



Financial Statements

For the Years Ended June 30, 2015 and 2014



**and
Report Thereon**



FIRELIGHT FOUNDATION

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For the Years Ended June 30, 2015 and 2014

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Firelight Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of the Firelight Foundation (Firelight), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Firelight as of June 30, 2015 and 2014, 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.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of functional expenses for the years ended June 30, 2015 and 2014, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplemental schedules of functional expenses have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

Raffa, P.C.

Raffa, P.C.

Washington, D.C.
October 9, 2015

FIRELIGHT FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|---|----------------------------|----------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 1,825,785 | \$ 990,461 |
| Grants and pledges receivable | 1,380,543 | 900,233 |
| Investments | 4,577,809 | 4,900,807 |
| Prepaid expenses and other assets | 47,444 | 75,442 |
| Property and equipment, net of accumulated depreciation of \$75,929 and \$75,184, respectively | <u>15,565</u> | <u>32,252</u> |
| TOTAL ASSETS | <u><u>\$ 7,847,146</u></u> | <u><u>\$ 6,899,195</u></u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 124,559 | \$ 189,881 |
| Grants payable | 388,100 | 755,500 |
| Refundable advance | 78,007 | - |
| Funds held as fiscal agent | <u>90,636</u> | <u>44,237</u> |
| TOTAL LIABILITIES | <u>681,302</u> | <u>989,618</u> |
| Net Assets | | |
| Unrestricted | 3,706,716 | 4,487,718 |
| Temporarily restricted | <u>3,459,128</u> | <u>1,421,859</u> |
| TOTAL NET ASSETS | <u>7,165,844</u> | <u>5,909,577</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 7,847,146</u></u> | <u><u>\$ 6,899,195</u></u> |

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

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

| | Unrestricted | Temporarily Restricted | Total |
|--|---------------------|---------------------------|---------------------|
| REVENUE AND SUPPORT | | | |
| Grants and contributions | \$ 365,848 | \$ 4,105,677 | \$ 4,471,525 |
| Investment gains (losses), net | (90,693) | - | (90,693) |
| Other income | 196,536 | - | 196,536 |
| Net assets released from restrictions: | | | |
| Satisfaction of time restrictions | 285,980 | (285,980) | - |
| Satisfaction of program restrictions | 1,782,428 | (1,782,428) | - |
| | <u>2,540,099</u> | <u>2,037,269</u> | <u>4,577,368</u> |
| TOTAL REVENUE AND SUPPORT | | | |
| EXPENSES | | | |
| Program Services: | | | |
| Grants awarded | 809,381 | - | 809,381 |
| Program and grant-making expenses | 1,625,606 | - | 1,625,606 |
| | <u>2,434,987</u> | <u>-</u> | <u>2,434,987</u> |
| Total Program Services | | | |
| Supporting Services: | | | |
| Management and general | 614,845 | - | 614,845 |
| Fundraising | 271,269 | - | 271,269 |
| | <u>886,114</u> | <u>-</u> | <u>886,114</u> |
| Total Supporting Services | | | |
| TOTAL EXPENSES | <u>3,321,101</u> | <u>-</u> | <u>3,321,101</u> |
| CHANGE IN NET ASSETS | (781,002) | 2,037,269 | 1,256,267 |
| NET ASSETS, BEGINNING OF YEAR | <u>4,487,718</u> | <u>1,421,859</u> | <u>5,909,577</u> |
| NET ASSETS, END OF YEAR | <u>\$ 3,706,716</u> | <u>\$ 3,459,128</u> | <u>\$ 7,165,844</u> |

