



Family Giving Tree™

**Financial Statements
April 30, 2023 and 2022**

**Together with
Independent Auditors' Report**

THE FAMILY GIVING TREE

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April 30, 2023

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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, 2023 and 2022, and the related statements of activities and changes in net assets, functional expense, 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, 2023 and 2022, 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 controls 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 controls. 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.

 Robert Lee & Associates, LLP

San Jose, California
August 21, 2023

THE FAMILY GIVING TREE
Statements of Financial Position

	April 30,	
	2023	2022
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,323,466	\$ 2,687,278
Investments	1,004,816	503,911
Inventories	614,717	-
Employee retention credit receivable	215,521	-
Prepaid expenses and other current assets	112,849	97,836
Property and equipment, net	119,294	148,215
Deposits	4,850	4,850
Total assets	\$ 3,395,513	\$ 3,442,090
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	\$ 125,168	\$ 21,729
Accrued payroll and related	98,297	120,832
Total liabilities	223,465	142,561
Commitment and contingency		
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	647,429	779,529
Total without donor restrictions	3,147,429	3,279,529
With donor restrictions	24,619	20,000
Total net assets	3,172,048	3,299,529
Total liabilities and net assets	\$ 3,395,513	\$ 3,442,090

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, 2023		
	Without donor restrictions	With donor restrictions	Total
Revenue:			
Donated gifts	\$ 1,602,598	\$ -	\$ 1,602,598
Individual contributions	2,252,691	-	2,252,691
Corporate contributions	1,160,135	24,619	1,184,754
Donated facilities	354,367	-	354,367
Foundation grants	56,750	-	56,750
Employee retention credit	215,521	-	215,521
Investment income, net	12,144	-	12,144
Other income	174	-	174
Net assets released from restrictions	20,000	(20,000)	-
Total revenue	5,674,380	4,619	5,678,999
Expenses:			
Program services			
Holiday Wish Program	2,713,731	-	2,713,731
Back-to-School Backpack Program	2,013,621	-	2,013,621
Total program services	4,727,352	-	4,727,352
Supporting services			
Management and general	853,434	-	853,434
Fundraising	225,694	-	225,694
Total supporting services	1,079,128	-	1,079,128
Total expenses	5,806,480	-	5,806,480
Change in net assets	(132,100)	4,619	(127,481)
Net assets, beginning of year	3,279,529	20,000	3,299,529
Net assets, end of year	\$ 3,147,429	\$ 24,619	\$ 3,172,048

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, 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 Functional Expense

For the Year Ended April 30, 2023

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total</u>
	Holiday Wish	Back-to-School	Program	Management	Fundraising	Supporting	
	<u>Program</u>	<u>Program</u>	<u>Services</u> <u>Total</u>	<u>and General</u>	<u></u>	<u>Services</u> <u>Total</u>	
Compensation	\$ 576,838	\$ 535,839	\$ 1,112,677	\$ 434,685	\$ 150,566	\$ 585,251	\$ 1,697,928
Other benefits	67,440	62,646	130,086	50,820	17,603	68,423	198,509
Payroll taxes	45,117	38,829	83,946	32,683	11,313	43,996	127,942
Retirement benefits	18,097	16,811	34,908	13,637	4,724	18,361	53,269
Total salaries and benefits	707,492	654,125	1,361,617	531,825	184,206	716,031	2,077,648
Grants	1,642,448	976,691	2,619,139	-	-	-	2,619,139
Donated facilities	128,952	148,306	277,258	77,109	-	77,109	354,367
Information technology	14,683	64,754	79,437	64,459	13,932	78,391	157,828
Program and office supplies	76,248	50,407	126,655	4,942	80	5,022	131,677
Professional fees	15,876	8,263	24,139	85,709	1,600	87,309	111,448
Advertising and promotion	28,015	32,247	60,262	18,464	5,344	23,808	84,070
Bank and merchant fees	30,987	24,073	55,060	13,886	1,459	15,345	70,405
Occupancy	21,191	18,485	39,676	13,582	3,930	17,512	57,188
Office expense	11,652	6,042	17,694	22,042	3,209	25,251	42,945
Insurance	12,375	11,495	23,870	9,325	3,230	12,555	36,425
Depreciation	12,072	11,214	23,286	9,097	3,152	12,249	35,535
Travel	11,740	7,519	19,259	2,994	5,552	8,546	27,805
Total expenses	<u>\$ 2,713,731</u>	<u>\$ 2,013,621</u>	<u>\$ 4,727,352</u>	<u>\$ 853,434</u>	<u>\$ 225,694</u>	<u>\$ 1,079,128</u>	<u>\$ 5,806,480</u>
Percentage of total	46.7%	34.7%	81.4%	14.7%	3.9%	18.6%	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, 2022

	Program Services			Supporting Services			Total
	Holiday Wish	Back-to-School	Program	Management	Fundraising	Supporting	
	Program	Program	Services Total	and General		Services 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	97,977	-	97,977	462,748
Program and office supplies	86,155	26,523	112,678	455	967	1,422	114,100
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%	33.0%	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 Cash Flows

