



Family Giving Tree™

**Financial Statements
April 30, 2021 and 2020**

**Together with
Independent Auditors' Report**

THE FAMILY GIVING TREE

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April 30, 2021

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The Family Giving Tree (the "Organization"), a California public benefit corporation, which comprise the statements of financial position as of April 30, 2021 and 2020, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

Opinion

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, 2021 and 2020, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Robert Lee & Associates, LLP

San Jose, California
August 11, 2021

THE FAMILY GIVING TREE
Statements of Financial Position

	April 30,	
	2021	2020
<u>ASSETS</u>		
Cash and cash equivalents	\$ 2,469,287	\$ 1,343,059
Investments	720,697	427,244
Inventories	318	45,956
Pledges receivable	25,000	-
Prepaid expenses and other current assets	60,768	38,354
Property and equipment, net	95,248	120,155
Deposits	4,850	4,850
Total assets	\$ 3,376,168	\$ 1,979,618
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	\$ 18,764	\$ 67,602
Accrued payroll and related	161,878	89,372
Paycheck protection program loan	-	254,522
Total liabilities	180,642	411,496
Contingencies		
Net assets:		
Without donor restrictions:		
Designated by the board of directors:		
Operating reserves	750,000	600,000
Holiday gift purchase fund	500,000	250,000
Backpack purchase fund	500,000	250,000
Strategic initiative fund	750,000	-
Undesignated	655,776	405,553
Total without donor restrictions	3,155,776	1,505,553
With donor restrictions	39,750	62,569
Total net assets	3,195,526	1,568,122
Total liabilities and net assets	\$ 3,376,168	\$ 1,979,618

The accompanying notes are an integral part of these financial statements

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

	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
Statement of Activities and Changes in Net Assets (continued)

	For the Year Ended April 30, 2020		
	Without donor restrictions	With donor restrictions	Total
Revenue:			
Donated gifts	\$ 3,036,377	\$ -	\$ 3,036,377
Individual contributions	1,537,884	-	1,537,884
Corporate contributions	1,143,514	62,569	1,206,083
Donated facilities	491,823	-	491,823
Foundation grants	341,974	-	341,974
Other donated items	15,000	-	15,000
Investment loss, net	(4,122)	-	(4,122)
Other income	2,337	-	2,337
Net assets released from restrictions	64,367	(64,367)	-
Total revenue	6,629,154	(1,798)	6,627,356
Expenses:			
Program services			
Holiday Wish Program	3,244,122	-	3,244,122
Back-to-School Backpack Program	2,359,771	-	2,359,771
Total program services	5,603,893	-	5,603,893
Supporting services			
Management and general	569,229	-	569,229
Fundraising	184,839	-	184,839
Total supporting services	754,068	-	754,068
Total expenses	6,357,961	-	6,357,961
Change in net assets	271,193	(1,798)	269,395
Net assets, beginning of year	1,234,360	64,367	1,298,727
Net assets, end of year	\$ 1,505,553	\$ 62,569	\$ 1,568,122

The accompanying notes are an integral part of these financial statements

THE FAMILY GIVING TREE

Statement of Functional Expense

For the Year Ended April 30, 2021

	<u>Program Services</u>			<u>Supporting Services</u>			
	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
Statement of Functional Expense (continued)
For the Year Ended April 30, 2020

