



FIRELIGHT FOUNDATION

Financial Statements

For the Years Ended June 30, 2019 and 2018



**and
Report Thereon**



FIRELIGHT FOUNDATION

TABLE OF CONTENTS
For the Years Ended June 30, 2019 and 2018

	<i>Page</i>
Independent Auditors' Report.....	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9-19

INDEPENDENT AUDITORS' 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 statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 2019 financial statements referred to above present fairly, in all material respects, the financial position of the Firelight Foundation as of June 30, 2019, 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.

Prior Period Financial Statements

Firelight's 2018 financial statements were audited by Raffa, P.C., whose practice was combined with Marcum LLP and whose report dated November 5, 2018, expressed an unmodified opinion on those statements.

Marcum LLP

Washington, D.C.
November 7, 2019

FIRELIGHT FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 2,182,297	\$ 1,880,230
Prepaid expenses and other assets	57,976	24,405
Grants and pledges receivable, net	2,065,409	2,050,387
Investments – general	542	546
Investments – funds functioning as a quasi-endowment	3,361,998	3,267,500
Property and equipment, net of accumulated depreciation of \$16,598 and \$13,168, respectively	16,237	11,197
TOTAL ASSETS	\$ 7,684,459	\$ 7,234,265
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 143,321	\$ 134,090
Grants payable	-	50,000
Refundable advance	7,500	6,253
TOTAL LIABILITIES	150,821	190,343
Net Assets		
Without donor restrictions	3,211,888	3,141,984
With donor restrictions	4,321,750	3,901,938
TOTAL NET ASSETS	7,533,638	7,043,922
TOTAL LIABILITIES AND NET ASSETS	\$ 7,684,459	\$ 7,234,265

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

FIRELIGHT FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 576,369	\$ 4,025,992	\$ 4,602,361
Investment income, net	107,855	-	107,855
Other income	144,995	-	144,995
Net assets released from restrictions:			
Satisfaction of time restrictions	3,269,204	(3,269,204)	-
Satisfaction of program restrictions	336,976	(336,976)	-
	4,435,399	419,812	4,855,211
TOTAL REVENUE AND SUPPORT			
EXPENSES			
Program Services:			
Grants awarded	1,528,171	-	1,528,171
Program and grant-making expenses	2,073,839	-	2,073,839
	3,602,010	-	3,602,010
Total Program Services			
Supporting Services:			
Management and general	608,336	-	608,336
Fundraising	155,149	-	155,149
	763,485	-	763,485
Total Supporting Services			
	4,365,495	-	4,365,495
TOTAL EXPENSES			
CHANGE IN NET ASSETS	69,904	419,812	489,716
NET ASSETS, BEGINNING OF YEAR	3,141,984	3,901,938	7,043,922
NET ASSETS, END OF YEAR	\$ 3,211,888	\$ 4,321,750	\$ 7,533,638

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

FIRELIGHT FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Grants and contributions	\$ 218,620	\$ 5,409,331	\$ 5,627,951
Investment income, net	265,645	-	265,645
Other income	310,558	-	310,558
Net assets released from restrictions:			
Satisfaction of time restrictions	231,050	(231,050)	-
Satisfaction of program restrictions	<u>3,536,454</u>	<u>(3,536,454)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>4,562,327</u>	<u>1,641,827</u>	<u>6,204,154</u>
EXPENSES			
Program Services:			
Grants awarded	1,878,196	-	1,878,196
Program and grant-making expenses	<u>2,133,338</u>	<u>-</u>	<u>2,133,338</u>
Total Program Services	<u>4,011,534</u>	<u>-</u>	<u>4,011,534</u>
Supporting Services:			
Management and general	642,138	-	642,138
Fundraising	<u>220,216</u>	<u>-</u>	<u>220,216</u>
Total Supporting Services	<u>862,354</u>	<u>-</u>	<u>862,354</u>
TOTAL EXPENSES	<u>4,873,888</u>	<u>-</u>	<u>4,873,888</u>
CHANGE IN NET ASSETS	(311,561)	1,641,827	1,330,266
NET ASSETS, BEGINNING OF YEAR	<u>3,453,545</u>	<u>2,260,111</u>	<u>5,713,656</u>
NET ASSETS, END OF YEAR	<u><u>\$ 3,141,984</u></u>	<u><u>\$ 3,901,938</u></u>	<u><u>\$ 7,043,922</u></u>

