The Resource Area for Teaching
(d.b.a. Resource Area for Teaching)
Financial Statements
June 30, 2020 and 2019

Frank, Rimerman + Co. LLP

C O N T E N T S

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, 2020 and 2019, 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.

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, 2020 and 2019, 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
October 15, 2020

The Resource Area for Teaching
Statements of Financial Position

	June 30, 2020	June 30, 2019
ASSETS		
Cash and Cash Equivalents	$ 277,291	$ 33,274
Accounts Receivable	4,605	9,950
Grants and Pledges Receivable	10,721	7,500
Prepaid Expenses and Other Assets	28,550	31,680
Investments	13,397,296	765,056
Inventory	128,931	95,113
Property and Equipment, net	3,935,972	3,558,614
Property Held for Sale	-	5,831,085
Total assets	$ 17,783,366	$ 10,332,272
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	$ 242,193	$ 96,626
Deferred revenue	169,401	20,948
Loan payable	256,296	-
Total liabilities	667,890	117,574
Contingencies (Note 6)		
Net Assets		
Without donor restrictions	16,817,657	9,973,534
With donor restrictions	297,819	241,164
Total net assets	17,115,476	10,214,698
Total liabilities and net assets	$ 17,783,366	$ 10,332,272

See Notes to Financial Statements

The Resource Area for Teaching
Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Contributions and grants	$ 555,700	$ 168,500	$ 724,200
Fundraising event, net of expenses of $44,495	191,342	-	191,342
In-kind contributions	51,394	-	51,394
Membership dues	23,995	-	23,995
Workshop fees	102,247	-	102,247
Sales to public, net of direct expenses of $130,973	512,307	-	512,307
Other mission-based income	23,304	-	23,304
Net assets released from restrictions	116,954	(116,954)	-
Total revenues and support	1,577,243	51,546	1,628,789
Expenses			
Program Services:			
Program	2,378,300	-	2,378,300
Support Services:			
Management and general	273,221	-	273,221
Fundraising	322,274	-	322,274
Total expenses	2,973,795	-	2,973,795
Other Income	8,240,675	5,109	8,245,784
Change in Net Assets	6,844,123	56,655	6,900,778
Net Assets, June 30, 2019	9,973,534	241,164	10,214,698
Net Assets, June 30, 2020	$ 16,817,657	$ 297,819	$ 17,115,476

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 $50,586	172,383	-	172,383
In-kind contributions	126,600	-	126,600
Membership dues	96,110	-	96,110
Workshop fees	102,812	-	102,812
Sales to public, net of direct expenses of $257,035	519,395	-	519,395
Net assets released from restrictions	84,744	(84,744)	-
Total revenues and support	1,580,971	(15,744)	1,565,227
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
Other Income	90,993	7,157	98,150
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 Functional Expenses
Year Ended June 30, 2020

	Program Services	Support Services		
		Management and General	Fundraising	Total
Salaries, Payroll Taxes and Benefits	$ 1,582,250	$ 179,141	$ 257,479	$ 2,018,870
Professional Fees	31,120	30,956	2,111	64,187
Contract Services	63,794	45,330	35,918	145,042
Recruiting	60,643	7,530	13,044	81,217
Supplies	56,701	261	850	57,812
Communications	15,252	3,010	2,160	20,422
Utilities	97,948	-	-	97,948
Postage and Shipping	3,141	-	479	3,620
In-Kind Professional Fees	51,394	-	-	51,394
Occupancy	32,949	-	-	32,949
Repairs and Maintenance	156,553	99	-	156,652
Truck and Travel	11,617	-	576	12,193
Conference and Meetings	8,164	95	2,027	10,286
Insurance	41,856	1,369	1,540	44,765
Credit Card and Bank Charges	21,423	175	87	21,685
Depreciation	139,768	4,900	5,648	150,316
Payroll Services	3,727	355	355	4,437
Total expenses	$ 2,378,300	$ 273,221	$ 322,274	$ 2,973,795
Percent of Total Expenses	80%	9%	11%	100%

