Family Giving Tree

Financial Statements
March 31, 2016 and 2015

Together with
Independent Auditors' Report

THE FAMILY GIVING TREE

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March 31, 2016

Robert Lee & Associates, LLP

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 March 31, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's 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 2016 financial statements referred to above present fairly, in all material respects, the financial position of The Family Giving Tree as of March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of The Family Giving Tree as of March 31, 2015, were audited by other auditors whose report dated August 12, 2015, expressed an unmodified opinion on those statements.

Robert Lee + Associates, LLP

San Jose, California
August 3, 2016

THE FAMILY GIVING TREE

Statements of Financial Position

	March 31, 2016		2015	
ASSETS				
Current assets:				
Cash and cash equivalents	$	1,283,100	$	1,086,537
Investments		156,843		166,032
Inventory		22,453		11,102
Prepaid expenses and other current assets		31,429		38,686
Total current assets		1,493,825		1,302,357
Property and equipment, net		48,768		58,969
Other assets:				
457(f) plan assets		111,729		110,965
Deposits		7,294		4,850
Total assets	$	1,661,616	$	1,477,141
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued expenses	$	14,649	$	49,455
Accrued payroll		111,972		96,610
Total current liabilities		126,621		146,065
Long-term liabilities:				
457(f) plan payable		111,729		110,965
Total liabilities		238,350		257,030
Contingencies				
Net assets:				
Unrestricted:				
Designated by the Board				
Operating reserves		750,000		600,000
Holiday gift purchase fund		150,000		100,000
Backpack purchase fund		150,000		75,000
National expansion fund		50,000		50,000
Undesignated		261,266		395,111
Total unrestricted net assets		1,361,266		1,220,111
Temporarily restricted		62,000		-
Total net assets		1,423,266		1,220,111
Total liabilities and net assets	$	1,661,616	$	1,477,141

The accompanying notes are an integral part of these financial statements

THE FAMILY GIVING TREE

Statements of Activities and Changes in Net Assets

	Unrestricted	Temporarily Restricted	For the Years Ended March 31, 2016	For the Years Ended March 31, 2015
				(All Unrestricted)
Revenue:				
Donated gifts	$ 2,674,481	$ -	$ 2,674,481	$ 3,487,460
Individual contributions	1,247,793	-	1,247,793	1,356,240
Corporate contributions	1,075,038	62,000	1,137,038	919,961
Donated facilities	416,090	-	416,090	249,443
Foundation grants	475,950	-	475,950	251,250
Donated services	39,289	-	39,289	96,450
Investment income (loss)	(5,109)	-	(5,109)	6,756
Total revenue	5,923,532	62,000	5,985,532	6,367,560
Expenses:				
Program services				
Holiday Wish Program	2,937,621	-	2,937,621	2,851,690
Back-to-School Backpack Program	1,957,519	-	1,957,519	2,340,420
Other program	-	-	-	310,821
Total program services	4,895,140	-	4,895,140	5,502,931
Supporting services				
Management and general	610,073	-	610,073	389,563
Fundraising	277,164	-	277,164	335,064
Total supporting services	887,237	-	887,237	724,627
Total expenses	5,782,377	-	5,782,377	6,227,558
Change in net assets	141,155	62,000	203,155	140,002
Net assets, beginning of year	1,220,111	-	1,220,111	1,080,109
Net assets, end of year	$ 1,361,266	$ 62,000	$ 1,423,266	$ 1,220,111