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

FIRELIGHT FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

	Program Services			Supporting Services		Total
	Grants Awarded	Program and Grant-Making Expenses	Program and Grant-Making Expenses	Management and General	Fundraising	
Grants	\$ 1,528,171	\$ -	\$ 1,528,171	\$ -	\$ -	\$ 1,528,171
Salaries and benefits	-	854,241	854,241	360,550	114,211	1,329,002
Consulting expense	-	433,304	433,304	92,319	17,486	543,109
Travel, conferences and meetings	-	430,689	430,689	26,757	4,829	462,275
Program support	-	232,555	232,555	-	-	232,555
Office expenses	-	86,677	86,677	30,906	8,244	125,827
Bad debt expense	-	-	-	67,000	-	67,000
Other expenses	-	27,318	27,318	24,441	6,635	58,394
Occupancy	-	9,055	9,055	6,363	3,744	19,162
TOTAL EXPENSES	\$ 1,528,171	\$ 2,073,839	\$ 3,602,010	\$ 608,336	\$ 155,149	\$ 4,365,495

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

FIRELIGHT FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018

	Program Services			Supporting Services		Total
	Grants Awarded	Program and Grant-Making Expenses	Program and Grant-Making Expenses	Management and General	Fundraising	
Grants	\$ 1,878,196	\$ -	\$ 1,878,196	\$ -	\$ -	\$ 1,878,196
Salaries and benefits	-	683,962	683,962	483,716	136,431	1,304,109
Consulting expense	-	721,302	721,302	103,279	59,611	884,192
Travel, conferences and meetings	-	362,256	362,256	17,713	548	380,517
Program support	-	305,654	305,654	-	2,797	308,451
Office expenses	-	28,075	28,075	26,067	9,594	63,736
Other expenses	-	26,048	26,048	4,194	7,906	38,148
Occupancy	-	6,041	6,041	7,169	3,329	16,539
TOTAL EXPENSES	\$ 1,878,196	\$ 2,133,338	\$ 4,011,534	\$ 642,138	\$ 220,216	\$ 4,873,888

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

FIRELIGHT FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 489,716	\$ 1,330,266
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized gains	(189,708)	(183,368)
Unrealized losses	188,117	6,615
Depreciation	4,954	4,187
Change in the present value discount for grants and pledges	(27,904)	-
Change in the allowance for doubtful accounts	172,539	-
Changes in assets and liabilities:		
Grants and pledges receivable	(159,657)	(1,602,579)
Prepaid expenses and other assets	(33,571)	1,440
Accounts payable	9,231	(15,643)
Grants payable	(50,000)	50,000
Refundable advance	1,247	(56,799)
	404,964	(465,881)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of investments	1,422,097	1,952,883
Purchase of investments	(1,515,000)	(455,091)
Purchase of property and equipment	(9,994)	(10,903)
	(102,897)	1,486,889
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS	302,067	1,021,008
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,880,230	859,222
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,182,297	\$ 1,880,230

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

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2019 and 2018

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 grants 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.

Grants and Pledges Receivable

Grants and pledges receivable are individually analyzed for collectability. Management annually adjusts the allowance account based upon its estimate of those grants and pledges receivable it believes to be uncollectible.

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 equity funds and fixed-income funds.

Property and Equipment

Property and equipment are capitalized for purchases of \$1,500 or more, and are stated at cost and 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, 2019 and 2018

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

Classification of Net Assets

Firelight's net assets are reported as follows:

- Net assets without donor restrictions result from revenues derived from contributions without donor restrictions, 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 net assets without donor restrictions to serve as a reserve.
- Net assets with donor restrictions 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 donor restricted regardless of whether they are expended in the year in which they are received. When a stipulated time restriction ends, or the purpose of a restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions 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, 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, 2019 and 2018

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, such as IT, occupancy, and office expenses, have been allocated among the programs and supporting services benefited, based on relative percentage of personnel costs.

