



FIRELIGHT FOUNDATION

Financial Statements

For the Years Ended June 30, 2016 and 2015



**and
Report Thereon**



FIRELIGHT FOUNDATION

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For the Years Ended June 30, 2016 and 2015

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Firelight Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of the Firelight Foundation (Firelight), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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 Firelight as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Continued

Correction of Error

As discussed in Note 13 to the financial statements, an error in failing to recognize the revenue and expenses of a project of Firelight for the year ended June 30, 2015, was discovered during the current year. Accordingly, amounts reported for funds held as fiscal agent, temporarily restricted net assets, revenue and expense have been restated in the 2015 financial statements now presented, to correct the error. Our opinion is not modified with respect to that matter.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of functional expenses for the years ended June 30, 2016 and 2015, are presented for purposes of additional analysis and are 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 supplemental schedules of functional expenses have 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 supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

Raffa, P.C.

Raffa, P.C.

Washington, D.C.
October 21, 2016

FIRELIGHT FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 712,668	\$ 1,825,785
Grants and pledges receivable	2,959,485	1,380,543
Investments	4,213,751	4,577,809
Prepaid expenses and other assets	41,968	47,444
Property and equipment, net of accumulated depreciation of \$84,630 and \$75,929, respectively	<u>11,329</u>	<u>15,566</u>
TOTAL ASSETS	<u><u>\$ 7,939,201</u></u>	<u><u>\$ 7,847,147</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 95,967	\$ 124,560
Grants payable	98,500	388,100
Refundable advance	<u>29,784</u>	<u>78,007</u>
TOTAL LIABILITIES	<u>224,251</u>	<u>590,667</u>
Net Assets		
Unrestricted	3,310,424	3,706,716
Temporarily restricted	<u>4,404,526</u>	<u>3,549,764</u>
TOTAL NET ASSETS	<u>7,714,950</u>	<u>7,256,480</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 7,939,201</u></u>	<u><u>\$ 7,847,147</u></u>

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

FIRELIGHT FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 240,157	\$ 3,395,341	\$ 3,635,498
Investment losses, net	(107,245)	-	(107,245)
Other income	144,621	-	144,621
Net assets released from restrictions:			
Satisfaction of time restrictions	241,060	(241,060)	-
Satisfaction of program restrictions	2,299,519	(2,299,519)	-
TOTAL REVENUE AND SUPPORT	2,818,112	854,762	3,672,874
EXPENSES			
Program Services:			
Grants awarded	1,206,215	-	1,206,215
Program and grant-making expenses	1,202,500	-	1,202,500
Total Program Services	2,408,715	-	2,408,715
Supporting Services:			
Management and general	688,693	-	688,693
Fundraising	116,996	-	116,996
Total Supporting Services	805,689	-	805,689
TOTAL EXPENSES	3,214,404	-	3,214,404
CHANGE IN NET ASSETS	(396,292)	854,762	458,470
NET ASSETS, BEGINNING OF YEAR	3,706,716	3,549,764	7,256,480
NET ASSETS, END OF YEAR	\$ 3,310,424	\$ 4,404,526	\$ 7,714,950

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

FIRELIGHT FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 365,848	\$ 4,279,634	\$ 4,645,482
Investment losses, net	(90,693)	-	(90,693)
Other income	196,536	-	196,536
Net assets released from restrictions:			
Satisfaction of time restrictions	413,038	(413,038)	-
Satisfaction of program restrictions	1,782,428	(1,782,428)	-
TOTAL REVENUE AND SUPPORT	2,667,157	2,084,168	4,751,325
EXPENSES			
Program Services:			
Grants awarded	809,381	-	809,381
Program and grant-making expenses	1,752,664	-	1,752,664
Total Program Services	2,562,045	-	2,562,045
Supporting Services:			
Management and general	614,845	-	614,845
Fundraising	271,269	-	271,269
Total Supporting Services	886,114	-	886,114
TOTAL EXPENSES	3,448,159	-	3,448,159
CHANGE IN NET ASSETS	(781,002)	2,084,168	1,303,166
NET ASSETS, BEGINNING OF YEAR	4,487,718	1,465,596	5,953,314
NET ASSETS, END OF YEAR	\$ 3,706,716	\$ 3,549,764	\$ 7,256,480

