



**The Trust for Hidden Villa
Financial Statements
August 31, 2022 and 2021**

Board of Trustees and Audit Committee
The Trust for Hidden Villa
Los Altos Hills, California



Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

Opinion

We have audited the accompanying financial statements of The Trust for Hidden Villa (Hidden Villa), which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hidden Villa as of August 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Hidden Villa and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hidden Villa's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Hidden Villa's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hidden Villa's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Frank, Rimmerman & Co. LLP

San Jose, California
January 31, 2023

The Trust for Hidden Villa
Statements of Financial Position

	August 31,	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 419,947	\$ 102,763
Grants and pledges receivable	18,200	1,200
Other receivables	158,142	2,666
Prepaid expenses and other current assets	354,110	265,179
Short-term investments	-	635,710
Total current assets	950,399	1,007,518
Grants and Pledges Receivable, net of current portion	18,600	4,800
Property and Equipment, net	8,508,925	8,716,938
Donated Artwork	259,000	259,000
Investments Held for Endowment	7,195,090	9,214,483
Cash Restricted for Endowment	-	5,500
Total assets	<u>\$ 16,932,014</u>	<u>\$ 19,208,239</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 69,964	\$ 66,684
Accrued expenses and other liabilities	91,842	101,304
Deferred revenue	64,697	50,654
Total current liabilities	226,503	218,642
Note Payable	-	484,800
Total liabilities	226,503	703,442
Commitments and Contingencies (Note 10)		
Net Assets		
Without donor restrictions		
Designated by Board of Trustees	5,819,936	7,859,457
Undesignated	8,980,669	8,997,751
With donor restrictions	1,904,906	1,647,589
Total net assets	16,705,511	18,504,797
Total liabilities and net assets	<u>\$ 16,932,014</u>	<u>\$ 19,208,239</u>

See Notes to Financial Statements

The Trust for Hidden Villa
Statement of Activities and Change in Net Assets
Year Ended August 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support Income and Revenue			
Contributed cash and financial assets	\$ 1,177,308	\$ 622,657	\$ 1,799,965
Fees	307,648	-	307,648
Contributed nonfinancial assets	11,325	-	11,325
Rental income	83,312	-	83,312
Miscellaneous income and sales	197,871	-	197,871
Net assets released from restrictions	412,468	(412,468)	-
Total support income and revenue	2,189,932	210,189	2,400,121
Expenses			
Program services:			
Summer camp	1,194,542	-	1,194,542
Environmental education	686,929	-	686,929
Community programs	453,393	-	453,393
Community supported agriculture	339,970	-	339,970
Facility rentals	250,217	-	250,217
Resident intern	201,863	-	201,863
Animal husbandry	22,066	-	22,066
Total program services	3,148,980	-	3,148,980
Supporting services:			
Administration	732,102	-	732,102
Fund development	493,376	-	493,376
Total supporting services	1,225,478	-	1,225,478
Total expenses	4,374,458	-	4,374,458
Change in net assets from operations	(2,184,526)	210,189	(1,974,337)
Non-operating changes:			
Gain on note forgiveness	489,055	-	489,055
Employee retention tax credit	337,287	-	337,287
Endowment contributions	-	169,336	169,336
Investment return, net	(698,419)	(122,208)	(820,627)
Total non-operating changes	127,923	47,128	175,051
Change in Net Assets	(2,056,603)	257,317	(1,799,286)
Net Assets, August 31, 2021	16,857,208	1,647,589	18,504,797
Net Assets, August 31, 2022	\$ 14,800,605	\$ 1,904,906	\$ 16,705,511

See Notes to Financial Statements

The Trust for Hidden Villa
Statement of Activities and Change in Net Assets
Year Ended August 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support Income and Revenue			
Contributed cash and financial assets	\$ 1,686,746	\$ 273,468	\$ 1,960,214
Fees	487,166	-	487,166
Contributed nonfinancial assets	182,030	-	182,030
Rental income	3,581	-	3,581
Miscellaneous income and sales	179,461	-	179,461
Net assets released from restrictions	937,162	(937,162)	-
Total support income and revenue	3,476,146	(663,694)	2,812,452
Expenses			
Program services:			
Summer camp	1,490,994	-	1,490,994
Environmental education	593,960	-	593,960
Community programs	478,534	-	478,534
Community supported agriculture	239,999	-	239,999
Facility rentals	239,050	-	239,050
Resident intern	194,015	-	194,015
Animal husbandry	63,556	-	63,556
Total program services	3,300,108	-	3,300,108
Supporting services:			
Administration	644,171	-	644,171
Fund development	474,465	-	474,465
Total supporting services	1,118,636	-	1,118,636
Total expenses	4,418,744	-	4,418,744
Change in net assets from operations	(942,598)	(663,694)	(1,606,292)
Non-operating changes:			
Gain on note forgiveness	422,265	-	422,265
Loss on disposal of property and equipment	(20,266)	-	(20,266)
Endowment contributions	910,961	5,600	916,561
Investment return, net	1,391,851	265,373	1,657,224
Total non-operating changes	2,704,811	270,973	2,975,784
Change in Net Assets	1,762,213	(392,721)	1,369,492
Net Assets, August 31, 2020	15,094,995	2,040,310	17,135,305
Net Assets, August 31, 2021	\$ 16,857,208	\$ 1,647,589	\$ 18,504,797

