



Family Giving Tree™

**Financial Statements
April 30, 2019 and 2018**

**Together with
Independent Auditors' Report**

THE FAMILY GIVING TREE

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April 30, 2019

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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, 2019 and 2018, 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, 2019 and 2018, 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
July 29, 2019

THE FAMILY GIVING TREE
Statements of Financial Position

	April 30,	
	2019	2018
	<u>ASSETS</u>	
Cash and cash equivalents	\$ 964,202	\$ 679,071
Investments	184,224	181,764
Investments - 457(f) plan	115,180	113,257
Inventories	83,004	75,974
Prepaid expenses and other current assets	65,507	70,859
Property and equipment, net	132,610	163,154
Deposits	7,350	4,780
Total assets	\$ 1,552,077	\$ 1,288,859
	<u>LIABILITIES AND NET ASSETS</u>	
Accounts payable and accrued expenses	\$ 58,195	\$ 25,697
Accrued payroll	79,975	67,425
457(f) plan payable	115,180	113,257
Total liabilities	253,350	206,379
Contingencies		
Net assets:		
Without donor restrictions:		
Designated by the board of directors:		
Operating reserves	700,000	700,000
Holiday gift purchase fund	100,000	100,000
Backpack purchase fund	100,000	100,000
Undesignated	334,360	78,773
Total without donor restrictions	1,234,360	978,773
With donor restrictions	64,367	103,707
Total net assets	1,298,727	1,082,480
Total liabilities and net assets	\$ 1,552,077	\$ 1,288,859

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, 2019		
	Without donor restrictions	With donor restrictions	Total
Revenue:			
Donated gifts	\$ 3,257,767	\$ -	\$ 3,257,767
Individual contributions	1,558,107	-	1,558,107
Corporate contributions	1,007,223	64,367	1,071,590
Donated facilities	349,159		349,159
Foundation grants	96,475	-	96,475
Other donated items	1,501	-	1,501
Investment income, net	3,012	-	3,012
Other income	77,862	-	77,862
Net assets released from restrictions	103,707	(103,707)	-
Total revenue	6,454,813	(39,340)	6,415,473
Expenses:			
Program services			
Holiday Wish Program	3,540,349	-	3,540,349
Back-to-School Backpack Program	2,146,048	-	2,146,048
Total program services	5,686,397	-	5,686,397
Supporting services			
Management and general	375,203	-	375,203
Fundraising	137,626	-	137,626
Total supporting services	512,829	-	512,829
Total expenses	6,199,226	-	6,199,226
Change in net assets	255,587	(39,340)	216,247
Net assets, beginning of year	978,773	103,707	1,082,480
Net assets, end of year	\$ 1,234,360	\$ 64,367	\$ 1,298,727

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, 2018		
	Without donor restrictions	With donor restrictions	Total
Revenue:			
Donated gifts	\$ 3,274,110	\$ -	\$ 3,274,110
Individual contributions	1,354,270	-	1,354,270
Corporate contributions	778,653	103,707	882,360
Donated facilities	366,925	-	366,925
Foundation grants	385,961	-	385,961
Other donated items	52,255	-	52,255
Investment income, net	9,422	-	9,422
Other income	7,134	-	7,134
Net assets released from restrictions	32,500	(32,500)	-
Total revenue	6,261,230	71,207	6,332,437
Expenses:			
Program services			
Holiday Wish Program	3,271,824	-	3,271,824
Back-to-School Backpack Program	2,186,039	-	2,186,039
Total program services	5,457,863	-	5,457,863
Supporting services			
Management and general	599,121	-	599,121
Fundraising	293,482	-	293,482
Total supporting services	892,603	-	892,603
Total expenses	6,350,466	-	6,350,466
Change in net assets	(89,236)	71,207	(18,029)
Net assets, beginning of year	1,068,009	32,500	1,100,509
Net assets, end of year	\$ 978,773	\$ 103,707	\$ 1,082,480

