



**The Resource Area for Teaching
(d.b.a. RAFT)
Financial Statements
June 30, 2025 and 2024**

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Frank, Rimerman + Co. LLP

Audit Committee and
Board of Directors
The Resource Area for Teaching (d.b.a. RAFT)
San Jose, California



Certified
Public
Accountants

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of The Resource Area for Teaching (d.b.a. RAFT) (the Organization), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2025 and 2024, 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 *Auditor's 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.

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Auditor's 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 auditor's 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
November 13, 2025

The Resource Area for Teaching (d.b.a. RAFT)
Statements of Financial Position

	June 30,	
	2025	2024
ASSETS		
Cash and Cash Equivalents	\$ 303,555	\$ 89,089
Accounts Receivable	171,413	223,258
Pledges Receivable	44,719	-
Prepaid Expenses and Other Assets	44,054	46,022
Inventory	165,841	168,632
Investments	5,318,323	10,253,892
Investments Board Designated Endowment	4,688,653	-
Investments Restricted for Endowment	485,407	237,149
Property and Equipment, net	<u>4,391,346</u>	<u>4,586,912</u>
Total assets	<u>\$ 15,613,311</u>	<u>\$ 15,604,954</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 438,265	\$ 314,312
Deferred revenue	<u>285,065</u>	<u>174,548</u>
Total liabilities	<u>723,330</u>	<u>488,860</u>
Contingencies (Note 6)		
Net Assets		
Without donor restrictions		
Undesignated	4,381,632	4,608,530
Board designated – non-endowment	5,318,323	10,253,892
Board designated endowment	4,688,653	-
With donor restrictions	<u>501,373</u>	<u>253,672</u>
Total net assets	<u>14,889,981</u>	<u>15,116,094</u>
Total liabilities and net assets	<u>\$ 15,613,311</u>	<u>\$ 15,604,954</u>

The Resource Area for Teaching (d.b.a. RAFT)
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions of cash and other financial assets	\$ 274,465	\$ 660,650	\$ 935,115
Fundraising event, net of expenses of \$34,026	350,927	-	350,927
Contributions of nonfinancial assets	87,924	-	87,924
Membership dues	89,840	-	89,840
Workshop fees	2,725	-	2,725
Sales to public, net of cost of goods sold of \$158,559	1,692,538	-	1,692,538
Other mission-based income	10,775	-	10,775
Net assets released from restrictions	435,208	(435,208)	-
Total revenue and support	2,944,402	225,442	3,169,844
Expenses			
Program Services	3,777,642	-	3,777,642
Support Services:			
Management and general	338,613	-	338,613
Fundraising	255,195	-	255,195
Total expenses	4,371,450	-	4,371,450
Changes in net assets from operations	(1,427,048)	225,442	(1,201,606)
Other Revenue			
Investment Return, net	653,077	22,259	675,336
Employee retention tax credit	300,157	-	300,157
Total other revenue	953,234	22,259	975,493
Changes in Net Assets			
Net Assets, June 30, 2024	(473,814)	247,701	(226,113)
Net Assets, June 30, 2025	14,862,422	253,672	15,116,094
	\$ 14,388,608	\$ 501,373	\$ 14,889,981

See Notes to Financial Statements

The Resource Area for Teaching (d.b.a. RAFT)
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions of cash and other financial assets	\$ 543,154	\$ 371,044	\$ 914,198
Fundraising event, net of expenses of \$33,156	335,055	-	335,055
Contributions of nonfinancial assets	2,520	-	2,520
Membership dues	81,104	-	81,104
Workshop fees	11,225	-	11,225
Sales to public, net of cost of goods sold of \$169,121	1,254,092	-	1,254,092
Other mission-based income	15,660	-	15,660
Net assets released from restrictions	400,049	(400,049)	-
Total revenue and support	2,642,859	(29,005)	2,613,854
Expenses			
Program Services	3,114,683	-	3,114,683
Support Services:			
Management and general	308,849	-	308,849
Fundraising	242,388	-	242,388
Total expenses	3,665,920	-	3,665,920
Changes in net assets from operations	(1,023,061)	(29,005)	(1,052,066)
Investment Return, net	936,704	9,126	945,830
Changes in Net Assets	(86,357)	(19,879)	(106,236)
Net Assets, June 30, 2023	14,948,779	273,551	15,222,330
Net Assets, June 30, 2024	\$ 14,862,422	\$ 253,672	\$ 15,116,094

See Notes to Financial Statements

The Resource Area for Teaching (d.b.a. RAFT)
Statement of Functional Expenses
Year Ended June 30, 2025

