

THE TRUST FOR HIDDEN VILLA

FINANCIAL STATEMENTS

August 31, 2020

(with summarized comparative information for August 31, 2019)



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) which comprise the statement of financial position as of August 31, 2020 and the related statements of activities, functional expenses 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 7, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BPM LLP

San Jose, California
January 28, 2021

THE TRUST FOR HIDDEN VILLA

STATEMENT OF FINANCIAL POSITION

As of August 31, 2020

(with summarized comparative information for August 31, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 521,103	\$ 139,458
Certificates of deposit and U.S. treasuries	299,017	715,063
Unconditional promises to give receivables	504,200	541,200
Other receivables	9,394	21,294
Prepaid expenses and other assets	131,710	122,064
Total current assets	<u>1,465,424</u>	<u>1,539,079</u>
Property and equipment, net	9,034,790	9,276,039
Donated artwork	270,900	270,900
Unconditional promises to give receivable, less current portion	6,000	7,200
Investments	6,963,144	6,738,543
Total long term assets	<u>16,274,834</u>	<u>16,292,682</u>
Total assets	<u>\$ 17,740,258</u>	<u>\$ 17,831,761</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 139,773	\$ 146,948
Deferred revenue	45,480	74,764
Total current liabilities	185,253	221,712
Note payable - Paycheck Protection Program	419,700	-
Total liabilities	<u>604,953</u>	<u>221,712</u>
Commitments and contingency (Note 11)		
Net assets:		
Without donor restrictions	15,094,995	16,298,398
With donor restrictions	2,040,310	1,311,651
Total net assets	<u>17,135,305</u>	<u>17,610,049</u>
Total liabilities and net assets	<u>\$ 17,740,258</u>	<u>\$ 17,831,761</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, 2020
(with summarized comparative information for August 31, 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and other support:				
Fees	\$ 380,598	\$ -	\$ 380,598	\$ 1,360,781
Contributions	948,465	1,200,965	2,149,430	2,019,828
In-kind contribution income	5,376	-	5,376	5,415
Rental income	132,570	-	132,570	213,795
Miscellaneous income and sales	157,293	-	157,293	194,869
Net assets released from restriction	537,774	(537,774)	-	-
Total revenue and other support	2,162,076	663,191	2,825,267	3,794,688
Expenses:				
Program services:				
Environmental education	785,432	-	785,432	739,916
Summer camp	772,897	-	772,897	1,141,768
Community programs	440,603	-	440,603	425,468
Facility rentals	316,397	-	316,397	284,277
Community supported agriculture	196,282	-	196,282	129,168
Resident intern program	178,343	-	178,343	160,026
Animal husbandry	87,209	-	87,209	163,744
Total program services	2,777,163	-	2,777,163	3,044,367
Supporting services:				
Administration	637,548	-	637,548	620,360
Fund development	418,542	-	418,542	475,186
Total supporting services	1,056,090	-	1,056,090	1,095,546
Total expenses	3,833,253	-	3,833,253	4,139,913
Loss on disposal of fixed assets	-	-	-	(43,213)
Total expenses and losses	3,833,253	-	3,833,253	4,183,126
Change in net assets from operations	(1,671,177)	663,191	(1,007,986)	(388,438)
Non-operating changes:				
Contributions - Board designated and endowment	112,532	600	113,132	140,838
Interest and dividend income	173,013	30,288	203,301	236,273
Realized gain (loss) on investments	2,725	558	3,283	(496)
Unrealized gain (loss) on investments	179,504	34,022	213,526	(207,625)
Total non-operating changes	467,774	65,468	533,242	168,990
Changes in net assets	(1,203,403)	728,659	(474,744)	(219,448)
Net assets, beginning of year	16,298,398	1,311,651	17,610,049	17,829,497
Net assets, end of year	\$ 15,094,995	\$ 2,040,310	\$ 17,135,305	\$ 17,610,049

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

THE TRUST FOR HIDDEN VILLA

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended August 31, 2020
(with summarized comparative information for August 31, 2019)

