



Family Giving Tree™

**Financial Statements
April 30, 2022 and 2021**

**Together with
Independent Auditors' Report**

THE FAMILY GIVING TREE

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April 30, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Family Giving Tree
Milpitas, California

Opinion

We have audited the accompanying financial statements of The Family Giving Tree (the "Organization"), which comprise the statements of financial position as of April 30, 2022 and 2021, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of April 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 that 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that is 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 that the financial statements is available to be issued.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Board of Directors of
The Family Giving Tree
Milpitas, California

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 that 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 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 audits.



San Jose, California
August 3, 2022

THE FAMILY GIVING TREE
Statements of Financial Position

	April 30,	
	2022	2021
<u>ASSETS</u>		
Cash and cash equivalents	\$ 2,687,278	\$ 2,469,287
Investments	503,911	720,697
Inventories	-	318
Pledges receivable	-	25,000
Prepaid expenses and other current assets	97,836	60,768
Property and equipment, net	148,215	95,248
Deposits	4,850	4,850
Total assets	\$ 3,442,090	\$ 3,376,168
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	\$ 21,729	\$ 18,764
Accrued payroll and related	120,832	161,878
Total liabilities	142,561	180,642
Contingencies		
Net assets:		
Without donor restrictions:		
Designated by the board of directors:		
Operating reserves	750,000	750,000
Holiday gift purchase fund	500,000	500,000
Backpack purchase fund	500,000	500,000
Strategic initiative fund	750,000	750,000
Undesignated	779,529	655,776
Total without donor restrictions	3,279,529	3,155,776
With donor restrictions	20,000	39,750
Total net assets	3,299,529	3,195,526
Total liabilities and net assets	\$ 3,442,090	\$ 3,376,168

The accompanying notes are an integral part of these financial statements

THE FAMILY GIVING TREE
Statements of Activities and Changes in Net Assets

	For the Year Ended April 30, 2022		
	Without donor restrictions	With donor restrictions	Total
Revenue:			
Donated gifts	\$ 946,772	\$ -	\$ 946,772
Individual contributions	2,908,540	-	2,908,540
Corporate contributions	966,100	20,000	986,100
Donated facilities	462,748	-	462,748
Foundation grants	124,072	-	124,072
Investment income, net	7,960	-	7,960
Other income	131	-	131
Net assets released from restrictions	39,750	(39,750)	-
Total revenue	5,456,073	(19,750)	5,436,323
Expenses:			
Program services			
Holiday Wish Program	2,541,048	-	2,541,048
Back-to-School Backpack Program	1,763,444	-	1,763,444
Total program services	4,304,492	-	4,304,492
Supporting services			
Management and general	783,304	-	783,304
Fundraising	244,524	-	244,524
Total supporting services	1,027,828	-	1,027,828
Total expenses	5,332,320	-	5,332,320
Change in net assets	123,753	(19,750)	104,003
Net assets, beginning of year	3,155,776	39,750	3,195,526
Net assets, end of year	\$ 3,279,529	\$ 20,000	\$ 3,299,529

The accompanying notes are an integral part of these financial statements

THE FAMILY GIVING TREE
Statements of Activities and Changes in Net Assets (continued)

	For the Year Ended April 30, 2021		
	Without donor restrictions	With donor restrictions	Total
Revenue:			
Donated gifts	\$ 677,579	\$ -	\$ 677,579
Individual contributions	3,494,218	-	3,494,218
Corporate contributions	1,102,344	39,750	1,142,094
Donated facilities	466,842	-	466,842
Foundation grants	704,384	-	704,384
Investment income, net	46,639	-	46,639
Paycheck Protection Program loan forgiveness	254,522	-	254,522
Other income	12,569	-	12,569
Net assets released from restrictions	62,569	(62,569)	-
Total revenue	6,821,666	(22,819)	6,798,847
Expenses:			
Program services			
Holiday Wish Program	3,155,878	-	3,155,878
Back-to-School Backpack Program	1,275,491	-	1,275,491
Total program services	4,431,369	-	4,431,369
Supporting services			
Management and general	602,416	-	602,416
Fundraising	137,658	-	137,658
Total supporting services	740,074	-	740,074
Total expenses	5,171,443	-	5,171,443
Change in net assets	1,650,223	(22,819)	1,627,404
Net assets, beginning of year	1,505,553	62,569	1,568,122
Net assets, end of year	\$ 3,155,776	\$ 39,750	\$ 3,195,526

