

FII-National

Financial Statements

December 31, 2018
(With Comparative Totals for 2017)



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12



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, 2018, 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, 2018, 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 adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited FII-National's 2017 financial statements, and our report dated April 11, 2018 expressed an unmodified opinion on those audited financial statements. As part of our audit of the 2018 financial statements, we also audited the adjustments to the 2017 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, 2017, 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

April 24, 2019

FII-National
Statement of Financial Position
December 31, 2018
(With Comparative Totals for 2017)

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,267,536	\$ 3,528,253
Contributions and grants receivable	2,395,788	1,685,922
Prepaid expenses	<u>21,225</u>	<u>18,072</u>
Total current assets	<u>5,684,549</u>	<u>5,232,247</u>
Noncurrent assets		
Contributions and grants receivable, net of current portion	2,042,110	2,084,566
Other accounts receivable	142,781	100,991
Deposits	<u>8,677</u>	<u>20,447</u>
Total noncurrent assets	<u>2,193,568</u>	<u>2,206,004</u>
Total assets	<u><u>\$ 7,878,117</u></u>	<u><u>\$ 7,438,251</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 68,046	\$ 60,908
Accrued salaries and other	<u>126,690</u>	<u>83,081</u>
Total current liabilities	<u>194,736</u>	<u>143,989</u>
Net assets		
Without donor restrictions	1,500,150	96,893
With donor restrictions	<u>6,183,231</u>	<u>7,197,369</u>
Total net assets	<u>7,683,381</u>	<u>7,294,262</u>
Total liabilities and net assets	<u><u>\$ 7,878,117</u></u>	<u><u>\$ 7,438,251</u></u>

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

FII-National
Statement of Activities
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues and support				
Revenues				
Foundation contributions	\$ 442,500	\$ 5,661,841	\$ 6,104,341	\$ 6,197,740
Individual/stock contributions	352,869	595,282	948,151	650,902
In-kind contributions	-	256,644	256,644	-
Earned revenue	<u>317,992</u>	<u>-</u>	<u>317,992</u>	<u>661,860</u>
Total revenues	1,113,361	6,513,767	7,627,128	7,510,502
Other revenue	27,833	-	27,833	10,767
Net assets released from restriction	<u>7,527,905</u>	<u>(7,527,905)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>8,669,099</u>	<u>(1,014,138)</u>	<u>7,654,961</u>	<u>7,521,269</u>
Functional expenses				
Program services	<u>5,828,525</u>	<u>-</u>	<u>5,828,525</u>	<u>4,902,385</u>
Support services				
Management and general	760,712	-	760,712	593,336
Fundraising	<u>676,605</u>	<u>-</u>	<u>676,605</u>	<u>560,669</u>
Total support services	<u>1,437,317</u>	<u>-</u>	<u>1,437,317</u>	<u>1,154,005</u>
Total functional expenses	<u>7,265,842</u>	<u>-</u>	<u>7,265,842</u>	<u>6,056,390</u>
Change in net assets	1,403,257	(1,014,138)	389,119	1,464,879
Net assets, beginning of year	<u>96,893</u>	<u>7,197,369</u>	<u>7,294,262</u>	<u>5,829,383</u>
Net assets, end of year	<u>\$ 1,500,150</u>	<u>\$ 6,183,231</u>	<u>\$ 7,683,381</u>	<u>\$ 7,294,262</u>

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

FII-National
Statement of Functional Expenses
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

	Program Services	Support Services		Total Support Services	2018 Total	2017 Total
		Management and General	Fundraising			
Personnel expenses						
Salaries and wages	\$ 1,747,918	\$ 210,000	\$ 411,798	\$ 621,798	\$ 2,369,716	\$ 2,061,889
Employee benefits	<u>334,279</u>	<u>40,161</u>	<u>78,754</u>	<u>118,915</u>	<u>453,194</u>	<u>328,685</u>
Total personnel expenses	2,082,197	250,161	490,552	740,713	2,822,910	2,390,574
Contract labor	427,424	453,962	73,406	527,368	954,792	747,960
Rent	121,285	14,572	28,573	43,145	164,430	146,140
Office expense	56,982	6,846	13,424	20,270	77,252	64,423
Legal and professional fees	77,279	9,285	18,207	27,492	104,771	86,292
Dues and fees	78,169	10,202	21,688	31,890	110,059	69,690
Meals, travel, and conferences	130,543	15,684	30,755	46,439	176,982	217,701
Family initiative payments	<u>2,854,646</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,854,646</u>	<u>2,333,610</u>
	<u>\$ 5,828,525</u>	<u>\$ 760,712</u>	<u>\$ 676,605</u>	<u>\$ 1,437,317</u>	<u>\$ 7,265,842</u>	<u>\$ 6,056,390</u>

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

FII-National
Statement of Cash Flows
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 389,119	\$ 1,464,879
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	(667,410)	581,513
Prepaid expenses	(3,153)	(9,423)
Other accounts receivable	(41,790)	20,637
Deposits	11,770	(9,845)
Accounts payable	7,138	(29,491)
Accrued salaries and other	43,609	10,747
Net cash provided by (used in) operating activities	(260,717)	2,029,017
Cash flows from financing activities		
Principal payments on note payable	-	(100,000)
Net cash provided by (used in) financing activities	-	(100,000)
Net increase (decrease) in cash and cash equivalents	(260,717)	1,929,017
Cash and cash equivalents, beginning of year	3,528,253	1,599,236
Cash and cash equivalents, end of year	\$ 3,267,536	\$ 3,528,253

Supplemental disclosure of cash flow information

Cash paid during the year in interest	\$ -	\$ 898
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The accompanying notes are an integral part of these financial statements.

FII-National
Notes to Financial Statements
December 31, 2018

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, 2018

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, 2018, 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 are not recognized until they become unconditional, which is when conditions on which they depend are substantially met. 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.

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 such services in 2018.

FII-National
Notes to Financial Statements
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2018, 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.

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

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, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

The Organization has evaluated subsequent events through April 24, 2019, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Organization's financial statements.

New accounting standard

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Organization adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and funds available (Note 8).

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consist of the following:

Amounts due in less than one year	\$ 2,395,788
Amounts due in one to four years	<u>2,042,110</u>
	<u>\$ 4,437,898</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, 2018, as the Organization believes that they will fully collect its receivable and the value reflected in the financial statements approximates net realizable value.

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Implied time restriction	\$ 1,785,353
Cincinnati	1,537,084
Boston	866,250
Austin	860,357
Chicago	666,667
Albuquerque	268,321
Immigrant Family Defense Fund	109,904
Detroit	68,462
California	<u>20,833</u>
	<u>\$ 6,183,231</u>

FII-National
Notes to Financial Statements
December 31, 2018

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, 2018, the Organization contributed \$23,215 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,

2019	\$ 70,656
2020	<u>18,200</u>
	<u>\$ 88,856</u>

Rent expense amounted to \$164,430 for the year ended December 31, 2018.

7. CONCENTRATIONS

The Organization had three donors that comprised 73% of total contributions and grants receivable and three donors that comprised 58% of total contribution revenue at December 31, 2018.

FII-National
Notes to Financial Statements
December 31, 2018

8. LIQUIDITY AND FUNDS AVAILABLE

As of December 31, 2018, the Organization has \$5,663,324 of current financial assets consisting of cash and cash equivalents of \$3,267,536 and contributions and grants receivable of \$2,395,788. Amounts unavailable for general expenditure within one year of the balance sheet date represents \$3,036,079 of financial assets restricted for use in specific city sites within one of December 31, 2018. 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, 2018. 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.