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

FIRELIGHT FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015
(Decrease) Increase in Cash and Cash Equivalents

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 458,470	\$ 1,303,166
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Realized (gains) losses	(173,357)	28,376
Unrealized losses	421,480	196,800
Depreciation	8,701	16,687
Changes in assets and liabilities:		
Grants and pledges receivable	(1,578,942)	(480,310)
Prepaid expenses and other assets	5,476	27,998
Accounts payable and accrued expenses	(28,593)	(65,322)
Grants payable	(289,600)	(367,400)
Refundable advance	(48,223)	78,007
Funds held as fiscal agent	-	(500)
	(1,224,588)	737,502
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of investments	3,011,152	1,583,578
Purchase of investments	(2,895,217)	(1,485,756)
Purchase of property and equipment	(4,464)	-
	111,471	97,822
NET CASH PROVIDED BY INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,113,117)	835,324
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,825,785	990,461
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 712,668	\$ 1,825,785

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

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2016 and 2015

1. Organization and Summary of Significant Accounting Policies

Organization

The Firelight Foundation (Firelight) is a public charity that was incorporated under the laws of California in May 2010 and began operations on July 1, 2010. Firelight's mission is to identify, fund and strengthen promising community organizations that support the health, resilience and education of children in Africa.

Firelight works to address these needs through four interrelated activities: grant-making; monitoring, and evaluation and technical assistance; strategic alliances; and public awareness and donor outreach. Firelight supports grassroots organizations that are strengthening the traditional safety nets of the extended family and community through a range of programs. Firelight supports these organizations by providing initial grants of \$1,000 to \$15,000. Firelight makes regrants to partner organizations based on the effectiveness of their programs and the partners' potential for strengthening capacities and fostering exchange.

These activities are primarily supported by grants and contributions from individuals, corporations and foundations.

Cash Equivalents

Cash and cash equivalents include cash on hand, cash on deposit with banks, and highly liquid investments purchased with an original maturity of three months or less. Firelight also considers all money market funds to be cash equivalents.

Investments

Investments consist of equity funds and fixed-income funds. These investments are recorded in the accompanying financial statements at their estimated fair value. Fair value is 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. Quoted market prices are used to value the equities and fixed-income funds.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the respective assets, which range from three to seven years, with no salvage value. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in revenue or expenses in the accompanying statements of activities.

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2016 and 2015

1. Organization and Summary of Significant Accounting Policies (continued)

Classification of Net Assets

Firelight's net assets are reported as follows:

- Unrestricted net assets result from revenues derived from unrestricted contributions, investment income and other inflows of assets whose use is not limited by donor-imposed restrictions and are available for the support of Firelight's operations. The Board of Directors has designated a portion of Firelight's unrestricted net assets to serve as a reserve.
- Temporarily restricted net assets result from contributions that are specifically restricted by donors for various programs or for use in future periods.

Revenue Recognition

Contributions are reported as revenue in the year in which payments are received and/or unconditional promises are made. Gifts of cash and other assets that are received with donor stipulations limiting the use of the donated assets are reported as temporarily restricted. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Revenue recognized on these contributions that has not been received as of year-end is shown as grants and pledges receivable in the accompanying statements of financial position.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows if material. The discounts on those amounts are computed using risk-free interest rates appropriate for the expected term of the promise to give. Amortization of the discount is included in grants and contributions in the accompanying statements of activities. Conditional promises to give are not included in grants and contributions until the conditions of the grant are substantially met.

Funds received for performance under program service agreements are reported as revenue when services are performed. When funds related to service agreements are received prior to services being performed, these funds are recorded as a refundable advance in the accompanying statements of financial position.

In-Kind Contributions

In-kind contributions include donated stock, services, equipment and inventory and are recognized as revenue and expenses at their estimated fair value at the date of donation. It is Firelight's policy to sell donated stock as soon as possible after receipt.