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

FIRELIGHT FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

| | Unrestricted | Temporarily Restricted | Total |
|--|---------------------|---------------------------|---------------------|
| REVENUE AND SUPPORT | | | |
| Grants and contributions | \$ 581,234 | \$ 490,309 | \$ 1,071,543 |
| Investment gains (losses), net | 581,005 | - | 581,005 |
| Other income | 347,711 | - | 347,711 |
| Net assets released from restrictions: | | | |
| Satisfaction of time restrictions | 356,328 | (356,328) | - |
| Satisfaction of program restrictions | 2,070,487 | (2,070,487) | - |
| | <u>3,936,765</u> | <u>(1,936,506)</u> | <u>2,000,259</u> |
| TOTAL REVENUE AND SUPPORT | | | |
| EXPENSES | | | |
| Program Services: | | | |
| Grants awarded | 1,385,002 | - | 1,385,002 |
| Program and grant-making expenses | 1,487,849 | - | 1,487,849 |
| | <u>2,872,851</u> | <u>-</u> | <u>2,872,851</u> |
| Total Program Services | | | |
| Supporting Services: | | | |
| Management and general | 624,009 | - | 624,009 |
| Fundraising | 350,267 | - | 350,267 |
| | <u>974,276</u> | <u>-</u> | <u>974,276</u> |
| Total Supporting Services | | | |
| TOTAL EXPENSES | <u>3,847,127</u> | <u>-</u> | <u>3,847,127</u> |
| CHANGE IN NET ASSETS | 89,638 | (1,936,506) | (1,846,868) |
| NET ASSETS, BEGINNING OF YEAR | <u>4,398,080</u> | <u>3,358,365</u> | <u>7,756,445</u> |
| NET ASSETS, END OF YEAR | <u>\$ 4,487,718</u> | <u>\$ 1,421,859</u> | <u>\$ 5,909,577</u> |

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

FIRELIGHT FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014
(Decrease) Increase in Cash and Cash Equivalents

| | <u>2015</u> | <u>2014</u> |
|--|----------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 1,256,267 | \$ (1,846,868) |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | |
| Realized (gains) losses | 28,376 | (35,530) |
| Unrealized (gains) losses | 196,800 | (452,168) |
| Depreciation | 16,687 | 11,744 |
| Changes in assets and liabilities: | | |
| Grants and pledges receivable | (480,310) | 1,702,791 |
| Prepaid expenses and other assets | 27,998 | (94) |
| Accounts payable and accrued expenses | (65,322) | 1,116 |
| Grants payable | (367,400) | (605,000) |
| Refundable advance | 78,007 | - |
| Funds held as fiscal agent | <u>46,399</u> | <u>(3,908)</u> |
| NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES | <u>737,502</u> | <u>(1,227,917)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Sales and maturities of investments | 1,583,578 | 1,242,980 |
| Purchase of investments | (1,485,756) | (20,000) |
| Purchase of property and equipment | <u>-</u> | <u>(24,851)</u> |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>97,822</u> | <u>1,198,129</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 835,324 | (29,788) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>990,461</u> | <u>1,020,249</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u><u>\$ 1,825,785</u></u> | <u><u>\$ 990,461</u></u> |

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

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2015 and 2014

1. Organization and Summary of Significant Accounting Policies

Organization

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

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

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

Cash Equivalents

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

Investments

Investments consist of equity funds and fixed-income funds. These investments are recorded in the accompanying financial statements at their estimated fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Quoted market prices are used to value the equities and fixed-income funds.

Property and Equipment

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

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2015 and 2014

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

Classification of Net Assets

Firelight's net assets are reported as follows:

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

Revenue Recognition

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

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

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

In-Kind Contributions

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

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2015 and 2014

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

Grants Payable

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

Functional Allocation of Expenses

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

Estimates

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

2. Investments

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

| | <u>2015</u> | <u>2014</u> |
|--------------------|---------------------|---------------------|
| Equity funds | \$ 3,343,349 | \$ 3,349,268 |
| Fixed-income funds | <u>1,234,460</u> | <u>1,551,539</u> |
| Total | <u>\$ 4,577,809</u> | <u>\$ 4,900,807</u> |

Investment returns are summarized as follows:

| | <u>2015</u> | <u>2014</u> |
|----------------------------|--------------------|-------------------|
| Realized (losses) gains | \$ (28,376) | \$ 35,530 |
| Capital gain distributions | 71,038 | 48,835 |
| Unrealized (losses) gains | (196,800) | 452,168 |
| Interest and dividends | <u>99,711</u> | <u>82,140</u> |
| Total | <u>\$ (54,427)</u> | <u>\$ 618,673</u> |

Continued

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS **For the Years Ended June 30, 2015 and 2014**

2. Investments (continued)

Also included in investment gains (losses) in the accompanying statements of activities are investment fees of \$36,266 and \$37,668 paid for the years ended June 30, 2015 and 2014, respectively.