THE FAMILY GIVING TREE

Statement of Functional Expense

For the Year Ended March 31, 2016

	Program Services			Supporting Services			
	Holiday Wish Program	Back-to-School Backpack Program	Program Total	Management and General	Fundraising	Supporting Total	Total
Salaries	$ 328,067	$ 281,655	$ 609,722	$ 324,702	$ 138,429	$ 463,131	$ 1,072,853
Employee benefits	46,265	39,740	86,005	64,702	22,975	87,677	173,682
Payroll taxes	26,579	22,976	49,555	25,470	11,383	36,853	86,408
Total salaries and benefits	400,911	344,371	745,282	414,874	172,787	587,661	1,332,943
Donated gifts distributed	1,774,874	903,925	2,678,799	-	-	-	2,678,799
Purchased gifts distributed	178,807	480,357	659,164	-	-	-	659,164
Total gifts distributed	1,953,681	1,384,282	3,337,963	-	-	-	3,337,963
Donated facilities	301,426	83,459	384,885	23,814	7,391	31,205	416,090
Outside services	114,293	60,543	174,836	96,224	35,887	132,111	306,947
Supplies	60,883	8,948	69,831	15,784	3,492	19,276	89,107
Printing and publications	40,847	23,587	64,434	599	663	1,262	65,696
Training	1,209	138	1,347	11,451	34,296	45,747	47,094
Travel and food	10,982	10,069	21,051	8,941	9,356	18,297	39,348
Depreciation and amortization	10,029	8,615	18,644	10,481	4,237	14,718	33,362
Bank fees	13,086	17,099	30,185	2,188	-	2,188	32,373
Occupancy	9,251	7,947	17,198	9,668	3,908	13,576	30,774
Insurance	5,144	4,419	9,563	5,376	2,173	7,549	17,112
Small equipment	4,416	883	5,299	7,496	426	7,922	13,221
Postage and shipping	8,759	1,255	10,014	6	1,745	1,751	11,765
Telephone	2,704	1,904	4,608	1,987	803	2,790	7,398
Miscellaneous	-	-	-	1,184	-	1,184	1,184
Total expenses	$ 2,937,621	$ 1,957,519	$ 4,895,140	$ 610,073	$ 277,164	$ 887,237	$ 5,782,377
Percentage of total	50.8%	33.9%	84.7%	10.6%	4.8%	15.3%	100.0%

The accompanying notes are an integral part of these financial statements

THE FAMILY GIVING TREE

Statements of Functional Expenses

For the Year Ended March 31, 2015

	Program Services				Supporting Services			
	Holiday Wish Program	Back-to-School Backpack Program	Other Program	Program Total	Management and General	Fundraising	Supporting Total	Total
Salaries	$ 343,087	$ 258,860	$ 12,009	$ 613,956	$ 115,838	$ 175,987	$ 291,825	$ 905,781
Employee benefits	62,442	47,113	2,186	111,741	21,082	32,030	53,112	164,853
Payroll taxes	26,801	20,221	938	47,960	9,049	13,747	22,796	70,756
Total salaries and benefits	432,330	326,194	15,133	773,657	145,969	221,764	367,733	1,141,390
Donated gifts distributed	1,852,095	1,382,865	252,500	3,487,460	-	-	-	3,487,460
Purchased gifts distributed	136,427	432,934	-	569,361	-	-	-	569,361
Total gifts distributed	1,988,522	1,815,799	252,500	4,056,821	-	-	-	4,056,821
Outside services	136,120	102,703	4,765	243,588	105,438	69,823	175,261	418,849
Donated facilities	140,000	15,033	36,210	191,243	58,200	-	58,200	249,443
Printing and publications	27,219	20,537	953	48,709	9,190	13,962	23,152	71,861
Supplies	30,302	15,589	-	45,891	16,277	871	17,148	63,039
Depreciation and amortization	15,277	11,907	-	27,184	5,129	7,792	12,921	40,105
Loss on disposal of property and equipment	34,434	-	-	34,434	-	-	-	34,434
Occupancy	11,368	8,577	398	20,343	3,838	5,831	9,669	30,012
Travel and food	9,559	5,346	-	14,905	14,163	545	14,708	29,613
Bank fees	10,938	8,253	383	19,574	3,693	5,611	9,304	28,878
Training	1,918	143	-	2,061	23,039	1,837	24,876	26,937
Insurance	3,672	2,770	128	6,570	1,240	1,883	3,123	9,693
Postage and shipping	3,671	2,770	128	6,569	1,239	1,883	3,122	9,691
Telephone	3,006	2,268	105	5,379	1,015	1,542	2,557	7,936
Small equipment	2,901	2,189	102	5,192	980	1,488	2,468	7,660
Miscellaneous	453	342	16	811	153	232	385	1,196
Total expenses	$ 2,851,690	$ 2,340,420	$ 310,821	$ 5,502,931	$ 389,563	$ 335,064	$ 724,627	$ 6,227,558
Percentage of total	45.8%	37.6%	5.0%	88.4%	6.3%	5.4%	11.6%	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 March 31, 2016	For the Years Ended March 31, 2015
Cash flows from operating activities:		
Change in net assets	$ 203,155	$ 140,002
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	33,362	40,105
Loss on disposal of property and equipment	-	34,434
Donated gifts received	(2,674,481)	(3,487,460)
Donated gifts distributed	2,678,799	3,476,359
Net unrealized (gain) loss on investments	9,189	(4,918)
Changes in operating assets and liabilities:		
Inventory	(15,669)	-
Prepaid expenses and other current assets	7,257	(13,557)
Deposits	(2,444)	3,000
Accounts payable and accrued expenses	(34,806)	29,106
Accrued payroll	15,362	61,580
Net cash provided by operating activities	219,724	278,651
Cash flows from investing activities:		
Purchases of property and equipment	(23,161)	(45,491)
Net cash used by investing activities	(23,161)	(45,491)
Net increase in cash and cash equivalents	196,563	233,160
Cash and cash equivalents, beginning of year	1,086,537	853,377
Cash and cash equivalents, end of year	$ 1,283,100	$ 1,086,537

