The Resource Area for Teaching
(d.b.a. Resource Area for Teaching)

Financial Statements

June 30, 2019 and 2018

Frank, Rimerman + Co. LLP

C O N T E N T S

Frank, Rimerman + Co. LLP

Certified
Public
Accountants

Palo Alto
San Francisco
San Jose
St. Helena

Audit Committee and
Board of Directors
The Resource Area for Teaching
San Jose, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of The Resource Area for Teaching (d.b.a. Resource Area for Teaching) (the Organization), which comprise the statements of financial position as of June 30, 2019 and 2018, the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditor considers 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.

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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 Resource Area for Teaching as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Frank, Rimerman & Co. LLP

San Jose, California
December 23, 2019

The Resource Area for Teaching
Statements of Financial Position

	June 30, 2019	June 30, 2018
ASSETS		
Cash and Cash Equivalents	$ 33,274	$ 31,282
Accounts Receivable	9,950	7,080
Grants and Pledges Receivable	7,500	67,144
Prepaid Expenses and Other Assets	31,680	16,857
Investments	765,056	1,332,792
Inventory	95,113	202,522
Property and Equipment, net	3,558,614	9,583,399
Building Held for Sale, net	5,831,085	-
Total assets	$ 10,332,272	$ 11,241,076
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	$ 96,626	$ 96,490
Deferred revenue	20,948	34,285
Total liabilities	117,574	130,775
Contingencies (Note 5 & 7)		
Net Assets		
Without donor restrictions	9,973,534	10,860,550
With donor restrictions	241,164	249,751
Total net assets	10,214,698	11,110,301
Total liabilities and net assets	$ 10,332,272	$ 11,241,076

See Notes to Financial Statements

The Resource Area for Teaching
Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Contributions and grants	$ 478,927	$ 69,000	$ 547,927
Fundraising event, net of expenses of $11,981	172,383	-	172,383
In-kind contributions	126,600	-	126,600
Return on investments	54,040	7,157	61,197
Membership dues	96,110	-	96,110
Workshop fees	102,812	-	102,812
Sales to public, net of direct expenses of $154,565	519,395	-	519,395
Other income	36,953	-	36,953
Net assets released from restrictions	84,744	(84,744)	-
Total revenues and support	1,671,964	(8,587)	1,663,377
Expenses			
Program Services:			
Program	2,273,087	-	2,273,087
Support Services:			
Management and general	105,910	-	105,910
Fundraising	179,983	-	179,983
Total expenses	2,558,980	-	2,558,980
Change in Net Assets	(887,016)	(8,587)	(895,603)
Net Assets, June 30, 2018	10,860,550	249,751	11,110,301
Net Assets, June 30, 2019	$ 9,973,534	$ 241,164	$ 10,214,698

See Notes to Financial Statements

The Resource Area for Teaching
Statement of Activities
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Contributions and grants	$ 534,549	$ 254,500	$ 789,049
Fundraising event, net of expenses of $50,586	172,279	-	172,279
In-kind contributions	123,624	-	123,624
Return on investments	95,589	6,357	101,946
Membership dues	119,730	-	119,730
Workshop fees	104,957	-	104,957
Sales to public, net of direct expenses of $257,035	704,009	-	704,009
Other income	32,065	-	32,065
Net assets released from restrictions	460,158	(460,158)	-
Total revenues and support	2,346,960	(199,301)	2,147,659
Expenses			
Program Services:			
Program	2,614,507	-	2,614,507
Support Services:			
Management and general	245,792	-	245,792
Fundraising	286,625	-	286,625
Total expenses	3,146,924	-	3,146,924
Change in Net Assets	(799,964)	(199,301)	(999,265)
Net Assets, June 30, 2017	11,660,514	449,052	12,109,566
Net Assets, June 30, 2018	$ 10,860,550	$ 249,751	$ 11,110,301