The accompanying notes are an integral part of these financial statements

THE FAMILY GIVING TREE

Statements of Functional Expense

For the Year Ended April 30, 2022

	Program Services			Supporting Services			
	Holiday Wish Program	Back-to-School Backpack Program	Program Services Total	Management and General	Fundraising	Supporting Services Total	Total
Compensation	\$ 499,950	\$ 475,752	\$ 975,702	\$ 408,318	\$ 146,641	\$ 554,959	\$ 1,530,661
Other benefits	62,665	59,632	122,297	51,179	18,380	69,559	191,856
Payroll taxes	40,162	35,764	75,926	30,316	11,463	41,779	117,705
Retirement benefits	16,023	15,248	31,271	13,086	4,700	17,786	49,057
Total salaries and benefits	618,800	586,396	1,205,196	502,899	181,184	684,083	1,889,279
Grants	1,405,768	890,186	2,295,954	-	-	-	2,295,954
Donated facilities	221,303	143,468	364,771	97,978	-	97,978	462,749
Program and office supplies	86,155	26,523	112,678	454	967	1,421	114,099
Professional fees	24,760	4,958	29,718	38,190	41,028	79,218	108,936
Information technology	54,717	19,202	73,919	30,767	2,706	33,473	107,392
Advertising and promotion	22,418	25,263	47,681	41,133	1,378	42,511	90,192
Bank and merchant fees	43,709	23,872	67,581	16,244	2,074	18,318	85,899
Depreciation	14,631	13,922	28,553	11,949	4,291	16,240	44,793
Insurance	14,059	13,379	27,438	11,482	4,124	15,606	43,044
Office expense	11,364	4,253	15,617	19,871	2,723	22,594	38,211
Occupancy	15,730	8,935	24,665	7,471	2,230	9,701	34,366
Travel	7,634	3,087	10,721	4,866	1,819	6,685	17,406
Total expenses	<u>\$ 2,541,048</u>	<u>\$ 1,763,444</u>	<u>\$ 4,304,492</u>	<u>\$ 783,304</u>	<u>\$ 244,524</u>	<u>\$ 1,027,828</u>	<u>\$ 5,332,320</u>
Percentage of total	47.7%	33.1%	80.7%	14.7%	4.6%	19.3%	100.0%

The accompanying notes are an integral part of these financial statements

THE FAMILY GIVING TREE
Statements of Functional Expense (continued)
For the Year Ended April 30, 2021

	Program Services			Supporting Services			
	Holiday Wish Program	Back-to-School Backpack Program	Program Services Total	Management and General	Fundraising	Supporting Services Total	Total
Compensation	\$ 495,661	\$ 429,315	\$ 924,976	\$ 367,842	\$ 96,478	\$ 464,320	\$ 1,389,296
Other benefits	53,470	46,313	99,783	39,681	10,408	50,089	149,872
Payroll taxes	32,056	27,765	59,821	23,790	6,240	30,030	89,851
Retirement benefits	15,258	13,216	28,474	11,324	2,970	14,294	42,768
Total salaries and benefits	596,445	516,609	1,113,054	442,637	116,096	558,733	1,671,787
Grants	1,928,771	478,092	2,406,863	-	-	-	2,406,863
Donated facilities	269,836	161,017	430,853	28,511	7,478	35,989	466,842
Program and office supplies	126,188	30,989	157,177	628	901	1,529	158,706
Information technology	62,393	12,196	74,589	22,314	4,631	26,945	101,534
Bank and merchant fees	68,672	18,644	87,316	3,565	-	3,565	90,881
Professional fees	30,496	4,277	34,773	44,640	961	45,601	80,374
Advertising and promotion	20,990	22,515	43,505	18,001	93	18,094	61,599
Insurance	14,220	12,316	26,536	10,553	2,768	13,321	39,857
Depreciation	12,649	10,956	23,605	9,386	2,462	11,848	35,453
Office expense	8,799	3,054	11,853	16,058	1,318	17,376	29,229
Occupancy	7,570	3,324	10,894	3,029	746	3,775	14,669
Travel	8,849	1,502	10,351	3,094	204	3,298	13,649
Total expenses	<u>\$ 3,155,878</u>	<u>\$ 1,275,491</u>	<u>\$ 4,431,369</u>	<u>\$ 602,416</u>	<u>\$ 137,658</u>	<u>\$ 740,074</u>	<u>\$ 5,171,443</u>
Percentage of total	61.0%	24.7%	85.7%	11.6%	2.7%	14.3%	100.0%