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
Statements of Cash Flows

	Years Ended June 30, 2020	2019
Cash Flows from Operating Activities:		
Change in net assets	$ 6,900,778	$ (895,603)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	150,316	195,184
Gain on sale of property held for sale	(7,774,641)	-
Net realized and unrealized gain on investments	(397,001)	(11,755)
Loss on disposal of property and equipment	-	56,457
Changes in operating assets and liabilities:		
Receivables	2,124	56,774
Prepaid expenses and other assets	3,130	(14,823)
Inventory	(33,818)	107,409
Accounts payable and accrued liabilities	145,567	136
Deferred revenue	148,453	(13,337)
Net cash used in operating activities	(855,092)	(519,558)
Cash Flows from Investing Activities:		
Net proceeds from sale of investments	53,090,204	628,933
Purchase of investments	(65,325,443)	(49,442)
Net proceeds from sale of property held for sale	13,605,726	-
Net proceeds from disposal of property and equipment	8,424	-
Purchase of property and equipment	(536,098)	(57,941)
Net cash provided by investing activities	842,813	521,550
Cash Flows from Financing Activities:		
Proceeds from issuance of loan payable	256,296	-
Net cash provided by investing activities	256,296	-
Net Increase in Cash and Cash Equivalents	244,017	1,992
Cash and Cash Equivalents, beginning of year	33,274	31,282
Cash and Cash Equivalents, end of year	$ 277,291	$ 33,274

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 located in San Jose, California. 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 allowing surplus materials to 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, donated materials are sorted, and community volunteers prepare and assemble hands-on learning activities. 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 the Organization's mission.

2. Significant Accounting Policies

Basis of Presentation:

The Organization segregates its assets, liabilities and operations into two categories: with donor restrictions and without donor restrictions. The Organization'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 with donor restriction consist of amounts receivable or received that are restricted 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 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 statement of activities as net assets released from restriction.

Revenue Recognition:

The Organization recognizes contributions and unconditional promises to give (pledges) as revenue at their fair value in the period the donor makes the contribution or pledge that is, in substance, unconditional. Conditional promises to give and support are not recognized until the conditions are met. The Organization distinguishes between contributions that increase any of the two categories of net assets, with recognition being made upon the expiration of donor-imposed restrictions in the period in which the restrictions expire.

In June 2018, the FASB issued Accounting Standards Update (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. The Organization adopted ASU 2018-08, effective July 1, 2019, using the modified prospective transition approach for its adoption. The adoption of ASU 2018-08 had no impact on the financial statements and related disclosures as the Organization has accounted for its grants as conditional contributions.

2. Significant Accounting Policies (continued)

Revenue Recognition: (continued)

In May 2014, the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* (Topic 606). This accounting standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers to reflect the consideration to which the entity expects to be entitled to in exchange for goods and services. The Organization adopted Topic 606 on July 1, 2019 using the modified prospective method, for recognizing revenue from sales to the public, workshop fees and membership dues. The adoption of the new standard had no material impact to the financial statements. The financial statements for fiscal 2020 are presented in accordance with Topic 606.

The Organization determines revenue recognition under Topic 606 through the following steps:

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

Through June 30, 2019, the Organization recognized revenue for sales to the public, workshop fees, and membership dues under FASB ASC Topic 605, *Revenue Recognition*. Revenue under Topic 605 was recognized revenue when persuasive evidence of an arrangement existed, delivery of services had occurred, the fee was fixed or determinable and collection was probable.

Sales to Public:

The Organization generates sales of merchandise from its store in San Jose. Revenue is recognized from the sale of merchandise to the public is recorded at the time of sale.

Other Revenues:

Workshop fees are recognized as services are provided. Membership dues are recognized upon the receipt of membership dues.

2. Significant Accounting Policies (continued)

In-Kind Support:

The Organization regularly accepts donated merchandise from the general public for resale in its store. 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 2020, the Organization received $51,394 of donated professional services ($126,600 of donated in-kind rent in 2019), 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.

Fundraising Event:

The Organization records fundraising event revenue equal to the cost of direct benefits to donors, net of direct expenses, and contribution revenue for any additional amounts received.

Cash and Cash Equivalents:

For purposes of the statements 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.

2. Significant Accounting Policies (continued)

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 deposits are maintained at one major brokerage firm, which are insured up to $500,000 by the Securities Investor Protection Corporation. The balances at the major brokerage firm exceeded the insured limit at June 30, 2020 and 2019.

Accounts receivable are contract assets derived from goods and services provided to customers. The Organization estimates the collectability of its receivables based on the allowance method. Management has determined that an allowance for bad debts at June 30, 2020 and 2019 was 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.

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 $2,500 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	20 - 40 years
Furnishings, equipment and vehicles	5 - 10 years
Computer hardware and software	3 - 5 years

Property Held for Sale:

In December 2019, the Organization executed an Agreement of Purchase and Sale with a buyer to sell the Organization's Sunnyvale warehouse and associated land, classified as property held for sale at June 30, 2019, for $14,000,000. Proceeds from the sale, net of related expenses of $394,000, have been recorded as other income in the accompanying statement of activities.