See Notes to Financial Statements

The Resource Area for Teaching
Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services	Support Services: Management and General	Support Services: Fundraising	Total
Salaries, Payroll Taxes and Benefits	$ 1,336,322	$ 29,528	$ 122,299	$ 1,488,149
Professional Fees	69,278	24,850	-	94,128
Contract Services	84,789	45,863	33,843	164,495
Recruiting	17,611	-	13,429	31,040
Supplies	42,171	50	-	42,221
Communications	16,368	647	-	17,015
Utilities	111,611	-	-	111,611
Postage and Shipping	3,245	-	160	3,405
In-Kind Rent	126,600	-	-	126,600
Occupancy	7,532	-	-	7,532
Dues and Subscriptions	3,138	-	435	3,573
Repairs and Maintenance	115,011	-	4,000	119,011
Truck and Travel	15,625	-	-	15,625
Conference and Meetings	2,632	-	45	2,677
Insurance	50,115	952	2,436	53,503
Credit Card and Bank Charges	22,961	-	-	22,961
Depreciation	187,979	4,020	3,185	195,184
Payroll Services	3,642	-	151	3,793
Loss on Asset Disposal	56,457	-	-	56,457
Total expenses	$ 2,273,087	$ 105,910	$ 179,983	$ 2,558,980
Percent of Total Expenses	89%	4%	7%	100%

See Notes to Financial Statements

The Resource Area for Teaching
Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services	Support Services: Management and General	Support Services: Fundraising	Total
Salaries, Payroll Taxes and Benefits	$ 1,586,949	$ 145,780	$ 239,273	$ 1,972,002
Professional Fees	10,561	32,100	-	42,661
Contract Services	214,422	63,165	25,276	302,863
Recruiting	51,013	-	695	51,708
Supplies	58,320	150	1,272	59,742
Communications	20,482	1,203	932	22,617
Utilities	110,063	-	-	110,063
Postage and Shipping	2,765	-	245	3,010
In-Kind Rent	123,624	-	-	123,624
Occupancy	8,450	-	-	8,450
Dues and Subscriptions	6,039	-	-	6,039
Repairs and Maintenance	89,623	-	10,002	99,625
Truck and Travel	25,471	-	216	25,687
Conference and Meetings	2,381	15	343	2,739
Insurance	59,434	1,564	3,008	64,006
Advertising	301	-	-	301
Credit Card and Bank Charges	33,325	-	-	33,325
Depreciation	209,253	1,340	4,323	214,916
Payroll Services	2,031	475	1,040	3,546
Total expenses	$ 2,614,507	$ 245,792	$ 286,625	$ 3,146,924
Percent of Total Expenses	83%	8%	9%	100%

See Notes to Financial Statements

The Resource Area for Teaching
Statements of Cash Flows

	Years Ended June 30, 2019	2018
Cash Flows from Operating Activities:		
Change in net assets	$ (895,603)	$ (999,265)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	195,184	214,916
Net realized and unrealized gain on investments	(11,755)	(65,671)
Loss on disposal of property and equipment	56,457	-
Changes in operating assets and liabilities:		
Receivables	56,774	45,877
Prepaid expenses and other assets	(14,823)	11,803
Inventory	107,409	71,881
Accounts payable and accrued liabilities	136	(17,170)
Deferred revenue	(13,337)	(14,957)
Net cash used in operating activities	(519,558)	(752,586)
Cash Flows from Investing Activities:		
Net proceeds from sale of investments	628,933	866,765
Purchase of property and equipment	(57,941)	(93,831)
Purchase of investments	(49,442)	(36,275)
Net cash provided by investing activities	521,550	736,659
Net Increase (Decrease) in Cash and Cash Equivalents	1,992	(15,927)
Cash and Cash Equivalents, beginning of year	31,282	47,209
Cash and Cash Equivalents, end of year	$ 33,274	$ 31,282

See Notes to Financial Statements

1. Organization and Nature of Activities

Organization:

The Resource Area for Teaching (d.b.a. Resource Area for Teaching) (the Organization) is a not-for-profit organization with locations in San Jose, Redwood City and Sunnyvale, California. The Organization closed the Redwood City location on June 29, 2019 and has put the Sunnyvale warehouse up for sale to consolidate operations in San Jose. The Organization's specific and primary purpose is to offer ideas, information and a source of materials diverted from industry's material waste stream to teachers and others who work with children.

The Organization provides a vital connection between the business community and educators so that surplus materials can be reused creatively to enhance children's learning. The Organization also conducts demonstrations and workshops to help educators find ways to use these materials in math, science and art projects.

Program Services:

Core Program

The Organization believes that every child deserves a powerful learning experience. The Organization's mission is to help educators transform a child's learning experience through hands-on education to inspire the joy and discovery of learning.

Education Program

The Organization supports education by:

- Offering ideas, workshops and education to help train teachers, and others who work with children, to use hands-on materials to enhance their programs.
- Producing hands-on learning tools, aligned to state curriculum, that educators can use in their classrooms and communities.
- Educating teachers, and others that work with children, on the benefits of upcycling materials by diverting them from waste streams and converting them to educational tools which enrich STEAM (Science, Technology, Engineering, Art, Math) and other curriculum and programs.
- Providing an opportunity for teachers and students to learn together at the Organization or at Organization-supported activities, facilities and other events.
- Providing a forum for exchange of ideas by teachers, and others who work with children (building community); and
- Engaging in the development and implementation of maker spaces in local schools and communities.