	Program Services	Support Services			Total
		Management and General	Fundraising		
Salaries, Payroll Taxes and Benefits	\$ 2,893,241	\$ 286,359	\$ 173,939	\$ 3,353,539	
Professional Fees	90	36,604	2,093		38,787
Recruiting	5,869	166	138		6,173
Supplies	124,059	1,055	2,654		127,768
Communications	18,416	2,948	2,123		23,487
Utilities	75,272	300	300		75,872
Postage and Shipping	9,277	-	900		10,177
Sales to Public Cost of Goods Sold	158,559	-	-		158,559
Donated Services	87,924	-	-		87,924
Contract Services	41,538	1,508	55,280		98,326
Cost of Fundraising Event	-	-	34,026		34,026
Marketing	7,284	-	-		7,284
Occupancy	56,129	3,096	6,446		65,671
Repairs and Maintenance	81,202	331	540		82,073
Travel	2,845	117	1,019		3,981
Vehicle Expenses	16,292	-	-		16,292
Conferences and Meetings	13,434	664	4,206		18,304
Insurance	78,981	1,202	1,023		81,206
Credit Card and Bank Charges	17,959	-	4,137		22,096
Depreciation	236,198	3,561	-		239,759
Payroll Services	9,290	702	397		10,389
Loss on Retirement of Asset	2,342	-	-		2,342
 Total expenses by function	 3,936,201	 338,613	 289,221	 4,564,035	
 Less expenses included within revenue on the statement of activities					
Sales to public cost of goods sold	(158,559)	-	-		(158,559)
Cost of fundraising event	-	-	(34,026)		(34,026)
 Total expenses included in the expense section on the statement of activities	 \$ 3,777,642	 \$ 338,613	 \$ 255,195	 \$ 4,371,450	
 Percent of Total Expenses	 86%	 8%	 6%	 100%	

See Notes to Financial Statements

The Resource Area for Teaching (d.b.a. RAFT)
Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services	Support Services			Total
		Management and General	Fundraising		
Salaries, Payroll Taxes and Benefits	\$ 2,380,968	\$ 252,725	\$ 194,004	\$ 2,827,697	
Professional Fees	118	42,120	2,423		44,661
Recruiting	3,467	-	312		3,779
Supplies	67,421	27	3,442		70,890
Communications	20,526	2,628	2,165		25,319
Utilities	65,956	936	936		67,828
Postage and Shipping	11,436	-	1,232		12,668
Sales to Public Cost of Goods Sold	169,121	-	-		169,121
Donated Services	2,520	-	-		2,520
Contract Services	51,962	2,136	24,574		78,672
Cost of Fundraising Event	-	-	33,156		33,156
Marketing	11,657	-	-		11,657
Occupancy	52,583	3,096	372		56,051
Repairs and Maintenance	80,392	250	286		80,928
Travel	818	139	3,179		4,136
Vehicle Expenses	12,756	-	-		12,756
Conferences and Meetings	7,956	1,235	4,207		13,398
Insurance	83,187	1,279	1,320		85,786
Credit Card and Bank Charges	20,411	20	1,773		22,204
Depreciation	233,747	1,667	1,825		237,239
Payroll Services	6,802	591	338		7,731
 Total expenses by function	 3,283,804	 308,849	 275,544	 3,868,197	
Less expenses included within revenue on the statement of activities					
Sales to public cost of goods sold	(169,121)	-	-		(169,121)
Cost of fundraising event	-	-	(33,156)		(33,156)
 Total expenses included in the expense section on the statement of activities	 \$ 3,114,683	 \$ 308,849	 \$ 242,388	 \$ 3,665,920	
Percent of Total Expenses	 85%	 8%	 7%	 100%	

See Notes to Financial Statements

The Resource Area for Teaching (d.b.a. RAFT)
Statements of Cash Flows

	Years Ended June 30,	
	2025	2024
Cash Flows from Operating Activities:		
Changes in net assets	\$ (226,113)	\$ (106,236)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	239,759	237,239
Investment Return, net	(722,201)	(983,239)
Loss on disposal of property and equipment	2,342	-
Changes in operating assets and liabilities:		
Accounts receivable	51,845	(161,708)
Pledges receivable	(44,719)	-
Prepaid expenses and other assets	1,968	1,286
Inventory	2,791	(1,369)
Accounts payable and accrued liabilities	123,953	62,935
Deferred revenue	<u>110,517</u>	<u>(19,585)</u>
Net cash used in operating activities	<u>(459,858)</u>	<u>(970,677)</u>
Cash Flows from Investing Activities:		
Proceeds from sale of investments	6,260,651	2,983,537
Purchase of investments	(5,539,792)	(1,732,735)
Purchase of property and equipment	<u>(46,535)</u>	<u>(353,227)</u>
Net cash provided by investing activities	<u>674,324</u>	<u>897,575</u>
Net Increase (Decrease) in Cash and Cash Equivalents	214,466	(73,102)
Cash and Cash Equivalents, beginning of year	<u>89,089</u>	<u>162,191</u>
Cash and Cash Equivalents, end of year	<u>\$ 303,555</u>	<u>\$ 89,089</u>

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

Notes to Financial Statements

1. Organization and Nature of Activities

Organization:

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

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 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 the 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.