3. Fair Value Measurements

In accordance with the accounting standards for fair value measurements for those assets and liabilities that are measured at fair value on a recurring basis, Firelight has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument. Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

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

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

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

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2015 and 2014

3. Fair Value Measurements (continued)

The following table summarizes Firelight's assets measured at fair value on a recurring basis as of June 30, 2015:

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

Continued

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2015 and 2014

3. Fair Value Measurements (continued)

The following table summarizes Firelight's assets measured at fair value on a recurring basis as of June 30, 2014:

| | | Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|-------------------------------------|---------------------|---|---|--|
| | <u>Total</u> | | | |
| Equity funds: | | | | |
| Large cap growth | \$ 456,202 | \$ 456,202 | \$ - | \$ - |
| Large cap blend | 848,850 | 848,850 | - | - |
| International large cap blend | 657,786 | 657,786 | - | - |
| International-small/medium blend | 307,160 | 307,160 | - | - |
| Natural resources/ commodities | 357,391 | 357,391 | - | - |
| Emerging market | 426,005 | 426,005 | - | - |
| Hedged equity | <u>295,874</u> | <u>295,874</u> | <u>-</u> | <u>-</u> |
| Total Equity Funds | <u>3,349,268</u> | <u>3,349,268</u> | <u>-</u> | <u>-</u> |
| Fixed-income funds: | | | | |
| Domestic | 1,103,705 | 1,103,705 | - | - |
| International | 180,655 | 180,655 | - | - |
| Absolute return | <u>267,179</u> | <u>267,179</u> | <u>-</u> | <u>-</u> |
| Total Fixed-Income Funds | <u>1,551,539</u> | <u>1,551,539</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 4,900,807</u> | <u>\$ 4,900,807</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, 2015 and 2014

4. Grants and Pledges Receivable

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

As of June 30, 2015 and 2014, all receivables are considered fully collectible and are expected to be collected as follows:

| | <u>2015</u> | <u>2014</u> |
|--------------------|---------------------|-------------------|
| Less than one year | \$ 875,543 | \$ 900,233 |
| One to five years | <u>505,000</u> | <u>-</u> |
| Total | <u>\$ 1,380,543</u> | <u>\$ 900,233</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, 2015.

5. Conditional Grants

During the year ended June 30, 2015, Firelight was awarded a temporarily restricted conditional grant totaling \$2,300,000. This grant is contingent upon approval of the sponsoring organization of the future year payments. For the year ended June 30, 2015, Firelight recognized \$1,600,000 in revenue under this grant, which is included in grants and contributions in the accompanying statements of activities. As of June 30, 2015, Firelight has not recognized revenue related to the conditional grant of \$700,000. There were no conditional grants awarded for the year ended June 30, 2014.

6. Grants Payable

Firelight distributes grants to various organizations. Firelight unconditionally promised to give grant awards totaling \$388,100 and \$755,500 as of June 30, 2015 and 2014, respectively. The grant awards outstanding as of June 30, 2015, are due to be paid within one year. For the year ended June 30, 2014, \$90,000 of the grants payable were due to be paid within two years and the remainder of the grants payable were expected to be paid within one year. The long-term grants payable as of June 30, 2014, were not discounted to present value due to the immateriality of the discount.

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2015 and 2014

6. Grants Payable (continued)

The grant awards payable are for the following purposes:

| | <u>2015</u> | <u>2014</u> |
|----------------------------------|-------------------|-------------------|
| Secondary education | \$ 200,000 | \$ - |
| Early childhood development | 171,100 | 295,000 |
| Learning support | 10,000 | 30,000 |
| Child protection/rights | 7,000 | 41,000 |
| Community grant-maker | - | 139,500 |
| Organizational capacity building | - | 132,000 |
| Operational support | - | 110,500 |
| Economic strengthening | <u>-</u> | <u>7,500</u> |
| Total | <u>\$ 388,100</u> | <u>\$ 755,500</u> |

7. Funds Held as Fiscal Agent

As of June 30, 2015 and 2014, Firelight held \$90,636 and \$44,237 of funds held as a fiscal agent for other parties, respectively. These funds will be delivered to the ultimate recipients in the upcoming year, as directed by the providers of the funds. This amount is shown as funds held as fiscal agent in the accompanying statements of financial position, as Firelight has no variance power over the ultimate recipient of the funds.