See Notes to Financial Statements

**The Trust for Hidden Villa
Statement of Functional Expenses
Year Ended August 31, 2022**

	Summer Camp	Environmental Education	Community Programs	Community Supported Agriculture	Facility Rentals	Residential Intern Program	Animal Husbandry	Total Program Services
Salaries and related	\$ 546,610	\$ 459,647	\$ 215,189	\$ 241,526	\$ 106,231	\$ 127,297	\$ -	\$ 1,696,500
Professional fees	61,939	3,797	8,719	12,600	485	17,320	-	104,860
Facilities	190,912	46,386	64,517	195	35,953	2,408	-	340,371
Program supplies	69,037	23,175	24,829	31,924	5,023	2,662	-	156,650
Insurance	163,973	40,844	56,766	-	31,642	2,142	-	295,367
In-kind expenses	-	-	-	3,700	-	-	1,400	5,100
Office	26,361	11,864	10,337	12,814	2,442	2,329	-	66,147
Information technology	25,070	11,202	8,534	9,516	1,545	1,925	-	57,792
Advertising and marketing	38,243	37,188	34,643	10,071	10,181	10,152	-	140,478
Bank and service fees	21,689	992	5,705	3,767	2,645	-	-	34,798
Interest	-	-	-	-	-	-	-	-
Travel	3,359	2,594	477	22	1,870	1,276	-	9,598
Total expenses before depreciation	1,147,193	637,689	429,716	326,135	198,017	167,511	1,400	2,907,661
Depreciation	47,349	49,240	23,677	13,835	52,200	34,352	20,666	241,319
Total expenses	\$ 1,194,542	\$ 686,929	\$ 453,393	\$ 339,970	\$ 250,217	\$ 201,863	\$ 22,066	\$ 3,148,980
Percent of Total Expenses	27%	16%	10%	8%	6%	4%	1%	72%

See Notes to Financial Statements (continued)

The Trust for Hidden Villa
Statement of Functional Expenses (continued)
Year Ended August 31, 2022

	Total Program Services	Administration	Fund Development	Total Supporting Services	Total
Salaries and related	\$ 1,696,500	\$ 432,117	\$ 385,626	\$ 817,743	\$ 2,514,243
Professional fees	104,860	201,057	12,758	213,815	318,675
Facilities	340,371	5,953	6,190	12,143	352,514
Program supplies	156,650	9,636	9,633	19,269	175,919
Insurance	295,367	5,202	5,447	10,649	306,016
In-kind expenses	5,100	6,225	-	6,225	11,325
Office	66,147	14,104	13,035	27,139	93,286
Information technology	57,792	10,333	12,533	22,866	80,658
Advertising and marketing	140,478	2,027	37,966	39,993	180,471
Bank and service fees	34,798	7,795	3,152	10,947	45,745
Interest	-	1,413	-	1,413	1,413
Travel	9,598	3,075	97	3,172	12,770
Total expenses before depreciation	2,907,661	698,937	486,437	1,185,374	4,093,035
Depreciation	241,319	33,165	6,939	40,104	281,423
Total expenses	\$ 3,148,980	\$ 732,102	\$ 493,376	\$ 1,225,478	\$ 4,374,458
Percent of Total Expenses	72%	17%	11%	28%	100%

See Notes to Financial Statements

The Trust for Hidden Villa
Statement of Functional Expenses
Year Ended August 31, 2021

