FII-National

Financial Statements
and Single Audit Reports and Schedules

December 31, 2022
(With Comparative Totals for 2021)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
FII-National
Oakland, California

Opinion

We have audited the accompanying financial statements of FII-National (the "Organization"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 FII-National as of December 31, 2022, 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.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FII-National and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Summarized Comparative Information

We have previously audited FII-National's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 29, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management 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, and for 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.

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 FII-National's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 and *Government 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, including omissions, 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 and *Government 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 control 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 FII-National's internal control. 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 FII-National'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 audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Armanino LLP

Armanino LLP
San Francisco, California

June 20, 2023

FII-National
Statement of Financial Position
December 31, 2022
(With Comparative Totals for 2021)

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 28,016,833	$ 71,920,270
Certificates of deposit	21,077,187	2,027,405
Contributions and grants receivable	3,623,468	5,748,076
Prepaid expenses	2,735,581	328,918
Total current assets	55,453,069	80,024,669
Noncurrent assets		
Contributions and grants receivable, net of current portion	954,880	202,952
Other accounts receivable	5,420	10,000
Deposits	2,768	2,687
Operating lease right-of-use asset	60,812	-
Total noncurrent assets	1,023,880	215,639
Total assets	$ 56,476,949	$ 80,240,308
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 267,971	$ 242,491
Accrued salaries and other	99,055	63,351
Refundable advances	4,308,707	2,131,167
Current portion of operating lease liability	35,262	-
Total current liabilities	4,710,995	2,437,009
Operating lease liability, net of current portion	26,644	-
Total liabilities	4,737,639	2,437,009
Net assets		
Without donor restrictions	36,195,238	50,985,446
With donor restrictions	15,544,072	26,817,853
Total net assets	51,739,310	77,803,299
Total liabilities and net assets	$ 56,476,949	$ 80,240,308

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

FII-National
Statement of Activities
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenues and support				
Support				
Foundation contributions	$ 235,950	$ 9,533,166	$ 9,769,116	$ 26,163,941
Individual/stock contributions	566,659	448,776	1,015,435	41,267,398
Government grants and contracts	-	5,082,846	5,082,846	8,252,865
Program service fees	-	-	-	434,337
In-kind contributions	394,000	-	394,000	-
Total support	1,196,609	15,064,788	16,261,397	76,118,541
Other revenue	128,777	-	128,777	173,338
Fiscal agent revenue	-	3,422	3,422	124,260
Total revenues and support	1,325,386	15,068,210	16,393,596	76,416,139
Net assets released from restriction	26,341,991	(26,341,991)	-	-
Total revenues and support	27,667,377	(11,273,781)	16,393,596	76,416,139
Functional expenses				
Program services	38,764,950	-	38,764,950	43,174,640
Support services				
Management and general	2,405,072	-	2,405,072	1,741,783
Fundraising	1,287,563	-	1,287,563	714,784
Total support services	3,692,635	-	3,692,635	2,456,567
Total functional expenses	42,457,585	-	42,457,585	45,631,207
Change in net assets	(14,790,208)	(11,273,781)	(26,063,989)	30,784,932
Net assets, beginning of year, as previously reported	55,987,081	21,816,218	77,803,299	47,018,367
Reclassification of net assets	(5,001,635)	5,001,635	-	-
Net assets, beginning of year, as reclassified	50,985,446	26,817,853	77,803,299	47,018,367
Net assets, end of year	$ 36,195,238	$ 15,544,072	$ 51,739,310	$ 77,803,299

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

FII-National
Statement of Functional Expenses
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	Program Services	Support Services: Management and General	Support Services: Fundraising	Support Services: Total Support Services	2022 Total	2021 Total
Personnel expenses						
Salaries and wages	$ 4,527,350	$ 1,113,847	$ 901,956	$ 2,015,803	$ 6,543,153	$ 4,853,664
Employee benefits	807,071	198,561	160,788	359,349	1,166,420	810,581
Total personnel expenses	5,334,421	1,312,408	1,062,744	2,375,152	7,709,573	5,664,245
Direct cash payments to families	29,284,801	-	-	-	29,284,801	26,192,964
Contract labor	2,955,121	826,465	7,080	833,545	3,788,666	2,827,653
Dues and fees	606,365	149,182	122,982	272,164	878,529	750,304
Legal and professional fees	181,834	44,736	36,226	80,962	262,796	196,134
Office expense	189,277	46,567	37,708	84,275	273,552	144,584
Fiscal agent fees	107,519	-	-	-	107,519	142,338
Meals, travel, and conferences	79,758	19,622	15,890	35,512	115,270	33,172
Rent	25,854	6,092	4,933	11,025	36,879	32,928
COVID-19 grants to families	-	-	-	-	-	9,646,885
	$ 38,764,950	$ 2,405,072	$ 1,287,563	$ 3,692,635	$ 42,457,585	$ 45,631,207