The accompanying notes are an integral part of these financial statements

THE FAMILY GIVING TREE
Statements of Cash Flows

	For the Years Ended	
	April 30,	
	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 104,003	\$ 1,627,404
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	44,793	35,453
Donated gifts received	(946,772)	(677,579)
Donated gifts distributed	946,772	672,751
Net realized and unrealized gain on investments	(4,291)	(43,878)
Gain on extinguishment of Paycheck Protection Program loan	-	(254,522)
Changes in operating assets and liabilities:		
Inventories	318	50,466
Pledges receivable	25,000	(25,000)
Prepaid expenses and other current assets	(37,068)	(22,414)
Accounts payable and accrued expenses	2,965	(48,838)
Accrued payroll and related	(41,046)	72,506
Net cash provided by operating activities	94,674	1,386,349
Cash flows from investing activities:		
Proceeds from sale of investments	222,318	1,923
Redemptions of certificates	1,007,408	251,498
Acquisition of certificates	(1,008,649)	(502,996)
Purchases of property and equipment	(97,760)	(10,546)
Net cash provided (used) by investing activities	123,317	(260,121)
Net increase in cash and cash equivalents	217,991	1,126,228
Cash and cash equivalents, beginning of period	2,469,287	1,343,059
Cash and cash equivalents, end of period	\$ 2,687,278	\$ 2,469,287

The accompanying notes are an integral part of these financial statements

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2022

Note 1 - Organization and operations:

The Family Giving Tree (the “Organization”), a California non-profit public benefit organization founded in 1990, is dedicated to bringing hope and joy to underserved children and individuals. The Organization conducts two annual drives: a Back-to-School Drive and a Holiday Wish Drive. During its Back-to-School Drive, the Organization provides backpacks filled with grade-appropriate school supplies to K-12 students who qualify for the Federal Free and Reduced Price Meal Program. During its Holiday Wish Drive, the Organization fulfills the holiday gift wish of underserved children and individuals who might otherwise go without. These programs are funded through generous sponsorships and donations made by individuals, small businesses, corporations, and non-profit foundations.

In addition to these two annual programs and in response to the impact the coronavirus disease (“COVID-19”) pandemic had on the families the Organization serves, additional services have been added and will be maintained to support the health and continued well-being of Bay Area individuals. Student success kits are delivered to in-need students in the first months of the new year to ensure they have the tools to continue their education. Essential health kits, featuring dental supplies, are distributed with each backpack to foster dental hygiene for better health.

The Organization’s programs are classified as follows:

Holiday Wish Drive - Since its founding in 1990, the Organization has held a belief that no one should feel forgotten during the holidays. Delivering a wished-for gift brings joy and hope and delivers the priceless message, “You matter. You have value”. The Organization works with nearly 400 social services agencies (homeless shelters, community centers, rehabilitation houses, and various non-profit organizations) and schools to support its Holiday Wish Drive. These agencies and schools supply the Organization with the name and two specific wishes of the children and individuals they serve year-round. A wish card is printed for each child or individual, detailing age, gender, first name, and the specific gift wishes. These wishes are then distributed to more than 1,100 volunteer Drive Leaders (individuals, social groups, and businesses) who display wish cards - often on holiday trees - in a public area, such as a business lobby. By selecting a wish card, an individual commits to purchasing a gift to donate for those most underserved during the holidays.