	Summer Camp	Environmental Education	Community Programs	Community Supported Agriculture	Facility Rentals	Residential Intern Program	Animal Husbandry	Total Program Services
Salaries and related	\$ 635,297	\$ 439,664	\$ 243,222	\$ 138,018	\$ 80,784	\$ 136,432	\$ -	\$ 1,673,417
Professional fees	148,252	-	-	16,713	4,319	2,275	17,654	189,213
Facilities	149,511	44,227	68,630	1,191	40,150	2,423	312	306,444
Program supplies	144,436	20,479	24,004	37,283	1,636	7,552	18,263	253,653
Insurance	100,238	32,808	50,909	-	28,953	1,797	-	214,705
In-kind expenses	179,855	-	-	-	1,200	650	-	181,705
Office	22,666	13,907	13,263	17,879	2,893	3,370	630	74,608
Information technology	19,179	11,914	38,452	8,031	1,713	1,608	768	81,665
Advertising and marketing	7,820	2,557	2,424	1,525	1,942	1,599	85	17,952
Bank and service fees	10,927	190	6,360	3,827	9	183	1,808	23,304
Interest	-	-	-	-	-	-	-	-
Travel	822	-	-	6	-	-	68	896
Total expenses before depreciation	1,419,003	565,746	447,264	224,473	163,599	157,889	39,588	3,017,562
Depreciation	71,991	28,214	31,270	15,526	75,451	36,126	23,968	282,546
Total expenses	\$ 1,490,994	\$ 593,960	\$ 478,534	\$ 239,999	\$ 239,050	\$ 194,015	\$ 63,556	\$ 3,300,108
Percent of Total Expenses	34%	14%	11%	6%	5%	4%	1%	75%

See Notes to Financial Statements (continued)

**The Trust for Hidden Villa
Statement of Functional Expenses (continued)
Year Ended August 31, 2021**

	Total Program Services	Administration	Fund Development	Total Supporting Services	Total
Salaries and related	\$ 1,673,417	\$ 377,292	\$ 364,814	\$ 742,106	\$ 2,415,523
Professional fees	189,213	185,217	2,679	187,896	377,109
Facilities	306,444	4,199	6,420	10,619	317,063
Program supplies	253,653	3,164	4,315	7,479	261,132
Insurance	214,705	3,115	4,153	7,268	221,973
In-kind expenses	181,705	325	-	325	182,030
Office	74,608	12,786	16,370	29,156	103,764
Information technology	81,665	5,132	14,617	19,749	101,414
Advertising and marketing	17,952	3,819	36,686	40,505	58,457
Bank and service fees	23,304	6,994	2,172	9,166	32,470
Interest	-	5,415	-	5,415	5,415
Travel	896	577	337	914	1,810
Total expenses before depreciation	3,017,562	608,035	452,563	1,060,598	4,078,160
Depreciation	282,546	36,136	21,902	58,038	340,584
Total expenses	\$ 3,300,108	\$ 644,171	\$ 474,465	\$ 1,118,636	\$ 4,418,744
Percent of Total Expenses	75%	14%	11%	25%	100%

See Notes to Financial Statements

The Trust for Hidden Villa Statements of Cash Flows

	Years Ended August 31,	
	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ (1,799,286)	\$ 1,369,492
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	281,423	340,584
Unrealized gain (loss)	1,998,150	(1,447,451)
Realized gain on investments	(817,695)	(56,467)
Investment interest and dividends	(359,828)	(153,306)
Endowment interest and dividends	52,105	23,683
Proceeds from restricted endowment contributions	(169,336)	(5,600)
Gain on note forgiveness	(484,800)	(419,700)
Loss on disposal of property and equipment	-	20,266
Changes in operating assets and liabilities:		
Grants and pledges receivable	(30,800)	504,200
Other receivables	(155,476)	6,728
Prepaid expenses and other current assets	(88,931)	(133,469)
Accounts payable, accrued expenses and other liabilities	(6,182)	28,215
Deferred revenue	14,043	5,174
Net cash provided by (used in) operating activities	(1,566,613)	82,349
Cash Flows from Investing Activities		
Proceeds on sale of investments	8,378,517	2,782,583
Purchase of investments	(6,544,041)	(3,376,698)
Purchase of property and equipment	(73,410)	(31,098)
Sales and redemptions of short-term investments	-	(336,693)
Net cash provided by (used in) investing activities	1,761,066	(961,906)
Cash Flows from Financing Activities		
Endowment interest and dividends	(52,105)	(23,683)
Proceeds from restricted endowment contributions	169,336	5,600
Proceeds from note payable	-	484,800
Net cash provided by (used in) financing activities	117,231	466,717
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	311,684	(412,840)
Cash, Cash Equivalents and Restricted Cash, beginning of year	108,263	521,103
Cash, Cash Equivalents and Restricted Cash, end of year	\$ 419,947	\$ 108,263
Cash and Cash Equivalents	\$ 419,947	\$ 102,763
Restricted Cash	-	5,500
	\$ 419,947	\$ 108,263

See Notes to Financial Statements

The Trust for Hidden Villa

Notes to Financial Statements

1. Organization and Nature of Activities

Organization:

The Trust for Hidden Villa (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 Duveneck's established the first Hostel on the Pacific Coast (1937), the first multiracial summer camp (1945), and Hidden Villa's Environmental Education Program (1970). Hidden Villa was established as a nonprofit in 1960 and is supported by contribution from individuals, foundations and corporations throughout the Bay Area.

