The Resource Area for Teaching
(d.b.a. Resource Area for Teaching)
Financial Statements
June 30, 2023 and 2022

Frank, Rimerman + Co. LLP

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

INDEPENDENT AUDITORS' REPORT

Opinion

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, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, 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 the Organization 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 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.

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 the Organization'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 the Organization'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 the Organization'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, Rimerman & Co. LLP

San Jose, California
October 24, 2023

The Resource Area for Teaching
Statements of Financial Position

	June 30, 2023	June 30, 2022
ASSETS		
Cash and Cash Equivalents	$ 162,191	$ 183,154
Accounts Receivable	61,550	115,791
Prepaid Expenses and Other Assets	47,308	40,232
Inventory	167,263	141,692
Investments	10,758,604	11,810,339
Property and Equipment, net	4,470,924	4,366,446
Total assets	$ 15,667,840	$ 16,657,654
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	$ 251,377	$ 255,546
Deferred revenue	194,133	179,199
Total liabilities	445,510	434,745
Contingencies (Note 6)		
Net Assets		
Without donor restrictions	14,948,779	15,923,320
With donor restrictions	273,551	299,589
Total net assets	15,222,330	16,222,909
Total liabilities and net assets	$ 15,667,840	$ 16,657,654

The Resource Area for Teaching
Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions of cash and other financial assets	$ 498,880	$ 226,194	$ 725,074
Fundraising event, net of expenses of $35,206	325,751	-	325,751
Contributions of nonfinancial assets	16,477	-	16,477
Membership dues	71,760	-	71,760
Workshop fees	8,250	-	8,250
Sales to public, net of direct expenses of $181,883	962,325	-	962,325
Other mission-based income	8,036	-	8,036
Net assets released from restrictions	260,804	(260,804)	-
Total revenue and support	2,152,283	(34,610)	2,117,673
Expenses			
Program Services	3,017,787	-	3,017,787
Support Services:			
Management and general	291,827	-	291,827
Fundraising	282,934	-	282,934
Total expenses	3,592,548	-	3,592,548
Operating Loss	(1,440,265)	(34,610)	(1,474,875)
Investment Return, net	465,724	8,572	474,296
Change in Net Assets	(974,541)	(26,038)	(1,000,579)
Net Assets, June 30, 2022	15,923,320	299,589	16,222,909
Net Assets, June 30, 2023	$ 14,948,779	$ 273,551	$ 15,222,330

The Resource Area for Teaching
Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions of cash and other financial assets	$ 565,553	$ 133,077	$ 698,630
Fundraising event, net of expenses of $27,956	285,367	-	285,367
Contributions of nonfinancial assets	137,397	-	137,397
Membership dues	64,470	-	64,470
Workshop fees	5,870	-	5,870
Sales to public, net of direct expenses of $171,664	697,271	-	697,271
Other mission-based income	33,674	-	33,674
Net assets released from restrictions	148,874	(148,874)	-
Total revenue and support	1,938,476	(15,797)	1,922,679
Expenses			
Program Services	2,843,011	-	2,843,011
Support Services:			
Management and general	342,256	-	342,256
Fundraising	274,288	-	274,288
Total expenses	3,459,555	-	3,459,555
Operating Loss	(1,521,079)	(15,797)	(1,536,876)
Investment Loss, net	(535,920)	-	(535,920)
Other Income, net	404,289	(8,096)	396,193
Change in Net Assets	(1,652,710)	(23,893)	(1,676,603)
Net Assets, June 30, 2021	17,576,030	323,482	17,899,512
Net Assets, June 30, 2022	$ 15,923,320	$ 299,589	$ 16,222,909

The Resource Area for Teaching
Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services	Support Services: Management and General	Support Services: Fundraising	Total
Salaries, Payroll Taxes and Benefits	$ 2,308,827	$ 244,797	$ 264,666	$ 2,818,290
Professional Fees	-	34,500	1,913	36,413
Recruiting	2,950	25	-	2,975
Supplies	54,366	53	2,106	56,525
Communications	19,420	2,908	2,345	24,673
Utilities	77,734	-	-	77,734
Postage and Shipping	12,058	-	-	12,058
Sales to Public Cost of Goods Sold	181,883	1,998	-	183,881
Donated Services	16,477	-	-	16,477
Contract Services	34,533		2,850	37,383
Cost of Fundraising Event	-	-	35,206	35,206
Marketing	3,393	-	-	3,393
Occupancy	46,914	-	-	46,914
Repairs and Maintenance	80,631	372	-	81,003
Truck and Travel	19,561	-	-	19,561
Conferences and Meetings	16,755	80	879	17,714
Insurance	68,848	2,159	2,839	73,846
Credit Card and Bank Charges	23,268	-	-	23,268
Depreciation	226,027	4,935	5,048	236,010
Payroll Services	6,025	-	288	6,313
Total expenses by function	3,199,670	291,827	318,140	3,809,637
Less expenses included within revenue on the statement of activities				
Sales to public cost of goods sold	(181,883)	-	-	(181,883)
Cost of fundraising event	-	-	(35,206)	(35,206)
Total expenses included in the expense section on the statement of activities	$ 3,017,787	$ 291,827	$ 282,934	$ 3,592,548
Percent of Total Expenses	84%	8%	8%	100%

