

**Henry Ford Learning Institute and Affiliate
Dearborn, Michigan**

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013

Henry Ford Learning Institute and Affiliate

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Henry Ford Learning Institute
Dearborn, Michigan

We have audited the accompanying consolidated financial statements of the Henry Ford Learning Institute and Affiliate (a nonprofit corporation), which comprised the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audit. We did not audit the financial statements of the Henry Ford Academy: Alameda School for Art + Design (Affiliate), which reflects total assets of \$413,492 as of August 31, 2013, and total revenues of \$1,768,148 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Henry Ford Academy: Alameda School for Art + Design, is based solely on the report of the other auditors. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, based on our audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Henry Ford Learning Institute and Affiliate as of December 31, 2013, and the consolidated changes in its net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Henry Ford Learning Institute and Affiliate's 2012 consolidated financial statements, and our report dated August 13, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of the Henry Ford Learning Institute and Affiliate taken as a whole. The Consolidated Schedule of Expenses by Location, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 13, 2014

Henry Ford Learning Institute and Affiliate

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,408,495	\$ 2,307,182
Investments	3,648,478	3,183,000
Accounts receivable	70,827	109,280
Due from governmental units	35,784	74,405
Due from affiliate	202,708	150,953
Deferred expenses	5,790	-
Prepays	716	10,967
	<u>5,372,798</u>	<u>5,835,787</u>
Total current assets		
Noncurrent assets		
Fixed assets, net of accumulated depreciation	<u>99,954</u>	<u>137,740</u>
TOTAL ASSETS	<u><u>\$ 5,472,752</u></u>	<u><u>\$ 5,973,527</u></u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 140,493	\$ 123,386
Accrued liabilities	101,338	144,466
Unearned revenue	-	719,080
	<u>241,831</u>	<u>986,932</u>
TOTAL LIABILITIES	<u>241,831</u>	<u>986,932</u>
NET ASSETS		
Temporarily restricted	863,282	587,735
Unrestricted	<u>4,367,639</u>	<u>4,398,860</u>
	<u>5,230,921</u>	<u>4,986,595</u>
TOTAL NET ASSETS	<u>5,230,921</u>	<u>4,986,595</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,472,752</u></u>	<u><u>\$ 5,973,527</u></u>

See accompanying notes to the consolidated financial statements.

Henry Ford Learning Institute and Affiliate

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year Ended December 31, 2013
 (With Comparative Totals for the Year Ended December 31, 2012)

	2013			2012 Total
	Unrestricted	Temporarily Restricted	Total	
SUPPORT AND REVENUE				
Ford Motor Company Fund				
Network schools	\$ 250,000	\$ -	\$ 250,000	\$ 250,000
Ford NGL	-	934,000	934,000	812,000
Kellogg Foundation	-	611,348	611,348	140,118
Local program revenue	13,084	-	13,084	18,411
State program revenue	-	1,411,240	1,411,240	1,216,717
Federal program revenue	-	74,656	74,656	93,415
In-kind contributions	240,000	-	240,000	240,000
Contributions	14,618	-	14,618	217,340
Charges for services				
Network service fee	647,685	-	647,685	609,362
Administration fee	86,000	-	86,000	83,000
Consulting revenue	97,153	-	97,153	40,343
Investment income	5,021	-	5,021	21,143
Net assets released from restriction	2,755,697	(2,755,697)	-0-	-
TOTAL SUPPORT AND REVENUE	4,109,258	275,547	4,384,805	3,741,849
EXPENSES				
Program services				
Network schools	2,401,767	-	2,401,767	2,060,111
Ford NGL	890,191	-	890,191	829,881
Supporting services				
Management and general	767,709	-	767,709	605,473
Fundraising	80,812	-	80,812	71,231
TOTAL EXPENSES	4,140,479	-0-	4,140,479	3,566,696
CHANGE IN NET ASSETS	(31,221)	275,547	244,326	175,153
Net assets, beginning of year	4,398,860	587,735	4,986,595	4,811,442
Net assets, end of year	<u>\$ 4,367,639</u>	<u>\$ 863,282</u>	<u>\$ 5,230,921</u>	<u>\$ 4,986,595</u>

See accompanying notes to the consolidated financial statements.

