

FII-National

Financial Statements

December 31, 2019
(With Comparative Totals for 2018)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
FII-National
Oakland, California

We have audited the accompanying financial statements of FII-National (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FII-National as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 2 to the financial statements, FII-National has adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) and ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). Our opinion is not modified with respect to these matters.

Emphasis of Matter

As discussed in Note 9 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. Given the uncertainty of the situation, the ultimate financial impact to the Organization and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited FII-National's 2018 financial statements, and our report dated April 24, 2019 expressed an unmodified opinion on those audited financial statements. As part of our audit of the 2019 financial statements, we also audited the adjustments to the 2018 financial statements to apply the change in accounting principle discussed above. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, adjusted for the change in accounting principle discussed above, is consistent, in all material respects, with the audited financial statements from which it has been derived. Also, in our opinion, such adjustments are appropriate and have been properly applied.



Armanino^{LLP}
San Francisco, California

May 27, 2020

FII-National
Statement of Financial Position
December 31, 2019
(With Comparative Totals for 2018)

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 10,421,519	\$ 3,267,536
Contributions and grants receivable	2,530,409	2,395,788
Prepaid expenses	<u>5,611</u>	<u>21,225</u>
Total current assets	<u>12,957,539</u>	<u>5,684,549</u>
Noncurrent assets		
Contributions and grants receivable, net of current portion	1,305,008	2,042,110
Other accounts receivable	126,959	142,781
Deposits	<u>2,517</u>	<u>8,677</u>
Total noncurrent assets	<u>1,434,484</u>	<u>2,193,568</u>
Total assets	<u><u>\$ 14,392,023</u></u>	<u><u>\$ 7,878,117</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 37,094	\$ 68,046
Accrued salaries and other	81,760	126,690
Unearned revenue	<u>2,375,000</u>	<u>-</u>
Total current liabilities	<u>2,493,854</u>	<u>194,736</u>
Net assets		
Without donor restrictions	4,586,281	1,500,150
With donor restrictions	<u>7,311,888</u>	<u>6,183,231</u>
Total net assets	<u>11,898,169</u>	<u>7,683,381</u>
Total liabilities and net assets	<u><u>\$ 14,392,023</u></u>	<u><u>\$ 7,878,117</u></u>

The accompanying notes are an integral part of these financial statements.

FII-National
Statement of Activities
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
Revenues and support				
Support				
Foundation contributions	\$ 451,320	\$ 8,193,083	\$ 8,644,403	\$ 6,104,341
Individual/stock contributions	1,635,339	518,832	2,154,171	948,151
Government revenue	68,672	300,000	368,672	-
In-kind contributions	-	-	-	256,644
Earned revenue	<u>188,101</u>	<u>-</u>	<u>188,101</u>	<u>317,992</u>
Total support	2,343,432	9,011,915	11,355,347	7,627,128
Other revenue	<u>63,802</u>	<u>-</u>	<u>63,802</u>	<u>27,833</u>
Total revenues and support	2,407,234	9,011,915	11,419,149	7,654,961
Net assets released from restriction	<u>7,883,258</u>	<u>(7,883,258)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>10,290,492</u>	<u>1,128,657</u>	<u>11,419,149</u>	<u>7,654,961</u>
Functional expenses				
Program services	<u>5,575,995</u>	<u>-</u>	<u>5,575,995</u>	<u>5,828,525</u>
Support services				
Management and general	833,445	-	833,445	760,712
Fundraising	<u>794,921</u>	<u>-</u>	<u>794,921</u>	<u>676,605</u>
Total support services	<u>1,628,366</u>	<u>-</u>	<u>1,628,366</u>	<u>1,437,317</u>
Total functional expenses	<u>7,204,361</u>	<u>-</u>	<u>7,204,361</u>	<u>7,265,842</u>
Change in net assets	3,086,131	1,128,657	4,214,788	389,119
Net assets, beginning of year	<u>1,500,150</u>	<u>6,183,231</u>	<u>7,683,381</u>	<u>7,294,262</u>
Net assets, end of year	<u>\$ 4,586,281</u>	<u>\$ 7,311,888</u>	<u>\$ 11,898,169</u>	<u>\$ 7,683,381</u>

The accompanying notes are an integral part of these financial statements.