Supplemental disclosure of cash flow information

Cash paid during the year for interest	$ 3,914	$ 3,333

Supplemental disclosure of non-cash transactions

Acquisition of property and equipment included in accounts payable and accrued expenses	$ -	$ 2,500

The accompanying notes are an integral part of these financial statements

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 child should feel forgotten during the holidays. Delivering a wished-for gift to a child brings that individual joy and hope and delivers the priceless message, "You matter. You have value." The Organization works with more than 370 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 specific wish of the children and individuals they serve year-round. A wish card is printed for each child and individual, detailing age, gender, first name, and specific gift wish. 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 purchase a gift to donate for those most underserved during the holidays.

The Organization hosted approximately 6,700 volunteers in 120,000 square feet of donated warehouse space in December 2015 (7,200 volunteers in 120,000 square feet of donated warehouse space in December 2014) 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 March 31, 2016 and 2015, the Organization provided holiday gifts to approximately 72,700 and 71,600 children, respectively. The Organization also supported 400 low-income children in Austin, Texas through a special outreach initiative during the most recent Holiday Wish Drive.

Note 1 - Organization and operations (continued):

Back-to-School Drive - The Organization also holds the conviction that education is the most effect 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 arrive to school without the most basic school supplies and educational tools required for learning. The Organization's Back-to-School Drive aims to close the educational gap for children living in poverty, 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 STEM (science, technology, engineering, and mathematics) supplies - to approximately 36,700 and 33,300 K-12 students, who qualify for the Federal Free and Reduced Price Meal Program, during the years ended March 31, 2015 and 2016, respectively. More than 410 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 1,100 volunteers in 35,000 square feet of donated warehouse space in August 2015 and 2014, to sort, fill and distribute the backpacks to qualifying schools. Approximately 250 schools and nonprofit agencies received the filled backpacks for distribution to qualifying K-12 students.

In 2014, the Organization expanded their commitment to igniting a passion for learning in underserved K-5 students through their first-annual Books-for-Backpacks campaign. In 2015 and 2014, Books-for-Backpacks allowed the Organization to place a brand-new, age-appropriate book in nearly 15,500 and 13,000 backpacks, respectively, distributed by the Organization to low-income K-5 students. By providing books to support and encourage reading in the home, where many low-income students do not have access to age-appropriate reading material, the campaign addressed a serious educational issue among low-income 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 year ended March 31, 2016.

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 receivables, payables, and other liabilities.