Henry Ford Learning Institute and Affiliate

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2013
 (With Comparative Totals for the Year Ended December 31, 2012)

	Program Services	
	Network Schools	Ford NGL
Salaries and wages	\$ 1,405,808	\$ 270,221
Fringe benefits and related expenses	180,867	95,813
Total salaries, wages, and related expenses	1,586,675	366,034
Professional fees/contracted services	222,437	364,177
Office expenses	10,450	53,713
Rent	199,309	-
Travel, meals, and lodging	36,754	98,402
Training and professional development	121,161	7,865
Insurance	5,197	-
Grants to network schools	49,906	-
Scholarships	50,000	-
Other	80,919	-
Total expenses before depreciation	2,362,808	890,191
Depreciation	38,959	-
TOTAL EXPENSES	<u>\$ 2,401,767</u>	<u>\$ 890,191</u>

See accompanying notes to the consolidated financial statements.

<u>Supporting Service</u>			
<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>2012 Total</u>
\$ 403,096	\$ 42,431	\$ 2,121,556	\$ 1,714,281
66,543	7,005	350,228	265,798
469,639	49,436	2,471,784	1,980,079
141,084	14,851	742,549	843,371
15,431	1,624	81,218	71,507
47,935	5,046	252,290	251,853
32,506	3,422	171,084	191,164
31,032	3,266	163,324	102,951
1,250	132	6,579	5,565
-	-	49,906	5,095
-	-	50,000	-
19,462	2,049	102,430	65,495
758,339	79,826	4,091,164	3,517,080
9,370	986	49,315	49,616
<u>\$ 767,709</u>	<u>\$ 80,812</u>	<u>\$ 4,140,479</u>	<u>\$ 3,566,696</u>

Henry Ford Learning Institute and Affiliate
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 244,326	\$ 175,153
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	49,315	49,616
(Increase) decrease in:		
Receivables	25,319	(143,403)
Deferred expenses	(5,790)	-
Prepays	10,251	31,399
Increase (decrease) in:		
Accounts payable	17,107	(21,154)
Accrued liabilities	(43,128)	14,604
Due to affiliate	-	(39,869)
Unearned revenue	(719,080)	714,234
	(421,680)	780,580
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,694,543)	(3,183,000)
Purchase of fixed assets	(11,529)	(1,658)
Sale of investments	1,229,065	3,718,000
	(477,007)	533,342
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(898,687)	1,313,922
Cash and cash equivalents, beginning of year	2,307,182	993,260
Cash and cash equivalents, end of year	\$ 1,408,495	\$ 2,307,182

See accompanying notes to the consolidated financial statements.

Henry Ford Learning Institute and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Henry Ford Learning Institute (HFLI, the Institute) was incorporated on March 30, 1999, as a nonprofit corporation to create innovative small schools and hands on learning programs that leverage a wide range of local resources to create thriving communities where education is everyone's responsibility.

The Institute operates under a Board of Directors that consists of both appointed and elected members and an Executive Director who is appointed by the Board of Directors. The Institute's support and revenue is generated by philanthropic contributions, grants, and service fees from schools it supports.

The accounting policies of the Institute conform to U.S. generally accepted accounting principles (GAAP) as applicable to nonprofit entities. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing nonprofit accounting and financial reporting principles.

The accompanying consolidated financial statements reflect the activities of the Institute and its affiliate, the Henry Ford Academy: Alameda School for Art + Design (HFA: ASAD). HFA: ASAD is a network charter school located in San Antonio, Texas that is consolidated with HFLI because under Texas law the school may not have a separate Employer Identification Number (EIN). As a result, all employees are paid under HFLI's EIN. This condition is expected to be temporary until HFA: ASAD is allowed under Texas law to establish its own EIN. All intercompany transactions and balances have been eliminated in the consolidation, except as noted below. HFA: ASAD is reported as of the most recent fiscal year ends, which are August 31, 2013 and 2012.

The following is a summary of the significant accounting policies of the Henry Ford Learning Institute.