FII-National
Statement of Functional Expenses
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

	Program Services	Support Services		Total Support Services	2019 Total	2018 Total
		Management and General	Fundraising			
Personnel expenses						
Salaries and wages	\$ 1,959,767	\$ 533,775	\$ 508,996	\$ 1,042,771	\$ 3,002,538	\$ 2,369,716
Employee benefits	<u>313,637</u>	<u>85,424</u>	<u>81,459</u>	<u>166,883</u>	<u>480,520</u>	<u>453,194</u>
Total personnel expenses	<u>2,273,404</u>	<u>619,199</u>	<u>590,455</u>	<u>1,209,654</u>	<u>3,483,058</u>	<u>2,822,910</u>
Contract labor	350,831	97,301	92,784	190,085	540,916	954,792
Rent	64,282	17,508	16,696	34,204	98,486	162,461
Office expense	45,740	12,458	11,880	24,338	70,078	79,221
Legal and professional fees	100,756	27,443	26,169	53,612	154,368	104,771
Dues and fees	97,928	26,672	25,434	52,106	150,034	110,059
Meals, travel, and conferences	120,661	32,864	31,338	64,202	184,863	176,982
Family initiative payments	2,472,393	-	165	165	2,472,558	2,854,646
Other expenses	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
	<u>\$ 5,575,995</u>	<u>\$ 833,445</u>	<u>\$ 794,921</u>	<u>\$ 1,628,366</u>	<u>\$ 7,204,361</u>	<u>\$ 7,265,842</u>

The accompanying notes are an integral part of these financial statements.

FII-National
Statement of Cash Flows
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 4,214,788	\$ 389,119
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Changes in operating assets and liabilities		
Contributions and grants receivable	602,481	(667,410)
Prepaid expenses	15,614	(3,153)
Other accounts receivable	15,822	(41,790)
Deposits	6,160	11,770
Accounts payable	(30,952)	7,138
Accrued salaries and other	(44,930)	43,609
Unearned revenue	2,375,000	-
Net cash provided by (used in) operating activities	7,153,983	(260,717)
Net increase (decrease) in cash and cash equivalents	7,153,983	(260,717)
Cash and cash equivalents, beginning of year	3,267,536	3,528,253
Cash and cash equivalents, end of year	\$ 10,421,519	\$ 3,267,536

The accompanying notes are an integral part of these financial statements.

FII-National
Notes to Financial Statements
December 31, 2019

1. NATURE OF OPERATIONS

FII-National (the "Organization") was incorporated as a non-profit public benefit corporation in the State of California on September 26, 2006. It is a national organization that trusts and invests directly in low-income families so they can work individually and collectively to achieve prosperity. The Organization does this by providing its participating families with the infrastructure, technology platform and support to strengthen social networks, access resources, and support each other in achieving social and economic mobility. The Organization's goal is to change the narrative about low-income families in the country.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Financial statement presentation

The Organization reports information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* - net assets not subject to donor-imposed restrictions that are used to support the programs, as well as general and administrative functions of the Organization.
- *Net assets with donor restrictions* - net assets subject to donor-imposed restrictions that may or will be met by actions of the Organization and/or the passage of time.

Cash and cash equivalents

For the purposes of the statements of cash flows, the Organization considers all money market funds and highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

FII-National
Notes to Financial Statements
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization characterizes the fair value of financial instruments measured at fair value on a recurring basis, based on the priority of the inputs used to value the instruments, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities [Level 1], and the lowest priority to unobservable inputs [Level 3]. If the inputs used to measure the instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurements of the instruments. Financial instruments measured at fair value on a recurring basis in the statement of financial position are categorized based on the inputs to valuation techniques.

At December 31, 2019, the Organization did not have any assets or liabilities subject to measurement at fair value on a recurring basis.

Contributions and promises to give

Grants and contributions are recorded as revenue without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Consequently, at December 31, 2019, contributions approximating \$3,260,000, have not been recognized in the accompanying statement of activities because the conditions on which they depend have not yet been met. The conditions are primarily related to certain milestones and performance metrics. Of the total conditional contributions, \$2,375,000 has been received and is reported as unearned revenue in the statement of financial position.

Contributions that are promised in one year but are not expected to be collected until after the end of that year are considered contributions receivable and are recorded at fair value by discounting at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful contributions receivable is not provided based upon management's judgment including such factors as prior collection history, type of contributions, and current aging of the promises to give.

FII-National
Notes to Financial Statements
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and promises to give (continued)

Donated materials and equipment are recorded as contributions based on the estimated fair value at the date the contribution is made. Donated services are recorded as contributions at their estimated fair value only in those instances in which they enhance non-financial assets or the Organization would have acquired such services if they had not been donated, require special skills, and are provided by individuals with those skills. The Organization received \$256,644 of donated services in 2018. The Organization did not receive any in 2019.

Income tax status

The Organization is a qualified organization exempt from Federal income and California franchise taxes under the provisions of Sections 501(c)(3) of the Internal Revenue Code and 23701(d) of the California Revenue and taxation code, respectively.

The Organization has evaluated its current tax positions and has concluded that as of December 31, 2019, the Organization does not have any significant tax positions for which a reserve would be necessary.