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

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

- *Unrestricted net assets* - represent assets not subject to donor imposed restrictions and over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund plus any net assets designated by the Board for specific purposes the Organization has elected to report, as an increase in unrestricted net assets, any restricted revenue received in the current period for which the restrictions have been met in the current period.
- *Temporarily restricted net assets* - represent contributions whose use is limited by donor-imposed stipulations that expire by the passage of time or other restrictions and for which the applicable restriction was not met as of the end of the current reporting period. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities and Changes in Net Assets as assets released from restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted. Temporarily restricted net assets at March 31, 2016 were $62,000. There were no temporarily restricted net assets at March 31, 2015.
- *Permanently restricted net assets* - are restricted by the donor for investment in perpetuity, such as endowments. At March 31, 2016 and 2015, there were no permanently restricted net assets.

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.

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 generally accepted accounting principles in the United States, including Fair Value Measurements. Investments consist primarily of investments in Silicon Valley Community Foundation investment pool. Gains and losses that result from market fluctuations are recognized in the year such fluctuations occur. Realized gains or losses resulting from sales or maturities are determined by comparison of specific costs of acquisition to proceeds at the time of disposal. Dividend and interest income are recognized when earned.

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

Inventory - 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 cost.

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.

Revenue recognition - Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of donor restrictions and depending on whether the restrictions are met in the current fiscal period. When the restriction is finally met on a contribution received in a prior fiscal period, the amount is shown as a reclassification of temporarily restricted net assets to unrestricted net assets.

Donated property and services - Significant donated property and equipment is 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 25 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. In addition, 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 is disclosed in Note 6.

Functional expense allocations - The costs of providing the various program and supporting services have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated, principally on a direct cost basis, among the classifications. Indirect expense allocations are allocated to program and supporting services based on an analysis of personnel time.

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

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 March 31, 2016, 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 December 31, 2012 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years December 31, 2011 and forward.

Advertising - Advertising costs are expensed as incurred. Advertising and marketing expense for the years ended March 31, 2016 and 2015 was approximately $203,000 and $156,000, respectively.

Recent accounting pronouncements - In February 2016, the FASB issued FASB Accounting Standards Update ("ASU") No. 2016-02 “Leases.” The ASU is intended to increase transparency and comparability between organizations recognizing lease assets and liabilities by recognizing lease assets and lease liabilities on the balance sheet and increasing the related disclosures. For non-public entities, the effective date will be effective for annual reporting periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early application is permitted. The adoption of this guidance is 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.

In May 2015, the FASB issued ASU No. 2015-07 "Fair Value Measurement (Topic 820): Disclosure for Investments in Certain Entities That Calculate Net Asset Value per Share (Or Its Equivalent).” This ASU removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. Additionally, the update also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. ASU 2015-07 is effective for all non-public entities for fiscal years beginning after December 15, 2016, and interim periods within that fiscal year. Management has not yet determined the impact on the financials.

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

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 March 31, 2016.

Note 3 - Investments:

The Organization has entered into an agreement with Silicon Valley Community Foundation ("Foundation") to manage, hold in trust, and invest certain assets according to the Organization's investment policy guideline. The funds 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. 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.

The Organization's investments consisted of the following at:

	March 31, 2016	March 31, 2015
Capital preservation pool	$ 46,214	$ 50,806
Long-term growth pool	110,629	115,226
Total investments	$ 156,843	$ 166,032

Note 3 - Investments (continued):

The following schedule summarizes total investment returns:

	March 31, 2016	March 31, 2015
Realized gains	$ 1,035	$ 8,774
Unrealized losses	(7,444)	(4,078)
Interest and dividends	938	1,119
Total gains (losses)	(5,471)	5,815
Management fees	(3,718)	(897)
Total investment returns (losses) net of fees	$ (9,189)	$ 4,918

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 following investments measured at fair value on a reoccurring basis are categorized as Level 3: Significant unobservable inputs.

