



FIRELIGHT FOUNDATION

Financial Statements

For the Years Ended June 30, 2020 and 2019



**and
Report Thereon**



FIRELIGHT FOUNDATION

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For the Years Ended June 30, 2020 and 2019

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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 statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses 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.

Auditors' 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 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Firelight Foundation as of June 30, 2020 and 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.

Marcum LLP

Washington, D.C.
November 9, 2020

FIRELIGHT FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 1,995,522	\$ 2,182,297
Prepaid expenses and other assets	81,525	57,976
Grants and pledges receivable, net	4,957,562	2,065,409
Investments – general	-	542
Investments – funds functioning as a quasi-endowment	3,251,841	3,361,998
Property and equipment, net of accumulated depreciation of \$23,615 and \$16,598, respectively	12,479	16,237
TOTAL ASSETS	\$ 10,298,929	\$ 7,684,459
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 121,154	\$ 143,321
Grants payable	32,765	-
Note payable	123,202	-
Refundable advance	-	7,500
TOTAL LIABILITIES	277,121	150,821
Net Assets		
Without donor restrictions	2,935,658	3,211,888
With donor restrictions	7,086,150	4,321,750
TOTAL NET ASSETS	10,021,808	7,533,638
TOTAL LIABILITIES AND NET ASSETS	\$ 10,298,929	\$ 7,684,459

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

FIRELIGHT FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 113,175	\$ 6,108,674	\$ 6,221,849
Investment income, net	65,171	-	65,171
Other income	35,494	-	35,494
Net assets released from restrictions:			
Satisfaction of program restrictions	3,045,046	(3,045,046)	-
Satisfaction of time restrictions	299,228	(299,228)	-
TOTAL REVENUE AND SUPPORT	3,558,114	2,764,400	6,322,514
EXPENSES			
Program Services:			
Grants awarded	940,914	-	940,914
Program and grant-making expenses	2,127,032	-	2,127,032
Total Program Services	3,067,946	-	3,067,946
Supporting Services:			
Management and general	660,098	-	660,098
Fundraising	106,300	-	106,300
Total Supporting Services	766,398	-	766,398
TOTAL EXPENSES	3,834,344	-	3,834,344
CHANGE IN NET ASSETS	(276,230)	2,764,400	2,488,170
NET ASSETS, BEGINNING OF YEAR	3,211,888	4,321,750	7,533,638
NET ASSETS, END OF YEAR	\$ 2,935,658	\$ 7,086,150	\$ 10,021,808

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 program restrictions	3,269,204	(3,269,204)	-
Satisfaction of time 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	2,073,825	-	2,073,825
	3,601,996	-	3,601,996
Total Program Services			
Supporting Services:			
Management and general	608,350	-	608,350
Fundraising	155,149	-	155,149
	763,499	-	763,499
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 FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020

	Program Services			Supporting Services			Total
	Grants Awarded	Program and Grant-Making Expenses	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Personnel	\$ -	\$ 729,156	\$ 729,156	\$ 480,545	\$ 89,276	\$ 569,821	\$ 1,298,977
Grants	940,914	-	940,914	-	-	-	940,914
Fiscal sponsorship consultants	-	538,045	538,045	-	-	-	538,045
Travel, conferences, meetings	-	469,624	469,624	12,931	851	13,782	483,406
Consulting expense	-	258,347	258,347	71,633	3,651	75,284	333,631
Office expenses	-	85,111	85,111	28,552	7,719	36,271	121,382
Other expenses	-	38,913	38,913	59,519	3,520	63,039	101,952
Occupancy	-	7,836	7,836	6,918	1,283	8,201	16,037
TOTAL EXPENSES	<u>\$ 940,914</u>	<u>\$ 2,127,032</u>	<u>\$ 3,067,946</u>	<u>\$ 660,098</u>	<u>\$ 106,300</u>	<u>\$ 766,398</u>	<u>\$ 3,834,344</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 Supporting Services	Total
	Grants Awarded	Program and Grant-Making Expenses	Total Program Services	Management and General	Fundraising		
Personnel	\$ -	\$ 700,579	\$ 700,579	\$ 360,550	\$ 114,211	\$ 474,761	\$ 1,175,340
Grants	1,528,171	-	1,528,171	-	-	-	1,528,171
Fiscal sponsorship consultants	-	391,567	391,567	-	-	-	391,567
Travel, conferences, meetings	-	425,341	425,341	26,757	4,829	31,586	456,927
Consulting expense	-	433,304	433,304	92,319	17,486	109,805	543,109
Office expenses	-	86,677	86,677	30,906	8,244	39,150	125,827
Occupancy	-	9,055	9,055	6,363	3,744	10,107	19,162
Other expenses	-	27,302	27,302	24,455	6,635	31,090	58,392
Bad debt expense	-	-	-	67,000	-	67,000	67,000
TOTAL EXPENSES	<u>\$ 1,528,171</u>	<u>\$ 2,073,825</u>	<u>\$ 3,601,996</u>	<u>\$ 608,350</u>	<u>\$ 155,149</u>	<u>\$ 763,499</u>	<u>\$ 4,365,495</u>