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, 2019

	<u>Program Services</u>			<u>Supporting Services</u>			
	Holiday Wish	Back-to-School	Program	Management		Supporting	Total
	Program	Program	Services	and General	Fundraising	Services	
			Total			Total	
Compensation	\$ 507,842	\$ 320,739	\$ 828,581	\$ 191,729	\$ 93,656	\$ 285,385	\$ 1,113,966
Retirement benefits	9,085	5,738	14,823	3,430	1,675	5,105	19,928
Other benefits	60,432	38,168	98,600	22,815	11,347	34,162	132,762
Payroll taxes	40,535	23,383	63,918	15,839	7,085	22,924	86,842
Total salaries and benefits	617,894	388,028	1,005,922	233,813	113,763	347,576	1,353,498
Grants	2,463,857	1,375,933	3,839,790	-	-	-	3,839,790
Donated facilities	163,736	163,089	326,825	14,735	7,330	22,065	348,890
Program and office supplies	51,793	88,460	140,253	1,259	35	1,294	141,547
Information technology	86,040	10,130	96,170	21,281	1,756	23,037	119,207
Advertising and promotion	49,554	52,332	101,886	4,133	100	4,233	106,119
Professional fees	21,207	9,532	30,739	56,659	3,653	60,312	91,051
Occupancy	25,993	17,219	43,212	9,749	4,762	14,511	57,723
Bank and merchant fees	17,543	14,826	32,369	5,683	283	5,966	38,335
Depreciation	15,627	9,869	25,496	5,899	2,882	8,781	34,277
Travel	9,032	7,158	16,190	7,325	170	7,495	23,685
Insurance	10,758	6,795	17,553	4,062	1,984	6,046	23,599
Office expense	7,315	2,677	9,992	10,147	908	11,055	21,047
Miscellaneous	-	-	-	458	-	458	458
Total expenses	<u>\$ 3,540,349</u>	<u>\$ 2,146,048</u>	<u>\$ 5,686,397</u>	<u>\$ 375,203</u>	<u>\$ 137,626</u>	<u>\$ 512,829</u>	<u>\$ 6,199,226</u>
Percentage of total	57.1%	34.6%	91.7%	6.1%	2.2%	8.3%	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, 2018

	<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	\$ 345,068	\$ 326,198	\$ 671,266	\$ 301,259	\$ 175,369	\$ 476,628	\$ 1,147,894
Retirement benefits	6,647	6,283	12,930	5,803	3,378	9,181	22,111
Other benefits	44,848	42,401	87,249	40,993	23,586	64,579	151,828
Payroll taxes	26,549	24,121	50,670	24,737	13,712	38,449	89,119
Total salaries and benefits	423,112	399,003	822,115	372,792	216,045	588,837	1,410,952
Grants	2,393,176	1,485,620	3,878,796	-	-	-	3,878,796
Donated facilities	214,372	126,447	340,819	16,501	9,605	26,106	366,925
Program and office supplies	96,406	65,347	161,753	8,815	159	8,974	170,727
Information technology	26,642	400	27,042	79,962	6,224	86,186	113,228
Professional fees	16,261	3,534	19,795	48,888	23,929	72,817	92,612
Advertising and promotion	31,803	41,205	73,008	6,471	2,302	8,773	81,781
Occupancy	19,765	16,094	35,859	14,880	8,653	23,533	59,392
Office expense	6,753	6,853	13,606	18,309	13,529	31,838	45,444
Depreciation	12,736	12,040	24,776	11,119	6,473	17,592	42,368
Bank and merchant fees	13,982	14,990	28,972	5,571	779	6,350	35,322
Insurance	9,106	8,608	17,714	7,950	4,628	12,578	30,292
Travel	7,710	5,898	13,608	7,863	1,156	9,019	22,627
Total expenses	\$ <u>3,271,824</u>	\$ <u>2,186,039</u>	\$ <u>5,457,863</u>	\$ <u>599,121</u>	\$ <u>293,482</u>	\$ <u>892,603</u>	\$ <u>6,350,466</u>
Percentage of total	51.5%	34.4%	85.9%	9.4%	4.6%	14.1%	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,	
	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 216,247	\$ (18,029)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	34,277	42,368
Donated inventory	(77,862)	-
Donated gifts received	(3,257,767)	(3,274,110)
Donated gifts distributed	3,257,767	3,242,836
Net realized and unrealized gain on investments	(3,669)	(10,393)
Changes in operating assets and liabilities:		
Inventories	70,832	56,608
Prepaid expenses and other current assets	5,352	(10,526)
Deposits	(2,570)	270
Accounts payable and accrued expenses	32,498	7,002
Accrued payroll	12,550	3,264
Net cash provided by operating activities	287,655	39,290
Cash flows from investing activities:		
Proceeds from sale of investments	2,713	2,443
Acquisition of investments	(1,504)	(1,443)
Purchases of property and equipment	(3,733)	(14,939)
Net cash used by investing activities	(2,524)	(13,939)
Net increase in cash and cash equivalents	285,131	25,351
Cash and cash equivalents, beginning of period	679,071	653,720
Cash and cash equivalents, end of period	\$ 964,202	\$ 679,071

The accompanying notes are an integral part of these financial statements

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2019

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.