	2020 Program Services			
	Environmental Education	Summer Camp	Community Programs	Facility Rentals
Functional expenses:				
Salaries and related expenses	\$ 613,556	\$ 349,152	\$ 306,421	\$ 178,437
Professional fees	-	4,608	2,928	4,697
Facilities	41,888	140,432	39,034	28,385
Program supplies	21,083	10,481	10,560	7,181
Information technology	7,647	53,293	7,647	5,298
Office expenses	10,316	67,088	10,072	5,639
Advertising and marketing	11,964	7,951	10,169	3,580
Insurance	21,536	72,199	20,068	14,593
Bank and service fees	841	13,541	4,166	1,703
Travel, including participant transportation	3,326	294	147	-
In-kind expenses	700	-	-	-
Total functional expenses before depreciation	732,857	719,039	411,212	249,513
Depreciation	52,575	53,858	29,391	66,884
Total program and supporting services expenses	\$ 785,432	\$ 772,897	\$ 440,603	\$ 316,397

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

THE TRUST FOR HIDDEN VILLA

STATEMENT OF FUNCTIONAL EXPENSES, Continued

For the year ended August 31, 2020
(with summarized comparative information for August 31, 2019)

	2020 Program Services, continued			Total Program Services
	Community Supported Agriculture	Residential Intern Program	Animal Husbandry	
Functional expenses:				
Salaries and related expenses	\$ 130,444	\$ 129,206	\$ 29,734	\$ 1,736,950
Professional fees	-	725	9,978	22,936
Facilities	177	3,245	-	253,161
Program supplies	27,300	784	15,237	92,626
Information technology	5,949	1,699	818	82,351
Office expenses	10,483	2,239	379	106,216
Advertising and marketing	3,363	1,742	2,846	41,615
Insurance	-	1,668	-	130,064
Bank and service fees	3,743	187	2,196	26,377
Travel, including participant transportation	372	1,452	615	6,206
In-kind expenses	-	-	-	700
Total functional expenses before depreciation	181,831	142,947	61,803	2,499,202
Depreciation	14,451	35,396	25,406	277,961
Total program and supporting services expenses	\$ 196,282	\$ 178,343	\$ 87,209	\$ 2,777,163

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

THE TRUST FOR HIDDEN VILLA

STATEMENT OF FUNCTIONAL EXPENSES, Continued

For the year ended August 31, 2020
(with summarized comparative information for August 31, 2019)

	2020 Supporting Services			2020 Total of Program Services and Supporting Services	2019 Total
	Administration	Fund Development	Total Supporting Services		
Functional expenses:					
Salaries and related expenses	\$ 286,609	\$ 308,111	\$ 594,720	\$ 2,331,670	\$ 2,541,979
Professional fees	278,812	40,509	319,321	342,257	472,914
Facilities	4,066	4,279	8,345	261,506	270,946
Program supplies	-	-	-	92,626	138,294
Information technology	8,127	11,490	19,617	101,968	107,224
Office expenses	9,967	11,224	21,191	127,407	77,728
Advertising and marketing	656	12,858	13,514	55,129	72,872
Insurance	2,091	2,200	4,291	134,355	69,996
Bank and service fees	7,748	3,098	10,846	37,223	51,039
Travel, including participant transportation	3,831	658	4,489	10,695	36,479
In-kind expenses	1,176	3,500	4,676	5,376	5,415
Total functional expenses before depreciation	603,083	397,927	1,001,010	3,500,212	3,844,886
Depreciation	34,465	20,615	55,080	333,041	295,027
Total program and supporting services expenses	\$ 637,548	\$ 418,542	\$ 1,056,090	\$ 3,833,253	\$ 4,139,913