8. Temporarily Restricted Net Assets

As of June 30, 2015 and 2014 Firelight's temporarily restricted net assets are available for the following purposes or time periods:

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| Grant making | \$ 1,562,304 | \$ 231,441 |
| Time restricted for use in future periods | 576,633 | 130,712 |
| Personnel | 540,133 | 298,085 |
| Capacity building | 476,547 | 401,331 |
| Organizational learning | 123,473 | 61,246 |
| Advocacy | 111,858 | 7,816 |
| Other program expenses | <u>68,180</u> | <u>291,228</u> |
| Total | <u>\$ 3,459,128</u> | <u>\$ 1,421,859</u> |

Continued

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2015 and 2014

9. Funds Functioning as an Endowment (FFE)

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

Endowment Composition and Activity

As of June 30, 2015 and 2014, Firelight's board-designated endowment net assets totaling \$3,706,716 and \$4,487,718, respectively, were all unrestricted.

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

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| FFE net assets, beginning of year | \$ 4,487,718 | \$ 400,000 |
| Investment return | | |
| Interest and dividends and other income | 170,749 | 117,872 |
| Realized and unrealized gains (losses) | <u>(225,176)</u> | <u>285,328</u> |
| Total Investment Return (loss) | (54,427) | 403,200 |
| Contributions | - | 4,309,001 |
| Investment fees | (36,266) | (27,047) |
| Appropriation of assets | <u>(200,000)</u> | <u>(124,000)</u> |
| Long-Term Reserve (Including Cash Equivalents) | 4,197,025 | 4,961,154 |
| Due to operations | <u>(490,309)</u> | <u>(473,436)</u> |
| FFE Net Assets End of Year | <u>\$ 3,706,716</u> | <u>\$ 4,487,718</u> |

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

The board-designated funds are invested at least 90% in marketable securities. To ensure marketability and liquidity, equity investments are executed through nationally recognized exchanges.

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2015 and 2014

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

Strategies Employed for Achieving Objectives (continued)

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 four percent of the average of the long-term reserve funds' total market value for the four quarters ending March 31 of the previous fiscal year. The Board may also authorize withdrawal of the principal of the quasi-endowment should it be determined to be in the best interest of Firelight. As of June 30, 2015 and 2014, Firelight had \$490,309 and \$473,436 of invested funds "owed to" operations, respectively.

10. Commitments

Firelight's operating lease for its current office space in Santa Cruz, California, expired on November 30, 2014. Firelight entered into a lease renewal on August 25, 2014, which extended the lease through November 30, 2016. The leases provide for monthly rental payments, as well as an annual share of the landlord's operating expenses. Rent increases each year based on the Consumer Price Index for the San Francisco-Oakland-San Jose area. Rent expense associated with the lease totaled \$87,225 and \$83,557 for the years ended June 30, 2015 and 2014, respectively, and is included in occupancy expense in the accompanying supplemental schedules of functional expenses.

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

Future minimum lease payments, net of sublease payments, are as follows:

| <u>For the Year Ending</u> <u>June 30,</u> | <u>Lease</u> <u>Commitment</u> | <u>Sublease</u> <u>Income</u> | <u>Net</u> |
|---|-----------------------------------|----------------------------------|------------------|
| 2016 | \$ 86,106 | \$ (19,950) | \$ 66,156 |
| 2017 | 36,318 | (9,500) | 26,818 |
| Total | <u>\$ 122,424</u> | <u>\$ (29,450)</u> | <u>\$ 92,974</u> |

Continued

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS **For the Years Ended June 30, 2015 and 2014**

11. Pension Plan

Firelight maintains a tax-deferred SIMPLE IRA plan, which is available to all eligible employees. Firelight will match employee contributions to the plan on a dollar-for-dollar basis, up to 3% of the employee's base annual earnings. Pension expense totaled \$28,203 and \$30,004 for the years ended June 30, 2015 and 2014, respectively, and is included in salaries and benefits in the accompanying supplemental schedules of functional expenses.

12. Income Taxes

On August 10, 2010, Firelight received notification from the Internal Revenue Service (IRS) that Firelight was approved for exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified as a public charity under Section 170(b)(1)(A)(vi) of the IRC. Firelight is exempt from the payment of federal and state taxes on income other than net unrelated business income. No provision for income taxes is required for the years ended June 30, 2015 and 2014, as Firelight had no net unrelated business income.