The Organization hosted approximately 1,600 volunteers in 99,000 square feet of donated warehouse space in December 2021 and 2,200 volunteers in 103,000 square feet of donated warehouse space in December 2020, where the donated gifts are then sorted, wrapped, and disbursed to the Organization’s agency partners for distribution. In addition, the Organization maintains a Virtual Giving Tree on its website: www.FamilyGivingTree.org.

During the years ended April 30, 2022 and 2021, the Organization provided holiday gifts to approximately 53,000 and 78,000 children, respectively.

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2022

Note 1 - Organization and operations (continued):

Back-to-School Drive - The Organization also holds the conviction that education is the most effective path out of poverty; and according to the US Census Bureau, almost one out of every four California children are currently living below the federal poverty line. Too often, these children lack the most basic school supplies and educational tools required for learning and homework. The Organization's Back-to-School Drive aims to close the educational gap for children from low-income families, by providing backpacks filled with essential, grade-appropriate school supplies.

Using a similar method of operation, the Organization provided backpacks filled with essential, grade-appropriate school supplies - including STEAM (science, technology, engineering, art and mathematics) supplies - to approximately 25,000 and 23,000 K-12 students, who qualify for the Federal Free and Reduced Price Meal Program, during the years ended April 30, 2022 and 2021, respectively. Over 500 Drive Leaders volunteered to assist in displaying backpack and school supply list cards to support the goal of the Back-to-School drive.

The Organization hosted approximately 300 drive leaders and 500 volunteers in 25,000 square feet of donated warehouse space in August 2021 and approximately 500 drive leaders and 1,800 volunteers in 40,000 square feet in August 2020, to sort, fill, and distribute the backpacks to qualifying schools. Approximately 300 schools and nonprofit agencies received the filled backpacks for distribution to qualifying K-12 students.

Other programs - The Organization also makes in-kind grants, from in-kind donations received, to other charitable organizations from surplus food and household items that are not able to be used in the Holiday Wish and Back-to-School Backpack Programs. Such donations were not material during the years ended April 30, 2022 and 2021.

Note 2 - Summary of significant accounting policies:

Basis of accounting - The financial statements are prepared on the accrual basis of accounting which recognizes revenue and support when earned and expenses when incurred and accordingly reflect all significant payables, and other liabilities.

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2022

Note 2 - Summary of significant accounting policies (continued):

Basis of presentation - The Organization presents information regarding its financial position and activities according to two classes of net assets:

- *Without donor restrictions* - net assets which are available to support all activities of the Organization without restrictions and include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation.
- *With donor restrictions* - net assets which are subject to donor-imposed restrictions that will be met rather by actions of the Organization or the passage of time. Also included in this category are net assets restricted by the donor for investment in perpetuity, such as endowments. The income from such invested assets is available to support the activities of the Organization.

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 revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and cash equivalents - Cash and cash equivalents consist of cash and money market funds. The Organization considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents. The carrying amount in the statements of financial position approximates fair value.

Investments - The Organization's investments are valued in accordance with Fair Value Measurements. The Organization may have risk associated with its concentration of investments in one geographic region and in certain industries.

Beneficial interest held-by-others - The Organization maintained beneficial interest held-by-others. These interests were estimated at fair value based on a percentage of interest in the portfolio. Because of the inherent uncertainty of valuations, however, these estimated fair values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2022

Note 2 - Summary of significant accounting policies (continued):

Investments (continued) - Certificates of deposit - Certificates of deposit held for investment that are not debt securities are recognized as “Investments” on the statements of financial position. The certificates of deposit are held with a commercial bank and mature semi-annually beginning June 2021. All deposits are subject to Federal Deposit Insurance Corporation (“FDIC”) limits.