	For the Years Ended	
	April 30,	
	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (127,481)	\$ 104,003
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	35,535	44,793
Donated gifts received	(1,602,598)	(946,772)
Donated gifts distributed	1,439,952	946,772
Net realized and unrealized gain on investments	(4,217)	(4,291)
Changes in operating assets and liabilities:		
Inventories	(452,071)	318
Pledges receivable	-	25,000
Employee retention credit receivable	(215,521)	-
Prepaid expenses and other current assets	(15,013)	(37,068)
Accounts payable and accrued expenses	103,439	2,965
Accrued payroll and related	(22,535)	(41,046)
Net cash provided (used) by operating activities	(860,510)	94,674
Cash flows from investing activities:		
Proceeds from sale of investments	-	222,318
Redemptions of certificates of deposit	503,911	1,007,408
Acquisition of certificates of deposit	-	(1,008,649)
Acquisition of treasury bills	(1,000,599)	-
Purchases of property and equipment	(6,614)	(97,760)
Net cash provided (used) by investing activities	(503,302)	123,317
Net increase (decrease) in cash and cash equivalents	(1,363,812)	217,991
Cash and cash equivalents, beginning of period	2,687,278	2,469,287
Cash and cash equivalents, end of period	\$ 1,323,466	\$ 2,687,278

The accompanying notes are an integral part of these financial statements

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2023

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 have been identified as socioeconomically disadvantaged by the California Department of Education. 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 300 social services agencies (unhoused support services, community centers, rehabilitation houses, and various non-profit organizations) and schools to support its Holiday Wish Drive. These agencies 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 nearly 700 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 2,000 volunteers in 50,000 square feet of donated warehouse space in December 2022 and 1,600 volunteers in 99,000 square feet of donated warehouse space in December 2021, 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, 2023 and 2022, the Organization provided holiday gifts to approximately 56,000 and 53,000 children, respectively.

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 five 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 families facing economic hardship, by providing backpacks filled with essential, grade-appropriate school supplies to help level the educational playing field.

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2023

Note 1 - Organization and operations (continued):

Back-to-School Drive (continued) - 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 28,000 and 25,000 K-12 students, who have been identified as socioeconomically disadvantaged by the California Department of Education, during the years ended April 30, 2023 and 2022, respectively. Over 300 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 300 volunteers in 50,000 square feet of donated warehouse space in August 2022 and approximately 300 drive leaders and 500 volunteers in 25,000 square feet in August 2021, to sort, fill, and distribute the backpacks to qualifying schools. Approximately 200 and 150 schools and nonprofit agencies received filled backpacks for distribution to qualifying K-12 students in 2022 and 2021, respectively.

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 Drive and Back-to-School Drive programs. Such donations were not material during the years ended April 30, 2023 and 2022.

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.

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.

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2023

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

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.

Treasury bills - Treasury bills held for investment are recognized as "Investments" on the statements of financial position. The treasury bills are held with commercial banks and mature in various dates from July 2023 through September 2023. Treasury bills are fully backed and guaranteed by the U.S. Government.

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.

Employee retention credit receivable - Under section 2301 of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), the Organization has elected to claim the Employee Retention Credit ("ERC") which is a refundable tax credit against certain employment taxes. Management determined approximately \$216,000 would be refunded back based on qualified wages incurred from January 1, 2020 through October 1, 2021. As the conditions for the credit existed as of April 30, 2023, management recognized the benefit as a receivable on the statement of financial position at April 30, 2023. Management expects to collect the remaining outstanding balance of the ERC receivable during the fiscal year 2024.

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2023

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

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.

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.

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 Accounting Standards Codification 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, 2023 and 2022.

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2023

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

Revenue recognition (continued) -

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.

Donated property and services - Significant donated nonfinancial assets (facilities, property, and equipment) are recorded as contributions at their estimated fair value on the date of receipt and reported as expense when utilized. The estimated fair value of the donated gifts is based on a study of the average retail-selling price of the most distributed gifts in their principal markets. Donated gifts are not sold and are used and distributed for program use, unless otherwise noted. 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.

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, 2023, 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.

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2023

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

Advertising - Advertising costs are expensed as incurred. Advertising and marketing expenses for the years ended April 30, 2023 and 2022 were approximately \$84,000 and \$90,000, respectively.

Recently adopted accounting guidance - In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. The most significant change in the new leasing guidance is the requirement to recognize ROU assets and lease liabilities for operating leases on the statement of financial position. The Organization adopted this ASU effective May 1, 2022 and utilized all available practical expedients. The adoption did not have a material impact on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity’s policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions and valuation techniques. The new standard as amended, is to be applied retrospectively to annual reporting periods beginning after June 15, 2021, and interim periods with annual reporting periods beginning after June 15, 2022. Management has adopted the standard as of May 1, 2022. See related disclosures in Note 8.