1. Organization and Nature of Activities (continued)

Resource Centers and Website

The Organization has a Member Resource Center, located in San Jose, California, where members can shop for affordable, pre-packaged learning activities, upcycled bulk materials and additional classroom supplies. The Organization's use of repurposed and donated materials allows the Organization to keep prices low and educators to stretch their budgets twice as far. At the Organization's Volunteer Resource Center and warehouse in Sunnyvale, California, donated materials are sorted, and community volunteers prepare and assemble hands-on learning activities annually. Once the sale of the Sunnyvale warehouse is final, the warehouse operations will be transferred to the San Jose Member Resource Center. The Organization's website and online store offer 24/7 access to the educational resources.

Material Donations and Upcycling Program

The Organization diverts donated materials and makes them available for members in the Member Resource Center. Multiple Bay Area companies work with the Organization to collect and upcycle materials they no longer need, from office supplies to lab equipment, so that the Organization can repurpose them into hands-on learning materials for members to buy in bulk to create their own learning materials. The Organization provides:

- Facilities, sites, mobile units, on-line resources and other means to accept appropriate donated materials and to make them available to teachers and community programs.
- Businesses with the opportunity to donate items, to support education and local community programs.
- Businesses and the local community with an opportunity to volunteer in support of the Organization's mission; and
- Businesses, foundations, local community organizations and individuals with an opportunity to donate money to be used in support of Organization's mission.

2. Significant Accounting Policies

Basis of Presentation:

The Organization prepares its financial statements on the accrual basis of accounting under accounting principles generally accepted in the United States of America.

2. Significant Accounting Policies (continued)

Basis of Presentation: (continued)

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.* ASU 2016-14 became effective for the Organization as of July 1, 2018, at which time the Organization adopted the standard using a retrospective transition approach and has adjusted the presentation of its financial statements as follows:

- Unrestricted net assets have been renamed net assets without donor restrictions.
- Temporarily and permanently restricted net assets have been renamed net assets with donor restrictions.
- The Organization's expenses are reported by function and nature in the statements of functional expenses.
- The financial statements include new disclosures about liquidity and availability of resources (Note 3).
- Investment-related expenses are reported net of investment income.

The Organization prepares its financial statements in accordance with accounting standards for not-for-profit organizations. The standards require not-for-profit organizations to segregate their assets, liabilities and operations into two categories: with donor restrictions and without donor restrictions.

Net assets without donor restrictions consist of net assets for which there are no donor-imposed restrictions or such donor-imposed restrictions were temporary in nature and expired during the current or previous periods.

Net assets with donor restrictions consist of amounts that are restricted by the donor for specific purposes or for subsequent periods. Some contributions received from donors are required to be maintained in perpetuity while others expire over time, or when the donor-imposed restriction is 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 as net assets released from restrictions.

2. Significant Accounting Policies (continued)

Revenue Recognition:

The Organization accounts for contributions and promises to give in accordance with accounting standards for not-for-profit organizations. The standards require that contributions received, including unconditional promises to give (pledges), are to be recognized as revenue in the period the pledge is made. The standards also require not-for-profit organizations to distinguish between contributions 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. Conditional promises to give and support are not recognized until the conditions are met.

In-Kind Support:

The Organization regularly accepts donated merchandise from the general public for resale in its stores. The nature and quality of the merchandise donated varies considerably. The fair value of these donations is not recorded by the Organization until sold or provided for free to teachers.

The Organization receives materials and equipment from the general public for use in its programs. The Organization also benefits from the donated services of a number of professionals in the provision of its services, as well as free rent at its Redwood City location, which closed in June 2019. Contributions of services are recognized as revenue and expense if the services received (1) create or enhance non-financial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased by the Organization if not provided by donation. During fiscal 2019, the Organization received $136,600 of donated services, items and rent ($123,624 in 2018), which have been recorded by the Organization at estimated fair value.

These amounts are reflected in the accompanying financial statements as in-kind support revenue and are offset by corresponding amounts of program expenses.

Sales to Public:

The Organization regularly generates sales of merchandise from its store in San Jose. As a result, sales of merchandise to the public is recorded at the time of sale.

Fundraising Event:

The Organization records fundraising event revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference.

