



FIRELIGHT FOUNDATION

Financial Statements

For the Years Ended June 30, 2022 and 2021



**and
Report Thereon**



FIRELIGHT FOUNDATION

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For the Years Ended June 30, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Firelight Foundation

Opinion

We have audited the financial statements of the Firelight Foundation (Firelight), which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Firelight as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Firelight and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Firelight's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Firelight's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Firelight's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Marcum LLP

Washington, DC
December 13, 2022

FIRELIGHT FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 12,557,967	\$ 2,179,217
Prepaid expenses and other assets	109,351	39,362
Grants and pledges receivable, net	1,699,416	2,341,772
Investments – funds functioning as a quasi-endowment	3,133,118	3,746,892
Property and equipment, net of accumulated depreciation of \$28,909 and \$25,991, respectively	2,918	7,346
TOTAL ASSETS	\$ 17,502,770	\$ 8,314,589
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 108,988	\$ 120,835
Grants payable	67,804	40,121
TOTAL LIABILITIES	176,792	160,956
Net Assets		
Without donor restrictions	12,751,001	3,597,043
With donor restrictions	4,574,977	4,556,590
TOTAL NET ASSETS	17,325,978	8,153,633
TOTAL LIABILITIES AND NET ASSETS	\$ 17,502,770	\$ 8,314,589

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

FIRELIGHT FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 10,080,788	\$ 2,960,111	\$ 13,040,899
Investment loss, net	(496,690)	-	(496,690)
Other income	700	-	700
Net assets released from restrictions:			
Satisfaction of program restrictions	2,657,312	(2,657,312)	-
Satisfaction of time restrictions	284,412	(284,412)	-
	12,526,522	18,387	12,544,909
TOTAL REVENUE AND SUPPORT			
EXPENSES			
Program Services:			
Child rights and child protection	1,478,851	-	1,478,851
Childhood development and education	1,045,821	-	1,045,821
Ending child marriage	83,239	-	83,239
Covid-19 emergency response	49,402	-	49,402
	2,657,313	-	2,657,313
Total Program Services			
Supporting Services:			
Management and general	649,143	-	649,143
Fundraising	66,108	-	66,108
	715,251	-	715,251
Total Supporting Services			
TOTAL EXPENSES	3,372,564	-	3,372,564
CHANGE IN NET ASSETS	9,153,958	18,387	9,172,345
NET ASSETS, BEGINNING OF YEAR	3,597,043	4,556,590	8,153,633
NET ASSETS, END OF YEAR	\$ 12,751,001	\$ 4,574,977	\$ 17,325,978

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

FIRELIGHT FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Grants and contributions	\$ 79,627	\$ 1,326,756	\$ 1,406,383
Investment income, net	768,231	-	768,231
Other income	6,390	-	6,390
Net assets released from restrictions:			-
Satisfaction of program restrictions	3,519,894	(3,519,894)	-
Satisfaction of time restrictions	<u>336,422</u>	<u>(336,422)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>4,710,564</u>	<u>(2,529,560)</u>	<u>2,181,004</u>
EXPENSES			
Program Services:			
Child rights and child protection	1,743,181	-	1,743,181
Childhood development and education	914,766	-	914,766
Ending child marriage	52,005	-	52,005
Covid-19 emergency response	<u>498,354</u>	<u>-</u>	<u>498,354</u>
Total Program Services	<u>3,208,306</u>	<u>-</u>	<u>3,208,306</u>
Supporting Services:			
Management and general	535,201	-	535,201
Fundraising	<u>117,286</u>	<u>-</u>	<u>117,286</u>
Total Supporting Services	<u>652,487</u>	<u>-</u>	<u>652,487</u>
TOTAL EXPENSES	<u>3,860,793</u>	<u>-</u>	<u>3,860,793</u>
Change in net assets before PPP loan forgiveness and transfer of fiscal sponsorship			
PPP loan forgiveness	123,202	-	123,202
Transfer of fiscal sponsorship	<u>(311,588)</u>	<u>-</u>	<u>(311,588)</u>
CHANGE IN NET ASSETS	661,385	(2,529,560)	(1,868,175)
NET ASSETS, BEGINNING OF YEAR	<u>2,935,658</u>	<u>7,086,150</u>	<u>10,021,808</u>
NET ASSETS, END OF YEAR	<u>\$ 3,597,043</u>	<u>\$ 4,556,590</u>	<u>\$ 8,153,633</u>