The Resource Area for Teaching
Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services	Support Services: Management and General	Support Services: Fundraising	Total
Salaries, Payroll Taxes and Benefits	$ 1,992,181	$ 286,793	$ 251,437	$ 2,530,411
Professional Fees	121,795	32,919	2,563	157,277
Recruiting	17,743	564	-	18,307
Supplies	29,142	219	2,209	31,570
Communications	22,995	3,063	2,699	28,757
Utilities	70,358	-	-	70,358
Postage and Shipping	12,601	-	174	12,775
Sales to Public Cost of Goods Sold	171,664	-	-	171,664
Donated Services	16,477	-	-	16,477
Contract Services	25,973	38	-	26,011
Cost of Fundraising Event	-	-	27,956	27,956
Marketing	27,328	-	-	27,328
Occupancy	43,056	10,060	-	53,116
Repairs and Maintenance	145,899	-	1,080	146,979
Truck and Travel	11,121	-	-	11,121
Conferences and Meetings	8,965	-	2,229	11,194
Insurance	54,683	2,035	2,280	58,998
Credit Card and Bank Charges	23,098	-	2	23,100
Depreciation	214,357	6,116	9,398	229,871
Payroll Services	5,239	449	217	5,905
Total expenses by function	3,014,675	342,256	302,244	3,659,175
Less expenses included within revenue on the statement of activities				
Sales to public cost of goods sold	(171,664)	-	-	(171,664)
Cost of fundraising event	-	-	(27,956)	(27,956)
Total expenses included in the expense section on the statement of activities	$ 2,843,011	$ 342,256	$ 274,288	$ 3,459,555
Percent of Total Expenses	82%	10%	8%	100%

The Resource Area for Teaching
Statements of Cash Flows

	Years Ended June 30, 2023	2022
Cash Flows from Operating Activities:		
Change in net assets	$ (1,000,579)	$ (1,676,603)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	236,010	229,871
Investment (Return) Loss, net	(515,171)	490,857
Forgiveness of loan payable (Note 7)	-	(396,193)
Loss on disposal of property and equipment	3,385	55,323
Changes in operating assets and liabilities:		
Accounts receivable	54,241	(65,692)
Prepaid expenses and other assets	(7,076)	69,705
Inventory	(25,571)	(37,768)
Accounts payable and accrued liabilities	(4,169)	(28,115)
Deferred revenue	14,934	78,393
Net cash used in operating activities	(1,243,996)	(1,280,222)
Cash Flows from Investing Activities:		
Net proceeds from sale of investments	3,445,488	1,989,498
Purchase of investments	(1,878,582)	(420,932)
Purchase of property and equipment	(343,873)	(369,332)
Net cash provided by investing activities	1,223,033	1,199,234
Net Decrease in Cash and Cash Equivalents	(20,963)	(80,988)
Cash and Cash Equivalents, beginning of year	183,154	264,142
Cash and Cash Equivalents, end of year	$ 162,191	$ 183,154

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 educators 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:

<u>Core Program</u>

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.

<u>Education Program</u>

The Organization supports education by:

- Offering ideas, workshops and education to help train educators, and others who work with children, to use hands-on materials to enhance their programs.
- Producing hands-on learning tools, aligned to Common Core and Next Generation Science Standards, that educators can use in their classrooms and communities.
- Educating educators, and others who 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 educators 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 educators, and others who work with children (building community)
- Engaging in the development and implementation of maker spaces in local schools and communities; and
- Providing student programming including STEAM-themed summer camps, a Maker Mobile that engages students in STEAM activities at their school site as well as family and community STEAM/Maker nights.

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 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 educators 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: without donor restrictions and with 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. Funds designated by the Board of Directors (the Board) to function as endowment funds (Note 9) are classified within net assets without donor restrictions.

2. Significant Accounting Policies (continued)

Basis of Presentation: (continued)

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.

