

**FII NATIONAL  
AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2013**



**GRANT & SMITH, LLP**  
*Certified Public Accountants*

**FII NATIONAL  
DECEMBER 31, 2013**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
FII National  
Oakland, California

We have audited the accompanying statement of financial position of FII National (a nonprofit organization) as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of FII National's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2013, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Grant & Smith LLP*

Oakland, California  
April 14, 2014

**FII NATIONAL**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2013**

**ASSETS**

	<b>2013</b>	<b>2012</b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents (Note 2)	\$ 1,247,049	\$ 822,371
Grants Receivable (Note 3)	2,822,539	1,257,500
Deposits	10,602	7,427
Prepaid Expenses	5,909	3,180
TOTAL CURRENT ASSETS	4,086,099	2,090,478
<b>OTHER ASSETS</b>		
Other Receivable	69,572	43,117
Accrued interest	153	153
TOTAL OTHER ASSETS	69,725	43,271
<b>TOTAL ASSETS</b>	<b>\$ 4,155,824</b>	<b>\$ 2,133,748</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 47,696	\$ 35,924
Credit Card	19,870	4,448
FSA	736	-
TOTAL CURRENT LIABILITIES	68,302	40,372
<b>LONG-TERM LIABILITIES</b>		
Loans Payable (Note 9)	60,000	60,000
TOTAL LONG-TERM LIABILITIES	60,000	60,000
<b>NET ASSETS (Note 4)</b>		
Temporarily Restricted	3,011,333	1,465,833
Unrestricted	1,016,189	567,543
TOTAL NET ASSETS	4,027,522	2,033,376
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,155,824</b>	<b>\$ 2,133,748</b>

*The accompanying Accountants' report and notes are an integral part of these financial statements.*

**FII NATIONAL  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2013**

	<b>2013</b>	<b>2012</b>
<b>SUPPORT AND REVENUES</b>		
Government Grants (Note 10)	\$ 280,000	-
Foundations Contributions	4,819,051	\$ 1,722,572
Individuals Contributions	67,207	19,788
Interest/Dividend Income	614	659
Miscellaneous	-	830
Net Assets Beginning of the Year (Revenue recognized in previous years)	2,033,376	2,694,078
<b>TOTAL SUPPORT AND REVENUES</b>	<b>7,200,248</b>	<b>4,437,927</b>
<b>EXPENSES</b>		
Boston Project	1,172,725	983,672
San Francisco Project	237,970	417,438
New Orleans	20,925	-
Oakland	178,699	-
Fresno	60,552	-
Detroit	12,761	-
National Project (Note 11)	1,358,129	840,033
General & Administration	130,966	83,499
<b>TOTAL EXPENSES</b>	<b>3,172,726</b>	<b>2,404,551</b>
<b>NET ASSETS END OF THE YEAR (Note 4)</b>	<b>\$ 4,027,522</b>	<b>\$ 2,033,376</b>

*The accompanying Accountants' report and notes are an integral part of these financial statements.*

FII NATIONAL  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2013

	2013										2012	
	BOSTON PROJECT	SAN FRANCISCO PROJECT	NEW ORLEANS PROJECT	OAKLAND PROJECT		FRESNO PROJECT	DETROIT PROJECT	NATIONAL PROJECT	GENERAL & ADMINISTRATION	TOTAL EXPENSES	TOTAL EXPENSES	
				ALAMEDA COUNTY	OTHERS							
<b>EXPENSES</b>												
Payroll	\$ 307,086	\$ 8,881	-	\$ 33,914	\$ 63,763	\$ 13,821	\$ 10,000	\$ 706,450	\$ 70,419	\$ 1,214,334	\$ 639,713	
Benefits & Payroll Taxes (Note 7)	51,217	1,980	-	-	15,613	2,839	1,437	125,780	12,242	211,109	146,354	
Consultants	158,251	29,933	-	44,200	-	19,406	-	334,258	36,077	622,126	759,358	
Rent	39,775	14,497	-	-	-	1,426	-	19,222	4,612	79,533	62,529	
Repair & maintenance	8,461	1,915	-	-	-	-	-	-	639	11,015	7,104	
Office Furniture/Equipment	19,017	1,575	-	-	-	105	-	10,961	1,949	33,608	5,106	
Telephone	9,166	1,914	-	-	-	92	-	23,157	2,113	36,443	17,232	
Office Supplies	-	-	-	-	-	-	-	-	-	-	11,764	
Postage & Printing	336	-	-	-	-	-	-	1,949	141	2,425	2,887	
Legal & Professional	8,663	7,702	-	-	2,445	736	-	9,802	-	29,348	26,647	
Insurance	975	466	\$ 225	-	195	195	225	4,568	422	7,271	2,596	
Meals & Entertainment	5,732	-	325	-	182	87	-	7,709	864	14,899	10,295	
Travel, Parking & Lodging	35,974	1,295	11,392	-	430	1,506	1,099	54,368	-	106,064	67,110	
Conference Training	3,350	300	-	-	-	-	-	15,500	-	19,150	1,540	
Miscellaneous	11,854	649	280	-	1,069	178	-	9,148	1,427	24,605	7,813	
Interest Expenses	742	-	-	-	-	-	-	256	61	1,059	629	
Pilot Awards & Operations	512,126	166,862	8,703	16,886	-	20,159	-	35,000	-	759,736	635,875	
<b>Total Expenses</b>	<b>\$ 1,172,725</b>	<b>\$ 237,970</b>	<b>\$ 20,925</b>	<b>\$ 95,000</b>	<b>\$ 83,698</b>	<b>\$ 60,552</b>	<b>\$ 12,761</b>	<b>\$ 1,358,129</b>	<b>\$ 130,966</b>	<b>\$ 3,172,725</b>	<b>\$ 2,404,551</b>	