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

FIRELIGHT FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

	Program Services				Supporting Services			Total	
	Child Rights and Child Protection	Childhood Development and Education	Ending Child Marriage	COVID-19 Emergency Responses	Total Program Services	Management and General	Fundraising		Total Supporting Services
Grants	\$ 438,592	\$ 676,660	\$ -	\$ 33,654	\$ 1,148,906	\$ 16,158	\$ -	\$ 16,158	\$ 1,165,064
Personnel	502,560	195,314	-	-	697,874	394,458	49,238	443,696	1,141,570
Consulting expense	134,825	73,627	72,722	-	281,174	118,341	-	118,341	399,515
Fiscal sponsorship consultants	285,843	-	-	-	285,843	-	-	-	285,843
Travel, conferences, meetings	116,081	99,016	10,305	15,645	241,047	3,868	126	3,994	245,041
Office expenses	180	469	54	-	703	63,980	1,047	65,027	65,730
Other expenses	770	735	158	103	1,766	45,083	15,697	60,780	62,546
Occupancy	-	-	-	-	-	7,255	-	7,255	7,255
TOTAL EXPENSES	<u>\$ 1,478,851</u>	<u>\$ 1,045,821</u>	<u>\$ 83,239</u>	<u>\$ 49,402</u>	<u>\$ 2,657,313</u>	<u>\$ 649,143</u>	<u>\$ 66,108</u>	<u>\$ 715,251</u>	<u>\$ 3,372,564</u>

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

FIRELIGHT FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021

	Program Services				Supporting Services			Total	
	Child Rights and Child Protection	Childhood Development and Education	Ending Child Marriage	COVID-19 Emergency Responses	Total Program Services	Management and General	Fundraising		Total Supporting Services
Grants	\$ 821,926	\$ 245,789	\$ -	\$ 443,457	\$ 1,511,172	\$ 16,221	\$ -	\$ 16,221	\$ 1,527,393
Personnel	436,387	355,497	30,504	40,000	862,388	356,066	90,700	446,766	1,309,154
Consulting expense	118,671	194,451	9,339	48	322,509	60,082	186	60,268	382,777
Fiscal sponsorship consultants	327,539	25,048	-	-	352,587	-	-	-	352,587
Travel, conferences, meetings	37,631	91,152	11,842	12,796	153,421	537	470	1,007	154,428
Office expenses	81	354	233	1,775	2,443	55,973	9,643	65,616	68,059
Other expenses	946	2,475	87	278	3,786	32,676	14,935	47,611	51,397
Occupancy	-	-	-	-	-	13,646	1,352	14,998	14,998
TOTAL EXPENSES	<u>\$ 1,743,181</u>	<u>\$ 914,766</u>	<u>\$ 52,005</u>	<u>\$ 498,354</u>	<u>\$ 3,208,306</u>	<u>\$ 535,201</u>	<u>\$ 117,286</u>	<u>\$ 652,487</u>	<u>\$ 3,860,793</u>