	Program Services			Supporting Services			
	Holiday Wish Program	Back-to-School Backpack Program	Program Services Total	Management and General	Fundraising	Supporting Services Total	Total
Compensation	\$ 416,575	\$ 371,367	\$ 787,942	\$ 324,844	\$ 85,653	\$ 410,497	\$ 1,198,439
Other benefits	57,033	50,844	107,877	44,474	11,727	56,201	164,078
Payroll taxes	35,284	31,455	66,739	27,515	7,255	34,770	101,509
Retirement benefits	11,372	10,138	21,510	8,868	2,338	11,206	32,716
Total salaries and benefits	520,264	463,804	984,068	405,701	106,973	512,674	1,496,742
Grants	2,329,629	1,407,268	3,736,897	-	-	-	3,736,897
Donated facilities	226,621	234,081	460,702	24,627	6,493	31,120	491,822
Program and office supplies	30,526	116,126	146,652	739	626	1,365	148,017
Professional fees	3,541	877	4,418	55,248	60,841	116,089	120,507
Information technology	42,400	37,020	79,420	16,564	-	16,564	95,984
Insurance	17,670	15,753	33,423	13,779	3,633	17,412	50,835
Advertising and promotion	13,790	28,223	42,013	3,702	-	3,702	45,715
Occupancy	14,647	12,546	27,193	11,739	2,894	14,633	41,826
Depreciation	12,903	11,503	24,406	10,062	2,653	12,715	37,121
Bank and merchant fees	17,010	14,532	31,542	2,301	272	2,573	34,115
Office expense	4,483	9,683	14,166	14,998	342	15,340	29,506
Travel	10,638	8,355	18,993	9,769	112	9,881	28,874
Total expenses	<u>\$ 3,244,122</u>	<u>\$ 2,359,771</u>	<u>\$ 5,603,893</u>	<u>\$ 569,229</u>	<u>\$ 184,839</u>	<u>\$ 754,068</u>	<u>\$ 6,357,961</u>
Percentage of total	51.0%	37.1%	88.1%	9.0%	2.9%	11.9%	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,	
	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 1,627,404	\$ 269,395
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	35,453	37,121
Donated inventory	-	(2,337)
Donated gifts received	(677,579)	(3,036,377)
Donated gifts distributed	672,751	3,024,689
Donated office equipment	-	(15,000)
Net realized and unrealized (gain) loss on investments	(43,878)	6,985
Gain on extinguishment of paycheck protection program loan	(254,522)	-
Changes in operating assets and liabilities:		
Inventories	50,466	51,073
Pledges receivable	(25,000)	-
Prepaid expenses and other current assets	(22,414)	27,153
Deposits	-	2,500
Accounts payable and accrued expenses	(48,838)	9,407
Accrued payroll and related 457(f) plan payable	72,506	9,397
	-	(115,180)
Net cash provided by operating activities	1,386,349	268,826
Cash flows from investing activities:		
Proceeds from sale of investments	1,923	1,166
Proceeds from distribution of 457(f) plan assets	-	115,180
Redemptions of certificates	251,498	-
Acquisition of certificates	(502,996)	(251,171)
Purchases of property and equipment	(10,546)	(9,666)
Net cash used by investing activities	(260,121)	(144,491)
Cash flows from financing activities:		
Proceeds from paycheck protection program loan	-	254,522
Net cash provided by financing activities	-	254,522
Net increase in cash and cash equivalents	1,126,228	378,857
Cash and cash equivalents, beginning of period	1,343,059	964,202
Cash and cash equivalents, end of period	\$ 2,469,287	\$ 1,343,059

The accompanying notes are an integral part of these financial statements

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2021

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 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 2,200 volunteers in 103,000 square feet of donated warehouse space in December 2020 (3,500 volunteers in 115,000 square feet of donated warehouse space in December 2019) 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, 2021 and 2020, the Organization provided holiday gifts to approximately 78,000 and 82,000 children, respectively.

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2021

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 23,000 and 42,000 K-12 students, who qualify for the Federal Free and Reduced Price Meal Program, during the years ended April 30, 2021 and 2020, 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 500 drive leaders and 1,800 volunteers in 40,000 square feet of donated warehouse space in August 2020 and approximately 500 drive leaders and 750 volunteers in 75,000 square feet in August 2019, 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, 2021 and 2020.

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, 2021

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 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.

Revenue Recognition -

Exchange revenue - The Organization recognizes revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 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, 2021 and 2020.