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

FIRELIGHT FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,488,170	\$ 489,716
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized (gains) losses	62,339	(189,708)
Unrealized (gains) losses	(55,199)	188,117
Depreciation	7,017	4,954
Changes in assets and liabilities:		
Grants and pledges receivable	(2,892,153)	(15,022)
Prepaid expenses and other assets	(23,549)	(33,571)
Accounts payable	(22,167)	9,231
Grants payable	32,765	(50,000)
Refundable advance	(7,500)	1,247
	(410,277)	404,964
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of investments	1,068,058	1,422,097
Purchase of investments	(964,499)	(1,515,000)
Purchase of property and equipment	(3,259)	(9,994)
	100,300	(102,897)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds received from note payable	123,202	-
	123,202	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(186,775)	302,067
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,182,297	1,880,230
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,995,522	\$ 2,182,297

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

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2020 and 2019

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, 2020 and 2019

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 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 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

Firelight recognizes all unconditional promises to give in the period in which the commitment is made and the value is measurable. Unconditional grants and contributions received are recorded without donor restrictions or with donor restrictions depending on the existence and/or nature of donor restrictions. Amounts received that are designated for future periods or restricted for specific purposes are recorded as with donor restrictions. When a donor-stipulated time restriction expires or purpose restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. 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, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. As of June 30, 2020 and 2019, Firelight had no significant conditional contributions yet to be recognized as contributions.

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.

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.

Continued

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2020 and 2019

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

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. Expenses directly attributed to specific functional areas are reported as expenses of those functional areas. Salaries and related expenses are allocated based on an analysis of personnel time and effort. Certain costs have been allocated among the programs and supporting services benefited, based on analysis of direct expenses incurred on a functional expenses.

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

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides additional guidance to be used to determine whether a contribution is conditional and when a transaction should be accounted for as a contribution versus an exchange. Firelight adopted ASU 2018-08 as of July 1, 2019, and has applied the amendments of this standard on a modified prospective basis and elected to apply the standard only to agreements that were entered into after the effective date. This standard did not result in a material change to the financial statements or the timing of revenue recognition for Firelight grants and contributions.

2. Investments and Fair Value Measurement

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

	<u>2020</u>	<u>2019</u>
Equity funds	\$ 1,938,997	\$ 2,229,011
Fixed-income funds	<u>1,312,844</u>	<u>1,133,529</u>
Total Investments	<u>\$ 3,251,841</u>	<u>\$ 3,362,540</u>

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

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2020 and 2019

2. Investments and Fair Value Measurement (continued)

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, 2020:

	<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>
Investments:				
Equity funds:				
International – developed and emerging markets	\$ 427,640	\$ 427,640	\$ -	\$ -
Mid cap blend	1,054,929	1,054,929	-	-
International – small/ mid cap	332,218	332,218	-	-
International – large blend	<u>124,210</u>	<u>124,210</u>	<u>-</u>	<u>-</u>
Total Equity Funds	<u>1,938,997</u>	<u>1,938,997</u>	<u>-</u>	<u>-</u>
Fixed-income funds:				
Domestic intermediate	684,789	684,789	-	-
Domestic short-term	<u>628,055</u>	<u>628,055</u>	<u>-</u>	<u>-</u>
Total Fixed-Income Funds	<u>1,312,844</u>	<u>1,312,844</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 3,251,841</u>	<u>\$ 3,251,841</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

2. Investments and Fair Value Measurement (continued)

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>
Investments:				
Equity funds:				
International – developed and emerging markets	\$ 448,334	\$ 448,334	\$ -	\$ -
Mid cap blend	1,121,478	1,121,478	-	-
International – small/ medium blend	190,180	190,180	-	-
International – small mid cap growth	335,498	335,498	-	-
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>
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>

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.

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

3. Grants and Pledges Receivable

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

As of June 30, 2020, and 2019, all receivables were expected to be collected as follows:

	2020	2019
Less than one year	\$ 2,728,247	\$ 1,343,313
One to five years	2,234,000	750,000
Total Grants and Pledges Receivable	4,962,247	2,093,313
Less: Discount to Present Value	(4,685)	(27,904)
Grants and Pledges Receivable, Net	\$ 4,957,562	\$ 2,065,409

4. Grants Payable

Firelight distributes grants to various organizations. Firelight had unconditionally promised to give grant awards totaling \$32,765 and \$0 as of June 30, 2020 and 2019, respectively.

5. Net Assets With Donor Restrictions

As of June 30, 2020, and 2019, Firelight's net assets with donor restrictions are restricted for the following purposes or periods.