In accordance with Federal Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, Firelight has evaluated its income tax positions for the years ended June 30, 2015 and 2014, and determined that there were no material uncertain tax positions. Accordingly, Firelight has not recognized any liability for unrecognized income tax. It is Firelight's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

As of June 30, 2015, tax years reasonably considered open and subject to examination include returns for the years ended June 30, 2012, through June 30, 2014. There is no provision for income tax for the years ended June 30, 2015 or 2014, as Firelight had no unrelated business income.

13. 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, 2015, Firelight had no amounts in excess of the FDIC limit. As of June 30, 2014, Firelight had approximately \$118,000, 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, 2015 and 2014, Firelight had approximately \$1,403,000 and \$401,000, 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.

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2015 and 2014

14. Reclassifications

Certain 2014 natural expense categories have been reclassified to conform to the 2015 financial statement presentation.

15. Subsequent Events

Firelight's management has evaluated events and transactions for potential recognition or disclosure through October 9, 2015, the date the financial statements were available to be issued.

Firelight entered into a sublease agreement on July 31, 2015. Note 10 discloses the details of the sublease agreement. There were no other subsequent events that are required to be recognized or disclosed in these financial statements.

SUPPLEMENTAL INFORMATION

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

| | <u>Program Services</u> | | <u>Supporting Services</u> | | |
|----------------------------------|---------------------------|--|-----------------------------------|--------------------------|----------------------------|
| | <u>Grants Awarded</u> | <u>Program and Grant-Making Expenses</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
| Salaries and benefits | \$ - | \$ 740,884 | \$ 479,866 | \$ 180,027 | \$ 1,400,777 |
| Grants | 795,890 | - | - | - | 795,890 |
| Consulting expense | - | 646,015 | 54,927 | 40,439 | 741,381 |
| Travel, conferences and meetings | - | 137,930 | 14,998 | 10,281 | 163,209 |
| Occupancy | - | 54,449 | 33,750 | 12,851 | 101,050 |
| Office expenses | - | 27,914 | 19,267 | 8,084 | 55,265 |
| Other expenses | - | 12,634 | 8,294 | 12,423 | 33,351 |
| Depreciation | - | 5,780 | 3,743 | 7,164 | 16,687 |
| Bad debt expense | 13,491 | - | - | - | 13,491 |
| | <u>13,491</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>13,491</u> |
| TOTAL | <u><u>\$ 809,381</u></u> | <u><u>\$ 1,625,606</u></u> | <u><u>\$ 614,845</u></u> | <u><u>\$ 271,269</u></u> | <u><u>\$ 3,321,101</u></u> |

FIRELIGHT FOUNDATION
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2014

| | <u>Program Services</u> | | <u>Supporting Services</u> | | |
|----------------------------------|----------------------------|--|-----------------------------------|--------------------------|----------------------------|
| | <u>Grants Awarded</u> | <u>Program and Grant-Making Expenses</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
| Salaries and benefits | \$ - | \$ 648,060 | \$ 428,377 | \$ 275,752 | \$ 1,352,189 |
| Grants | 1,260,600 | - | - | - | 1,260,600 |
| Consulting expense | - | 608,113 | 92,850 | 15,065 | 716,028 |
| Travel, conferences and meetings | - | 160,109 | 16,942 | 20,150 | 197,201 |
| Bad debt expense | 124,402 | - | - | - | 124,402 |
| Occupancy | - | 50,231 | 31,881 | 20,523 | 102,635 |
| Office expenses | - | 7,283 | 35,898 | 6,211 | 49,392 |
| Other expenses | - | 8,424 | 14,341 | 10,171 | 32,936 |
| Depreciation | - | 5,629 | 3,720 | 2,395 | 11,744 |
| | <u>-</u> | <u>5,629</u> | <u>3,720</u> | <u>2,395</u> | <u>11,744</u> |
| TOTAL | <u><u>\$ 1,385,002</u></u> | <u><u>\$ 1,487,849</u></u> | <u><u>\$ 624,009</u></u> | <u><u>\$ 350,267</u></u> | <u><u>\$ 3,847,127</u></u> |