Inventories - It is the Organization’s policy to make every effort to distribute its entire inventory to avoid warehouse costs and maximize the impact of its programs. Any gifts remaining in inventory at year end and during interim periods are valued at lower of cost or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

Pledges receivable - Pledges receivable are either unconditional or conditional. Unconditional pledges receivable are pledges that depend only on the passage of time or the demand by the donor for performance. A conditional pledge receivable is a pledge that depends on the occurrence of a specified future and uncertain event to bind the donor. There were no conditional pledges at April 30, 2022 and 2021.

Contributions that are promised in one year but are expected to be received after the end of that year (or over a number of years) are considered pledges. Pledges are discounted at a reasonable rate of interest and are stated at their fair value. An allowance reserve for uncollectible pledges, if any, is determined based on management’s evaluation of each outstanding pledge for collectability. The financial statements reflect these pledges net of the discount and allowance. Management believes all amounts to be fully collectible and therefore, no allowance was necessary for the years ended April 30, 2022 and 2021.

Prepaid expenses - Prepaid expenses primarily consists of payments made associated with the Organization’s various insurance premiums and other prepaid expenses. Such prepayments are amortized over the term of the related insurance coverage or at the time the event occurs.

Property, equipment, depreciation and amortization - Purchased property and equipment are stated at cost. Acquisitions of property and equipment in excess of \$1,000 are capitalized. Significant donated property and equipment is recorded at estimated fair value at the date of receipt. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2022

Note 2 - Summary of significant accounting policies (continued):

Property, equipment, depreciation and amortization (continued) - Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 15 years. Leasehold improvements are amortized using the straight-line method over the lesser of the assets' estimated useful lives or the term of the applicable lease.

Major repairs and maintenance costs, which extend the useful lives of equipment, are capitalized and depreciated over the remaining useful lives of the property. All other maintenance and repairs are expensed as incurred.

Paycheck Protection Program loan - The Organization secured a loan under the Paycheck Protection Program ("PPP"). The Organization has accounted for the PPP loan in accordance with the Financial Accounting Standards Board ("FASB") guidance for debt under Accounting Standards Codification ("ASC") Topic 470. See Note 6 for details.

Fair value of financial instruments - Unless otherwise indicated, the fair values of all reported assets and liabilities approximate the carrying values of such amounts.

Revenue Recognition -

Exchange revenue - The Organization recognizes revenue in accordance with ASC Topic 606 ("ASC 606"), Revenue from Contracts with Customers, as amended. ASC 606 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization operates an ancillary program to sell donated merchandise on a retail basis to customers. The performance obligation is the delivery of the good to the customer. The Organization establishes the transaction price, often at a discount, based on quoted prices in active markets, with a discount, for identical merchandise. As each item is individually priced, no allocation of the transaction price is necessary. The Organization recognizes revenue as the customer pays and takes possession of the merchandise. No right of return exists for merchandise that is sold. The Organization recorded the exchange transaction revenue in other income within the statements of activities and changes in net assets for the years ending April 30, 2022 and 2021.

Contribution revenue - The Organization recognizes contributions when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as with or without donor restrictions depending on the nature of donor restrictions and depending on whether the restrictions are met in the current fiscal year. When the restriction is met on a contribution received in a prior fiscal year, the amount is shown as a reclassification of net assets with donor restrictions to net assets without donor restrictions. These contributions are generally expected to be collected in one year.

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2022

Note 2 - Summary of significant accounting policies (continued):

Donated property and services - Significant donated facilities, property, and equipment are estimated at fair value on the date of receipt. The estimated fair value of the donated gifts is based on a study of the average retail-selling price of the most distributed gifts. Contributed services, which require a specialized skill and which the Organization would have paid for if not contributed, have been recorded at their estimated fair market value. A substantial number of volunteers have donated significant amounts of time in promoting the Organization's programs. These services do not require specific expertise but are nonetheless central to the Organization's operations. While these contributed services are not reflected in the financial statements, the estimated value of these services are disclosed in Note 9.