2. Significant Accounting Policies (continued)

Cash and Cash Equivalents:

For purposes of the statement of cash flows, cash and cash equivalents include all short-term highly liquid investments purchased with maturities of three months or less. Cash equivalents are carried at cost, which approximates fair value. Cash and cash equivalent balances held temporarily with brokerage firms are considered investments.

Investments and Investment Income:

The Organization's investments are presented at fair value based on prices quoted on established securities exchanges. Return on investments represents interest and dividends earned and net investment gains, less investment-related expenses. 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 current fair value of the investments and their cost basis, if purchased during the year, or their fair value at the beginning of the year.

Concentrations of Credit Risk:

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and receivables. The Organization maintains its cash and cash equivalents at a commercial bank. The Organization is exposed to credit risk in the event of default by the commercial bank to the extent that cash and cash equivalent balances exceeded the amount insured by the Federal Deposit Insurance Corporation. Additionally, cash and cash equivalents and investments balances are maintained at one major brokerage firm, which exceeded the amount insured by the Securities Investor Protection Corporation at June 30, 2019 and 2018.

The Organization estimates the collectability of its receivables based on the allowance method. Management has determined that an allowance for bad debts is not required.

Inventory:

Purchased inventory is valued at the lower of cost or market and consists primarily of purchased components held for resale or included in kits.

2. Significant Accounting Policies (continued)

Property and Equipment:

Purchased, donated or constructed assets are recorded at cost. Acquisitions of property and equipment with a cost or fair value in excess of $1,500 are capitalized. Expenditures that increase the life of existing assets are capitalized; however, maintenance and repairs are charged to operations as incurred. Depreciation is provided on a straight-line basis over the following estimated useful lives:

Land improvements	40 years
Building and improvements	40 years
Computer hardware and software	3 - 5 years
Furnishings, equipment and vehicles	5 - 10 years

Building Held for Sale:

A property is classified as held for sale when all of the following criteria for a plan of sale have been met: (i) management, having the authority to approve the action commits to a plan to sell the property; (ii) the property is available for immediate sale in its present condition, subject only to terms that are usual and customary; (iii) an active program to locate a buyer and other actions required to complete the plan to sell have been initiated; (iv) the sale of the property is probably and is expected to be completed; (v) the property is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and (vi) actions necessary to complete the plan of sale indicate that it is unlikely that significant changes to the plan will be made or the plan will be withdrawn.

When real estate is identified by management as held for sale, the Company discontinues depreciating the real estate and estimates the sales price, net of selling costs, of such real estate. If, in management’s opinion, the estimated net sales price of the real estate which have been identified as held for sale is less than the net book value of the real estate, a valuation allowance is established. Real estate identified as held for sale are presented separately on the consolidated balance sheets.

As of June 30, 2019, the Organization held a building for sale with a carrying value of $5,831,085.

2. Significant Accounting Policies (continued)

Accounting for Impairment of Long-Lived Assets:

The Organization 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 such 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 amount or fair value less cost to sell. The Organization has not recorded any expenses related to impairment of long-lived assets in fiscal 2019 or 2018.

Income Taxes:

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state franchise taxes under Section 23701d of the California Revenue and Taxation Code.

The Organization uses the “more likely than not” criterion for recognizing the income tax benefit of its income tax exempt status and establishing measurement criteria for liabilities resulting from the loss of that status. The Organization believes that all income tax filing positions will be sustained upon examination and, accordingly, has not recorded any accruals for interest and penalties at June 30, 2019 for uncertain income tax positions. In the event the Organization should need to recognize interest and penalties related to unrecognized tax liabilities, this amount will be recorded as an accrued liability and an increase to income tax expense.

Although the Organization is recognized as tax exempt, it is still liable for income tax on its unrelated business taxable income (UBTI). The Organization does not believe it has UBTI that would have resulted in an income tax liability at June 30, 2019 or 2018.

The Organization’s federal exempt organization business income tax return (Form 990) is subject to examination, generally for three years after it is filed with the Internal Revenue Service. The Organization’s California exempt organization business income tax return is subject to examination, generally for four years after it is filed with the Franchise Tax Board.

2. Significant Accounting Policies (continued)

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, support and expenses during the reporting period. Estimates are used in accounting for, among other things, allowance for uncollectible accounts, inventory obsolescence, estimated future breakage of deferred revenue, useful lives of property and equipment and long-lived asset impairment. Actual results could differ from those estimates.