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.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return for nonprofit organizations. Firelight has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

2. Investments

Firelight's investments, which include Funds Functioning as an Endowment (FFE), consisted of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Equity funds	\$ 2,229,011	\$ 2,148,109
Fixed-income funds	<u>1,133,529</u>	<u>1,119,937</u>
Total Investments	<u>\$ 3,362,540</u>	<u>\$ 3,268,046</u>

Continued

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2019 and 2018

3. Fair Value Measurement

In accordance with the accounting standards for fair value measurement 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 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, 2019:

	<u>Total Fair Value</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:				
Mid cap blend	\$ 1,121,478	\$ 1,121,478	\$ -	\$ -
International – developed and emerging markets	448,334	448,334	-	-
International – small mid cap growth	335,498	335,498	-	-
International –small/ medium blend	190,180	190,180	-	-
Natural resources/ commodities	<u>133,521</u>	<u>133,521</u>	<u>-</u>	<u>-</u>
Total Equity Funds	<u>2,229,011</u>	<u>2,229,011</u>	<u>-</u>	<u>-</u>

Continued

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

3. Fair Value Measurement (continued)

	<u>Total Fair Value</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	\$ 929,316	\$ 929,316	\$ -	\$ -
Domestic short-term	<u>204,213</u>	<u>204,213</u>	<u>-</u>	<u>-</u>
Total Fixed-Income Funds	<u>1,133,529</u>	<u>1,133,529</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 3,362,540</u>	<u>\$ 3,362,540</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, 2018:

	<u>Total Fair Value</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	\$ 752,703	\$ 752,703	\$ -	\$ -
International – developed and emerging markets	590,383	590,383	-	-
Mid cap blend	319,437	319,437	-	-
International – small/ medium blend	172,169	172,169	-	-
International – small mid cap growth	155,631	155,631	-	-
Natural resources/ commodities	109,208	109,208	-	-
Emerging markets	<u>48,578</u>	<u>48,578</u>	<u>-</u>	<u>-</u>
Total Equity Funds	<u>2,148,109</u>	<u>2,148,109</u>	<u>-</u>	<u>-</u>

Continued

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

3. Fair Value Measurement (continued)

	<u>Total Fair Value</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	\$ 767,899	\$ 767,899	\$ -	\$ -
Domestic short-term	<u>352,038</u>	<u>352,038</u>	<u>-</u>	<u>-</u>
Total Fixed-Income Funds	<u>1,119,937</u>	<u>1,119,937</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 3,268,046</u>	<u>\$ 3,268,046</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2019, and 2018, all receivables were expected to be collected as follows:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 1,343,313	\$ 2,114,163
One to five years	<u>750,000</u>	<u>108,763</u>
Total Grants and Pledges Receivable	2,093,313	2,222,926
Less: Allowance for Doubtful Accounts	-	(172,539)
Less: Discount to Present Value (1.92%)	<u>(27,904)</u>	<u>-</u>
Grants and Pledges Receivable, Net	<u>\$ 2,065,409</u>	<u>\$ 2,050,387</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 year ended June 30, 2018.

Continued

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

5. Grants Payable

Firelight distributes grants to various organizations. Firelight had no grants payable as of June 30, 2019. Firelight had unconditionally promised to give grant awards totaling \$50,000 as of June 30, 2018.

6. Net Assets With Donor Restrictions

As of June 30, 2019, and 2018, Firelight's net assets with donor restrictions were available for the following purposes:

	2019	2018
Grant-making	\$ 1,487,665	\$ 1,563,460
Personnel	670,040	577,726
Indirect cost recovery	566,537	463,851
Organizational learning	437,843	448,133
Other program expenses	434,677	343,217
Capacity-building	401,320	355,632
Advocacy	323,668	149,919
Total	\$ 4,321,750	\$ 3,901,938

7. Funds Functioning as an Endowment (FFE)

Firelight's Board of Directors has formed a board-designated quasi-endowment fund. As required by 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.

Endowment Composition and Activity

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

	2019	2018
FFE net assets, beginning of year	\$ 3,653,976	\$ 3,449,078
Investment return:		
Interest and dividends and other income	129,725	100,957
Realized and unrealized gains	1,591	132,755
Total Investment Return	131,316	233,712
Investment fees	(26,154)	(28,814)
Appropriation of assets	(260,865)	-
FFE net assets, end of year	\$ 3,498,273	\$ 3,653,976

Continued

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2019 and 2018

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

Endowment Composition and Activity (continued)

The board-designated endowment, FFE, was composed of \$3,361,998 and \$3,267,500 held in investments for the years ended June 30, 2019, and 2018, respectively, and \$136,275 and \$386,476 held in cash for the years ended June 30, 2019, and 2018, respectively.