2. Significant Accounting Policies (continued)

Measure of Operations:

The Organization's operating revenues in excess of expenses and transfers include all operating revenues and expenses that are an integral part of its programs and supporting activities, net assets released from donor restrictions to support operating expenditures, and transfers from Board-designated and other nonoperating funds to support current operating activities. The measure of operations includes support for operating activities from both donor-restricted net assets and net-assets without donor restrictions designated for long-term investment according to the Organization's investment policy, which is detailed in Note 9. The measure of operations excludes investment return and gain on property held for sale and designated them as other income in the accompanying statement of activities.

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 2020 or 2019.

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, 2020 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, 2020 or 2019.

2. Significant Accounting Policies (continued)

Income Taxes: (continued)

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.

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 was $39,208 at June 30, 2020 ($36,814 at June 30, 2019).

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 value 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 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, over the term of the asset or liability.

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, 2020 and 2019, 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, such as insurance and communications, are allocated based on employee headcount.

Recent Accounting Pronouncements Not Yet Effective:

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, 2020 and early adoption is permitted. The Organization is currently evaluating the impact of ASU 2018-13 on its fair value measurement disclosures.

2. Significant Accounting Policies (continued)

Recent Accounting Pronouncements Not Yet Effective: (continued)

Presentation of Nonfinancial Assets:

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-For Profit Entities for Contributed Nonfinancial Assets.*

ASU 2020-07 was issued to increase the transparency for measuring and reporting contributed nonfinancial assets. The new standard will be effective for the Organization as of July 1, 2021 and is to be applied on a retrospective basis for its adoption. Early adoption of the standard is permitted. The Organization is currently evaluating the effect ASU 2020-07 will have on its financial statements and related disclosures.

ASU 2020-07 will require contributions from donors to be reported on the statement of financial position as:

- Contributions of cash and financial assets
- Contributions of nonfinancial assets

Not-for-profit entities will be required to provide details as to the:

- qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period
- types of nonfinancial assets received that reconcile to the statement of activities
- for each type of asset, the entity’s accounting policy for monetizing the assets instead of utilizing the assets
- a description of any donor-imposed restrictions on the assets
- a description of the valuation techniques and inputs used to arrive at a fair value measurement for the donated assets, in accordance with Topic 820, at initial recognition
- the principal market used to arrive at fair value measure if it is a market the donor has prohibited selling or using the contributed nonfinancial assets

3. Liquidity and Availability of Resources

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

	2020	2019
Cash and cash equivalents	$ 277,291	$ 33,274
Accounts receivable	4,605	9,950
Grants and pledges receivable	10,721	7,500
Investments	13,397,296	765,056
Total financial assets	13,689,913	815,780
Less amounts not available to be used within one year (Note 8):		
Endowment funds	199,113	194,004
Funds received from donors restricted for use	98,707	47,160
Financial assets available to meet general expenditures	$ 13,392,093	$ 574,616

The Organization monitors liquidity and the availability of its 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 assets restricted by donors 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. Certain assets have been designated by the Board of Directors to function as endowment funds (Note 9), which may become available upon approval of the Board of Directors. As a result, these funds have been included as available to meet general expenditures.

4. Investments

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

	2020	2019
Cash equivalents	$ 4,915,663	$ 9,502
Fixed income bonds	4,545,332	-
Equity securities	3,079,985	-
Mutual funds	856,316	755,554
Total	$ 13,397,296	$ 765,056

5. Property and Equipment

Property and equipment consist of the following at June 30:

	2020	2019
Land and improvements	$ 1,531,240	$ 1,531,240
Building and improvements	3,534,725	3,510,333
Furniture, equipment and vehicles	521,779	405,149
Computer hardware and software	108,393	208,528
Construction in process	267,994	30,529
	5,964,131	5,685,779
Less accumulated depreciation	(2,028,159)	(2,127,165)
	$ 3,935,972	$ 3,558,614

Construction in progress relates to the Foundation’s software project and is not depreciated until placed in service. The Organization expects to incur $7,700 in fiscal 2021 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 covered by insurance. In the event of such claims, the Organization would only be liable for its insurance deductible of $25,000, which does not have a material adverse effect on the Organization’s financial position or results of operations. As a result, no liability for potential legal claims have been recorded at June 30, 2020 or 2019.