The Trust for 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, the organization's vision is a sustainable, healthy and just future for all.

Nature of Activities:

Hidden Villa's program activities are categorized based on the following seven initiatives:

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).

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).

Community Programs: Provides workshops and forums for families and individuals interested in sustainable practices, animal husbandry and nature (8,000 participants and 20,000 casual visitors annually).

Community Supported Agriculture Program: Brings seasonal vegetable, fruit, and flower bounty to local families: 75% of what is grown provides neighborhood shareholders and market goes with fresh, organic produce and 25% is donated to the Community Service Agency of Mountain View for distribution to its local food pantry clients.

The Trust for Hidden Villa

Notes to Financial Statements

1. Organization and Nature of Activities (continued)

Nature of Activities: (continued)

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.

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

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 seasonal turkeys provide broad educational resources and real-world, hands-on learning opportunities for Hidden Villa's program participants and for casual visitors.

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

2. Significant Accounting Policies

Basis of Presentation:

Hidden Villa presents its financial statements on the accrual method of accounting under accounting principles generally accepted in the United States of America (GAAP).

Hidden Villa segregates its assets, liabilities and operations into two categories: without donor restrictions and with donor restrictions. Hidden Villa's net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions consist of net assets for which there are no donor-imposed restrictions or such donor-imposed restrictions were temporary and expired during the current or previous periods. Net assets designated for specific purposes by the Board of Trustees (the Board) are also classified as without donor restrictions.

The Trust for Hidden Villa

Notes to Financial Statements

2. Significant Accounting Policies (continued)

Basis of Presentation: (continued)

Net assets with donor restrictions consist of amounts receivable or received that are restricted for specific purposes or for subsequent periods. Some contributions received from donors may be required to be maintained in perpetuity, while others expire over time or when the donor-imposed restrictions are satisfied. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions.

Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of support income, revenue and expenses in the financial statements and related disclosures. Actual results could differ from those estimates.

Measure of Operations:

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

Revenue Recognition:

Hidden Villa recognizes revenue from its revenue-generating activities under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* (Topic 606). Hidden Villa determines revenue recognition through the following steps:

- Identification of the grant or contract with a grantor or customer
- Identification of the performance obligations in the grant or contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the grant or contract
- Recognition of revenue when, or as, Hidden Villa satisfies a performance obligation

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

Membership fees for community supported agriculture are recognized ratably over a six-month period.

The Trust for Hidden Villa

Notes to Financial Statements

2. Significant Accounting Policies (continued)

Contribution Revenue:

Hidden Villa recognizes contributions and promises in accordance with FASB ASC 958-605, *Revenue Recognition for Not-for-Profit Organizations*. GAAP require contributions received, including unconditional promises to give (pledges), be recognized as support in the period the pledge is made. GAAP also requires Hidden Villa to distinguish between contributions and pledges received that increase net assets without donor restrictions and net assets with donor restrictions, with recognition being made of expiration of donor-imposed restrictions in the period in which the restrictions expire.

Contributed Nonfinancial Assets:

Effective July 1, 2021, Hidden Villa adopted the requirements of FASB Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-For Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 requires contributions from donors to be reported on the statements of activities and change in net assets as either contributions of cash and other financial assets or nonfinancial assets. The ASU requires not-for-profit entities to provide details as to the types of nonfinancial assets received, any donor-imposed restrictions on the assets, whether the contributed nonfinancial assets were either monetized or utilized during the reporting period, the entity's accounting policy for monetizing the assets instead of utilizing the assets, and a description of the valuation techniques and inputs used to arrive at a fair value measurement for the donated assets under FASB ASC Topic 820, *Fair Value Measurement* (Topic 820), at initial recognition.

Donated goods are recorded at the estimated fair value at the date of donation. Donated goods valued at \$11,325 in fiscal 2022 (\$182,030 in fiscal 2021), were determined by Hidden Villa based on the estimated retail value of the goods. The donated goods were used to carry out the mission of Hidden Villa and are not monetized. All contributed nonfinancial assets received by Hidden Villa in fiscal year 2022 and 2021 were considered without donor restrictions and able to be used by Hidden Villa as determined by the Board and management.

