

RESOURCE AREA FOR TEACHING  
(A California Nonprofit Public Benefit Corporation)

\*\*\*

FINANCIAL STATEMENTS

Year Ended December 31, 2010 with Comparative Totals  
for the Year Ended December 31, 2009

RESOURCE AREA FOR TEACHING  
(A California Nonprofit Public Benefit Corporation)

TABLE OF CONTENTS

	<u>Pages</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-14

Frank A. Minuti, Jr.  
Robert W. Smiley  
Thomas C. Bondi  
David P. Johnson

**EMERITUS**

Alexander W. Berger (1916-2005)  
Griffith R. Lewis



CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

Lawrence S. Kuechler  
Roberto M. Maragoni  
Anthony M. Matusich  
Daniel C. Moors  
Randy G. Peterson  
Todd W. Robinson  
David R. Sheets

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Resource Area For Teaching  
(A California Nonprofit Public Benefit Corporation)

We have audited the accompanying statement of financial position of Resource Area For Teaching (Organization) as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's financial statements for the year ended December 31, 2009 and, in our report dated March 18, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Resource Area For Teaching as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Berger Lewis Accountancy Corporation*

BERGER LEWIS ACCOUNTANCY CORPORATION  
San Jose, California  
March 14, 2011

RESOURCE AREA FOR TEACHING  
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION

December 31, 2010 with Comparative Totals as of December 31, 2009

**ASSETS**

	2010			2009	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 1,456,720	\$ 237,108	\$ -	\$ 1,693,828	\$ 1,484,431
Pledges Receivable - Net (Note 2)	-	121,500	-	121,500	277,471
Grants Receivable	-	191,945	-	191,945	62,500
Accounts Receivable	9,885	-	-	9,885	26,713
Prepaid Expenses and Other Assets	58,720	-	-	58,720	59,231
Inventory	143,526	-	-	143,526	113,887
Investments (Note 4)	2,426,429	51,305	97,378	2,575,112	2,275,323
Property and Equipment - Net (Note 6)	<u>10,890,511</u>	<u>-</u>	<u>-</u>	<u>10,890,511</u>	<u>11,089,201</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 14,985,791</u></b>	<b><u>\$ 601,858</u></b>	<b><u>\$ 97,378</u></b>	<b><u>\$ 15,685,027</u></b>	<b><u>\$ 15,388,757</u></b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES:**

Accounts Payable	\$ 11,633	\$ -	\$ -	\$ 11,633	\$ 11,217
Accrued Expenses	155,970	-	-	155,970	145,512
Deferred Revenue	<u>16,061</u>	<u>-</u>	<u>-</u>	<u>16,061</u>	<u>-</u>
<b>Total Liabilities</b>	<b><u>183,664</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>183,664</u></b>	<b><u>156,729</u></b>

**NET ASSETS:**

<b>Unrestricted Net Assets:</b>					
Undesignated	3,751,616	-	-	3,751,616	3,388,308
Designated (Note 9)	160,000	-	-	160,000	160,000
Invested in Property and Equipment	<u>10,890,511</u>	<u>-</u>	<u>-</u>	<u>10,890,511</u>	<u>11,089,201</u>
<b>Total Unrestricted Net Assets</b>	<b>14,802,127</b>	<b>-</b>	<b>-</b>	<b>14,802,127</b>	<b>14,637,509</b>
Temporarily Restricted Net Assets (Note 5)	-	601,858	-	601,858	497,141
Permanently Restricted Net Assets (Note 10)	<u>-</u>	<u>-</u>	<u>97,378</u>	<u>97,378</u>	<u>97,378</u>
<b>Total Net Assets</b>	<b><u>14,802,127</u></b>	<b><u>601,858</u></b>	<b><u>97,378</u></b>	<b><u>15,501,363</u></b>	<b><u>15,232,028</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 14,985,791</u></b>	<b><u>\$ 601,858</u></b>	<b><u>\$ 97,378</u></b>	<b><u>\$ 15,685,027</u></b>	<b><u>\$ 15,388,757</u></b>

The Accompanying Notes are an Integral Part of these Financial Statements.