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2016 and 2015

1. Organization and Summary of Significant Accounting Policies (continued)

Grants Payable

Unconditional grants and contributions are recorded as expenses when approved by Firelight's Board of Directors. Multiyear grants are recorded in the accompanying financial statements at their net present value using an appropriate rate of return as of the date the gift is made in cases in which such a discount is material. Grant funds must be used in accordance with the grant agreement. If the recipient organization is unable to use the funds for the purposes stated in the grant agreement, it is required to return the funds to Firelight. These amounts are included in other income in the accompanying statements of activities.

Functional Allocation of Expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on various methods deemed to justify the benefits received by those programs and supporting services.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Investments

Firelight's investments consisted of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Equity funds	\$ 3,076,674	\$ 3,343,349
Fixed-income funds	<u>1,137,077</u>	<u>1,234,460</u>
Total	<u>\$ 4,213,751</u>	<u>\$ 4,577,809</u>

Investment returns are summarized as follows for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Realized gains (losses)	\$ 173,357	\$ (28,376)
Capital gain distributions	73,421	71,038
Unrealized losses	(421,480)	(196,800)
Interest and dividends	100,884	99,711
Investment fees	<u>(33,427)</u>	<u>(36,266)</u>
Total	<u>\$ (107,245)</u>	<u>\$ (90,693)</u>

Continued

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2016 and 2015

3. Fair Value Measurements

In accordance with the accounting standards for fair value measurements for those assets and liabilities that are measured at fair value on a recurring basis, Firelight has categorized its applicable financial instruments into a required 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 financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument. Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Values that are based on unadjusted, quoted prices for identical assets or liabilities in active markets that are accessible. Investments valued using Level 1 inputs include those traded on active exchanges, such as the New York Stock Exchange.

Level 2 – Values that are based on quoted prices in markets that are not active or that are not based on information that is observable, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Values that are based on unobservable information for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

The following table summarizes Firelight's assets measured at fair value on a recurring basis, aggregated by the fair value hierarchy level with which those measurements were made, as of June 30, 2016:

	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Equity funds:				
Large cap growth	\$ 859,214	\$ 859,214	\$ -	\$ -
International – developed and emerging markets	566,343	566,343	-	-
Mid and large cap blend	517,827	517,827	-	-
International – small/medium blend	462,797	462,797	-	-
Absolute return	265,550	265,550	-	-
International large cap blend	189,488	189,488	-	-
Natural resources/ commodities	166,035	166,035	-	-
Emerging markets	<u>49,420</u>	<u>49,420</u>	<u>-</u>	<u>-</u>
Total Equity Funds	<u>3,076,674</u>	<u>3,076,674</u>	<u>-</u>	<u>-</u>

Continued

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

3. Fair Value Measurements (continued)

<i>(Continued)</i>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Fixed-income funds:				
Domestic intermediate	\$ 761,782	\$ 761,782	\$ -	\$ -
Domestic short term	<u>375,295</u>	<u>375,295</u>	<u>-</u>	<u>-</u>
Total Fixed-Income Funds	<u>1,137,077</u>	<u>1,137,077</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,213,751</u>	<u>\$ 4,213,751</u>	<u>\$ -</u>	<u>\$ -</u>

The following table summarizes Firelight's assets measured at fair value on a recurring basis, aggregated by the fair value hierarchy level with which those measurements were made, as of June 30, 2015:

	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Equity funds:				
International large cap blend	\$ 876,829	\$ 876,829	\$ -	\$ -
Large cap blend	804,199	804,199	-	-
Large cap growth	670,707	670,707	-	-
International – small/medium blend	383,872	383,872	-	-
Absolute return	283,685	283,685	-	-
Emerging markets	197,901	197,901	-	-
Natural resources/ commodities	<u>126,156</u>	<u>126,156</u>	<u>-</u>	<u>-</u>
Total Equity Funds	<u>3,343,349</u>	<u>3,343,349</u>	<u>-</u>	<u>-</u>
Fixed-income funds:				
Domestic	1,059,836	1,059,836	-	-
International	<u>174,624</u>	<u>174,624</u>	<u>-</u>	<u>-</u>
Total Fixed-Income Funds	<u>1,234,460</u>	<u>1,234,460</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,577,809</u>	<u>\$ 4,577,809</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2016 and 2015

3. Fair Value Measurements (continued)

Firelight used the following methods and significant assumptions to estimate fair value for its assets recorded at fair value:

Equity funds and fixed-income funds – Valued using quoted prices in an active market.