Donated services are recognized as contributions at their fair value if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by individuals possessing those skills, and would otherwise be purchased by Hidden Villa if not donated. Donated services were not material to the financial statements fiscal 2022 and 2021.

Deferred Revenue:

Amounts received for services or events not yet provided are classified as deferred revenue, which is a contract liability, and are recognized in the period in which the service is provided or the event takes place.

The Trust for Hidden Villa

Notes to Financial Statements

2. Significant Accounting Policies (continued)

Investments and Investment Return, net:

Investments are presented at fair value based on prices quoted on established securities exchanges. Investment income represents interest and dividends earned and net investment gains (losses), less external and direct internal investment-related expenses. Dividend and interest income is recognized when earned. Realized gains and losses on investments are calculated as the difference between proceeds received and the original cost of the investment. Unrealized gains and losses represent the difference between the fair value of investments at year end and their cost basis, if purchased during the year, or their fair value at the beginning of the year. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met in the reporting period in which the income and gains are recognized.

Endowment:

Hidden Villa accounts for donor restricted assets held in perpetuity as endowment assets (the Endowment) in accordance with Topic 958, *Not-for-Profit Entities*, subject to the state of California's Uniform Prudent Management of Institutional Funds Act (UPMIFA) (Note 6).

Cash and Cash Equivalents:

Hidden Villa considers all short-term, highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk and Major Donors:

Financial instruments, which potentially subject Hidden Villa to concentration of credit risk, consist primarily of cash and cash equivalents, investments, and grants and pledges receivable. Hidden Villa maintains its cash and cash equivalent deposits with two domestic financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures these deposits up to \$250,000 at each institution. From time to time, cash and cash equivalents held with the financial institution exceeded the amount insured by the FDIC. Management believes its cash and cash equivalent deposits are not exposed to significant risk. Hidden Villa has not experienced any losses on its cash and cash equivalents through August 31, 2022.

The Trust for Hidden Villa

Notes to Financial Statements

2. Significant Accounting Policies (continued)

Concentration of Credit Risk and Major Donors: (continued)

Hidden Villa maintains investments principally at a major brokerage firm. The Securities Investor Protection Corporation insures these investments up to \$500,000. At August 31, 2022 and 2021, investments exceeded the insured amount. Hidden Villa has not experienced any losses on its investments through August 31, 2022.

Grants and pledges receivable are unsecured; however, Hidden Villa provides an allowance, as needed, for losses arising from uncollectible receivables based upon the historical collection experience and management's evaluation of collectability of outstanding balances. Hidden Villa considers its receivables to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary at August 31, 2022 and 2021.

Major donors are defined as donors contributing over 10% of Hidden Villa's annual support income. Hidden Villa had one major donor in fiscal 2022 (one in fiscal 2021). Funding from this donor accounted for 28% of support income in fiscal 2022 (21% of support income in fiscal 2021). There was no pledge receivable from the major donor at August 31, 2022 or 2021. Hidden Villa does not believe it is dependent on any one individual donor in the long-term.

Property and Equipment:

Hidden Villa capitalizes property and equipment in excess of \$5,000. Purchased property and equipment are recorded at cost less accumulated depreciation. Donated property and equipment are recorded at estimated fair value on the date of donation. Hidden Villa depreciates property and equipment using the straight-line method over the estimated useful lives of the assets, ranging from five to ten years for vehicles, software, and office furniture and equipment, and 30 years for buildings. Construction in progress is not depreciated until placed in service.

Accounting for Impairment of Long-Lived Assets:

Long-lived assets consist of property and equipment and donated artwork. The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of their carrying cost or fair value less cost to sell. Hidden Villa did not recognize an impairment loss in 2022 or 2021.

The Trust for Hidden Villa

Notes to Financial Statements

2. Significant Accounting Policies (continued)

Income Taxes:

Hidden Villa is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the Code), as an organization described in Section 501(c)(3) of the Code, and from California income taxes under Section 23701(d) of the California Revenue and Taxation Code. Although Hidden Villa is recognized as tax exempt, it is still liable for income tax on any unrelated business taxable income (UBTI). Hidden Villa does not believe it has UBTI that would result in a material income tax liability.

Hidden Villa applies the provisions set forth in FASB ASC Topic 740, *Income Taxes*, to account for the uncertainty in income taxes. Hidden Villa has assessed all income tax positions taken where the statute of limitations remains open. Hidden Villa believes its tax filing positions will be sustained upon tax examinations; therefore, no liability for uncertain income tax positions has been recorded at August 31, 2022 or 2021. Hidden Villa does not anticipate any significant increases or decreases to uncertain income tax positions during the next twelve months.