RESOURCE AREA FOR TEACHING  
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES

Year Ended December 31, 2010 with Comparative Totals for the Year Ended December 31, 2009

	<u>2010</u>			<u>2009</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>TOTAL</u>	<u>TOTAL</u>
<b>SUPPORT AND REVENUE:</b>					
Support:					
Contributions & Grants	\$ 427,764	\$ 853,553	\$ -	\$ 1,281,317	\$ 977,564
Contributions In-Kind (Note 3)	120,957	-	-	120,957	157,573
Capital Campaign	-	-	-	-	275,242
Government Grants	-	258,900	-	258,900	110,575
Special Events (net of direct expenses of \$66,486 - 2010, \$57,003 - 2009)	113,664	-	-	113,664	104,184
Total Support	<u>662,385</u>	<u>1,112,453</u>	<u>-</u>	<u>1,774,838</u>	<u>1,625,138</u>
Revenue:					
Membership Dues	224,530	-	-	224,530	242,430
Workshop Fees	25,988	-	-	25,988	31,482
Sales to Public (net of direct expenses of \$209,827 - 2010, \$210,601 - 2009)	795,715	-	-	795,715	786,462
Investment Income	303,427	-	-	303,427	510,466
Loss on Disposal of Fixed Assets	(1,080)	-	-	(1,080)	-
Total Revenue	1,348,580	-	-	1,348,580	1,570,840
Net Assets Released from Restrictions	1,007,736	(1,007,736)	-	-	-
Total Support and Revenue	<u>3,018,701</u>	<u>104,717</u>	<u>-</u>	<u>3,123,418</u>	<u>3,195,978</u>
<b>EXPENSES:</b>					
Program Services:					
Core Program	2,458,334	-	-	2,458,334	2,380,388
Total Program Services	<u>2,458,334</u>	<u>-</u>	<u>-</u>	<u>2,458,334</u>	<u>2,380,388</u>
Supporting Services:					
Management and General	160,268	-	-	160,268	117,388
Fundraising	235,481	-	-	235,481	277,141
Total Supporting Services	<u>395,749</u>	<u>-</u>	<u>-</u>	<u>395,749</u>	<u>394,529</u>
Total Expenses	<u>2,854,083</u>	<u>-</u>	<u>-</u>	<u>2,854,083</u>	<u>2,774,917</u>
<b>CHANGE IN NET ASSETS</b>	164,618	104,717	-	269,335	421,061
<b>NET ASSETS, Beginning of Year</b>	<u>14,637,509</u>	<u>497,141</u>	<u>97,378</u>	<u>15,232,028</u>	<u>14,810,967</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 14,802,127</u>	<u>\$ 601,858</u>	<u>\$ 97,378</u>	<u>\$ 15,501,363</u>	<u>\$ 15,232,028</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

RESOURCE AREA FOR TEACHING  
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2010 with Comparative Totals for the Year Ended December 31, 2009