The Organization recognizes breakage when the probability of customers redeeming gift cards becomes improbable. The Organization presents deferred revenue net of estimated future breakage. The estimated future breakage is $36,814 at June 30, 2019 ($31,701 in 2018).

Risks and Uncertainties:

The Organization invests in various types of investments, which are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term, and that such changes could materially affect the fair value of investments reported in the financial statements.

Fair Value Measurement:

The Organization uses a three-level hierarchy for fair value measurement based on the nature of inputs used in the valuation of an asset or liability as of the measurement date. The three-level hierarchy prioritizes within the measurement of fair value, the use of market-based information over entity-specific information. Fair value focuses on an exit price and is defined 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 and liabilities are not necessarily an indication of the risk associated with those assets and liabilities.

2. Significant Accounting Policies (continued)

Fair Value Measurement: (continued)

The three-level hierarchy for fair value measurements 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.

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

An asset's or liability's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. At June 30, 2019 and 2018, the Organization's investments are all categorized as Level I investments.

Statements of Functional Expenses:

The costs of providing the Organization's various programs and services have been summarized on a functional basis in the statements of functional expenses. Direct expenses are allocated to the related program or service benefited. Indirect expenses are generally allocated based on operating expenses incurred and estimates of time and effort. Indirect expenses, such as human resources, insurance and information technology-related expenses are allocated based on employee headcount and square footage.

Recent Accounting Pronouncements Not Yet Effective:

Revenue Recognition:

In May 2014, the FASB issued Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. This standard outlines a single comprehensive model for entities to use in accounting for revenues arising from contracts with customers to reflect the consideration to which the entity expects to be entitled to in exchange for those goods and services.

2. Significant Accounting Policies (continued)

Recent Accounting Pronouncements Not Yet Effective: (continued)

Revenue Recognition: (continued)

The standard will replace most existing revenue recognition guidance generally accepted in the United States of America. Topic 606 was effective for the Organization as of July 1, 2019 and permits the use of either a retrospective or cumulative effect transition method. The Organization has not selected a transition method and is currently evaluating the effect Topic 606 will have on its financial statements and related disclosures.

Contributions Received and Contributions Made:

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarifies the definition of an exchange transaction and provides guidance for evaluating whether contributions are unconditional or conditional. ASU 2018-08 is effective for the Organization as of July 1, 2019 for transactions in which it is the resource recipient and July 1, 2020 for transactions in which it is the resource provider. ASU 2018-08 allows a retrospective or modified prospective transition approach for its adoption. The Organization believes ASU 2018-08 will have a minimal impact on its financial statements and related disclosures.

Fair Value Disclosures:

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement*. The standard eliminates certain disclosures and modifies others about recurring and nonrecurring fair value measurement disclosures. ASU 2018-13 is expected to reduce the cost of preparing fair value measurement disclosures, while providing more decision-useful information for financial statement users. The standard is effective for the Organization as of July 1, 2019 and early adoption is permitted. The Organization is currently evaluating the impact of ASU 2018-13 on its fair value measurement disclosures.

3. Liquidity and Availability of Resources

The table below represents assets available for general expenditures within one year at June 30, 2019:

Cash and cash equivalents	$	33,274
Accounts receivable		9,950
Grants and pledges receivable		7,500
Investments		765,056
Financial assets available to meet general expenditures		815,780
Less amounts not available to be used within one year (Note 8):		
Endowment funds		194,004
Funds received from donors restricted for use		47,160
	$	574,616

The Organization monitors liquidity and the availability of the Organization's resources on an ongoing basis to ensure adherence to donor restrictions, contractual commitments and legal requirements for the use of funds. The Organization has certain donor-restricted assets limited to use which are not available for general operations. Accordingly, these assets have been included above as unavailable for general expenditure within one year. The amount of corpus in the endowment is restricted in perpetuity and not available for general expenditure (Note 9). Endowment funds in excess of corpus may be appropriated in accordance with the Organization's policy and state laws. The Organization may sell investments including its building held for sale (Note 10), if necessary to meet unexpected liquidity needs.

4. Investments

The Organization's investments classified as Level I investments under the fair value hierarchy are as follows at June 30:

	2019	2018
Cash equivalents	$ 9,502	$ 15,687
Mutual funds	755,554	1,317,105
Total	$ 765,056	$ 1,332,792

5. Property and Equipment

Property and equipment consist of the following at June 30:

	2019	2018
Land and improvements	$ 1,531,240	$ 5,451,240
Building and improvements	3,510,333	6,192,557
Furniture, equipment and vehicles	405,149	501,530
Computer hardware and software	208,528	200,278
Construction in process	30,529	-
	5,685,779	12,345,605
Less accumulated depreciation	(2,127,165)	(2,762,206)
	$ 3,558,614	$ 9,583,399

Construction in progress relates to the Foundation's software project and is not depreciated until place in service. The Organization expects to incur $180,000 in fiscal 2020 to complete the project.