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 7,000 volunteers in 125,000 square feet of donated warehouse space in December 2018 (6,000 volunteers in 113,000 square feet of donated warehouse space in December 2017) 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, 2019 and 2018, the Organization provided holiday gifts to approximately 77,000 and 80,000 children, respectively.

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2019

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 40,000 K-12 students, who qualify for the Federal Free and Reduced Price Meal Program, during both years ended April 30, 2019 and 2018. 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 700 and 1,000 volunteers in 85,000 square feet of donated warehouse space in August 2018 and 2017, 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 program - 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, 2019 and 2018.

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, 2019

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 - Contributions are recognized 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.

Contributions also include promises to give, which are expected to be collected in one year. 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, 2019 and 2018. The pledges receivable balance has been included in prepaid expenses and other current assets on the statement of financial position.

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.

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2019

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

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.

457(f) Plan - The Organization has a defined contribution compensation plan (the "457(f) Plan") which qualifies under Section 457(f) of the Internal Revenue Code. All debt securities and equity securities are carried at quoted market prices as of the last trading date of the Organization's fiscal year. Gains and losses that result from market fluctuations, if material, are recognized in the period such fluctuations occur. Dividend and interest income, if material, are accrued when earned.

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 market.

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.

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.

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2019

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

Donated property and services - Significant donated facilities, property, and equipment are recorded at estimated fair value at 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 8.

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.

Fair value of financial instruments - Financial instruments included in the Organization's statements of financial position as of April 30, 2019 and 2018, include cash and cash equivalents, prepaid expenses, investments, 457(f) plan, accounts payable and accrued expenses. For cash and cash equivalents, and accounts payable and accrued expenses, the carrying amount approximates fair value due to its short maturity. Investments are reflected in the accompanying statements of financial position at their estimated fair values using methodologies described below; see Note 4 and 9.

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, 2019, management did not identify any uncertain tax positions.

The Organization is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and the State of California. The tax years that remain subject to potential examination for the U.S. federal jurisdiction is April 30, 2016 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years April 30, 2015 and forward.

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2019

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

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, 2019 and 2018 were approximately \$106,000 and \$82,000, respectively.

Recently adopted accounting principles - During 2018, the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standard Update ("ASU") No. 2016-14 "Not-for-Profit Entities: Presentation of Financial Statements for Not-for-Profit Entities." The ASU is intended to improve the net asset classification requirements and the information presented in the financial statements and footnotes about not-for-profit liquidity, financial performance, and cash flows. The Organization has adopted the provisions of ASU 2016-14 and has retrospectively applied this standard.

As a direct result of the new ASU, unrestricted net assets of \$978,773 at April 30, 2018, have been classified as net assets without donor restrictions and temporarily restricted net assets of \$103,707 at April 30, 2018 have been classified as net assets with donor restrictions.

Recent accounting pronouncements - In August 2018, Financial Accounting Standards Board issued Accounting Standards Update 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 Organization's management has not yet determined the impact that implementation of this ASU will have on the Organization's financial statements.

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, 2019, and interim periods within annual periods beginning after December 15, 2020. Early application is permitted. The adoption of this guidance is not expected to have a material impact on the Organization's financial statements. Management has not yet evaluated the impact of the guidance on the Organization's financial statements.

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2019

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

Recent accounting pronouncements (continued) - In June 2018, the FASB issued ASU No. 2018-08 "Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made." The new standard provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction based on whether a resource provider is receiving value in return for the resources transferred. Further, the ASU provides additional guidance to help determine whether a contribution is conditional and better distinguish a donor-imposed condition from a donor-imposed restriction. The effective date of this amendment is for fiscal years beginning after December 15, 2018. Early application is permitted. Management has not determined the impact of this pronouncement.

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 as of April 30, 2019.

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>2019</u>
Financial assets at year end:	
Cash and cash equivalents	\$ 964,202
Investments	184,224
Pledges receivable	<u>23,035</u>
Total financial assets	1,171,461
Less amounts unavailable for general expenditures within one year, due to:	
Board designations	(900,000)
Net assets with donor restrictions	<u>(64,367)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 207,094</u>

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2019

Note 3 - Liquidity and availability of funds (continued):

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 cash and cash equivalents are board designated net assets of \$900,000 for the years ended April 30, 2019 and 2018. 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.

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, 2019, 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 FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2019

Note 4 - Investments (continued):

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.