The accompanying Accountant's report and notes are an integral part of these financial statements.

**FII NATIONAL  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2013**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 1,994,146	\$ (660,702)
Adjustments to Reconcile Change in Net Assets to Net Cash used in Operating Activities:		
<i>(Increase)/Decrease in Operating Assets</i>		
Grants Receivable	(1,565,039)	841,000
Prepaid Expenses	(2,729)	7,487
Deposits	(3,175)	(527)
Loans Receivable	(26,454)	(23,383)
Accrued Interest	-	328
<i>(Decrease)/Increase in Operating Liabilities</i>		
Accounts Payable	7,324	(132,996)
Credit Card	19,869	64
Loans Payable	-	60,000
FSA	736	-
<b>Total Adjustments</b>	<u>(1,569,468)</u>	<u>751,973</u>
<b>Net Cash provided by Operating Activities</b>	424,678	91,271
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	424,678	91,271
<b>CASH AT BEGINNING OF YEAR</b>	<u>822,371</u>	<u>731,100</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 1,247,049</u></u>	<u><u>\$ 822,371</u></u>
<i>Supplemental Disclosure of Cash flow Information</i>		
Cash paid for interest	\$ 1,059	\$ 629
Cash paid for income taxes	<u>-</u>	<u>-</u>

*The accompanying Accountant's report and notes are an integral part of these financial statements.*

**FII NATIONAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General**

FII National was incorporated as a non-profit public benefit corporation in the State of California on September 26, 2006. It is an Oakland based organization engaged in promote personal initiative and mutual assistance in low income communities through research, technical assistance and educational activities based on work with low-income families nationally that are committed to leaving poverty.

**Basis of Presentation**

The Organization has unrestricted funds that are used to support the programs, as well as general and administrative functions of the Organization.

As required by SFAS No. 117, the accompanying financial statements have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

**Fair Value of Financial Instruments**

The carrying amounts of cash, cash equivalents approximate fair values due to the short-term maturities of these instruments.

**Income Taxes**

FII-National is exempt from Federal income taxes under Section 501(c) (3) of the Internal Revenue Code and is exempt from California franchise tax under section 23701(d) of the Revenue and Taxation Code.

**Fixed Assets**

Fixed assets with a cost of \$2,500 or more and expected life exceeding one year are capitalized and depreciated over their estimated lives by the straight-line method. Estimated lives of fixed assets are from three years for computer equipment to 40 years for the real property.



**FII NATIONAL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013**

**Use of estimates**

The Organization prepares its financial statements in accordance with generally accepted accounting principles. The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect the reported amounts of assets and liabilities. Actual results could differ from those estimated.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

Restricted funds of \$69,157 at December 31, 2013 were included in cash and cash equivalents. From time to time, cash balances in FII National's accounts exceed Federally-insured limits.

**NOTE 3 - GRANTS RECEIVABLE**

Grants Receivable at December 31, 2013 consisted of:

GreenLight Fund	\$ 250,000
Alameda County	185,000
WK Kellogg Foundation	820,000
Kresge Foundation	50,000
Ashoka Fund	7,500
Prime Movers	30,000
Horace Goldsmith Foundation	50,000
Smith Family Foundation	300,000
United Way	100,000
Barr Foundation	600,000
Boston Rising	130,039
OAK Foundation	300,000
Total	<u><u>\$ 2,822,539</u></u>

Management is of the opinion that all grants receivable are fully collectable.