4. Grants and Pledges Receivable

Grants and pledges receivable represent contributions from nonprofit organizations, corporations and individuals.

As of June 30, 2016 and 2015, all receivables are considered fully collectible and are expected to be collected as follows:

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 2,272,984	\$ 875,543
One to five years	<u>686,501</u>	<u>505,000</u>
Total	<u>\$ 2,959,485</u>	<u>\$ 1,380,543</u>

No discount was recorded for the multiyear pledges receivable due in one to five years, as the discount was not material to the financial statements for the years ended June 30, 2016 and 2015.

5. Conditional Grants

During the year ended June 30, 2015, Firelight was awarded a temporarily restricted conditional grant totaling \$2,300,000. This grant is contingent upon approval from the sponsoring organization of the future year payments. For the year ended June 30, 2015, Firelight recognized \$1,600,000 in revenue under this grant. The balance of \$700,000 remained conditional as of June 30, 2016, and therefore Firelight had not recognized the amount as revenue. There were no new conditional grants awarded for the year ended June 30, 2016.

6. Grants Payable

Firelight distributes grants to various organizations. Firelight unconditionally promised to give grant awards totaling \$98,500 and \$388,100 as of June 30, 2016 and 2015, respectively. The grant awards outstanding as of June 30, 2016 and 2015 are due to be paid within one year.

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

6. Grants Payable (continued)

The grant awards payable are for the following purposes:

	2016	2015
Child protection/rights	\$ 40,000	\$ 7,000
Organizational capacity building	25,000	-
Early childhood development	16,500	171,100
Learning support	10,000	10,000
Economic strengthening	7,000	-
Secondary education	-	200,000
Total	\$ 98,500	\$ 388,100

7. Temporarily Restricted Net Assets

As of June 30, 2016 and 2015, Firelight's temporarily restricted net assets are available for the following purposes or time periods:

	2016	2015
Grant making	\$ 1,520,592	\$ 1,433,807
Capacity building	970,259	605,044
Advocacy	652,126	111,858
Time restricted for use in future periods	515,589	576,633
Personnel	399,606	540,133
Organizational learning	326,577	123,473
Other program expenses	19,777	158,816
Total	\$ 4,404,526	\$ 3,549,764

8. Funds Functioning as an Endowment (FFE)

Firelight's board has formed a board-designated quasi-endowment fund. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. As a result, Firelight's endowment fund is included in unrestricted net assets as the restrictions were imposed by the Board of Directors and not an outside donor.

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2016 and 2015

8. Funds Functioning as an Endowment (FFE) (continued)

Endowment Composition and Activity

Firelight's board-designated endowment net assets had the following activity:

	<u>2016</u>	<u>2015</u>
FFE net assets, beginning of year	\$ 3,706,716	\$ 4,487,718
Investment return		
Interest and dividends and other income	174,305	170,749
Realized and unrealized gains (losses)	<u>(248,123)</u>	<u>(225,176)</u>
Total Investment Return (loss)	(73,818)	(54,427)
Investment fees	(33,427)	(36,266)
Appropriation of assets	<u>(180,000)</u>	<u>(200,000)</u>
Long-Term Reserve (Including Cash Equivalents)	3,419,471	4,197,025
Due to operations	<u>(109,407)</u>	<u>(490,309)</u>
FFE Net Assets End of Year	<u>\$ 3,310,424</u>	<u>\$ 3,706,716</u>

Return Objectives and Risk Parameters

Firelight has adopted investment and spending policies for board-designated assets that attempt to provide long-term growth of capital and preservation of purchasing power of the endowment assets. Where appropriate, impact investing to provide a positive impact on social and environmental issues is used. Quasi-endowment assets are board-designated funds. Under this policy, as approved by the Board of Directors, the board-designated assets are invested to provide for a spending rate that keeps pace with inflation while protecting and growing the real value of the corpus.