7. Loan Payable

On May 1, 2020, the Organization entered into a promissory note evidencing an unsecured loan in the amount of $256,296 made to the Organization (the Loan) under the Paycheck Protection Program (the PPP). The PPP was established under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) and is administered by the U.S. Small Business Administration (the SBA). The Loan was made through a financial institution. Subject to the terms of the note, the Loan bears interest at a fixed rate of one percent (1%) per annum, with the first six months of interest deferred. Principal and interest payments of $14,352 are payable and due monthly commencing on the first day of the next month after the expiration of the initial six-month deferment period and may be prepaid by the Company at any time prior to the maturity date of May 1, 2022 without penalty.

7. Note Payable (continued)

Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of loans granted under the PPP, with such forgiveness to be determined, subject to limitations, based on the use of loan proceeds for payment of permitted and eligible payroll costs, mortgage interest, rent and utilities. Interest payable on the Loan may be forgiven only if the SBA agrees to pay such interest on the forgiven principal amount of the Loan. No assurance is provided that the Organization will obtain forgiveness of the Loan in whole or in part. The Organization will be obligated to repay any portion of the principal amount of the Loan that is not forgiven, together with interest accrued and accruing thereon at the rate set forth above, until such unforgiven portion is paid in full.

Future principal and interest payments required under the Note are as follows:

Years ending June 30:		
2021	$	100,462
2022		155,834
	$	256,296

8. Net Assets with Donor Restrictions

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

		2020		2019
Endowment funds restricted in perpetuity	$	97,378	$	97,378
Unappropriated endowment income		101,735		96,626
Education program		94,092		45,233
Other programs		4,615		1,927
	$	297,820	$	241,164

Net assets of $116,954 were released from donor restrictions by the passage of time or incurring expenses satisfying the restricted purpose in fiscal 2020 ($84,744 in fiscal 2019).

9. Endowment

The Organization's endowment (the Endowment) consists of funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

Our Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), adopted by the state of California, as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2020, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the Endowment

(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 investment policies of the Organization

9. Endowment (continued)

At June 30, 2020, the Organization had the following endowment net asset composition by type of fund:

	Without Donor Restriction	With Donor Restriction	Total
Board-designated funds	$ 13,397,296	$ -	$ 13,397,296
Donor-restricted endowment funds			
Original donor-restricted gift amounts required to be maintained in perpetuity	-	97,378	97,378
Unappropriated Endowment income	-	101,735	101,735
	$ 13,397,296	$ 199,113	$ 13,596,409

At of June 30, 2019, the Organization had the following endowment net asset composition by type of fund:

	Without Donor Restriction	With Donor Restriction	Total
Board-designated funds	$ -	$ -	$ -
Donor-restricted endowment funds			
Original donor-restricted gift amounts required to be maintained in perpetuity	-	97,378	97,378
Accumulated investment gain	-	96,626	96,626
	$ -	$ 194,004	$ 194,004

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain in perpetuity. The fair value of the endowment net assets exceeded the value of the original donor gifts at June 30, 2020 and 2019.

9. Endowment (continued)

The Organization has adopted investment spending policies, approved by the Board of Directors, for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the Endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. 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 assets 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 fixed income securities, equity securities, mutual funds, money market funds, and specialty securities through a restricted fund and an operational fund. The long-term targeted asset allocation under the restricted fund is: 50 - 80% domestic fixed income; 0 – 10% international fixed income; 10 – 40% domestic equity securities; 0 – 15% international equity securities and 0 – 10% cash and cash equivalents. Endowment assets under the restricted fund 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.

Changes in endowment assets for the year ended June 30, 2020 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment assets, beginning of year	$ -	$ 194,004	$ 194,004
Contributions	12,921,332	-	12,921,332
Interest and dividends	78,963	848	79,811
Net realized and unrealized gain on investments	397,001	4,261	401,262
Endowment assets, end of year	$ 13,397,296	$ 199,113	$ 13,596,409

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	$ 180,847
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

10. Subsequent Events

The global outbreak of the novel coronavirus in 2020 is a rapidly evolving situation. The virus has disrupted much of society, impacted global travel and supply chains, and adversely impacted global commercial activity in most industries. The rapid development and fluidity of this situation precludes any prediction as to its ultimate impact, which may have a continued adverse effect on economic and market conditions and trigger an extended period of global economic slowdown. Such conditions, which may be across industries, sectors or geographies, may impact the Company's operating performance in the near term.

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.