Functional expense allocations - The costs of providing the various program and supporting services have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated, principally on a direct cost basis, among the classifications. All indirect expense allocations are allocated to program and supporting services based on an analysis of personnel time.

Accounting for uncertainty for income taxes - The Organization evaluates its uncertain tax positions and will recognize a loss contingency when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. As of April 30, 2022, management did not identify any uncertain tax positions.

Concentration of credit risk - Financial instruments that potentially subject the Organization to credit risk consist primarily of cash and cash equivalents, and investments. The Organization maintains cash and cash equivalents with commercial banks and other major financial institutions. Cash equivalents include overnight investments, and money market funds. At times, such amounts might exceed FDIC limits. The Organization's investments have been placed with high quality financial institutions. The Organization monitors these investments and has not experienced significant credit losses.

Advertising - Advertising costs are expensed as incurred. Advertising and marketing expenses for the years ended April 30, 2022 and 2021 were approximately \$90,000 and \$62,000, respectively.

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2022

Note 2 - Summary of significant accounting policies (continued):

Recent accounting pronouncements - In February 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-02 “Leases.” The ASU is intended to increase transparency and comparability between organizations recognizing lease assets and liabilities by recognizing lease assets and lease liabilities on the balance sheet and increasing the related disclosures. For non-public entities, the effective date will be effective for annual reporting periods beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022. Early application is permitted. The adoption of this guidance is not expected to have a material impact on the Organization’s financial statements. The Organization’s management has not yet determined the impact that implementation of this ASU will have on the Organization’s financial statements.

In September 2020, FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This ASU is meant to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for not-for-profit entities (“NFP”), including additional disclosure requirements for recognized contributed services. This ASU requires that all NFP receiving nonfinancial assets must present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. ASU also requires further disclosure on the contributed nonfinancial assets in the notes to the financial statements. The ASU will be applied retrospectively and is effective for fiscal years beginning after June 15, 2021, and interim periods beginning after June 15, 2022. Early adoption is permitted. The Organization’s management has not yet determined the impact that implementation of this ASU will have on the Organization’s financial statements.

Subsequent events - Subsequent events have been evaluated through the date of the independent auditors’ report, which is the date the financial statements were available to be issued and it has been determined that no material subsequent events require an estimate to be recorded or disclosed as of April 30, 2022.

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2022

Note 3 - Liquidity and availability of funds:

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, are as follows:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 2,687,278	\$ 2,469,287
Investments	503,911	720,697
Pledges receivable	<u>-</u>	<u>25,000</u>
Total financial assets	3,191,189	3,214,984
Less amounts unavailable for general expenditures within one year, due to:		
Board designations	(2,500,000)	(2,500,000)
Net assets with donor restrictions	<u>(20,000)</u>	<u>(39,750)</u>
Financial assets available to meet general expenditures over the next twelve months	\$ <u>671,189</u>	\$ <u>675,234</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Included in financial assets are board designated net assets of \$2,500,000 for the years ended April 30, 2022 and 2021, respectively. Although the Organization does not intend to spend from its board designated funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board designated net assets could be made available if necessary.

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2022

Note 4 - Investments:

The Organization entered into an agreement with Silicon Valley Community Foundation (“SVCF”) to manage, hold in trust, and invest certain assets according to the Organization’s investment policy guideline. Investments held under the management of SVCF were liquidated during the fiscal year 2022. The Organization maintained a beneficial interest in investments of the SVCF, which was valued by applying the percentage of ownership of the overall investment portfolio. The interests were held in investment pools with 70% in long-term growth consisting of fixed income, domestic equity, foreign equity, alternative investments in hedged equity, absolute return, and real asset funds, and 30% in capital preservation pools consisting of money market mutual funds and bank certificates of deposit. These investments were carried at estimated fair values determined by the investment manager after giving consideration to operating results, financial condition, recent sales prices of issuers’ securities, and other pertinent information. As SVCF’s portfolio was composed of various investments with varying levels of observable inputs, valuation of the entire portfolio cannot be valued using observable market data.