Advertising Costs:

Advertising costs are expensed in the year incurred. Advertising costs were not material to the financial statements in fiscal 2022 and 2021.

Statement of Functional Expenses:

The cost of providing the various program and supporting services have been summarized on a functional basis in the statements of functional expenses. Direct expenses are allocated based on the related program or supporting service benefited. Indirect expenses are generally allocated to programs and supporting services based on the time spent by employees and participants in specific departments. Indirect expenses, such as salaries and benefits, professional fees, depreciation, and information technology are allocated based on the number of employees and interns in each department.

Reclassifications:

Certain prior period amounts within the financial statements have been reclassified to conform to the current year presentation.

The Trust for Hidden Villa
Notes to Financial Statements

3. Liquidity and Availability of Resources (continued)

The table below represents assets available for general expenditures within one year at August 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 419,947	\$ 102,763
Other receivables	158,142	2,666
Grants and pledges receivable	18,200	1,200
Investments held for endowment	7,195,090	9,214,483
Short-term investments	-	635,710
Cash restricted for endowment	<u>-</u>	<u>5,500</u>
Financial assets available to meet general expenditures	7,791,379	9,962,322

Less amounts not available to be used within one year:

Board designated net assets, net of amounts appropriated for expenditure	5,509,555	7,547,957
Endowment funds restricted in perpetuity (Note 6)	891,536	722,200
Accumulated earnings on endowment funds, net of amounts appropriated for expenditure (Note 6)	443,408	605,826
Funds restricted for purpose by donor (Note 8)	<u>529,752</u>	<u>172,063</u>
	<u>\$ 417,128</u>	<u>\$ 914,276</u>

Management monitors liquidity and the availability of Hidden Villa's resources on an ongoing basis to ensure adherence to donor restrictions, contractual commitments and legal requirements for the use of funds. Hidden Villa has certain donor-restricted assets limited to use that are not available for general operations. Accordingly, these assets have been identified as not available for general expenditure within one year.

The endowment fund contributions and earnings must be restricted permanently in accordance with explicit donor stipulations.

Board designated funds are not intended to be used for annual operating expenses and are not included in funds available to meet general expenditures over the next year. However, the Board may, upon the vote of its members, make some or all of the funds restricted for endowment available for general expenditure needs at any time.

The Trust for Hidden Villa
Notes to Financial Statements

4. Property and Equipment

Property and equipment consists of the following at August 31:

	<u>2022</u>	<u>2021</u>
Buildings and land improvements	\$ 6,724,369	\$ 6,710,569
Land	6,385,143	6,385,143
Software	446,114	446,114
Vehicles	176,773	188,899
Office furniture and equipment	143,689	121,770
Construction in progress	49,817	-
Livestock	<u>5,000</u>	<u>5,000</u>
	13,930,905	13,857,495
Accumulated depreciation	<u>(5,421,980)</u>	<u>(5,140,557)</u>
	<u>\$ 8,508,925</u>	<u>\$ 8,716,938</u>

Construction in progress consists of signage for the property and upgrades on a barn. Management estimates the future costs to complete the signage and barn to be \$1,000, which is expected to be incurred in fiscal 2023.

5. Fair Value Measurement

Hidden Villa categorizes its assets or liabilities into a three-level hierarchy under Topic 820, which prioritizes the inputs used in valuation techniques for determining fair value of assets or liabilities and making disclosures about fair value measurement. Hidden Villa defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs or methodology used for valuing assets or liabilities are not necessarily an indication of the risk associated with those assets or liabilities.

The three-level hierarchy for fair value measurement is defined as follows:

Level I: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level II: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level III: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Trust for Hidden Villa
Notes to Financial Statements

5. Fair Value Measurement (continued)

An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Investments are valued at quoted market value, classified at Level I under the fair value hierarchy and consist of the following at August 31:

	<u>2022</u>	<u>2021</u>
Domestic equity securities	\$ 2,705,626	\$ 2,962,170
International equity securities	1,479,129	1,704,948
Domestic fixed income funds	651,193	1,034,109
Inflation linked securities	540,187	548,042
Emerging markets equity funds	672,412	493,935
Money market funds	352,100	411,196
Domestic real estate funds	217,758	302,188
Commodities funds	576,685	250,842
International real estate funds	-	275,076
Global fixed income funds	-	1,039,888
Precious metals exchange traded funds	-	<u>192,089</u>
Total	<u>\$ 7,195,090</u>	<u>\$ 9,214,483</u>

6. Endowment

Hidden Villa's Board has interpreted the UPMIFA as requiring the preservation, in perpetuity, of the fair value of the original gift as of the gift date of the Endowment absent explicit donor stipulations to the contrary. As a result of this interpretation, Hidden Villa classifies as donor restricted net assets in perpetuity: (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts to the Endowment, and (c) accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the gift is added. The excess of the Endowment's fair value over its corpus available to support Hidden Villa is classified as net assets with donor time restrictions until those amounts are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed by UPMIFA. Once appropriated, these amounts are classified as net assets without donor restrictions.