Strategies Employed for Achieving Objectives

The board-designated funds are invested at least 90% in marketable securities. To ensure marketability and liquidity, equity investments are executed through nationally recognized exchanges. To provide general control over illiquidity, at least 90% of the portfolio is invested in assets with daily liquidity. Remaining assets may be invested in assets with a one-to-three year lock-up and annual liquidity.

Spending Policy

Firelight's policy is to make available on July 1 of each year, as expendable income, an amount equal to the greater of the yearly return of the previous fiscal year or 4% of the average of the long-term reserve funds' total market value for the four quarters ending March 31 of the previous fiscal year. The Board may also authorize withdrawal of the principal of the quasi-endowment should it be determined to be in the best interest of Firelight. As of June 30, 2016 and 2015, Firelight had \$109,407 and \$490,309 of invested funds "owed to" operations, respectively.

Continued

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2016 and 2015

9. Commitments

Firelight's operating lease for its current office space in Santa Cruz, California, expired on November 30, 2014. Firelight entered into lease renewals on August 25, 2014, and on September 27, 2016, which extended the lease through November 30, 2016 and November 30, 2018, respectively. The leases provide for monthly rental payments, as well as an annual share of the landlord's operating expenses. Rent increases each year based on the Consumer Price Index for the San Francisco-Oakland-San Jose area. Rent expense associated with the lease totaled \$96,696 and \$87,225 for the years ended June 30, 2016 and 2015, respectively, and is included in occupancy expense in the accompanying supplemental schedules of functional expenses.

In July 2015, Firelight entered into a sublease agreement for a portion of its office space for a monthly rental payment of \$1,900. The sublease became effective August 15, 2015, and expires on November 30, 2016.

In November 2015, Firelight entered into an additional sublease agreement for a portion of its office space for a monthly rental payment of \$1,975. The sublease became effective December 1, 2015, and expires on November 30, 2016. For the year ending June 30, 2017, future minimum lease payments, net of sublease payments, are as follows:

<u>For the Year Ending June 30,</u>	<u>Lease Commitment</u>	<u>Sublease Income</u>	<u>Net</u>
2017	\$ 62,003	\$ (19,950)	\$ 42,053
2018	44,924	-	44,924
2019	<u>18,969</u>	<u>-</u>	<u>18,969</u>
Total	<u>\$ 125,896</u>	<u>\$ (19,950)</u>	<u>\$ 105,946</u>

10. Pension Plan

Firelight maintains a tax-deferred SIMPLE IRA plan, which is available to all eligible employees. Firelight will match employee contributions to the plan on a dollar-for-dollar basis, up to 3% of the employee's base annual earnings. Pension expense totaled \$15,119 and \$28,203 for the years ended June 30, 2016 and 2015, respectively, and is included in salaries and benefits in the accompanying supplemental schedules of functional expenses.

11. Income Taxes

On August 10, 2010, Firelight received notification from the Internal Revenue Service (IRS) that Firelight was approved for exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified as a public charity under Section 170(b)(1)(A)(vi) of the IRC. Firelight is exempt from the payment of federal and state taxes on income other than net unrelated business income. No provision for income taxes is required for the years ended June 30, 2016 and 2015, as Firelight had no net unrelated business income.

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2016 and 2015

11. Income Taxes (continued)

As of June 30, 2016, tax years reasonably considered open and subject to examination include returns for the years ended June 30, 2013, through June 30, 2015. There is no provision for income tax for the years ended June 30, 2016 or 2015, as Firelight had no unrelated business income.

In accordance with Federal Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, Firelight has evaluated its income tax positions for the years ended June 30, 2016 and 2015, and determined that there were no material uncertain tax positions. Accordingly, Firelight has not recognized any liability for unrecognized income tax. It is Firelight's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

12. Concentration of Credit Risk

Firelight's cash is held in accounts at certain commercial financial institutions, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit per depositor per institution. As of June 30, 2016, Firelight had approximately \$205,000, composed of cash accounts, in excess of the FDIC limit. As of June 30, 2015, Firelight had no amounts in excess of the FDIC limit. Firelight also has cash equivalents held at certain commercial financial institutions, which aggregate balance, at times, may exceed the Securities Investor Protection Corporation (SIPC) limit of \$250,000 for uninvested cash balances. As of June 30, 2016 and 2015, Firelight had approximately \$19,000 and \$1,403,000, respectively, in excess of the SIPC coverage. Firelight monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash and cash equivalents.