Revenue Recognition:

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

- Identification of the contract or agreement with a customer or grantor
- 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

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

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

Deferred Revenue:

Deferred revenue is a contract liability consisting of fees and memberships received in advance. Deferred revenue was $194,133and $179,199at June 30, 2023 and 2022, respectively, ($100,806 at June 31, 2021).

The Organization recognizes breakage for deferred revenue 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 $46,180 at June 30, 2023 ($46,152 at June 30, 2022).

2. Significant Accounting Policies (continued)

Contributions of Financial Assets:

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 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.

Contributions restricted by the donor that expire in the current year or are received and released in full in the current year are reported in the statements of activities as net assets released from restrictions and are reclassified to net assets without donor restrictions.

Contributions of Nonfinancial Assets:

The Organization regularly accepts contributions of nonfinancial assets that consist of merchandise from the general public for resale in its store. The nature and quality of the merchandise received as contributions of nonfinancial assets varies considerably. The fair value of these donations is not recorded by the Organization until sold or provided for free to educators. The Organization also receives contributions of nonfinancial assets that consist of materials and equipment from the general public for use in its programs.

The Organization benefits from the donated services of a number of professionals in the provision of its services. Contributions of nonfinancial assets consist of these 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 as contributions of nonfinancial assets. In fiscal 2023, the Organization received $16,477 of donated professional services ($137,397 of donated professional services in fiscal 2022). These services were utilized in the execution of the Organization’s programs. The Organization determined fair value of these services based on how much would have been paid for equivalent services.

These amounts are reflected in the financial statements as contributions of nonfinancial assets and are offset by corresponding amounts of program expenses or property and equipment.

2. Significant Accounting Policies (continued)

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 firm are considered investments.

Investments and Investment Return:

The Organization's investments consist of marketable securities and 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 and losses, less external and direct internal 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 fair value of the investments at year end 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 accounts receivable. The Organization maintains its cash and cash equivalents at two commercial banks. The Organization is exposed to credit risk in the event of default by the commercial bank to the extent cash and cash equivalent balances exceed the $250,000 insured by the Federal Deposit Insurance Corporation at each bank. The deposits did not exceed the insurable limit at June 30, 2023 or 2022. Additionally, cash and cash equivalents and investments are maintained at two major brokerage firm, which are insured up to $500,000 by the Securities Investor Protection Corporation. The balances at the major brokerage firm exceed the insured limit at June 30, 2023 and 2022.

2. Significant Accounting Policies (continued)

Concentrations of Credit Risk: (continued)

Accounts receivable are contract assets derived from goods and services provided to customers. Accounts receivable were $61,550 and $115,791 at June 30, 2023 and 2022, respectively ($50,099 at June 30, 2021). The Organization estimates the collectability of its receivables based on the allowance method. Management has determined an allowance for bad debts at June 30, 2023 and 2022 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; while 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

Construction in progress is not depreciated until placed in service.

Accounting for Impairment of Long-Lived Assets:

The Organization reviews its property and equipment 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 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 did not record an impairment loss on long-lived assets in fiscal 2023 or 2022.

2. Significant Accounting Policies (continued)

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 its income tax filing positions will be sustained upon examination and, accordingly, has not recorded any accruals for interest and penalties at June 30, 2023 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, 2023 or 2022.

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 revenue, 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.

2. Significant Accounting Policies (continued)

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 changes in the value of investments will occur in the near term, and the changes could materially affect the fair value of investments reported in the financial statements.

The global outbreak of the novel coronavirus continues to be an evolving situation. The virus has disrupted much of society, impacted global travel and supply chains, and adversely impacted global 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 further extend global economic uncertainty. These conditions, which may be across industries, sectors or geographies, may impact the Organization's mission-related performance in the near term.

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 at 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.

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.

2. Significant Accounting Policies (continued)

Fair Value Measurement: (continued)

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. The Organization's investments are categorized as Level I investments at June 30, 2023 and 2022.

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 Pronouncement Not Yet Effective

In June 2016, the FASB issued ASC Topic 326, *Credit Losses*. The standard requires all entities to evaluate, on an ongoing basis, future expected credit losses for financial instruments recorded at amortized cost, including accounts receivable. The standard introduces the "expected credit loss methodology" and creates the current expected loss model, which replaces the "incurred credit loss" model for the measurement of credit losses. Topic 326 will be effective for the Organization as of July 1, 2023 and requires the use of a modified retrospective transition approach for its adoption. The Organization is currently evaluating the effect Topic 326 will have on its financial statements and related disclosures.