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

FIRELIGHT FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 9,172,345	\$ (1,868,175)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized gains	(15,554)	(60,655)
Unrealized losses (gains)	537,373	(655,495)
Depreciation	5,566	6,827
PPP loan forgiveness	-	(123,202)
Changes in assets and liabilities:		
Grants and pledges receivable	642,356	2,615,790
Prepaid expenses and other assets	(69,989)	42,163
Accounts payable	(11,847)	(319)
Grants payable	27,683	7,356
	10,287,933	(35,710)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	835,455	511,599
Purchase of investments	(743,500)	(290,500)
Purchase of property and equipment	(1,138)	(1,694)
	90,817	219,405
NET CASH PROVIDED BY INVESTING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,378,750	183,695
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,179,217	1,995,522
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 12,557,967	\$ 2,179,217
SUPPLEMENTAL CASH FLOW INFORMATION		
Noncash financing activities:		
PPP loan forgiveness	\$ -	\$ 123,202

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

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2022 and 2021

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 utilizes the allowance method to account for potentially uncollectible grants and pledge receivable. The allowance for doubtful accounts is based on management's evaluation of the outstanding contributions receivable balance. There were no allowance recorded as of June 30, 2022 and 2021.

Investments

Investments consist of equity funds and fixed-income funds. These investments are recorded in the accompanying financial statements at 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. Investment income or losses are included in the accompanying statements of activities. Gains and losses on sales of investment assets are determined using the first-in, first out method. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2022 and 2021

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

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.

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 statements 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, 2022 and 2021, Firelight had no conditional contributions yet to be recognized as contributions.

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 grant is approved in cases in which such a discount is material. Grant funds must be used in accordance with

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2022 and 2021

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

Grants Payable (continued)

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. 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 basis.

Estimates

The preparation of 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 and Fair Value Measurement

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

	<u>2022</u>	<u>2021</u>
Equity funds	\$ 1,873,474	\$ 2,321,013
Fixed-income funds	<u>1,259,644</u>	<u>1,425,879</u>
Total Investments	<u>\$ 3,133,118</u>	<u>\$ 3,746,892</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 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.

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

2. Investments and Fair Value Measurement (continued)

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, 2022:

	<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	\$ 391,429	\$ 391,429	\$ -	\$ -
Mid cap blend	1,083,116	1,083,116	-	-
International – small/ mid cap	261,608	261,608	-	-
Real estate fund	<u>137,321</u>	<u>137,321</u>	<u>-</u>	<u>-</u>
Total Equity Funds	<u>1,873,474</u>	<u>1,873,474</u>	<u>-</u>	<u>-</u>
Fixed-income funds:				
Domestic intermediate	609,700	609,700	-	-
Domestic short-term	<u>649,944</u>	<u>649,944</u>	<u>-</u>	<u>-</u>
Total Fixed-Income Funds	<u>1,259,644</u>	<u>1,259,644</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 3,133,118</u>	<u>\$ 3,133,118</u>	<u>\$ -</u>	<u>\$ -</u>

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2022 and 2021

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, 2021:

	<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	\$ 497,700	\$ 497,700	\$ -	\$ -
Mid cap blend	1,293,051	1,293,051	-	-
International – small/ mid cap	372,854	372,854	-	-
Real estate fund	<u>157,408</u>	<u>157,408</u>	-	-
Total Equity Funds	<u>2,321,013</u>	<u>2,321,013</u>	-	-
Fixed-income funds:				
Domestic intermediate	772,039	772,039	-	-
Domestic short-term	<u>653,840</u>	<u>653,840</u>	-	-
Total Fixed-Income Funds	<u>1,425,879</u>	<u>1,425,879</u>	-	-
Total Investments	<u>\$ 3,746,892</u>	<u>\$ 3,746,892</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.

3. Grants and Pledges Receivable

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

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

3. Grants and Pledges Receivable (continued)

As of June 30, 2022, and 2021, all receivables were expected to be collected as follows:

	2022	2021
Less than one year	\$ 1,145,420	\$ 2,092,889
One to five years	563,454	250,000
Total Grants and Pledges Receivable	1,708,874	2,342,889
Less: Discount to Present Value	(9,458)	(1,117)
Grants and Pledges Receivable, Net	\$ 1,699,416	\$ 2,341,772

4. Grants Payable

Firelight distributes grants to various organizations. Firelight had unconditionally promised to give grant awards totaling \$67,804 and \$40,121 as of June 30, 2022 and 2021, respectively.