At April 30, 2021, the Organization had no unfunded commitments and all its investments in the beneficial interest held by others could be redeemed at any time by written request with certain restrictions for large withdrawals and full redemption. Under the terms of the agreement, the principal and accumulated income and interest of the fund is at all times owned by the Organization. In addition, the Organization’s Board of Directors may direct the expenditure of any or all of the principal or income from the fund. All its investments in the beneficial interest held by others were liquidated during the year ended April 30, 2022.

The Organization follows the provisions of the Fair Value Measurements and Disclosure Topic of the FASB Accounting Standards Codification. These standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

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Note 4 - Investments (continued):

The Organization's investments consisted of the following at:

	April 30, 2022		
	Level 2	Level 3	Total
Certificates of deposit	\$ 503,911	\$ -	\$ 503,911
Total investments	\$ <u>503,911</u>	\$ <u>-</u>	\$ <u>503,911</u>
	April 30, 2021		
	Level 2	Level 3	Total
Certificates of deposit	\$ 502,670	\$ -	\$ 502,670
Community foundation pool:			
Capital preservation pool	-	63,859	63,859
Long-term growth pool	-	154,168	154,168
Total investments	\$ <u>502,670</u>	\$ <u>218,027</u>	\$ <u>720,697</u>

The following schedule summarizes total investment returns for the years ended April 30:

	2022	2021
Realized gains, net	\$ 4,291	\$ 1,518
Unrealized gains, net	-	42,360
Interest and dividends	3,669	5,211
Total gains	7,960	49,089
Management fees	-	(2,450)
Total investment income net of fees	\$ <u>7,960</u>	\$ <u>46,639</u>

An investment's classification within a level in the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The categorization of the investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Organization's perceived risk of that investment.

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Note 5 - Property and equipment:

Property and equipment consisted of the following at April 30:

	<u>2022</u>	<u>2021</u>
Vehicles	\$ 119,657	\$ 119,657
Furniture, fixtures, and equipment	238,368	140,608
Software	105,018	105,018
Leasehold improvements	<u>44,638</u>	<u>44,638</u>
Total property and equipment	507,681	409,921
Less: accumulated depreciation and amortization	<u>(359,466)</u>	<u>(314,673)</u>
Property and equipment, net	<u>\$ 148,215</u>	<u>\$ 95,248</u>

Depreciation and amortization expense for the years ended April 30, 2022 and 2021 were approximately \$45,000 and \$35,000, respectively.

Note 6 - Paycheck Protection Program loan:

On April, 27, 2020, the Organization secured a PPP loan in the amount of approximately \$254,000. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses based on average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and meets certain criteria. The Small Business Administration and the lender establish these criteria. The PPP loan had been fully forgiven during the fiscal year ending April 30, 2021.

Note 7 - Board designated net assets:

Operating reserves - The Organization has established a reserve to stabilize cash flow and cover any revenue shortfalls that occur because of grant delays and seasonal variation in fundraising receipts that do not meet budgeted expenditures. The reserve target is six months of budgeted operating expenses. There was \$750,000 in operating reserves as of April 30, 2022 and 2021.

Holiday gift purchase fund - This fund is used to purchase gifts which may not come in via direct individual donations. It is used each year in varying degrees depending on need. There was \$500,000 reserved in the holiday gift purchase fund as of April 30, 2022 and 2021.

Backpack purchase fund - This fund is used to purchase school supply filled backpacks for very low-income students in the Back-to-School Drive which may not come in via individual donations. It is used each year in varying degrees depending on need. The remaining backpacks are provided by direct donations of backpacks by individuals who purchase them in stores. There was \$500,000 reserved in the backpack purchase fund as of April 30, 2022 and 2021.