	Year Ended March 31, 2016			
	Level 1	Level 2	Level 3	Total
Capital preservation pool	$ -	$ -	$ 46,214	$ 46,214
Long-term growth pool	-	-	110,629	110,629
Total investments	$ -	$ -	$ 156,843	$ 156,843

	Year Ended March 31, 2015			
	Level 1	Level 2	Level 3	Total
Capital preservation pool	$ -	$ -	$ 50,806	$ 50,806
Long-term growth pool	-	-	115,226	115,226
Total investments	$ -	$ -	$ 166,032	$ 166,032

Note 3 - Investments (continued):

The following is a reconciliation of the beginning and ending balances for investments measured at fair value on a reoccurring basis using significant unobservable inputs (Level 3):

	Year Ended March 31, 2016	Year Ended March 31, 2015
Beginning balance	$ 166,032	$ 161,114
Realized gains	1,035	8,774
Unrealized losses	(7,444)	(4,078)
Interest and dividends	938	1,119
Fees	(3,718)	(897)
Ending balance	$ 156,843	$ 166,032

The Organization uses the Net Asset Value (NAV) to determine the fair value of all the underlying investments in the Foundation Investment Pool which does not have a readily determinable fair value. The Foundation prepares its financial statements consistent with the measurement principles of an investment company. The Foundation obtains pricing and valuations using prices from custodian banks and its pricing vendors, quarterly and audited financial statements from managers of private equity and hedge funds, and through initial and ongoing due diligence and monitoring by investment consultants, staff and the investment committee. At March 31, 2016 and 2015, the Organization had no unfunded commitments and all its investments in the investment pool can be redeemed at any time by written request with certain restrictions for large withdrawals and full redemption.

Note 4 - Property and equipment, net:

Property and equipment consisted of the following at March 31,

	2016	2015
Software	$ 96,460	$ 75,260
Furniture, fixtures, and equipment	71,510	69,549
Leasehold improvements	17,928	17,928
Total property and equipment	185,898	162,737
Less: accumulated depreciation and amortization	(137,130)	(103,768)
Property and equipment, net	$ 48,768	$ 58,969

Note 5 - 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 March 31, 2016 and 2015, respectively.

Holiday gift purchase fund - This fund is used to purchase gifts which do not come in via direct individual donations. It is used each year in varying degrees depending on need. There was $150,000 and $100,000 reserved in the holiday gift purchase fund as of March 31, 2016 and 2015, 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 did 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 $150,000 and $75,000 reserved in the backpack purchase fund as of March 31, 2016 and 2015.

National expansion fund - This fund supports the Organization's planned expansion of its Holiday Wish Program which started during the year ended March 31, 2009. There was $50,000 reserved in the national expansion fund as of March 31, 2016 and 2015.

Note 6 - In-kind contributions:

In-kind contributions consisted of the following at March 31:

	2016	2015
Donated gifts	$ 2,674,481	$ 3,487,460
Donated facilities:		
Warehouse usage	352,360	191,243
Office usage	63,730	58,200
Total donated facilities	416,090	249,443
Professional services	39,289	96,450
Total in-kind contributions	$ 3,129,860	$ 3,833,353

Note 6 - 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 year ended March 31, 2016 and 2015 were approximately 19,000 and 16,000, respectively. The estimated value of these services for the years ended March 31, 2016 and 2015, based on the estimated dollar value of volunteer time calculated by Independent Sector, amounts to approximately $448,000 and $369,000, 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 7 - Retirement plans:

SIMPLE IRA - An IRA-based plan that gives small employers a simplified method to make contributions toward their employees' retirement and their own 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 fiscal years ended March 31, 2016 and 2015 there were employer contributions made for eligible participants of the SIMPLE IRA Plan in the amounts of approximately $20,000 and $23,000, respectively.

457(f) Plan - A defined contribution plan which qualifies under Section 457(f) of the Internal Revenue Code. The Plan was started on August 5, 2009 and covers the Executive Director. The amount of contribution made each plan year is totally within the Organization's discretion and may be zero in some years. For the fiscal years ended March 31, 2016 and 2015, the Organization did not make contributions to the plan. The value of the plan assets as of March 31, 2016 and 2015 was approximately $112,000 and $111,000, respectively.

Note 8 - 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 period.