Basis of Presentation - In accordance with GAAP, the Institute is required to report information regarding its financial position and activities according to three (3) classes of net assets (unrestricted, temporarily restricted, and permanently restricted) based upon the existence or absence of donor-imposed restrictions.

GAAP also require contributions received to be recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The Institute has not received any contributions with donor-imposed restrictions that would result in permanently restricted net assets as of December 31, 2013 or December 31, 2012.

Basis of Accounting - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the consolidated financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

The consolidated financial statements are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for nonprofit organizations.

Cash and Cash Equivalents - Cash and cash equivalents consist of checking and money market accounts.

Investments - Investments consist of certificates of deposit, corporate bonds, and municipal bonds. Investments are recorded at market value in accordance with GAAP.

Prepays - Prepays consist of payments made to vendors that will benefit future periods.

Due to/from Affiliate - Due to/from affiliate consists of intercompany transactions during the period September 1, 2013 through December 31, 2013 and September 1, 2012 through December 31, 2012, and represents the net effect of the difference in fiscal year ends between the two entities being consolidated.

Fixed Assets - Equipment is stated at cost with items or groups of related items capitalized at a cost of \$1,000 or greater. Depreciation is provided using the straight-line method over the useful lives of the respective assets, which range from 5 to 10 years. All fixed assets were purchased with grant funds.

Henry Ford Learning Institute and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes - Henry Ford Learning Institute is a nonprofit corporation and has been granted exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Institute is not classified as a private foundation.

Contributions - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Allocated Costs - Certain costs of the Institute have been allocated to program or supporting service activities. Salaries and related expenses have been allocated to the activities based upon an estimated allocation of 79% program, 19% management and general, and 2% fundraising. Management and general expenses include those not directly identifiable with any specific function, but provide for the overall support and direction of the Institute.

Estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Subsequent Events - In preparing these consolidated financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through August 13, 2014, the date the consolidated financial statements were available to be issued.

NOTE B: CONCENTRATION OF CREDIT RISK

Cash and cash equivalents were held in checking and money market accounts at year-end with financial institutions as of December 31, 2013, in the amount of \$1,452,894, of which \$902,682 was federally insured by the FDIC. As of December 31, 2012, the Institute had deposits of \$2,312,158 which was insured by the FDIC in the amount of \$752,968.

NOTE C: INVESTMENTS

As of December 31, 2013, investments consisted of:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Moody's or S&P Ratings</u>	<u>Maturity</u>
Municipal bonds				
Auburn Hills, Michigan EDC	\$ 140,000	\$ 140,000	N/A	25.1507 years
Brownstown Charter Twp.	600,000	600,000	VMIG1	8.2192 years
Jackson County EDC	360,000	360,000	N/A	6.8219 years
ABAG FIN Authoirty for Nonprofit Corps	45,000	45,000	N/A	16.7671 years
Perry County Redevelopment EDC	5,000	5,000	A-	11.9178 years
Michigan St. Strategic Fund	1,025,000	1,025,000	N/A	13.9288 years
Wilson County Tenn. Indl. Dev. Brd.	405,000	405,000	A-	23.0959 years
Total municipal bonds	2,580,000	2,580,000		

Henry Ford Learning Institute and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE C: INVESTMENTS - CONTINUED

<u>INVESTMENT TYPE - CONTINUED</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Moody's or S&P Ratings</u>	<u>Maturity</u>
Corporate bonds				
Bellsouth Corp NT	\$ 232,337	\$ 232,337	A-	0.6959 years
General Elec Cap Corp Medium Term Nts	102,992	102,992	AA+	0.8575 years
Goldman Sachs Group Inc Nt	232,153	232,153	A-	0.7397 years
JP Morgan Chase & Co Global Sub Hldg Co	231,811	231,811	A-	0.6959 years
Mellon Fdg Corp Sub Nt	186,185	186,185	A	0.9041 years
Monroe Public County Ser	83,000	83,000	N/A	15.6986 years
Total corporate bonds	<u>1,068,478</u>	<u>1,068,478</u>		
	<u>\$ 3,648,478</u>	<u>\$ 3,648,478</u>		