The Resource Area for Teaching (d.b.a. RAFT)
Notes to Financial Statements

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 extend their budgets. 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 at the Member Resource Center. Multiple San Francisco and Bay Area companies work with the Organization to collect and upcycle materials the companies 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.

The Resource Area for Teaching (d.b.a. RAFT)
Notes to Financial Statements

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. Beginning December 2019, as a result of the sale of a building owned by the Organization, the board of directors established a reserve fund to be held for future investment in the Organization. Funds would be held in a separate brokerage account as board designated and released for operational needs as approved by the board of directors. Board designated funds were \$10,006,976 at June 30, 2025 (\$10,253,892 at June 30, 2024).

Net assets with donor restriction consist of donations 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*. The Organization determines revenue recognition under Topic 606 through the following steps:

- Identification of the contract or agreement with a 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

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.

The Resource Area for Teaching (d.b.a. RAFT)
Notes to Financial Statements

2. Significant Accounting Policies (continued)

Deferred Revenue:

Deferred revenue is a contract liability consisting of refundable advances on contracts, grants and events sponsorships received in advance. Deferred revenue was \$285,065 and \$174,548 at June 30, 2025 and 2024, respectively.

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 \$49,869 at June 30, 2025 (\$49,625 at June 30, 2024).

Contributions:

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.

Contributed 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 Resource Area for Teaching (d.b.a. RAFT)
Notes to Financial Statements

2. Significant Accounting Policies (continued)

Contributed Nonfinancial Assets: (continued)

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 2025, the Organization received \$87,924 of donated professional services (\$2,520 of donated professional services in fiscal 2024). 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.

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.

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, including insurance and communications, are allocated based on employee headcount.

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 original 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.

The Resource Area for Teaching (d.b.a. RAFT)
Notes to Financial Statements

2. Significant Accounting Policies (continued)

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. Investment income is recorded net of external and direct internal investment related expenses on the accrual method of accounting and dividends are recorded at the dividend date. Realized gains and losses on investments represent the difference between the original cost of the investments and the price on the date of sale or disposal. Unrealized gains and losses represent the difference between the current fair value of the investments and their cost basis if purchased during the years, or their estimated fair value at the beginning of the year. The difference between the original cost, if purchased during the year, or the fair value at the beginning of the year and the estimated fair value at the end of the year represents unrealized gain or loss. Unrealized gains and losses are included in investment income or loss.

Concentrations of Credit Risk:

Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of cash and cash equivalents, accounts receivable, and investments. The Organization maintains its cash and cash equivalents with two major United States of America (U.S.) financial institutions and one major U.S. brokerage firm. The Organization's cash and cash equivalent deposits with the financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. These deposits exceeded the FDIC insurable limit by \$44,484 at June 30, 2025. The deposits did not exceed insurable limit at June 30, 2024. The Organization's cash, cash equivalents and investments held with the brokerage firm are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 (\$250,000 for cash deposits). The Organization exceeded the amount insured by SIPC by \$9,992,383 at June 30, 2025 (\$9,941,041 at June 30, 2024).

Accounts receivable are contract assets derived from goods and services sold to customers. Accounts receivable were \$171,413 and \$223,258 at June 30, 2025 and 2024, respectively (\$61,550 at June 30, 2023). The Organization estimates the collectability of its receivables based on the allowance method. Management has determined an allowance for bad debts at June 30, 2025 and 2024 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.

The Resource Area for Teaching (d.b.a. RAFT)
Notes to Financial Statements

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 \$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 2025 or 2024.

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, 2025 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.

The Resource Area for Teaching (d.b.a. RAFT)
Notes to Financial Statements

2. Significant Accounting Policies (continued)

Income Taxes: (continued)

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, 2025 or 2024.

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, or the due date, whichever is later. 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, or the due date, whichever is later.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of 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.

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.

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.

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Notes to Financial Statements

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. The Organization's investments are categorized as Level I investments at June 30, 2025 and 2024.