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

FII-National
Statement of Cash Flows
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	$ (26,063,989)	$ 30,784,932
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Amortization of operating lease right-of-use asset	34,356	-
Net unrealized gains on certificates of deposit	(30,255)	(2,506)
Changes in operating assets and liabilities		
Contributions and grants receivable	1,372,680	3,765,085
Other accounts receivable	4,580	-
Prepaid expenses	(2,406,663)	(120,617)
Deposits	(81)	(78)
Accounts payable	25,480	47,227
Accrued expenses	35,704	(36,976)
Refundable advances	2,177,540	(4,701,233)
Operating lease liability	(33,262)	-
Net cash provided by (used in) operating activities	(24,883,910)	29,735,834
Cash flows from investing activities		
Purchases of certificates of deposit	(21,047,527)	(2,024,126)
Proceeds from maturities of certificates of deposit	2,028,000	2,026,000
Net cash provided by (used in) investing activities	(19,019,527)	1,874
Net increase (decrease) in cash and cash equivalents	(43,903,437)	29,737,708
Cash and cash equivalents, beginning of year	71,920,270	42,182,562
Cash and cash equivalents, end of year	$ 28,016,833	$ 71,920,270

Cash and cash equivalents consisted of the following:		
Cash and cash equivalents	$ 15,343,210	$ 45,454,255
Merchant account	12,673,623	26,466,015
	$ 28,016,833	$ 71,920,270

Supplemental schedule of noncash investing and financing activities

Operating lease right-of-use asset obtained in exchange for lease liability	$ 95,168	$ -

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

1. NATURE OF OPERATIONS

FII-National DBA UpTogether (the "Organization") is a national organization that invests in people in historically undervalued communities and amplifies their true lived experiences, working together to influence policies and rally for systems change. The Organization was originally founded in 2001 as Family Independence Initiative, and changed their name to better describe their approach and work. Their strength-based approach of community, capital and choice recognizes and honors people's initiatives, abilities and self-determination.

As a community, a movement, and a platform, the Organization uses the power of information - compelling insights and personal success stories - to transform stereotypes, beliefs, practices and policies. Together with the Organization's members, the Organization is championing a community-led movement to boost economic and social mobility in communities that have been undervalued and underinvested in for far too long. The Organization partners with individuals, families, funders, government agencies and community partners to create an environment in which all people in the United States are seen and invested in for their strengths and are able to build power, reinforce their autonomy and drive their own economic and social mobility.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principles

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 842, *Leases* to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective January 1, 2022 and recognized and measured leases existing at, or entered into after, January 1, 2022, with certain practical expedients available. Lease disclosures are made under prior lease guidance in FASB ASC 840 for the year ended December 31, 2021.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether the classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022, an initial lease liability of $95,168, which represents the present value of the remaining operating lease payments of $96,228, discounted using the Daily Treasury Par Yield Curves Rate for 2 years of 0.78%, and a corresponding right-of-use asset of $95,168.

The standard did not have a material impact on the Organization's statement of financial position, statement of activities, not the statement of cash flows for the year ended December 31, 2022. The most significant impact was the recognition of the ROU asset and a lease liability for an operating lease on the statement of financial position as of December 31, 2022.

In September 2020, the FASB issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Financial Assets*. Under this ASU, a not-for-profit entity is required to present contributed nonfinancial assets as a separate line-item in the statement of activities, apart from contributions of cash and other financial assets as well as include enhanced disclosures surrounding the nature and valuation techniques of the contributed nonfinancial assets. The Organization adopted ASU 2020-07 with a date of initial application of January 1, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

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, 2022, the Organization did not have any assets or liabilities subject to measurement at fair value on a recurring basis.

Revenue recognition

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. At December 31, 2022, contributions approximating $7,953,000 have been awarded but not yet recognized in the accompanying statement of activities because the conditions on which they depend have not yet been met. The conditions primarily relate to certain milestones and performance metrics. Of the total conditional contributions, $4,308,707 has been received and is reported as a refundable advance in the statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (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.

A portion of the Organization's revenue is derived from cost-reimbursable contracts from governmental agencies, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. The revenue generated from these contracts meets the criteria to be classified as conditional contributions under GAAP revenue recognition as they contain barriers related to the incurrence of qualifying expenditures and a right of return or release. Amounts received are recognized as revenues when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

Contributions and grants receivables

Contributions and grants that are promised in one year but are not expected to be collected until after the end of that year are considered contributions and grants 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 accounts is provided based upon management's judgment including such factors as prior collection history, type of contributions, and current aging of the promises to give.

Leases

The Organization leases office space under an operating lease. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease ROU assets and operating lease liabilities on the statement of financial position. Finance leases are included in property and equipment and other long-term liabilities on the statement of financial position. The Organization does not have any finance leases.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Organization's lease does not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Organization has elected not to recognize right-of-use assets and lease liabilities for short-term leases and instead records them in a manner similar to operating leases under legacy leasing guidelines. A short-term lease is one with a maximum lease term of 12 months or fewer and does not include a purchase option that the lessee is reasonably certain to exercise. The Organization does not have any short-term leases.