As of December 31, 2012, investments consisted of:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Moody's or S&P Ratings</u>	<u>Maturity</u>
Municipal bonds				
Auburn Hills, Michigan EDC	\$ 165,000	\$ 165,000	N/A	26.1370 years
Brownstown Charter Twp.	655,000	655,000	VMIG1	9.2055 years
Jackson County EDC	65,000	65,000	N/A	7.8082 years
Michigan Higher Ed. FACS Auth.	495,000	495,000	N/A	20.0548 years
Michigan St. Strategic Fund	1,070,000	1,070,000	N/A	8.8844 years
Oakland County EDC	165,000	165,000	N/A	10.6849 years
Perry County Redevelopment EDC	15,000	15,000	N/A	12.9041 years
Wilson County Tenn. Indl. Dev. Brd.	420,000	420,000	N/A	24.0822 years
ABAG FIN Authority for Nonprofit Corps	45,000	45,000	VMIG1	17.7534 years
Total municipal bonds	3,095,000	3,095,000		
Corporate bonds				
Monroe Public County Ser	<u>88,000</u>	<u>88,000</u>	N/A	16.6849 years
	<u>\$ 3,183,000</u>	<u>\$ 3,183,000</u>		

NOTE D: DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs. There are three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE D: DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS - CONTINUED

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include investment cash and various types of mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

The following tables present the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall.

As of December 31, 2013, fair value measurement and the level within the fair value hierarchy in which the fair value measurements fall were as follows:

	<u>Fair Value Measurements Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Municipal bonds	\$ 2,580,000	\$ 2,580,000	\$ -	\$ -
Corporate bonds	1,068,478	1,068,478	-	-
	<u>\$ 3,648,478</u>	<u>\$ 3,648,478</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

As of December 31, 2012, fair value measurement and the level within the fair value hierarchy in which the fair value measurements fall were as follows:

	<u>Fair Value Measurements Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Municipal bonds	\$ 3,095,000	\$ 3,095,000	\$ -	\$ -
Corporate bonds	88,000	88,000	-	-
	<u>\$ 3,183,000</u>	<u>\$ 3,183,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Henry Ford Learning Institute and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE E: FIXED ASSETS

The following is a summary of the changes in fixed assets for the year ended December 31, 2013:

	Balance Jan. 1, 2013	Additions	Deletions	Balance Dec. 31, 2013
Equipment	\$ 304,526	\$ 11,529	\$ -	\$ 316,055
Less: accumulated depreciation	(166,786)	(49,315)	-	(216,101)
	<u>\$ 137,740</u>	<u>\$ (37,786)</u>	<u>\$ -0-</u>	<u>\$ 99,954</u>

The following is a summary of the changes in fixed assets for the year ended December 31, 2012:

	Balance Jan. 1, 2012	Additions	Deletions	Balance Dec. 31, 2012
Equipment	\$ 302,868	\$ 1,658	\$ -	\$ 304,526
Less: accumulated depreciation	(117,170)	(49,616)	-	(166,786)
	<u>\$ 185,698</u>	<u>\$ (47,958)</u>	<u>\$ -0-</u>	<u>\$ 137,740</u>

NOTE F: SIGNIFICANT TRANSACTIONS

The following significant transactions occurred during the years ended December 31, 2013 and 2012:

The Institute is reporting through its books the costs of curriculum dissemination activities for Ford Motor Company Fund's (Fund) educational program called the Ford Next Generation Learning (NGL). A licensing agreement between the Institute and the Fund exists that grants the ability to identify and disseminate the NGL curriculum to suitable K-12 public education entities for the purposes of supporting educational innovations in public schools across the country. The Institute contracts with the Ford Motor Company Fund to disseminate Ford NGL.

NOTE G: RELATED PARTY TRANSACTIONS

The Institute provides startup, administrative, and ongoing support services to schools and education related entities that it helps launch in various communities. The Institute provides significant philanthropic and in-kind support to these entities during startup and once operational they pay fees for services based on an agreed upon level. In 2013, total grants made to schools were \$49,906 and fees for services provided to schools were \$647,685. In 2012, total grants made to schools were \$5,095 and fees for services provided to schools were \$609,362.