	PROGRAM SERVICES	SUPPORTING SERVICES			TOTAL	
	Core Program	Management and General	Fundraising	Total	2010	2009
Salaries	\$ 1,374,307	\$ 85,397	\$ 191,263	\$ 276,660	\$ 1,650,967	\$ 1,584,976
Payroll Taxes	117,725	6,938	16,215	23,153	140,878	132,354
Employee Benefits	152,921	2,769	6,543	9,312	162,233	151,213
Total Salaries and Related Expenses	1,644,953	95,104	214,021	309,125	1,954,078	1,868,543
Professional Fees	25,525	23,800	150	23,950	49,475	37,031
Contract Labor	99,955	32,369	-	32,369	132,324	103,907
Supplies	85,475	5,198	803	6,001	91,476	120,716
Communications	19,707	1,085	931	2,016	21,723	20,593
Utilities	85,470	-	-	-	85,470	54,540
Postage and Shipping	4,921	15	682	697	5,618	8,955
Occupancy	105,020	-	-	-	105,020	105,353
Printing and Publications	12,012	-	1,348	1,348	13,360	20,055
Dues and Subscriptions	5,292	40	1,887	1,927	7,219	4,847
Repairs and Maintenance	61,298	-	5,043	5,043	66,341	78,069
Truck Expenses/Travel	25,100	-	118	118	25,218	35,412
Conferences and Meetings	1,713	226	294	520	2,233	2,900
Insurance	17,205	697	1,274	1,971	19,176	19,637
Advertising	1,560	-	-	-	1,560	2,500
Credit Card/Bank Charges	29,313	-	-	-	29,313	26,074
Payroll Services	5,125	420	420	840	5,965	6,653
Capital Campaign Expenses	-	-	-	-	-	29,123
Total Expenses Before Depreciation	2,229,644	158,954	226,971	385,925	2,615,569	2,544,908
Depreciation	228,690	1,314	8,510	9,824	238,514	230,009
Total Functional Expenses	\$ 2,458,334	\$ 160,268	\$ 235,481	\$ 395,749	\$ 2,854,083	\$ 2,774,917
Percentage of Total	86 %	6 %	8 %	14 %	100 %	

The Accompanying Notes are an Integral Part of these Financial Statements.

RESOURCE AREA FOR TEACHING  
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF CASH FLOWS

Year Ended December 31, 2010 with Comparative Totals for the Year Ended December 31, 2009

---

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 269,335	\$ 421,061
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	238,514	230,009
In-kind Contributions of Equipment	(27,300)	(66,073)
Unrealized Gain on Investments	(244,603)	(415,136)
Loss on Disposal of Fixed Assets	1,080	-
Changes in Assets and Liabilities:		
Receivables	43,354	290,838
Prepaid Expenses/Deposits	512	7,456
Inventory	(29,639)	17,080
Accounts Payable	413	(7,771)
Accrued Expenses	10,458	3,303
Deferred Revenue	<u>16,061</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u>278,185</u>	<u>480,767</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Investments	(55,185)	(92,898)
Purchase of Equipment	<u>(13,603)</u>	<u>(2,063)</u>
Net Cash Used by Investing Activities	<u>(68,788)</u>	<u>(94,961)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	209,397	385,806
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<u>1,484,431</u>	<u>1,098,625</u>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<u>\$ 1,693,828</u>	<u>\$ 1,484,431</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

RESOURCE AREA FOR TEACHING  
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

---

NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

Resource Area For Teaching (the "Organization"), is a nonprofit organization that was incorporated under the laws of the State of California in February 1994. The specific and primary purpose of the Organization 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.

Summary of Activities

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

Summary of Significant Accounting Policies

Basis of Accounting - The financial statements of Resource Area For Teaching have been prepared on the accrual basis of accounting.

Basis of Presentation - The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations as prescribed by the American Institute of Certified Public Accountants. In accordance with generally accepted accounting principles, the Organization reports its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund, property and equipment fund plus any net assets designated by the Board for specific purposes.

Temporarily restricted net assets include those assets which are subject to donor restriction and for which the applicable restriction was not met as of the year end of the current reporting period.

Permanently restricted net assets include those assets which are subject to a non-expiring donor restriction, such as endowments.

Revenue Recognition - The Organization recognizes support and revenue on the accrual basis of accounting. Revenue from grants which have been classified as "exchange transactions" and program fees are recognized as revenue in the period in which the service is provided.

Cash and Cash Equivalents - Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less, and exclude donor restricted receipts and amounts designated for long-term purposes. The Organization maintains its cash in bank deposit accounts which, at times, may exceed Federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Accounts and Grants Receivable - The Organization considers all accounts and grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

RESOURCE AREA FOR TEACHING  
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

---

NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

Investments - Investments are stated at fair value in the statement of financial position based on quoted market prices provided by investment managers. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Fair Value Measurements - Fair value 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."

Generally accepted accounting principles establishes a hierarchy to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Inventory - Inventory consists of supplies held for resale and is valued at cost.

Property and Equipment - Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over \$1,000 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from 3 to 40 years. Depreciation is charged to the activity benefiting from the use of the property or equipment.