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, 2021

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

Contribution revenue (continued) - An allowance for uncollectible pledges receivable, if any, is determined based on management's evaluation of each outstanding receivable for collectability. No allowances have been recognized for the years ended April 30, 2021 and 2020. The pledges receivable balance has been included on the statement of financial position for the year ended April 30, 2021. There were no pledges receivable as of April 30, 2020.

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.

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 maintains beneficial interest held-by-others. These interests are 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, 2021

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 statement of financial position. Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified under current assets. Certificates of deposit with remaining maturities greater than one year are classified as non-current assets. The certificates of deposit are held with a commercial bank and mature at semi-annually beginning June 2020. All deposits are subject to Federal Deposit Insurance Corporation (“FDIC”) limits.

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.

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 has been recorded for the years ended April 30, 2021 and 2020.

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.

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.

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, 2021

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 (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.

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, 2021, 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, 2021 and 2020 were approximately \$62,000 and \$46,000, respectively.

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2021

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

Recently adopted accounting principles - As of April 30, 2021, the Organization adopted the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2018-13, Fair Value Measurements: Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurements. This ASU modifies the disclosure requirements for fair value measurements. Those modifications include the removal and addition of disclosure requirements as well as clarifying specific disclosure requirements. The ASU is effective for fiscal years beginning after December 15, 2019. Certain provisions of the ASU will be applied prospectively while the rest of the provisions will be applied retrospectively. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements.

Recent accounting pronouncements - In February 2016, the FASB issued 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, 2021.

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2021

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>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 2,469,287	\$ 1,343,059
Investments	720,697	427,244
Pledges receivable	<u>25,000</u>	<u>-</u>
Total financial assets	3,214,984	1,770,303
Less amounts unavailable for general expenditures within one year, due to:		
Board designations	(2,500,000)	(1,100,000)
Net assets with donor restrictions	<u>(39,750)</u>	<u>(62,569)</u>
Financial assets available to meet general expenditures over the next twelve months	\$ <u><u>675,234</u></u>	\$ <u><u>607,734</u></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 and \$1,100,000 for the years ended April 30, 2021 and 2020, 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, 2021

Note 4 - Investments:

The Organization has 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. The Organization maintains a beneficial interest in investments of the SVCF, which is valued by applying the percentage of ownership of the overall investment portfolio. The interests are 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 are carried at estimated fair values as 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 is 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 has no unfunded commitments and all its investments in the beneficial interest held by others can 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.

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, 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>
	April 30, 2020		
	Level 2	Level 3	Total
Certificates of deposit	\$ 251,172	\$ -	\$ 251,172
Community foundation pool:			
Capital preservation pool	-	52,041	52,041
Long-term growth pool	-	124,031	124,031
Total investments	<u>\$ 251,172</u>	<u>\$ 176,072</u>	<u>\$ 427,244</u>

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

	2021	2020
Realized gains, net	\$ 1,518	\$ 6,367
Unrealized gains (loss), net	42,360	(13,352)
Interest and dividends	5,211	5,416
Total gains (loss)	<u>49,089</u>	<u>(1,569)</u>
Management fees	<u>(2,450)</u>	<u>(2,553)</u>
Total investment income (loss) net of fees	<u>\$ 46,639</u>	<u>\$ (4,122)</u>

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Note 4 - Investments (continued):

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.

Note 5 - Property and equipment:

Property and equipment consisted of the following at April 30:

	<u>2021</u>	<u>2020</u>
Vehicles	\$ 119,657	\$ 119,657
Furniture, fixtures, and equipment	140,608	130,075
Software	105,018	105,005
Leasehold improvements	<u>44,638</u>	<u>44,638</u>
Total property and equipment	409,921	399,375
Less: accumulated depreciation and amortization	<u>(314,673)</u>	<u>(279,220)</u>
Property and equipment, net	<u>\$ 95,248</u>	<u>\$ 120,155</u>

Depreciation and amortization expense for the years ended April 30, 2021 and 2020 were approximately \$35,000 and \$37,000, 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. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after then end of the covered period. The Organization intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

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Notes to Financial Statements

April 30, 2021

Note 6 - Paycheck Protection Program Loan (continued):

To the extent that the Organization is not granted forgiveness, the Organization will be required to pay interest on the PPP loan at a rate of 1% per annum. If the application for forgiveness is not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity date of April, 27, 2022. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event.