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

THE TRUST FOR HIDDEN VILLA

STATEMENT OF CASH FLOWS

For the year ended August 31, 2020
(with summarized comparative information for August 31, 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (474,744)	\$ (219,448)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized (gain) loss on investments	(213,526)	207,625
Realized (gain) loss on investments	(3,283)	496
Loss on disposal of fixed assets	-	43,213
Depreciation	333,041	295,027
Endowment interest and dividends	(30,288)	(35,695)
Endowment contributions	(600)	(1,050)
(Increase) decrease in operating assets:		
Unconditional promises to give receivables	38,200	(482,800)
Other receivables	11,900	20,064
Prepaid expenses and other assets	(9,646)	(83,703)
Increase (decrease) in operating liabilities:		
Accounts payable and other accrued liabilities	(7,175)	2,482
Deferred revenue	(29,284)	21,122
Total adjustments	89,339	(13,219)
Net cash used in operating activities	(385,405)	(232,667)
Cash flows from investing activities:		
Net purchases and redemptions of certificates of deposit and U.S. treasuries	416,046	(335,369)
Proceeds on sale of investments	304,470	114,405
Acquisition of investments	(312,262)	(220,039)
Proceeds on sale of property and equipment	-	942
Acquisition of property and equipment	(91,792)	(361,043)
Net cash provided by (used in) investing activities	316,462	(801,104)
Cash flows from financing activities:		
Proceeds from PPP loan	419,700	-
Endowment interest and dividends	30,288	35,695
Proceeds from endowment contributions	600	1,050
Net cash provided by financing activities	450,588	36,745
Net increase (decrease) in cash and cash equivalents	381,645	(97,026)
Cash and cash equivalents, beginning of year	139,458	1,136,484
Cash and cash equivalents, end of year	\$ 521,103	\$ 139,458

Supplemental Disclosure of Cash Flow Information

- Accounting Policy - The Trust considers all highly liquid investments with a maturity of three months or less when purchased to be “cash equivalents.”

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

THE TRUST FOR HIDDEN VILLA

NOTES TO FINANCIAL STATEMENTS

August 31, 2020

1. Business Description and Summary of Significant Accounting Policies

Organization

Hidden Villa's mission is to foster educational experiences that build connections and inspire a deeper appreciation and respect for nature, food, and one another. Stretching over 1,600 acres of open space in the foothills of the Santa Cruz Mountains, about 40 miles south of San Francisco, our vision is a sustainable, healthy and just future for all.

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

Environmental Education Program: Teaches elementary through high school students key concepts of ecology and environmental stewardship through experiences on the farm and in the wilderness. Hidden Villa's teaching techniques and strategies are unique, striking a balance between scientific investigation and feelings of wonder, awareness, appreciation, and fun. (20,000+ students, teachers and parents participate annually; COVID-19 response included the suspension of field trips beginning in March, which reduced this number).

Summer Camp: Builds relationships among youth from diverse socio-economic and cultural backgrounds for shared activities in Hidden Villa's unique environment (1,400 participate annually; COVID-19 response suspended in-person camp and virtual camps were offered).

Community Programs: Provides workshops and forums for families and individuals interested in sustainable practices, animal husbandry, and nature. (8,000 participants annually; COVID-19 response suspended on-site programs and offered limited reservations for outdoor recreation).

Facility Rentals: Includes the Hostel, where groups and individuals stay; Josephine's Retreat; and the Dana Center and Duveneck House for large and small events and meetings. (COVID-19 response cancelled all reservations mid-March).

Community Supported Agriculture Program: Brings seasonal vegetable, fruit, and flower bounty to local families: 75% provides neighborhood shareholders and market goers with fresh, organic produce; 25% is donated to the Community Service Agency of Mountain View for distribution to their local food pantry clients. (COVID-19 response included increased vegetable, meat, and egg donations to community partners).

Continued

THE TRUST FOR HIDDEN VILLA

NOTES TO FINANCIAL STATEMENTS

August 31, 2020

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

Nature of Activities, continued

Animal Husbandry: Demonstrates sustainable means of animal agriculture wherein, animal welfare and land stewardship are paramount for a working farm. Cows, sheep, chickens, goats, pigs, and the occasional turkey provide broad educational resources and real-world, hands-on learning opportunities for Hidden Villa program participants and for casual visitors. (COVID-19 response included increased vegetable, meat, and egg donations to community partners).

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

Our constituents cover a wide spectrum of age, physical ability, geography, ethnicity, cultural and socio-economic backgrounds. Our organic farm, rustic barns, newer sustainable structures and pristine riparian, woodland and chaparral wilderness provide opportunities to experience the beauty of our local environment.