Accrued Earned Time Off - Accrued vacation represents vacation earned, but not taken as of December 31, 2010 and 2009, and is included in "accrued expenses" in the statement of financial position. The accrued vacation balance as of December 31, 2010 and 2009 was \$108,878 and \$100,852, respectively.

RESOURCE AREA FOR TEACHING  
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

---

NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

Contributions - Contributions are reported in accordance with generally accepted accounting principles. Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of donor restrictions. Temporarily restricted contributions are reported as increases in restricted net assets. When the restriction is met the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

Contributions In-Kind - Contributions in-kind are also recognized in accordance with generally accepted accounting principles. Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered.

Functional Expenses - Expenses are charged to program services based on direct expenditures incurred. Any expenditures not directly chargeable are allocated to program services based on related salary expense or space utilization.

Income Taxes - Resource Area For Teaching is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Section 23701(d) of the California Revenue Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

Uncertainty in Income Taxes - Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in their federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

The Organization's federal returns for the years ended December 31, 2009, 2008, and 2007 could be subject to examination by federal taxing authorities, generally for three years after they are filed. The Organization's state returns for the years ended December 31, 2009, 2008, 2007 and 2006 could be subject to examination by state taxing authorities, generally for four years after they are filed.

Comparative Financial Information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

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 at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

RESOURCE AREA FOR TEACHING  
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

---

NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

Subsequent Events - Management of the Organization has evaluated events and transactions subsequent to December 31, 2010 for potential recognition or disclosure in the financial statements. The Organization had no subsequent events that required recognition or disclosure in the financial statements for the year ended December 31, 2010. Subsequent events have been evaluated through the date the financial statements became available to be issued, March 14, 2011.

Advertising - The Organization's policy is to expense advertising costs as the costs are incurred. Advertising expense for the years ended December 31, 2010 and 2009 was \$1,560 and \$2,500, respectively.

NOTE 2 - PLEDGES RECEIVABLE:

These amounts are recorded at their estimated fair value with amounts due later than one year at present value of estimated future cash flows.

Pledges receivable as of December 31, are as follows:

	<u>2010</u>	<u>2009</u>
Pledges receivable expected to be collected in:		
Less than one year	\$ 112,000	\$ 62,785
One to ten years	<u>25,500</u>	<u>242,000</u>
	137,500	304,785
Less allowance for uncollectible pledges	<u>(15,000)</u>	<u>(25,000)</u>
	122,500	279,785
Less present value discount on pledges	<u>(1,000)</u>	<u>(2,314)</u>
Net pledges receivable	<u>\$ 121,500</u>	<u>\$ 277,471</u>

RESOURCE AREA FOR TEACHING  
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

---

NOTE 3 - CONTRIBUTIONS IN-KIND:

In-kind contributions for the year ended December 31, consist of the following:

	<u>2010</u>	<u>2009</u>
Operating		
Rent	\$ 84,000	\$ 84,000
Equipment	31,957	66,073
Printing	5,000	6,000
Cost of sales to public	<u>-</u>	<u>1,500</u>
Total	120,957	157,573
Fund raising event		
Catering and music	30,936	26,705
Printing and photography	<u>-</u>	<u>600</u>
Total	<u>30,936</u>	<u>27,305</u>
Total	<u>\$ 151,893</u>	<u>\$ 184,878</u>

NOTE 4 - INVESTMENTS:

In accordance with ASC 820-10 all of the following investments are classified as Level 2 investments (see Note 1).

