non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis, for which application has been deferred for one year by the issuance of FASB Staff Position 157-2.

SFAS 157 includes a fair value hierarchy, of which the first two are considered observable and the last unobservable, that is intended to increase the consistency and comparability in fair value measurements and related disclosures. Valuation techniques used to measure fair value under SFAS 157 must maximize the use of observable inputs and minimize the use of unobservable inputs. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity’s pricing based upon their own market assumptions.

The fair value hierarchy consists of the following three levels:

- Level 1: instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.
- Level 2: instrument valuations are obtained from readily-available pricing sources for comparable instruments.
- Level 3: instruments valuations are obtained without observable market value and require a high level of judgment to determine the fair value.

The following table summarizes the Trust’s financial assets and liabilities measured at fair value on a recurring basis in accordance with SFAS 157 as of August 31, 2009:

	Balance as of August 31, 2009	Quoted Prices in Active Markets of Identical Assets (Level 1)
Assets:		
Cash and cash equivalents	\$ 378,675	\$ 378,675
Certificates of deposit	476,454	476,454
Mutual funds	1,324,806	1,324,806
	<u>\$ 2,179,935</u>	<u>\$ 2,179,935</u>

As of August 31, 2009, the Trust did not have any Level 2 or Level 3 assets or liabilities.