Basis of Accounting

The financial statements of the Trust have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”).

Reclassifications

Certain reclassifications have been made to the August 31, 2019 financial statement presentation to conform to the August 31, 2020 presentation.

Basis of Presentation

Net assets are classified based on the existence or absence of donor imposed restrictions. Accordingly, the Trust classified its net assets and changes in net assets as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. This includes a Board-designated quasi-endowment fund, which has been funded by a portion of bequest donations received and is held as an organizational reserve. Annual donor spending from the quasi-endowment follows the same procedures as spending from the earnings on the restricted endowment, with the earnings available to support general operations each year. Other spending from the quasi-endowment is subject to Board approval of specific projects.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors, and/or grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Trust or by passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Continued

THE TRUST FOR HIDDEN VILLA

NOTES TO FINANCIAL STATEMENTS

August 31, 2020

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

Measure of Operations

Hidden Villa includes in its measure of operations all revenue and expenses that are an integral part of its fee, programs and supporting activities. The measure of operations does not include the activity on the endowment account or the Board-designated contributions from bequests.

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, or \$500,000 for SIPC insurance.

Certificates of Deposit

Certificates of deposit are carried at market value. The Trust has both the ability and the intent to hold them until maturity. Certificates of deposit held as of August 31, 2020 mature between December 31, 2020 and January 21, 2021, and have an interest rate of between 1.53% and 1.65%.

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 as of August 31, 2020.

Property and Equipment, Net

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

Building	30 years
Building improvements	30 years
Office equipment	5 to 7 years
Other equipment and software	3 to 7 years
Vehicles	5 to 10 years

Continued

THE TRUST FOR HIDDEN VILLA

NOTES TO FINANCIAL STATEMENTS

August 31, 2020

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

Donated Assets

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

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 net assets without donor restriction, unless their use is 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 without donor restrictions. 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 Statement of Financial Position and the Statement of Activities.

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 occurs. Deferred revenue was \$45,480 as of August 31, 2020.

Revenue Recognition

Contributions

Unconditional promises to give to the Trust are recorded as revenue at their fair value when the promise is made. Contributions received are recorded as support without donor restrictions or with donor restrictions based on whether they include donor stipulations that limit the use of the contributions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restriction. Contribution revenue is recognized when contributions are received. All contributions are considered available for general operations unless specifically restricted by the donor. Grants to support the Trust's programs are received from individuals, foundations, governmental agencies and corporations and are recorded as revenue when received.

Continued

THE TRUST FOR HIDDEN VILLA

NOTES TO FINANCIAL STATEMENTS

August 31, 2020

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

Revenue Recognition, continued

Bequest

The Trust is occasionally notified by donors or the trustees of their estates that they have been named as a beneficiary in their will. The Trust will not immediately recognize these gifts as receivables and contributions unless they are irrevocable, unconditional and measurable. If a gift does not meet these criteria, it is not recognized as contribution revenue until the will is declared valid and subject to final distribution. At that time, the Trust recognizes the contribution at fair value, net of a discount for likely fees and taxes, based on historical experience.

Fees, Rental Income, and Events

Fee, rental income, and event revenue and expenses are recognized in the year that the program is held or the rental period or event occurs.

Investment Income

Realized and unrealized gains and losses and investment income derived from investment transactions are included as income in the year earned.

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 records these services when the value is over \$1,500. Donated contributed services were \$5,376 for the year ended August 31, 2020. 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.

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 ended August 31, 2020.

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THE TRUST FOR HIDDEN VILLA

NOTES TO FINANCIAL STATEMENTS

August 31, 2020

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

Endowments, continued

Interpretation of Relevant Law

The Board 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 net assets with donor restrictions (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts donated to the endowment, and (3) additions to the endowment in accordance with donor directions. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual in nature is classified as purpose 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.