	2020	2019
Subject to expenditure for a specified purpose:		
Child development and education programs	\$ 3,157,109	\$ 1,544,848
Child rights and child protection programs	2,552,308	2,096,500
Ending child marriage programs	150,709	232,160
COVID-19 emergency response program	452,557	-
	6,312,683	3,873,508
Subject to the passage of time	773,467	448,242
Total	\$ 7,086,150	\$ 4,321,750

6. 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.

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2020 and 2019

6. Funds Functioning as an Endowment (FFE)

Endowment Composition and Activity

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

	<u>2020</u>	<u>2019</u>
FFE net assets, beginning of year	\$ 3,498,273	\$ 3,653,976
Investment return:		
Interest and dividends and other income	98,246	129,725
Realized and unrealized gains (losses)	<u>(7,140)</u>	<u>1,591</u>
Total Investment Return	91,106	131,316
Investment fees	(26,070)	(26,154)
Appropriation of assets	<u>(150,000)</u>	<u>(260,865)</u>
FFE net assets, end of year	<u>\$ 3,413,309</u>	<u>\$ 3,498,273</u>

The board-designated endowment, FFE, was composed of \$3,251,841 and \$3,361,999 held in investments for the years ended June 30, 2020 and 2019, respectively, and \$161,468 and \$136,274 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, 2020, and 2019, Firelight had \$0 of invested funds "owed to" operations.

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FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2020 and 2019

7. Note Payable

On April 23, 2020, Firelight entered into a Small Business Administration loan with its financial institution under the Paycheck Protection Program (PPP) for the amount of \$123,202. The loan will mature on April 23, 2022, with a fixed interest rate of 1% per annum. Monthly payments of principal and interest will commence on November 16, 2022 with 18 consecutive monthly payments through the maturity date. The loan amount may be eligible for forgiveness pursuant to the PPP, which established minimum amounts of the loan to be used to cover payroll costs and the remainder can be used for mortgage interest, rent and utility costs over a specified period of time after the loan is made; and the number of employees and compensation levels are maintained.

8. Commitments

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 the original lease extended through July 31, 2019. The lease was amended on March 13, 2019 to extend the term to July 31, 2021. Rent expense associated with the lease totaled \$13,585 and \$13,055 for the years ended June 30, 2020 and 2019, 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,	
2021	\$ 13,830
2022	<u>1,155</u>
Total	<u>\$ 14,985</u>

9. Pension Plan

Firelight maintains a tax-deferred Savings Incentive Match Plan for Employees Individual Retirement Account 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 \$12,444 and \$12,436 for the years ended June 30, 2020 and 2019, 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 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

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FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2020 and 2019

10. Income Taxes (continued)

on income other than net unrelated business income. No provision for income taxes is required for the years ended June 30, 2020 and 2019, 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 Accounting Standards Codification 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 years ended June 30, 2020 and 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. U.S. federal jurisdiction or the various states and local jurisdictions in which Firelight files tax returns are open for examination; however, there are currently no examinations pending or 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, 2020 and 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, 2020, and 2019, Firelight had approximately \$1,322,000 and \$1,538,000 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, 2020, and 2019, Firelight had no funds 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.

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:

	<u>2020</u>	<u>2019</u>
Financial Assets:		
Cash and cash equivalents	\$ 1,995,522	\$ 2,182,297
Grants receivable due within one year	2,728,247	1,343,313
Investments	<u>3,251,841</u>	<u>3,362,540</u>
Total Financial Assets	7,975,610	6,888,150

Continued

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2020 and 2019

12. Liquidity and Availability of Resources (continued)

	<u>2020</u>	<u>2019</u>
Less amounts not available to be used within one year:		
Board-designated cash	\$ (161,468)	\$ (136,274)
Board-designated investments	(3,251,841)	(3,361,999)
Plus estimated endowment appropriation for next year	<u>570,000</u>	<u>341,000</u>
Total Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 5,132,301</u>	<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 \$3,400,000. 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. Subsequent Events

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. Firelight has been able to continue most of its operations in a disrupted environment and is making plans to adjust activities that cannot; however, at this point, the extent to which COVID-19 may impact Firelight's financial condition or results of operations is evolving and uncertain.

Firelight Foundation entered an agreement with the International Education Funders Group Steering Committee to act as the fiscal sponsor for the International Education Funders Group (the "Project") during 2014. The Steering Committee is composed of charitable funder organizations who have come together for the purpose of promoting education in developing countries. Effective August 1, 2020, Global Dialogue replaced Firelight as the Project's fiscal sponsor. At that time, Firelight transferred all assets relating to the fiscal sponsorship to Global Dialogue, including grants and pledges receivable in the amount of \$77,524 and cash \$243,064.

Firelight's management has evaluated, for potential recognition or disclosure, events and transactions, through November 9, 2020, the date the financial statements were available to be issued. Except for subsequent event as disclosed above, there were no subsequent events that require recognition or disclosure in these financial statements.