Employee Retention Tax Credits:

In fiscal 2023, the Organization filed claims to receive payroll tax credits for \$235,844 under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), based on payroll taxes paid in 2020 and 2021. The Organization recognized the credit as a government grant under ASC 958-605, *Revenue Recognition: Contributions Received*. In fiscal 2025, the Organization received the funds in full, plus interest, for a total of \$300,157 and recorded the amounts as other revenue in its statement of activities and changes in net assets.

The amount recognized represents the funds the Organization received from the refundable credit. In the opinion of management, the Organization used reasonable judgment in filing for the payroll tax credits. However, the U.S. government reserves the right to challenge its decision reached and the resolution of the matter could result in the Organization being required to repay all or a portion of the credits reserved, along with possible interest and penalties.

Reclassifications:

Certain reclassifications have been made to prior year amounts to conform to current year presentation with no effect to changes in net assets.

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3. Liquidity and Availability of Resources

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

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 303,555	\$ 89,089
Accounts receivable	171,413	223,258
Pledges receivable	44,719	-
Investments	<u>10,492,383</u>	<u>10,491,041</u>
 Total financial assets	 11,012,070	 10,803,388

Less amounts not available to be used within one year (Note 7):

Funds received from donors restricted for use	15,966	16,522
Pledges receivable from donors restricted for endowment	44,719	-
Board designated endowment funds	4,688,653	-
Endowment funds	<u>485,407</u>	<u>237,149</u>

Financial assets available to meet general expenditures \$ 5,777,326 \$ 10,549,717

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 8). 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 as a reserve (Note 2), 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:

	<u>2025</u>	<u>2024</u>
Cash equivalents	\$ 720,625	\$ 1,745,637
Fixed income bonds	4,469,985	3,814,979
Equity securities	<u>5,301,773</u>	<u>4,930,425</u>
 \$ <u>10,492,383</u>	 \$ <u>10,491,041</u>	

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5. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2025</u>	<u>2024</u>
Land and improvements	\$ 1,531,240	\$ 1,531,240
Building and improvements	5,000,967	5,000,967
Furnishings, equipment and vehicles	563,141	579,111
Computer hardware and software	197,727	176,696
Construction in process	<u>15,491</u>	-
	7,308,566	7,288,014
Less accumulated depreciation	<u>(2,917,220)</u>	<u>(2,701,102)</u>
	<u>\$ 4,391,346</u>	<u>\$ 4,586,912</u>

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 legal claims, the Organization would first be responsible for its insurance deductible of \$25,000. The insurance carrier would then cover the loss up to the policy limit. The Organization remains liable for any damage beyond the insurer's maximum coverage. The Organization is not aware of any legal claims at June 30, 2025. As a result, no liability for potential legal claims has been recorded at June 30, 2025.

7. Net Assets with Donor Restrictions

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

	<u>2025</u>	<u>2024</u>
Endowment funds restricted in perpetuity	\$ 323,378	\$ 97,378
Unappropriated endowment income	162,029	139,771
Education program	10,000	10,000
Other programs	<u>5,966</u>	<u>6,523</u>
	<u>\$ 501,373</u>	<u>\$ 253,672</u>

Net assets of \$435,208 were released from donor restrictions by the passage of time or incurring expenses satisfying the restricted purpose in fiscal 2025 (\$400,049 in fiscal 2024).

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8. Endowment

The Organization's endowment (the Endowment) consists of funds established by donors to provide annual funding for specific activities and general operations.

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, 2025. 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
- (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

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, 2025 and 2024.

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8. Endowment (continued)

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.

During fiscal 2025, the Board of Directors established a board designated endowment of \$4,762,851, held in an investment account, with the primary purpose of automatically matching donor contributions to the endowment on a dollar-for-dollar basis.

The change in endowment assets in fiscal 2025 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment assets, beginning of year	\$ -	\$ 237,149	\$ 237,149
Board designated endowment	4,762,851	-	4,762,851
Donor contributions	-	113,000	113,000
Matching contributions	(113,000)	113,000	-
Appropriation of endowment net assets	(173,038)	-	(173,038)
Net increase in value of endowment assets	<u>211,840</u>	<u>22,258</u>	<u>234,098</u>
Total endowment assets	<u>\$ 4,688,653</u>	<u>\$ 485,407</u>	<u>\$ 5,174,060</u>

The change in endowment assets in fiscal 2024 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment assets, beginning of year	\$ -	\$ 228,023	\$ 228,023
Net increase in value of endowment assets	-	9,126	9,126
Total endowment assets	<u>\$ -</u>	<u>\$ 237,149</u>	<u>\$ 237,149</u>

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9. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the statement of financial position date through November 13, 2025. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with U.S. GAAP. Management has determined that there are no unrecognized subsequent events that require additional disclosure.