Spending Policy

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

- (1) The duration and preservation of the fund
- (2) The purposes of the Trust and the endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Trust
- (7) The investment policies of the Trust

Investment Policy, Strategies, and Objectives

The Trust has adopted investment and spending policies for endowment assets that attempt to maximize total return consistent with an acceptable level of risk. The goal is to produce a growing level of income and principal to ensure 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.

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THE TRUST FOR HIDDEN VILLA

NOTES TO FINANCIAL STATEMENTS

August 31, 2020

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

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 - inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

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

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

Expense Allocations

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one area are allocated to program and supporting. Supporting services expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Trust. The major expenses that are allocated are depreciation, insurance, and occupancy costs on the basis of staff time and participant hours. 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

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. However, income from certain activities not directly related to the Trust's tax-exempt purpose may be subject to taxation as unrelated business income.

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THE TRUST FOR HIDDEN VILLA

NOTES TO FINANCIAL STATEMENTS

August 31, 2020

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

Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Concentrations

The Trust's unconditional promise to give receivables is comprised of 98% of pledges from one donor.

Contributions from two donors received in the current year comprised approximately 22% and 16% of total contributions.

Change in Accounting Principle

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). The accounting for contributions has been modified to clarify distinguishing whether grants or contracts should be accounted for as non-reciprocal contributions, or as exchange transactions that follow revenue recognition accounting. For exchange transactions, ASU 2018-08 clarifies when each party directly receives commensurate value in the transaction, and how to deal with third-party payers to a transaction. Additionally, the criteria for determining whether a contribution is conditional has been changed from a probability-based approach to one focused on barriers in an arrangement. For nonpublic entities, ASU 2018-08 is effective for annual reporting periods beginning after December 15, 2018 for contributions received, and after December 15, 2019 for contributions made with early adoption permitted. The Trust has adopted ASU 2018-08 as a resource recipient using the modified prospective method for the year ended August 31, 2020 and it did not have a material impact on the financial statements.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which converges the FASB and the International Accounting Standards Board standards on revenue recognition. ASU 2014-09 supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*. ASU 2014-09 provides a five-step analysis of transactions to determine when and how revenue is recognized, based upon the core principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires additional disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Trust is currently evaluating the impact of the adoption of ASU 2014-09 on its financial statements.

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THE TRUST FOR HIDDEN VILLA

NOTES TO FINANCIAL STATEMENTS

August 31, 2020

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

Recent Accounting Pronouncements, continued

In February 2016, the FASB issued ASU 2016-02, *Leases (842)*. The new guidance requires lessees to recognize a right-to-use asset and a lease liability for virtually all leases (other than leases that meet the definition of a short-term lease). The new guidance is effective for fiscal years beginning after December 15, 2019 and interim periods beginning the following year. Early application is permitted. Additionally, In November 2019, the FASB issued ASU 2019-10, which amends the effective date of the standard to fiscal years beginning after December 15, 2020. The Trust is in the process of evaluating the impact of the new guidance on its financial statements.

In June 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606)* and *Leases (Topic 842): Effective Dates for Certain Entities*, which effectively delayed the adoption date to an effective date for private entities for annual periods beginning after December 15, 2019 and 2021, respectively.

2. Financial Results, Liquidity, and Availability

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles. The Trust's statement of activities shows negative changes in net assets of \$474,744 for the year ended August 31, 2020. The Trust is dependent on contributions from third-party donors to fund their operations. The ability to continue as a going concern anticipates that such funding will continue for a period of one year or more. The Trust also intends to release Board-designated funds as needed for operations.

The Trust's financial assets available for general expenditures within one year of the statement of financial position date are as follows as of August 31, 2020:

Cash and cash equivalents	\$	521,103
Certificates of deposit and U.S. treasuries		299,017
Unconditional promises to give receivables, current portion		504,200
Other receivables		9,394
Investments, at fair value		<u>6,963,144</u>
Total liquid financial assets		<u>8,296,858</u>
Less: amounts not available to be used within one year:		
Restricted by donor with time or purpose restrictions, net of \$733,914 to be released for FY21		184,592
Accumulated earnings on permanently restricted endowment, net of \$32,250 spending budget for FY21		372,953
Board-designated quasi-endowment, net of \$275,750 spending budget for FY21		5,565,591
Perpetual in nature		<u>716,600</u>
		<u>6,839,736</u>
Financial assets available to meet general expenditures within one year	\$	<u>1,457,122</u>