13. Correction of an Error

During the fiscal year ended June 30, 2016, Firelight discovered an error in its audited financial statements for the year ended June 30, 2015. The error related to the proper treatment of revenue that has been previously accounted for as a pass-through instead of a program of Firelight. As a result, a liability was recorded for the unspent funds and the contribution revenue and related expenses were incorrectly excluded from Firelight's financial statements.

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2016 and 2015

13. Correction of an Error (continued)

The following is a reconciliation of financial statement account balances to properly correct the error:

	<u>Funds Held as Fiscal Agent</u>	<u>Contribution Revenue</u>	<u>Release of Temporarily Restricted Net Assets</u>	<u>Program Expenses</u>
June 30, 2015, balance, as previously stated	\$ 90,636	\$ 4,471,525	\$ 285,980	\$ 2,434,987
Adjustment to properly record	<u>(90,636)</u>	<u>173,957</u>	<u>127,058</u>	<u>127,058</u>
June 30, 2015, balance, as restated	<u>\$ -</u>	<u>\$ 4,645,482</u>	<u>\$ 413,038</u>	<u>\$ 2,562,045</u>

This correction resulted in an increase in temporarily restricted net assets and total net assets as of July 1, 2014, of \$43,737. In addition, this correction resulted in an increase to temporarily restricted net assets and ending net assets for the year ended June 30, 2015 of \$90,636 and resulted in an increase to the change in temporarily restricted net assets and the total change in net assets of \$90,636.

14. Reclassifications

Certain 2015 natural expense categories have been reclassified to conform to the 2016 financial statement presentation.

15. Subsequent Events

Firelight's management has evaluated events and transactions for potential recognition or disclosure through October 21, 2016, the date the financial statements were available to be issued. There were no subsequent events that recognition of or disclosure in these financial statements other than disclosure of the signing of a lease amendment which is more fully described in Note 9, Commitments.

SUPPLEMENTAL INFORMATION

FIRELIGHT FOUNDATION
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Grants Awarded</u>	<u>Program and Grant-Making Expenses</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries and benefits	\$ -	\$ 363,344	\$ 460,842	\$ 68,888	\$ 893,074
Grants	1,206,215	-	-	-	1,206,215
Consulting expense	-	689,895	119,590	3,416	812,901
Travel, conferences and meetings	-	57,154	9,668	16,609	83,431
Occupancy	-	43,832	55,729	12,619	112,180
Office expenses	-	19,695	21,080	13,061	53,836
Other expenses	-	25,040	17,294	1,732	44,066
Depreciation	-	3,540	4,490	671	8,701
Bad debt expense	-	-	-	-	-
TOTAL	<u>\$ 1,206,215</u>	<u>\$ 1,202,500</u>	<u>\$ 688,693</u>	<u>\$ 116,996</u>	<u>\$ 3,214,404</u>

FIRELIGHT FOUNDATION
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2015

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Grants Awarded</u>	<u>Program and Grant-Making Expenses</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries and benefits	\$ -	\$ 817,772	\$ 479,866	\$ 180,027	\$ 1,477,665
Grants	795,890	-	-	-	795,890
Consulting expense	-	657,558	54,927	40,439	752,924
Travel, conferences and meetings	-	159,396	14,998	10,281	184,675
Bad debt expense	13,491	-	-	-	13,491
Occupancy	-	54,449	33,750	12,851	101,050
Office expenses	-	44,778	19,267	8,084	72,129
Other expenses	-	12,931	8,294	12,423	33,648
Depreciation	-	5,780	3,743	7,164	16,687
TOTAL	<u>\$ 809,381</u>	<u>\$ 1,752,664</u>	<u>\$ 614,845</u>	<u>\$ 271,269</u>	<u>\$ 3,448,159</u>