5. Net Assets With Donor Restrictions

As of June 30, 2022, and 2021, Firelight's net assets with donor restrictions are restricted for the following purposes or periods.

	2022	2021
Subject to expenditure for a specified purpose:		
Child development and education programs	\$ 993,591	\$ 1,987,503
Child rights and child protection programs	3,070,770	1,879,474
Family strengthening	266,460	-
Ending child marriage programs	-	83,238
COVID-19 emergency response program	9,801	59,203
	4,340,622	4,009,418
Subject to the passage of time	234,355	547,172
Total	\$ 4,574,977	\$ 4,556,590

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, 2022 and 2021

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

Endowment Composition and Activity

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

	<u>2022</u>	<u>2021</u>
FFE net assets, beginning of year	\$ 3,905,394	\$ 3,413,309
Investment return:		
Interest and dividends and other income	60,540	79,129
Realized and unrealized gains (losses)	<u>(521,819)</u>	<u>716,150</u>
Total Investment Return	(461,279)	795,279
Investment fees	(35,903)	(27,194)
Appropriation of assets	<u>(230,000)</u>	<u>(276,000)</u>
FFE Net Assets, End of Year	<u>\$ 3,178,212</u>	<u>\$ 3,905,394</u>

The board-designated endowment, FFE, was composed of \$3,133,118 and \$3,746,892 held in investments for the years ended June 30, 2022 and 2021, respectively, and \$45,094 and \$158,502 held in cash for the years ended June 30, 2021, and 2020, 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. Firelight had \$230,000 and \$258,000 of invested funds "owed to" operations as of June 30, 2022 and 2021, respectively.

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NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2022 and 2021

7. Note Payable

On April 23, 2020, Firelight entered into a Small Business Administration (SBA) 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 was 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. Firelight applied for forgiveness of the PPP loan, and the application for forgiveness had approved by SBA for the entire amount of \$123,202 on February 24, 2021.

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, 2020. The lease was amended on March 13, 2020 to extend the term to July 31, 2021. Firelight moved out of the office after the lease expired and is operating in a remote environment. Rent expense associated with the lease totaled \$1,155 and \$13,585 for the years ended June 30, 2022 and 2021, respectively, and is included in occupancy in the accompanying statements of functional expenses.

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 \$8,159 and \$11,215 for the years ended June 30, 2022 and 2021, respectively, and is included in salaries and benefits in the accompanying statements of functional expenses.

10. International Education Funders Group Spin Off

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, 2021, 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 of \$234,064, which were recorded as transfer of fiscal sponsorship in the accompany statement of activities for \$311,588.

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2022 and 2021

11. 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 on income other than net unrelated business income. No provision for income taxes is required for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021, Firelight had no accruals for interest and/or penalties.

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, 2022, and 2021, Firelight had approximately \$12,258,000 and \$1,300,000, 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, 2022 and 2021, 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.

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2022 and 2021

13. 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 at June 30:

	<u>2022</u>	<u>2021</u>
Financial Assets:		
Cash and cash equivalents	\$ 12,557,967	\$ 2,179,217
Grants receivable due within one year	1,145,420	2,092,889
Investments	<u>3,133,118</u>	<u>3,746,892</u>
Total Financial Assets	16,836,505	8,018,998
Less amounts not available to be used within one year:		
Board-designated cash	(45,094)	(158,502)
Board-designated investments	(3,133,118)	(3,746,892)
Less Net assets with donor restrictions	<u>(4,574,977)</u>	<u>(4,556,590)</u>
Total Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 9,083,316</u>	<u>\$ (442,986)</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 \$3,200,000. 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.

14. Subsequent Events

Firelight's management has evaluated, for potential recognition or disclosure, events and transactions, through December 13, 2022, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.