Continued

THE TRUST FOR HIDDEN VILLA

NOTES TO FINANCIAL STATEMENTS

August 31, 2020

2. Financial Results, Liquidity, and Availability, continued

The Trust manages its liquidity and reserves following three guiding principles: 1) operating within a prudent range of financial soundness and stability; 2) maintaining adequate liquid assets to fund near-term operating needs; 3) and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. On an annual basis, the Trust generates some excess cash after covering all funding needs. The excess cash may be deposited into money market funds or certificates of deposit, or invested in equity and fixed income securities to maximize returns while ensuring the Trust has access to funds at all times to meet liquidity needs. Excess cash deposited in money market accounts and certificates of deposit are available within one year.

3. Unconditional Promises to Give Receivables

Unconditional promises to give receivables is summarized as follows for the year ended August 31, 2020:

Receivables in less than one year	\$ 504,200
Receivables in one to five years	4,800
Receivables in more than five years	<u>1,200</u>
Total unconditional promises to give receivables	510,200
Less: current portion	<u>(504,200)</u>
Unconditional promises to give receivables, long-term	<u><u>\$ 6,000</u></u>

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

4. Property and Equipment, Net

Property and equipment, net is summarized as follows for the year ended August 31, 2020:

Land	\$ 6,385,143
Buildings and land improvements	6,719,510
Furniture, equipment, and vehicles	315,793
Software	451,672
Livestock	<u>5,000</u>
	13,877,118
Less: accumulated depreciation	<u>(4,938,290)</u>
	8,938,828
Construction in progress	<u>95,962</u>
	<u><u>\$ 9,034,790</u></u>

Depreciation expense was \$333,041 for the year ended August 31, 2020.

The construction in progress is for the implementation of the Salesforce CRM platform. The implementation is expected to be completed by August 2021 for a total cost of approximately \$101,000, which includes the \$95,962 of construction in progress at August 31, 2020.

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THE TRUST FOR HIDDEN VILLA

NOTES TO FINANCIAL STATEMENTS

August 31, 2020

5. Investments

The Trust's investments, consisting of mutual funds and exchange traded funds, are recorded at fair value and are summarized as follows for the year ended August 31, 2020:

U.S. equity	\$ 1,836,049
International equity	1,371,969
Domestic fixed	1,052,836
Global fixed	977,740
Inflation linked securities	529,119
Real estate	360,157
Emerging markets equity	437,834
Precious metals	230,668
Commodities	163,910
Money market	2,862
	<u>\$ 6,963,144</u>

6. Note Payable – Paycheck Protection Program

On April 29, 2020, the Trust entered into a loan in the amount of \$419,700 under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in the amounts of up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or twenty four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1% with a deferral of payments for ten months after the end of the covered period. Subsequent to year-end, the Trust was informed that the full PPP loan amount of \$419,700 and interest was forgiven as of December 18, 2020.

7. Retirement Plan

The Trust has a tax deferred savings 403(b) plan covering all eligible employees. Participants may receive discretionary matching contributions of 1.00% to 1.25% of their annual salary. Employer contributions were \$12,649 for the year ended August 31, 2020.

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THE TRUST FOR HIDDEN VILLA

NOTES TO FINANCIAL STATEMENTS

August 31, 2020

8. Net Assets

With Donor Restrictions

Net assets with donor restrictions were available for the following purposes for the year ended August 31, 2020:

Purpose restrictions:	
Operations, endowment	\$ 405,203
Programs	332,760
Operations	50,672
Scholarships/camp	26,111
Capital improvements	8,964
	<hr/>
	823,710
Time restrictions	500,000
Perpetual in nature	716,600
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	\$ 2,040,310
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Net assets released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors were as follows for the year ended August 31, 2020:

Purpose restriction accomplished:	
Programs	\$ 443,168
Operations, endowment	32,220
Operations	42,500
Legacy Fund	14,886
	<hr/>
	532,774
Time restriction accomplished	5,000
	<hr/>
	\$ 537,774
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Without Donor Restrictions

The Trust's Board of Directors has designated net assets without donor restrictions for the following purposes as of August 31, 2020:

Without donor restrictions:	
Property and equipment	\$ 9,034,790
Donated artwork	270,900
Board designated	5,841,341
Undesignated	(52,036)
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	\$ 15,094,995
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Continued

THE TRUST FOR HIDDEN VILLA

NOTES TO FINANCIAL STATEMENTS

August 31, 2020

9. Endowment

Endowment net assets composition by type of fund are summarized as follows for the year ended August 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Board-designated endowment funds	\$ 5,841,341	\$ -	\$ 5,841,341
Donor-restricted endowment funds:			
Original donor restricted gift amounts required to be maintained in perpetuity by donor	-	716,600	716,600
Accumulated investment gains	-	405,203	405,203
	<u>\$ 5,841,341</u>	<u>\$ 1,121,803</u>	<u>\$ 6,963,144</u>

Changes in endowment net assets are summarized as follows for the year ended August 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, September 1, 2019	\$ 5,650,038	\$ 1,088,555	\$ 6,738,593
Contributions	112,532	600	113,132
Interest and dividend income	156,677	30,288	186,965
Realized gain on endowment assets	2,886	558	3,444
Unrealized gain on endowment assets	175,988	34,022	210,010
Appropriated for expenditure	(256,780)	(32,220)	(289,000)
Endowment net assets, August 31, 2020	<u>\$ 5,841,341</u>	<u>\$ 1,121,803</u>	<u>\$ 6,963,144</u>

The amount classified as with donor restrictions includes the amount of the endowment fund that must be retained permanently in accordance with explicit donor stipulations. For the year ended August 31, 2020, the Trust received \$600 of contributions that must be retained permanently.

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THE TRUST FOR HIDDEN VILLA

NOTES TO FINANCIAL STATEMENTS

August 31, 2020

10. Fair Value Measurement

The following table summarizes the Trust's financial assets measured at fair value on a recurring basis for the year ended August 31, 2020:

	Assets at Fair Value			Total
	(Level 1)	(Level 2)	(Level 3)	
Certificates of deposit	\$ -	\$ 191,057	\$ -	\$ 191,057
U.S. treasuries	107,960	-	-	107,960
Total certificates of deposit and U.S. treasuries	107,960	191,057	-	299,017
Investments:				
U.S. equity	1,836,049	-	-	1,836,049
International equity	1,371,969	-	-	1,371,969
Global fixed	977,740	-	-	977,740
Domestic fixed	1,052,836	-	-	1,052,836
Inflation linked securities	529,119	-	-	529,119
Real estate	360,157	-	-	360,157
Emerging markets equity	437,834	-	-	437,834
Precious metals	230,668	-	-	230,668
Commodities	163,910	-	-	163,910
Money market funds	2,862	-	-	2,862
Total investments	6,963,144	-	-	6,963,144
	<u>\$ 7,071,104</u>	<u>\$ 191,057</u>	<u>\$ -</u>	<u>\$ 7,262,161</u>

As of August 31, 2020, the Trust did not have any Level 3 assets or liabilities.

11. Commitments and Contingency

During the year ended August 31, 2020, COVID-19 became a global pandemic and has resulted in unprecedented actions by governments around the world to curtail the spread of the disease. These events have resulted in a high level of uncertainty and volatility for nonprofit organizations. In order to comply with state guidelines, the Trust cancelled all in-person summer camps, field trips and community programs starting in mid-March 2020 and had limited operations during the current year. The full impact of the COVID-19 pandemic continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude of the effect that the pandemic will have on the Trust's financial condition, liquidity, and future results of operations.

12. Subsequent Events

The Trust evaluated subsequent events for recognition and disclosure through January 28, 2021, the date which these financial statements were available to be issued. Management concluded that, other than discussed in Note 6, no material subsequent events have occurred since August 31, 2020 that require recognition or disclosure in such financial statements.