The Trust for Hidden Villa

Notes to Financial Statements

6. Endowment (continued)

In accordance with UPMIFA, Hidden Villa's Board considers the following factors in making a determination to appropriate or accumulate Endowment funds as net assets with donor restrictions:

- (1) The duration and preservation of the Endowment;
- (2) The purposes of Hidden Villa and the Endowment;
- (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 Hidden Villa;
- (7) The investment policies of Hidden Villa;
- (8) Reserves to cover partial self-insurance for fire.

Hidden Villa's Board monitors the portfolio's investment performance (net of fees) against a composite benchmark consisting of the following unmanaged market indices weighted according to the expected target asset allocations stipulated by the Endowment's investment guidelines:

- a) Domestic equity: S&P 500 Index and MSCI US Mid/Small Cap 2000 Index
- b) International equity: MSCI EAFE Index and MSCI Emerging Market Index
- c) Fixed income: Barclays Aggregate Intermediate Bond Index and Merrill Lynch US TIPS Index
- d) Real Estate: Dow Jones Wilshire US REIT Index
- e) Commodities/Natural Resources: Dow Jones AIG Commodity Index and Dow Jones UBS Gold Index

Investment Strategy:

Hidden Villa 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 the funding for the activities supported by the Endowment can be maintained in the face of inflation.

The Trust for Hidden Villa
Notes to Financial Statements

6. Endowment (continued)

Investment Strategy: (continued)

Endowment assets are invested in a 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.

Hidden Villa has a policy of appropriating for distribution each year of up to 4.5% of the funds held in perpetuity, as well as the funds held in the Board-designated endowment funds, based on the Endowment's average fair value using a smoothing formula which applies the current spend rate to the average Endowment valuation from the prior 3 years. In establishing this policy, Hidden Villa considers the long-term expected return on its investment assets and the nature and duration of the individual Endowment funds and relies on a total return strategy in which investment returns are achieved through both realized and unrealized capital appreciation and current yield, such as interest and dividends.

Changes in the Endowment are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	Total Endowment <u>Assets</u>
Balance, August 31, 2020	\$ 5,841,341	\$ 1,121,803	\$ 6,963,144
Contributions	910,961	100	911,061
Interest and dividend income	123,415	23,683	147,098
Realized gain on endowment assets	44,000	8,443	52,443
Unrealized gain on endowment assets	1,215,490	233,247	1,448,737
Appropriated for expenditure	<u>(275,750)</u>	<u>(32,250)</u>	<u>(308,000)</u>
Balance, August 31, 2021	7,859,457	1,355,026	9,214,483
Contributions	-	169,336	169,336
Cash restricted for endowment transferred to endowment funds	-	5,500	5,500
Interest and dividend income	299,957	52,105	352,062
Realized gain on endowment assets	635,502	110,392	745,894
Unrealized loss on endowment assets	(1,639,081)	(284,705)	(1,923,786)
Additional Board designated transfer to unrestricted	(1,024,399)	-	(1,024,399)
Appropriated for expenditure	<u>(311,500)</u>	<u>(32,500)</u>	<u>(344,000)</u>
Balance, August 31, 2022	<u>\$ 5,819,936</u>	<u>\$ 1,375,154</u>	<u>\$ 7,195,090</u>

The Trust for Hidden Villa
Notes to Financial Statements

6. Endowment (continued)

Endowment assets are as follows at August 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Assets</u>
Board-designated endowment funds	\$ 5,819,936	\$ -	\$ 5,819,936
Original donor restricted gift amounts required to be maintained in perpetuity by donor	-	891,536	891,536
Accumulated investment gains	<u>-</u>	<u>483,618</u>	<u>483,618</u>
	<u>\$ 5,819,936</u>	<u>\$ 1,375,154</u>	<u>\$ 7,195,090</u>

Endowment assets are as follows at August 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Assets</u>
Board-designated endowment funds	\$ 7,859,457	\$ -	\$ 7,859,457
Original donor restricted gift amounts required to be maintained in perpetuity by donor	-	716,700	716,700
Accumulated investment gains	<u>-</u>	<u>638,326</u>	<u>638,326</u>
	<u>\$ 7,859,457</u>	<u>\$ 1,355,026</u>	<u>\$ 9,214,983</u>