**NOTE 4 - NET ASSETS**

The Organization reports its activities and the related net assets using three net asset categories: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets are not restricted by donors or other outside agencies. The Board of Directors can authorize use of these assets, as it desires, to carry on the purposes of the Organization according to its bylaws.

**FII NATIONAL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013**

Temporarily restricted net assets represent donor-imposed restrictions that permit the donee organization to use up or expend the donated assets as specified. This temporary restriction is satisfied by the passage of time or actions by the Organization.

Permanently restricted net assets represent donor-imposed restrictions that stipulate that resources be maintained permanently, but permit the Organization to use up or expend part or all of the income derived from the donated assets.

Net Assets at December 31, 2013 consisted of:

Temporarily Restricted Net Assets

Ashoka Fund	\$	7,500	
Alameda County		185,000	
The California Endowment		183,333	
Boston Rising		67,500	
Barr Foundation		600,000	
GreenLight Fund		250,000	
Kresge Foundation		50,000	
Levi Strauss Foundation		68,000	
OAK Foundation		300,000	
Prime Movers		30,000	
Smith Family Foundation		300,000	
New Profit		100,000	
United Way		50,000	
WK Kellog Foundation		820,000	
Total Temporarily Restricted Net Assets			\$ 3,011,333
Unrestricted Net Assets			1,016,189
Total Net Assets			\$ 4,027,522

**NOTE 5 – LEASES**

The organization leases office space in Boston, Oakland, San Francisco, and Fresno. The future minimum payments under these leases are as follows:

December 31,	Property Leases
2014	\$ 54,412

**FII NATIONAL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013**

**NOTE 6 – NET ASSETS RELEASED FROM TEMPORARILY RESTRICTED**

Net Assets Released from Restrictions at December 31, 2013 consisted of:

Alameda County	\$ 95,000
BARR Foundation	400,000
Boston Foundation	75,000
Boston Rising	647,539
Bill & Melinda Gates Foundation	125,000
EOS Foundation	15,000
Fireman Family Foundation	5,000
Kresge Foundation	150,000
Smith Family Foundation	190,000
San Francisco Foundation	40,000
Thomson Family Foundation	25,000
OAK Foundation	100,000
Harvard University	17,330
New Profit	100,000
Ashoka Fund	30,000
Mayer-Phillips Foundation	15,000
The Levi Strauss Foundation	32,000
The California Endowment Fund	200,000
Burt Family Foundation	10,000
GreenLight Fund	150,000
The James Irvine Foundation	2,000
Prime Movers	30,000
United Way	50,000
WK Kellogg Foundation	680,000
WS Johnson Foundation	150,000
Total	<u>\$ 3,333,869</u>

**NOTE 7 – 401K PENSION PLAN**

The Organization has a qualified defined contribution pension plan (401K) covering all employees after attainment of specific periods of service and minimum age requirements. The plan includes an employer match of employee's contributions up to 4% of a participant's gross monthly earnings. Pension expense under this plan was \$22,117 in the year ended December 31, 2013.

**FII NATIONAL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013**

In addition, an employee has the option of contributing a percentage of his/her salary as allowable by law into a tax-sheltered annuity trust (TSA). Also, if an employee needs to use the funds invested in the TSA, the employee has the option of borrowing against the account assuming the need for such loan meets certain conditions. Loans are subject to review by the President/CEO.

**NOTE 8 – COMMITMENT & CONTINGENCY**

The GreenLight Fund Plans to support the expansion of FII in Boston over the next four years starting 2011. While this is not a binding commitment, GreenLight Fund has committed to provide FII-National \$800,000 of funding between January 1, 2011 and December 31, 2014. During the year, FII had received \$150,000 from GreenLight Fund.

**NOTE 9 – LOANS PAYABLE**

FII has signed an unsecured term loan agreement with Deutsche Bank Americas Foundation in the total amount of \$100,000 for programmatic needs on April 24, 2012. The loan bears interest rate of 2.5% per annum and term of the loan is 4 years. Repayment of all principal and interest outstanding is required on April 24, 2017. As of 12/31/2013, the balance of the loan was \$60,000.

**NOTE 10 – ALAMEDA COUNTY GRANT**

The County of Alameda has entered into a contract (contract number: C-901109) to provide a total of \$280,000 fund to support FII in Oakland, California for two years starting February 01, 2013. However, the County has the right to terminate the agreement without cause at any time upon giving at least 30 days written notice prior to the effective date of such termination. During the year, FII had received \$95,000 from the County.

**NOTE 11 – NATIONAL PROJECT EXPENSES**

The expenses aggregated under National include centralized services for the various geographic projects. The expenses include operation and enhancement of the central data system that tracks family progress, centralized communications to report our findings to the broader community, and fundraising.