NOTE H: UNCERTAINTY IN INCOME TAXES

Federal tax law provides tax benefits to nonprofit organizations recognized as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code (Code). The Code requires that tax-exempt organizations must comply with federal tax law to maintain tax-exempt status and avoid penalties.

As an exempt organization as described in Section 501(c)(3) of the Code that has been classified as other than a private foundation, Henry Ford Learning Institute is only subject to tax on unrelated business income as defined by Section 509(a)(1) of the Code. Henry Ford Learning Institute has no unrelated business income for the years ended December 31, 2013 or December 31, 2012. Accordingly, a provision for income taxes has not been made on the financial statements.

Henry Ford Learning Institute and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE H: UNCERTAINTY IN INCOME TAXES - CONTINUED

The amount of income tax benefit that may be disallowed by the Internal Revenue Service (IRS), if any, cannot be determined at this time although the Henry Ford Learning Institute expects such amounts, if any, to be immaterial.

Interest and/or penalties on an amount of income taxes deemed underpaid, if any, will be classified as income taxes in the financial statements. The Henry Ford Learning Institute has not recognized any interest or penalties payable in the Consolidated Statement of Financial Position as of December 31, 2013 or December 31, 2012, or interest or penalties expense in the Consolidated Statement of Activities for the years then ended.

The Henry Ford Learning Institute is subject to IRS and state examinations for a period of three (3) years after the Form 990 has been filed.

NOTE I: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are those net assets whose use has been limited by donors for specific purposes or for use in specific future periods. Annual distributions are made in accordance with donor restrictions and in accordance with Board policy.

The following provides the detail of the temporarily restricted net assets at December 31, 2013:

Ford Motor Company	
Ford NGL	\$ 492,066
Kellogg Foundation	<u>371,216</u>
Total temporarily restricted net assets	<u>\$ 863,282</u>

The following provides the detail of the temporarily restricted net assets at December 31, 2012:

Ford Motor Company	
Ford NGL	<u>\$ 587,735</u>

SUPPLEMENTARY INFORMATION

Henry Ford Learning Institute and Affiliate
SCHEDULE OF EXPENSES BY LOCATION
Year Ended December 31, 2013

	<u>HFLI Central</u>	<u>Ford NGL</u>	<u>Model Development</u>
Salaries and wages	\$ 753,215	\$ 270,221	\$ 186,487
Fringe benefits and related expenses	<u>164,254</u>	<u>95,813</u>	<u>-</u>
Total salaries, wages, and related expenses	917,469	366,034	186,487
Professional fees/contracted services	115,112	364,177	16,969
Office expenses	-	53,713	4,221
Rent	12,290	-	-
Travel, meals, and lodging	32,326	98,402	-
Training and professional development	1,848	7,865	-
Insurance	6,579	-	-
Grants to network schools	1,906	-	-
Scholarships	50,000	-	-
Other	<u>15,461</u>	<u>-</u>	<u>-</u>
Total expenses before depreciation	1,152,991	890,191	207,677
Depreciation	<u>28,174</u>	<u>-</u>	<u>-</u>
TOTAL EXPENSES	<u><u>\$ 1,181,165</u></u>	<u><u>\$ 890,191</u></u>	<u><u>\$ 207,677</u></u>

<u>Detroit</u>	<u>Chicago</u>	<u>San Antonio</u>	<u>Total</u>
\$ -	\$ -	\$ 911,633	\$ 2,121,556
-	-	90,161	350,228
-0-	-0-	1,001,794	2,471,784
6,679	348	239,264	742,549
1,147	30	22,107	81,218
-	-	240,000	252,290
1,261	14,965	24,130	171,084
-	-	153,611	163,324
-	-	-	6,579
-	3,000	45,000	49,906
-	-	-	50,000
-	-	86,969	102,430
9,087	18,343	1,812,875	4,091,164
-	-	21,141	49,315
<u>\$ 9,087</u>	<u>\$ 18,343</u>	<u>\$ 1,834,016</u>	<u>\$ 4,140,479</u>