The market value of investments as of December 31, consisted of the following:

	<u>2010</u>	<u>2009</u>
Investment Fund for Foundations		
Multi-Asset Fund	<u>\$ 2,575,112</u>	<u>\$ 2,275,323</u>
Investment income:		
Interest and dividends	\$ 58,824	\$ 95,330
Net unrealized gain/(loss) on investments	<u>244,603</u>	<u>415,136</u>
Net investment income	<u>\$ 303,427</u>	<u>\$ 510,466</u>

---

RESOURCE AREA FOR TEACHING  
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

---

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS:

The Organization's temporarily restricted net assets at December 31, consisted of the following:

	<u>2010</u>	<u>2009</u>
Equipment purchases	\$ 4,508	\$ 3,836
Education/core program	464,545	145,510
Capital campaign	81,500	100,795
Replication project	<u>-</u>	<u>247,000</u>
Total Temporarily Restricted Net Assets	<u>\$ 550,553</u>	<u>\$ 497,141</u>

NOTE 6 - PROPERTY AND EQUIPMENT:

The cost and accumulated depreciation of land, buildings and equipment as of December 31, is as follows:

	<u>2010</u>	<u>2009</u>
Land and improvements	\$ 5,451,240	\$ 5,451,240
Buildings and improvements	6,150,608	6,150,607
Office and computer equipment	<u>686,760</u>	<u>696,341</u>
	12,288,608	12,298,188
Less: accumulated depreciation	<u>(1,398,097)</u>	<u>(1,208,987)</u>
Net	<u>\$ 10,890,511</u>	<u>\$ 11,089,201</u>

NOTE 7 - CONTINGENT LIABILITIES:

Conditions contained within the various contracts awarded to the Organization are subject to the funding agencies' criteria and regulations under which expenditures may be charged against and are subject to be audited under such regulations and criteria. Occasionally, such audits may determine that certain costs incurred against the grants may not comply with the established criteria that govern them. In such cases, the Organization could be held responsible for repayments to the funding source for the costs or be subject to the reductions in future funding in the amount of the costs. Management does not anticipate any material questioned costs for the contracts and grants administered during the period.

RESOURCE AREA FOR TEACHING  
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

---

NOTE 8 - COMMITMENTS:

The Organization's warehouse facility was donated by the Sobrato Foundation in 2007. Under the grant provisions, the property cannot be sold or encumbered by debt during the ten years after the original contribution. The property is recognized in the statement of financial position.

NOTE 9 - DESIGNATED NET ASSETS:

The Board of Directors has designated monies for capital expenditures and unanticipated maintenance for the building.

NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS (ENDOWMENT):

Resource Area For Teaching's endowment consists of one individual fund established for expanding its Core Program. Its endowment includes only donor-restricted endowment funds. As required by Generally Accepted Accounting Principles (*GAAP*), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law:

The Board of Directors of Resource Area For Teaching has interpreted the California version of the Uniform Prudent Management of Institutional Funds Act (*UPFIMA*) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Resource Area For Teaching classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the California version of the Uniform Prudent Management of Institutional Funds Act (*UPFIMA*). In accordance with the California version of the Uniform Prudent Management of Institutional Funds Act (*UPFIMA*), the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (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

RESOURCE AREA FOR TEACHING  
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS (ENDOWMENT) (Continued):

Funds with Deficiencies:

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 California version of the Uniform Prudent Management of Institutional Funds Act (*UPFIMA*) requires the Organization to retain as a fund of perpetual duration. In accordance with Generally Accepted Accounting Principles (*GAAP*), deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of December 31, 2010.

Return Objectives and Risk Parameters:

Resource Area For Teaching has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are 100% invested in the TIFF Multi-Asset Fund.

Strategies Employed for Achieving Objectives:

To satisfy its long-term rate-of-return objectives, Resource Area For Teaching relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy:

Resource Area For Teaching's practice is to not appropriate for distribution its endowment funds earnings each year.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ -	\$ 39,968	\$ 97,378	\$ 137,346
Interest and Dividends	-	2,087	-	2,087
Net Realized and Unrealized Gain on Investments	-	9,250	-	9,250
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 51,305</u>	<u>\$ 97,378</u>	<u>\$ 148,683</u>

RESOURCE AREA FOR TEACHING  
(A California Nonprofit Public Benefit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

---

NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS (ENDOWMENT) (Continued):

Endowment Net Asset Composition by Type of Fund as of December 31, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	<u>\$ -</u>	<u>\$ 51,305</u>	<u>\$ 97,378</u>	<u>\$ 148,683</u>