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, 2022, 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. Salaries, wages and benefits have been allocated among program services and supporting services based upon the employees' estimated time spent by function. Other expenses are assigned directly to specific activities as expenditures are made.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain prior year balances have been reclassified to conform to the current year presentation. Net assets without donor restrictions of $5,001,635 were reclassified to net assets with donor restrictions at December 31, 2021. The reclassification did not have any impact to the change in net assets or the total ending net asset balance.

Subsequent events

The Organization has evaluated subsequent events through June 20, 2023, 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.

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consist of the following:

Amounts due in less than one year	$ 3,623,468
Amounts due in one to four years	954,880
	$ 4,578,348

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, 2022, 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	$ 250,000
East Coast	2,347,168
Mid Coast	2,321,361
National	1,745,179
South West	3,125,782
West Coast	5,717,084
Fiscal agent - IFDF	37,498
	$ 15,544,072

4. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

East Coast	$ 4,281,125
Mid West	3,873,198
National	3,156,999
South West	8,138,735
West Coast	6,841,536
Fiscal agent - IFDF	50,398
	$ 26,341,991

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, 2022, the Organization contributed $73,648 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. LEASES

The Organization leases office space in Oakland, California under a non-cancelable operating lease. The lease expires in September 2023 and has a renewal option, which the Organization is reasonably certain will be exercised to extend the lease through September 2024. The Organization will reassess future extensions on the lease in 2024. The lease calls for monthly payments starting at $2,825, with estimated increases based on CPI for each year the lease is renewed.

Additional information related to leases is as follows:

Operating lease cost	$34,994
Operating cash flows from operating lease	$33,900
Right-of-use asset obtained in exchange for lease obligation	$95,168
Remaining lease term	1.75 years
Discount rate	0.78%

6. LEASES (continued)

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

Year ending December 31,		
2023	$	35,619
2024		26,714
		62,333
Less: imputed interest		(427)
	$	61,906

Rent expense amounted to $34,994 for the year ended December 31, 2022.

7. CONCENTRATIONS

The Organization had five donors that comprised 75% of total contributions and grants receivable at December 31, 2022 and three donors that comprised 38% of total contribution revenue for the year ended December 31, 2022.

8. LIQUIDITY AND FUNDS AVAILABLE

As of December 31, 2022, the Organization has $36,173,416 of financial assets available for general expenditures within one year of the statement of financial position date. This is comprised of $52,717,488 of current financial assets consisting of cash and cash equivalents of $28,016,833, certificates of deposit in the amount of $21,077,187 and contributions and grants receivable of $3,623,468, less donor-restricted net assets in the amount of $15,544,072. To manage its overall liquidity, the Organization has a goal to maintain cash on hand to meet four to six months of operating expenses. 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 generally held in checking and savings accounts as well as short-term certificates of deposits.

9. IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following:

	Contributions	Expenses
Professional services	$ 394,000	$ 394,000

The valuation of contributed professional services is based on the time contributed by professionals at rates of pay considered by management to be commensurate with the market rate for those services.

SINGLE AUDIT REPORTS AND SCHEDULES

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
FII-National
Oakland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of FII-National (the "Organization"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated June 20, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Armanino LLP

Armanino[LLP]
San Francisco, California

June 20, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
FII-National
Oakland, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited FII-National (the "Organization")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Armanino LLP

Armanino LLP
San Francisco, California

June 20, 2023

FII-National
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
Expenditures of Federal Awards			
U.S. Department of Health and Human Services			
Community Services Block Grant			
Pass-through program from:			
City of Oakland	93.569	N/A	$ 527,920
Total Community Services Block Grant			527,920
Total U.S. Department of Health and Human Services			527,920
U.S. Department of the Treasury			
Coronavirus State and Local Recovery Funds			
Pass-through program from:			
Bernalilo County	21.027	N/A	1,788,000
City of Albuquerque	21.027	N/A	10,000
Multnomah County	21.027	DCHS-SVCSGEN-13837-2022	603,294
			2,401,294
Total Coronavirus State and Local Recovery Funds			2,401,294
Total U.S. Department of the Treasury			2,401,294
Total Expenditures of Federal Awards			$ 2,929,214

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

FII-National
Notes to Schedule of Expenditures of Federal Awards
December 31, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of FII-National (the "Organization") under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

3. INDIRECT COST RATE

The Organization has elected to not use the 10% de minimis indirect cost rate for federal awards.

FII-National
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

Name of Federal Program or Cluster	Assistance Listing Number
Coronavirus State and Local Recovery Fund	21.027

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	Yes

FII-National
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

FII-National
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2022

There were no findings during the prior year single audit.