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Notes to Financial Statements

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Note 7 - Board designated net assets (continued):

Strategic initiative fund - This fund is used to develop a three-year strategic plan. The initial draft of the plan includes initiatives and tasks that will require specific resources to fund. There was \$750,000 reserved in the strategic initiative fund as of April 30, 2022 and 2021.

Note 8 - Net Assets with donor restrictions:

Net assets with donor restrictions were restricted for the following purposes at:

	<u>April 30, 2022</u>			
	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
Back-to-school drive	\$ 10,000	\$ -	\$ (10,000)	\$ -
Holiday gift drive	20,000	20,000	(20,000)	20,000
Other	9,750	-	(9,750)	-
Net assets with donor restrictions	<u>\$ 39,750</u>	<u>\$ 20,000</u>	<u>\$ (39,750)</u>	<u>\$ 20,000</u>

	<u>April 30, 2021</u>			
	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
Back-to-school drive	\$ 37,569	\$ 10,000	\$ (37,569)	\$ 10,000
Holiday gift drive	25,000	20,000	(25,000)	20,000
Other	-	9,750	-	9,750
Net assets with donor restrictions	<u>\$ 62,569</u>	<u>\$ 39,750</u>	<u>\$ (62,569)</u>	<u>\$ 39,750</u>

Note 9 - In-kind contributions:

In-kind contributions consisted of the following at April 30:

	<u>2022</u>	<u>2021</u>
Donated gifts	\$ 946,772	\$ 677,579
Donated facilities:		
Warehouse usage	364,770	359,160
Office usage	97,978	107,682
Total in-kind contributions	<u>\$ 1,409,520</u>	<u>\$ 1,144,421</u>

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Note 9 - In-kind contributions (continued):

The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations. The total volunteer hours for the years ended April 30, 2022 and 2021 were approximately 5,000 and 4,000, respectively. The estimated value of these services for the years ended April 30, 2022 and 2021, based on the estimated dollar value of volunteer time calculated by Independent Sector, amounts to approximately \$163,000 and \$116,000, respectively. The value of donated volunteer services has not been recognized in the accompanying financial statements because they did not meet the criteria for specialized skill or would not have been paid for if not contributed.

Note 10 - Retirement plans:

The 401(k) Plan ("Plan") was started in January 2020, and covers employees who have met certain service and eligibility requirements. Each eligible employee may elect to contribute to the Plan, and the organization may make discretionary matching contributions. The Organization made discretionary contributions of approximately \$49,000 and \$43,000 respectively during the years ended April 30, 2022 and 2021.

Note 11 - Related-party transactions:

The Organization's volunteer members of the Board of Directors are active in oversight of fundraising events, activities and in making private contributions. Contributions received from the Board of Directors, from companies with which the Board of Directors are affiliated or from employees of the Organization were approximately \$3,000 and \$68,000 for the years ended April 30, 2022 and 2021, respectively. There were no outstanding pledge receivables from the Board of Directors or from companies with which the Board of Directors are affiliated for the years ended April 30, 2022 and 2021.

Note 12 - Contingencies:

Grants - Grants awarded to the Organization are subject to the granting agencies' criteria and agreement terms under which expenditures may be charged and are subject to audit. Occasionally, such audits may determine that certain costs incurred in connection with the grants do not comply with the terms of the award. In such cases, the Organization could be held responsible for repayments to the granting agency for the costs or be subject to a reduction of future awards in the amount of the costs. Management does not anticipate any material repayments for the grants administered during the year.

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Note 12 - Contingencies (continued):

COVID-19 - In March 2020, the World Health Foundation declared that the spread of COVID-19 had become a pandemic. Further knowledge on COVID-19 and the availability of vaccines have subsequently improved the situation, but the overall long-term impact of the pandemic is still uncertain. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on a variety of factors, including the duration and spread of the pandemic. As of the date of the independent auditors' report, the extent to which COVID-19 may affect the Organization's financial condition or results of operations is uncertain.