3. Liquidity and Availability of Resources

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

	2023	2022
Cash and cash equivalents	$ 162,191	$ 183,154
Accounts receivable	61,550	115,791
Investments	10,758,604	11,810,339
Total financial assets	10,982,345	12,109,284
Less amounts not available to be used within one year (Note 8):		
Endowment funds	228,023	219,451
Funds received from donors restricted for use	45,527	80,138
Financial assets available to meet general expenditures	$ 10,708,794	$ 11,809,521

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 to function as endowment funds (Note 9), which may become available upon approval of the Board. As a result, these Board designated 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:

	2023	2022
Cash equivalents	$ 1,059,161	$ 1,392,747
Fixed income bonds	4,577,414	4,637,936
Equity securities	4,925,169	5,731,912
Mutual funds	196,860	47,743
	$ 10,758,604	$ 11,810,339

5. Property and Equipment

Property and equipment consist of the following at June 30:

	2023	2022
Land and improvements	$ 1,531,240	$ 1,531,240
Building and improvements	4,449,629	4,323,836
Furnishings, equipment and vehicles	493,145	502,466
Computer hardware and software	166,697	166,697
Construction in process	299,232	104,509
	6,939,943	6,628,748
Less accumulated depreciation	(2,469,019)	(2,262,302)
	$ 4,470,924	$ 4,366,446

Construction in progress relates to the Organization's software and property improvement projects for which the Organization expects to incur $75,000 in fiscal 2024 to complete.

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. The Organization is not aware of any legal claims at June 30, 2023. In the event of legal claims, the Organization would only be liable for its insurance deductible of $25,000, which would 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 has been recorded at June 30, 2023.

7. Loans Payable

In March 2021, the Organization was granted an unsecured loan with a financial institution in the amount of $396,193, pursuant to the Paycheck Protection Program (PPP) set forth in the Coronavirus Aid Relief, and Economic Security Act (CARES Act). Outstanding borrowings under the loan bore interest at a rate of 1% per annum and were scheduled to mature in March 2026. Proceeds of the loan were used for qualified expenses, primarily payroll costs, as set forth in the CARES Act and as further defined by the Small Business Administration (SBA). Loan proceeds were subject to forgiveness by the SBA, to the extent they have been spent on qualifying expenses during a specified period, as defined. In September 2021, the loan was formally forgiven by the SBA, and the related gain is recorded as other income in the fiscal 2022 statement of activities.

8. Net Assets with Donor Restrictions

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

	2023	2022
Endowment funds restricted in perpetuity	$ 97,378	$ 97,378
Unappropriated endowment income	130,645	122,073
Education program	38,500	73,077
Other programs	7,028	7,061
	$ 273,551	$ 299,589

Net assets of $260,804 were released from donor restrictions by the passage of time or incurring expenses satisfying the restricted purpose in fiscal 2023 ($148,874 in fiscal 2022).

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 to function as endowment funds by the Board.

The Board 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. There were no donor stipulations at June 30, 2023. 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 considers the following factors in determining 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

9. Endowment (continued)

(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

At June 30, 2023, the Organization had the following endowment net asset composition by type of fund:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated funds	$ 9,750,918	$ -	$ 9,750,918
Donor-restricted endowment funds			
Original donor-restricted gift amounts required to be maintained in perpetuity	-	97,378	97,378
Unappropriated endowment income	-	130,645	130,645
	$ 9,750,918	$ 228,023	$ 9,978,941

At June 30, 2022, the Organization had the following endowment net asset composition by type of fund:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated funds	$ 11,810,340	$ -	$ 11,810,340
Donor-restricted endowment funds			
Original donor-restricted gift amounts required to be maintained in perpetuity	-	97,378	97,378
Unappropriated endowment income	-	122,073	122,073
	$ 11,810,340	$ 219,451	$ 12,029,791

9. Endowment (continued)

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, 2023 and 2022.

The Organization has adopted investment spending policies, approved by the Board, 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 in fiscal 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	$ 11,810,339	$ 219,451	$ 12,029,791
Appropriated	1,566,906	-	1,566,906
Interest and dividends	319,205	5,311	324,516
Net realized and unrealized gain on investments	195,966	3,261	199,227
Endowment assets, end of year	$ 13,892,416	$ 228,023	$ 14,120,439

9. Endowment (continued)

Changes in endowment assets in fiscal 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	$ 13,869,761	$ 227,548	$ 14,097,310
Appropriated	(1,568,566)	-	(1,568,565)
Interest and dividends	206,414	3,405	209,819
Net realized and unrealized loss on investments	(697,271)	(11,501)	(708,773)
Endowment assets, end of year	$ 11,810,339	$ 219,452	$ 12,029,791

10. Subsequent Events

Subsequent events have been evaluated through October 24, 2023, which is the date the financial statements were approved by the Organization and available to be issued.