Reclassification - Certain 2022 balances have been reclassified to conform to 2023 financial statement presentation. These reclassifications have no effect on previously reported net assets.

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, 2023.

THE FAMILY GIVING TREE

Notes to Financial Statements

April 30, 2023

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>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,323,466	\$ 2,687,278
Investments	1,004,816	503,911
Inventories	614,717	-
Employee retention credit receivable	<u>215,521</u>	<u>-</u>
Total financial assets	3,158,520	3,191,189
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>(24,619)</u>	<u>(20,000)</u>
Financial assets available to meet general expenditures over the next twelve months	\$ <u><u>633,901</u></u>	\$ <u><u>671,189</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 for the years ended April 30, 2023 and 2022, 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

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Note 4 - Investments:

The Organization follows the provisions of the Fair Value Measurements and Disclosure Topic of the FASB ASC. 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:

	<u>April 30, 2023</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Treasury bills	\$ 1,004,816	\$ -	\$ 1,004,816
Total investments	<u>\$ 1,004,816</u>	<u>\$ -</u>	<u>\$ 1,004,816</u>

	<u>April 30, 2022</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 503,911	\$ 503,911
Total investments	<u>\$ -</u>	<u>\$ 503,911</u>	<u>\$ 503,911</u>

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

	<u>2023</u>	<u>2022</u>
Realized gains, net	\$ -	\$ 4,291
Unrealized gains, net	4,217	-
Interest and dividends	<u>7,927</u>	<u>3,669</u>
Total investment income	<u>\$ 12,144</u>	<u>\$ 7,960</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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Notes to Financial Statements

April 30, 2023

Note 5 - Property and equipment:

Property and equipment consisted of the following at April 30:

	<u>2023</u>	<u>2022</u>
Vehicles	\$ 119,657	\$ 119,657
Furniture, fixtures, and equipment	244,982	238,368
Software	105,018	105,018
Leasehold improvements	<u>44,638</u>	<u>44,638</u>
Total property and equipment	514,295	507,681
Less: accumulated depreciation and amortization	<u>(395,001)</u>	<u>(359,466)</u>
Property and equipment, net	<u>\$ 119,294</u>	<u>\$ 148,215</u>

Depreciation and amortization expense for the years ended April 30, 2023 and 2022 were approximately \$36,000 and \$45,000, 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 \$750,000 in operating reserves as of April 30, 2023 and 2022.

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, 2023 and 2022.

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, 2023 and 2022.

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, 2023 and 2022.

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Notes to Financial Statements

April 30, 2023

Note 7 - Net assets with donor restrictions:

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

	April 30, 2023			
	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
Back-to-school drive	\$ 20,000	\$ 1,049	\$ (20,000)	\$ 1,049
Pallet jack campaign	-	23,570	-	23,570
Net assets with donor restrictions	<u>\$ 20,000</u>	<u>\$ 24,619</u>	<u>\$ (20,000)</u>	<u>\$ 24,619</u>

	April 30, 2022			
	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
Back-to-school drive	\$ 10,000	\$ 20,000	\$ (10,000)	\$ 20,000
Holiday gift drive	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>

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Note 8 - In-kind contributions:

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

	2023	2022	Utilization in program/ activities	Donor restrictions	Valuation techniques and inputs
Donated gifts:					
Backpacks	\$ 565,231	\$ 263,172	Back-to-School program	No associated donor restrictions	Average retail value of the items in a donated backpack
Holiday Wish	1,037,367	683,600	Holiday Wish program	No associated donor restrictions	Average retail value of the items available for donation in the drive
	<u>1,602,598</u>	<u>946,772</u>			
Total donated gifts					
Donated facilities:					
Warehouse usage	277,258	364,770	Holiday Wish Programs	No associated donor restrictions	Estimated fair market value rent determined by the landlord
Office usage	77,109	97,978	General and Administrative and Back-to-School Program	No associated donor restrictions	Estimated fair market value rent determined by the landlord
	<u>354,367</u>	<u>462,748</u>			
Total donated facilities					
Total in-kind contributions	\$ <u>1,956,965</u>	\$ <u>1,409,520</u>			

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, 2023 and 2022 were approximately 11,000 and 5,000, respectively. The estimated value of these services for the years ended April 30, 2023 and 2022, based on the estimated dollar value of volunteer time calculated by Independent Sector, amounts to approximately \$364,000 and \$163,000, 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 plan:

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 \$53,000 and \$49,000 respectively during the years ended April 30, 2023 and 2022.

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Notes to Financial Statements

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Note 10 - 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 \$22,000 and \$3,000 for the years ended April 30, 2023 and 2022, 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, 2023 and 2022.

Note 11 - Commitment and contingency:

Commitment - The Organization maintained a month-to-month office lease with monthly payments of approximately \$2,000 during the fiscal year ended April 30, 2023. Total rent expense on the lease was approximately \$29,000 and \$10,000 for the years ended April 30, 2023 and 2022, respectively.

Contingency - 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.