The Organization initially recorded a note payable and subsequently recorded forgiveness when the loan obligation was legally released, on April 7, 2021. The Organization recognized approximately \$254,000 of loan forgiveness as income for the year ended April 30, 2021 on the statement of activities.

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 and \$600,000 in operating reserves as of April 30, 2021 and 2020, respectively.

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 and \$250,000 reserved in the holiday gift purchase fund as of April 30, 2021 and 2020, respectively.

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 and \$250,000 reserved in the backpack purchase fund as of April 30, 2021 and 2020, respectively.

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, 2021.

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Notes to Financial Statements

April 30, 2021

Note 8 - Net Assets with donor restrictions:

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

	April 30, 2021			
	<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>

	April 30, 2020			
	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
Back-to-school drive	\$ 43,035	\$ 37,569	\$ (43,035)	\$ 37,569
Holiday gift drive	-	25,000	-	25,000
Sponsorship	15,000	-	(15,000)	-
Other	6,332	-	(6,332)	-
Net assets with donor restrictions	<u>\$ 64,367</u>	<u>\$ 62,569</u>	<u>\$ (64,367)</u>	<u>\$ 62,569</u>

Note 9 - In-kind contributions:

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

	<u>2021</u>	<u>2020</u>
Donated gifts	\$ <u>677,579</u>	\$ <u>3,036,377</u>
Donated facilities:		
Warehouse usage	359,160	400,968
Office usage	<u>107,682</u>	<u>90,855</u>
Total donated facilities	466,842	491,823
Other donated items	<u>-</u>	<u>15,000</u>
Total in-kind contributions	<u>\$ 1,144,421</u>	<u>\$ 3,543,200</u>

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April 30, 2021

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, 2021 and 2020 were approximately 4,000 and 11,000, respectively. The estimated value of these services for the years ended April 30, 2021 and 2020, based on the estimated dollar value of volunteer time calculated by Independent Sector, amounts to approximately \$116,000 and \$279,000, 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:

SIMPLE IRA - The simple IRA is an IRA-based plan (the "Plan") that gives small employers a simplified method to make contributions toward their employees' retirement. Under a SIMPLE IRA plan, employees may choose to make salary reduction contributions and the employer makes matching or non-elective contributions. All contributions are made directly to an Individual Retirement Account or Individual Retirement Annuity (IRA) set up for each employee (a SIMPLE IRA). SIMPLE IRA plans are maintained on a calendar-year basis. The SIMPLE IRA plan was established to cover all full-time employees who elect to participate in the plan. For the year ended April 30, 2020, there were employer contributions made for eligible participants of the SIMPLE IRA plan in the amount of approximately \$21,000. During the year ended April 30, 2020 the plan was dissolved.

401(k) Plan - The 401(k) 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 \$43,000 and \$12,000 respectively during the years ended April 30, 2021 and 2020.

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 \$68,000 and \$32,000 for the years ended April 30, 2021 and 2020, 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, 2021 and 2020, respectively.

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Notes to Financial Statements

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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.

COVID-19 - In March 2020, the world was impacted by a coronavirus disease ("COVID-19") pandemic. As a result, many businesses closed their doors in order to assist in the containment of the virus. Creative solutions and further knowledge on COVID-19 has subsequently improved the situation, yet the overall 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 certain developments, including the duration and spread of the outbreak, impact on their customers, employees and vendors, all of which are uncertain and cannot be predicted. As of the date of the independent auditors' report, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.