6. Legal Contingencies

In the normal course of business, the Organization may receive inquiries or become involved in legal disputes that are not covered by insurance. In the opinion of management, any potential liabilities resulting from such claims would not have a material adverse effect on the Organization's financial position or results of operations.

7. Related Party Transactions

The Organization received contributions from members of the Board of Directors in the amount of $47,800 in 2019 ($45,300 in 2018).

8. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30:

	2019	2018
Donor restricted endowment funds	$ 97,378	$ 97,378
Unappropriated endowment income	96,626	89,469
Education program	45,233	56,646
Other programs	1,927	6,258
	$ 241,164	$ 249,751

Net assets were released from donor restrictions by the passage of time or incurring expenses satisfying the restricted purpose.

9. Endowment

The Organization's endowment consists of funds restricted by donors in perpetuity and unappropriated accumulated earnings on those funds. As required by generally accepted accounting principles, endowment assets are classified and reported based on the existence or absence of donor imposed restrictions.

The Organization's Board of Directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as perpetual in nature: (a) the original value of gifts donated to the endowment held in perpetuity; (b) the original value of subsequent gifts to the donor-restricted endowment; and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the endowment. The remaining portion of the donor-restricted endowment fund is subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. Once appropriated, these amounts are classified as net assets without donor restrictions.

9. Endowment (continued)

In accordance with SPMIFA, the Organization considers the following factors in determining to appropriate or accumulate donor restricted endowment funds:

(1) The duration and preservation of the fund;

(2) The purposes of the Organization and the donor-restricted 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 the Organization;

(7) The Organization's investment policies.

The Organization has not adopted an investment spending policy, and the investments are in accordance with state law. The investments purchased are approved by the Board of Directors, for endowment assets that conserve capital and maintain liquidity, while at all times maintaining cash or maturing investments to cover expected operating expenses for a six-month period. In establishing this policy, the Organization 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 capital appreciation, both realized and unrealized, and current yield, such as interest and dividends.

Endowment assets are invested in a well-diversified asset mix through the purchase of mutual funds. The long-term targeted asset allocation is: 20 - 40% domestic equity securities; 5 – 20% international equity securities; 40 - 60% fixed income securities; 1-5% specialty investments and 1% cash and cash equivalents. Endowment assets are subject to asset class diversification and limitation guidelines in order to avoid excessive investment concentration and to protect the portfolio against unfavorable outcomes within an asset class.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of perpetual duration. The fair value of the endowment net assets exceeded the value of the original donor gifts at June 30, 2019 and 2018.

9. Endowment (continued)

Changes in endowment assets for the year ended June 30, 2019 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment assets, beginning of year	$ -	$ 186,847	$ 186,847
Interest and dividends	-	5,782	5,782
Net realized and unrealized gain on investments	-	1,375	1,375
Endowment assets, end of year	$ -	$ 194,004	$ 194,004

Changes in endowment assets for the year ended June 30, 2018 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment assets, beginning of year	$ -	$ 180,490	$ 180,490
Interest and dividends	-	2,262	2,262
Net realized and unrealized gain on investments	-	4,095	4,095
Endowment assets, end of year	$ -	$ 186,847	$ 186,847

Endowment net assets are composed entirely of donor-restricted funds at June 30, 2019 and 2018.

10. Subsequent Events

In July 2019, the Organization executed an Agreement of Purchase and Sale with a buyer to sell the Organization's Sunnyvale warehouse (the Building). The buyer agreed to purchase the Building at a purchase price of $14,000,000, with a deposit of $400,000. In October 2019, the Organization and the buyer executed an amendment to the Agreement of Purchase and Sale to extend the closing date of the sale of the building to November 22, 2019. The buyer further agreed to deposit in escrow an amount equal to $1,000,000 to be held by the Organization to further extend the closing date of the sale of the Building to December 16, 2019. Upon this date, the Organization and buyer formally executed the sale of the Building for which the buyer paid the purchase price of $14,000,000 to the Organization.

Subsequent events have been evaluated through the date of the independent auditors' report, which is the date the financial statements were approved by the Organization and available to be issued.