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 of Directors 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 both June 30, 2019, and 2018, Firelight had no invested funds "owed to" operations.

8. Office Lease

On July 24, 2017, Firelight entered into a lease for a property in Santa Cruz, California with an effective date of August 15, 2017. The terms of this lease extend through July 31, 2019. Rent expense associated with the lease totaled \$14,438 and \$9,383 for the years ended June 30, 2019 and 2018, respectively, and is included in occupancy in the accompanying statements of functional expenses. The future minimum lease payments under this lease for the following two years are as follows:

For the Year Ending June 30,	
2020	\$ 13,225
2021	13,830
2020	<u>1,155</u>
Total	<u>\$ 28,210</u>

Continued

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2019 and 2018

9. Pension Plan

Firelight maintains a tax-deferred Savings Incentive Match Plan for Employees Individual Retirement Account (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 \$12,436 and \$16,563 for the years ended June 30, 2019 and 2018, respectively, and is included in salaries and benefits in the accompanying statements of functional expenses.

10. 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 (the 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, 2019 and 2018, as Firelight had no net unrelated business income.

Firelight has adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. Firelight evaluated its uncertainty in income taxes for the year ended June 30, 2019, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2019, the statute of limitations for tax years 2015 through 2017 remained open with the U.S. federal jurisdiction or the various states and local jurisdictions in which Firelight files tax returns; however, there are currently no examinations in progress. It is Firelight's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of June 30, 2019, Firelight had no accruals for interest and/or penalties.

11. 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, 2019 and 2018, Firelight had approximately \$1,538,000 and \$1,177,000, respectively, composed of cash accounts, 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, 2019 Firelight held no funds in excess of SIPC coverage. As of June 31, 2018, Firelight had approximately \$137,000, 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.

Continued

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2019 and 2018

12. Liquidity and Availability of Resources

Firelight's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial Assets	
Cash and cash equivalents	\$ 2,182,297
Grants receivable due within one year	1,343,313
Investments	<u>3,362,540</u>
Total Financial Assets	6,888,150
Less amounts not available to be used within one year	
Board-designated cash	(136,275)
Board-designated investments	<u>(3,361,998)</u>
Plus:	
Estimated endowment appropriation for next year	<u>341,000</u>
Total Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 3,730,877</u>

Firelight's primary sources of support are grants and contributions from individuals and private foundations. Most of that support is required to be used in accordance with the purpose restrictions imposed by the donors. Donor-restricted support has historically funded approximately 80% of annual program and supporting activities, with the remainder funded by contributions without donor restrictions and investment income.

Firelight also has available for spending the board-designated funds functioning as an endowment of approximately \$3,500,000. These resources are invested for long-term appreciation and current income but may be spent at the discretion of the Board.

Firelight's objective is to maintain liquid financial assets without donor restrictions sufficient to cover six months of operational expenditures.

13. Related Parties

During the year ended June 30, 2018, Firelight Foundation engaged the services of a consultant who is related to a member of management. The consultant was engaged to perform an assessment of a new grants database for use by the Foundation. During the year ended June 30, 2018, services totaling \$29,850 were provided to Firelight Foundation, and these services are included in consulting expenses in the accompanying statement of functional expenses. As of June 30, 2018, \$6,900 was owed to the consultant for their services. This balance is included in accounts payable on the statement of financial position.

Continued

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2019 and 2018

13. Related Parties (continued)

During the year ended June 30, 2018, Firelight Foundation engaged the services of one of its board members in a consulting agreement to develop improved fundraising messaging and to train board members and staff on fundraising outreach. During the year ended June 30, 2018, services totaling \$54,000 were provided to Firelight Foundation under this agreement, and these services are included in program support in the accompanying statement of functional expenses. In addition, the board member also developed a board legacy plan for the organization. During the year ended June 30, 2018, services totaling \$4,050 were provided to Firelight Foundation, and these services are included in consulting expenses in the accompanying statement of functional expenses. All balances owed were paid as of June 30, 2018.

14. Reclassifications

Certain 2018 amounts have been reclassified to conform to the 2019 financial statement presentation.

15. Subsequent Events

Firelight's management has evaluated, for potential recognition or disclosure, events and transactions, through November 7, 2019, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.