The Organization's investments consisted of the following at:

	April 30, 2019		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
457(f) Plan assets:			
Equities and equity funds	\$ 16,537	\$ -	\$ 16,537
Fixed income	94,368	-	94,368
Cash and cash equivalents	4,275	-	4,275
Community foundation pool:			
Capital preservation pool	-	54,591	54,591
Long-term growth pool	-	129,633	129,633
Total investments	<u>\$ 115,180</u>	<u>\$ 184,224</u>	<u>\$ 299,404</u>

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Notes to Financial Statements
April 30, 2019

Note 4 - Investments (continued):

	April 30, 2018		
	Level 1	Level 2	Total
457(f) Plan assets:			
Equities and equity funds	\$ 16,649	\$ -	\$ 16,649
Fixed income	92,412	-	92,412
Cash and cash equivalents	4,196	-	4,196
Community foundation pool:			
Capital preservation pool	-	54,437	54,437
Long-term growth pool	-	127,327	127,327
Total investments	\$ 113,257	\$ 181,764	\$ 295,021

The following schedule summarizes total investment returns at April 30:

	2019	2018
Realized gains (losses)	\$ 5,449	\$ 11,653
Unrealized gains (losses)	(1,780)	(1,260)
Interest and dividends	2,084	1,472
Total gains	5,753	11,865
Management fees	(2,741)	(2,443)
Total investment returns net of fees	\$ 3,012	\$ 9,422

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.

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2019

Note 5 - Property and equipment, net:

Property and equipment consisted of the following at April 30:

	<u>2019</u>	<u>2018</u>
Vehicles	\$ 113,242	\$ 113,242
Furniture, fixtures, and equipment	119,231	115,498
Software	105,005	105,005
Leasehold improvements	<u>44,638</u>	<u>44,638</u>
Total property and equipment	382,116	378,383
Less: accumulated depreciation and amortization	<u>(249,506)</u>	<u>(215,229)</u>
Property and equipment, net	<u>\$ 132,610</u>	<u>\$ 163,154</u>

Depreciation and amortization expense for the years ended April 30, 2019 and 2018 were approximately \$34,000 and \$42,000, respectively.

Note 6 - 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 \$700,000 in operating reserves as of April 30, 2019 and 2018.

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 \$100,000 reserved in the holiday gift purchase fund as of April 30, 2019 and 2018.

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 \$100,000 reserved in the backpack purchase fund as of April 30, 2019 and 2018.

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Notes to Financial Statements

April 30, 2019

Note 7 - Net Assets with donor restrictions:

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

	April 30, 2019			
	Beginning	Additions	Releases	Ending
Back-to-school drive	\$ 62,080	\$ 43,035	\$ (62,080)	\$ 43,035
Sponsorship	36,500	15,000	(36,500)	15,000
Other	5,127	6,332	(5,127)	6,332
	<u>103,707</u>	<u>64,367</u>	<u>(103,707)</u>	<u>64,367</u>
Net assets with donor restrictions	\$ <u>103,707</u>	\$ <u>64,367</u>	\$ <u>(103,707)</u>	\$ <u>64,367</u>

	April 30, 2018			
	Beginning	Additions	Releases	Ending
Back-to-school drive	\$ -	\$ 62,080	\$ -	\$ 62,080
Sponsorship	20,000	36,500	(20,000)	36,500
Fellowship	12,500	-	(12,500)	-
Other	-	5,127	-	5,127
	<u>32,500</u>	<u>103,707</u>	<u>(32,500)</u>	<u>103,707</u>
Net assets with donor restrictions	\$ <u>32,500</u>	\$ <u>103,707</u>	\$ <u>(32,500)</u>	\$ <u>103,707</u>

Note 8 - In-kind contributions:

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

	2019	2018
Donated gifts	\$ <u>3,257,767</u>	\$ <u>3,274,110</u>
Donated facilities:		
Warehouse usage	261,980	304,052
Office usage	87,179	62,873
Total donated facilities	349,159	366,925
Other donated items	1,501	52,255
	<u>1,501</u>	<u>52,255</u>
Total in-kind contributions	\$ <u>3,608,427</u>	\$ <u>3,693,290</u>

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2019

Note 8 - 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, 2019 and 2018 were approximately 15,000 and 12,000, respectively. The estimated value of these services for the years ended April 30, 2019 and 2018, based on the estimated dollar value of volunteer time calculated by Independent Sector, amounts to approximately \$381,000 and \$296,000, 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 9 - 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 years ended April 30, 2019 and 2018, there were employer contributions made for eligible participants of the SIMPLE IRA plan in the amounts of approximately \$20,000 and \$22,000, respectively.

457(f) Plan - The 457(f) Plan was started on August 5, 2009 and covers the Executive Director. The amount of contributions made each plan year is solely within the Organization's discretion and may be zero in some years. For the fiscal years ended April 30, 2019 and 2018, the Organization did not make contributions to the 457(f) Plan. The liability is accounted for as part of long-term liabilities under the statements of financial position.

Note 10 - Contingencies:

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.