The Trust for Hidden Villa

Notes to Financial Statements

7. Notes Payable

In April 2020, Hidden Villa entered into an unsecured promissory note (the 2020 Note) for \$419,700 with the U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). Under the terms of the 2020 Note, payment was deferred for the first ten months and borrowings bore interest at 1.0%. Proceeds from the 2020 Note were restricted to payment of employee salaries and utility costs. Hidden Villa received forgiveness from the SBA under the terms of the PPP for the full amount of the 2020 Note and accrued interest of \$2,565 in December 2020, which was reported as a gain on note forgiveness in the statement of activities and change in net assets.

In January 2021, Hidden Villa entered into an unsecured promissory note (the 2021 Note) for \$484,800 under the PPP. Under the terms of the 2021 Note, payment was deferred for the first ten months and borrowings bore interest at 1.0%. Proceeds from the 2021 Note were restricted to payment of employee salaries and utility costs. Hidden Villa received forgiveness from the SBA under the terms of the PPP for the full amount of the 2021 Note and accrued interest of \$4,255 in December 2021, which was reported as a gain on note forgiveness in the statement of activities and change in net assets.

In connection with the forgiveness of the notes, the SBA reserves the right to challenge its decisions reached, and the resolution of the matters could result in Hidden Villa being required to repay all or a portion of the amounts forgiven, along with possible interest and penalties. In the opinion of management, Hidden Villa used reasonable judgment in requesting the 2020 and 2021 Notes to be forgiven and its determination the requirements for forgiveness were met will be sustained further upon SBA examination.

The Trust for Hidden Villa
Notes to Financial Statements

8. Net Assets

Net assets with donor restrictions are restricted for the following purposes or future periods at August 31:

	<u>2022</u>	<u>2021</u>
Purpose restrictions:		
Endowment funds available for appropriation	\$ 483,618	\$ 638,326
Operations	348,133	93,314
Programs	24,809	55,949
Scholarships	147,846	13,836
Landscaping improvements for Wolken Education Center	<u>8,964</u>	<u>8,964</u>
	1,013,370	810,389
Time restrictions	-	115,000
Endowment funds held in perpetuity	<u>891,536</u>	<u>722,200</u>
	<u>\$ 1,904,906</u>	<u>\$ 1,647,589</u>

Net assets released from donor restrictions by the passage of time or incurring expenses satisfying the restricted purposes are as follows in fiscal year:

	<u>2022</u>	<u>2021</u>
Passage of time	\$ 115,000	\$ 615,000
Programs	122,786	146,312
Scholarships	15,000	141,620
Appropriated from endowment	32,500	32,250
Operations	<u>127,182</u>	<u>1,980</u>
	<u>\$ 412,468</u>	<u>\$ 937,162</u>

Net assets without donor restrictions are as follows at August 31:

	<u>2022</u>	<u>2021</u>
Property and equipment	\$ 8,508,925	\$ 8,716,938
Donated artwork	259,000	259,000
Board designated for endowment	5,819,936	7,859,457
Undesignated net assets	<u>212,744</u>	<u>26,813</u>
	<u>\$ 14,800,605</u>	<u>\$ 16,857,208</u>

The Trust for Hidden Villa

Notes to Financial Statements

9. Retirement Plan

Hidden Villa has a defined contribution 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. There were no employer contributions to the plan in fiscal 2022 or 2021.

10. Contingencies

Self-Insurance

Hidden Villa's property insurance coverage was not fully renewed in fiscal 2021. Hidden Villa is currently self-insured for property insurance risk in excess of \$9,500,000 of damages. The reduction in insurance reflects trends in the property insurance field, mainly due to significant cost increases related to wildfires, and management believes this is not unique to Hidden Villa.

Global Pandemic:

The global outbreak of the novel coronavirus continues to be an evolving situation. The pandemic has disrupted much of society, impacted global travel and supply chains, adversely impacted global and domestic commercial activity in most industries. The development and fluidity of this situation precludes any prediction as to its ultimate impact, which may continue to have an adverse effect on the economic and market conditions and trigger an extended period of global economic uncertainty. Such conditions, which may be across industries, sectors or geographies, may impact the Company's operating performance in the near term.

11. Subsequent Events

Subsequent events have been evaluated through January 31, 2023, which is the date the financial statements were approved by Hidden Villa and available to be issued. No subsequent events have been identified requiring disclosure by management.