Functional expense allocation

Expenses are charged to programs and supporting services on the basis of the Organization's estimates. Management and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Credit risk

Cash and cash equivalents maintained by the Organization are normally in excess of the federally insured limits. The Organization mitigates this risk by placing cash and cash equivalents with high credit quality institutions.

Use of estimates

The preparation of financial statements, in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Uses of estimates include, but are not limited to, accounting for allocation of operating expenses.

FII-National
Notes to Financial Statements
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standard

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenues from Contracts with Customers (Topic 606). The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In effect, companies are required to exercise further judgment and make more estimates prospectively. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU No. 2014-09 was effective January 1, 2019 for FII-National. The Organization has evaluated the new guidance and determined that the adoption of ASU No. 2014-09 did not have a material impact on its financial statements.

In June 2018, the FASB issued ASU 2018-08, Contributions Received and Contributions Made, which clarifies the criteria for evaluating whether a transaction is a contribution or an exchange transaction and whether a contribution is conditional or unconditional. FII-National adopted ASU 2018-08 with a date of the initial application of January 1, 2019, using the modified prospective method. The adoption of ASU 2018-08 did not have a significant impact on the Organization's financial position, result of operations, or cash flows. FII-National has evaluated contributions received and contributions made and has determined that there is no change as a result of the adoption of the standard.

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consist of the following:

Amounts due in less than one year	\$ 2,530,409
Amounts due in one to four years	<u>1,305,008</u>
	<u>\$ 3,835,417</u>

The accompanying financial statements do not provide for an allowance for doubtful contributions and grants receivable or discount to net realizable value as of December 31, 2019, as the Organization believes that they will fully collect its receivable and the value reflected in the financial statements approximates net realizable value.

FII-National
Notes to Financial Statements
December 31, 2019

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Implied time restriction	\$ 4,015,778
Cincinnati	953,125
Boston	929,792
Austin	677,738
Chicago	500,000
Albuquerque	82,083
Immigrant Family Defense Fund	82,372
Detroit	50,000
California	<u>21,000</u>
	<u><u>\$ 7,311,888</u></u>

5. RETIREMENT PLANS

The Organization has a 401(k) Qualified Retirement Plan (the "Plan") covering all employees after attainment of specific periods of service and minimum age requirements. The Plan includes an employer match of employee contributions of up to 2% of a participant's gross monthly earnings. During the year ended December 31, 2019, the Organization contributed \$32,314 to the Plan.

In addition, employees have the option of contributing a percentage of their salary as allowable by law to a tax-sheltered annuity trust ("TSA"). If an employee needs to use the funds invested into the TSA, the employee has the option of initiating a loan against the account provided that the need for such loan meets certain conditions. Loans are subject to review by the Organization.

6. OPERATING LEASES

The Organization leases office space in Boston, Oakland, San Francisco, Detroit, Cincinnati, and Albuquerque under non-cancelable operating leases.

The scheduled minimum lease payments under the lease terms are as follows:

Year ending December 31,

2020	\$ <u>22,644</u>
	<u><u>\$ 22,644</u></u>

Rent expense amounted to \$98,486 for the year ended December 31, 2019.

FII-National
Notes to Financial Statements
December 31, 2019

7. CONCENTRATIONS

The Organization had four donors that comprised 72% of total contributions and grants receivable and three donors that comprised 61% of total contribution revenue at December 31, 2019.

8. LIQUIDITY AND FUNDS AVAILABLE

As of December 31, 2019, the Organization has \$9,655,818 of financial assets available for general expenditures within one year of the statement of financial position date. This is comprised of \$12,951,928 of current financial assets consisting of cash and cash equivalents of \$10,421,519 and contributions and grants receivable of \$2,530,409, less amounts unavailable for general expenditure within one year of the statement of financial position date of \$3,296,110 as these amounts are restricted for use in specific city sites. These restrictions, however, do not generally impact liquidity management as they are eliminated as actual expenses are incurred, that is, the restrictions are removed through the act of spending. To manage its overall liquidity, the Organization has a goal to maintain cash on hand to meet four to six months of expenses at its current monthly expense rate. Four to six months of expenses translates into a target cash balance of approximately \$2,400,000 to \$3,600,000 as of December 31, 2019. The Organization manages its operations, revenue generation and spending to maintain its cash within this target range. The Organization does not have lines of credit or other alternate sources of cash that it could draw upon in the event of an unanticipated liquidity need. Consequently, its cash is not actively invested and is held in checking and savings accounts.

9. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 27, 2020, the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. While the business disruption is currently expected to be temporary, it is at least reasonably possible that this matter will negatively impact the Organization, however, the ultimate financial impact and duration cannot be reasonably estimated at this time.

No other subsequent events have occurred that would have a material impact on the presentation of the Organization's financial statements.