



**FIRELIGHT FOUNDATION**

**Financial Statements**

*For the Years Ended June 30, 2021 and 2020*



**and  
Report Thereon**



**FIRELIGHT FOUNDATION**

**TABLE OF CONTENTS**  
**For the Years Ended June 30, 2021 and 2020**

---

	<b><i>Page</i></b>
Independent Auditors' Report.....	1-2
Financial Statements	
Statements of Financial Position .....	3
Statements of Activities .....	4-5
Statements of Functional Expenses .....	6-7
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9-18

**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, 2021 and 2020, 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.

**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, 2021 and 2020, 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.  
October 28, 2021

**FIRELIGHT FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2021 and 2020**

---

	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,179,217	\$ 1,995,522
Prepaid expenses and other assets	39,362	81,525
Grants and pledges receivable, net	2,341,772	4,957,562
Investments – funds functioning as a quasi-endowment	3,746,892	3,251,841
Property and equipment, net of accumulated depreciation of \$21,036 and \$23,615, respectively	7,346	12,479
TOTAL ASSETS	\$ 8,314,589	\$ 10,298,929
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 120,835	\$ 121,154
Grants payable	40,121	32,765
Note payable	-	123,202
TOTAL LIABILITIES	160,956	277,121
<b>Net Assets</b>		
Without donor restrictions	3,597,043	2,935,658
With donor restrictions	4,556,590	7,086,150
TOTAL NET ASSETS	8,153,633	10,021,808
TOTAL LIABILITIES AND NET ASSETS	\$ 8,314,589	\$ 10,298,929

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

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

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

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

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
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	<u>299,228</u>	<u>(299,228)</u>	<u>-</u>
<b>TOTAL REVENUE AND SUPPORT</b>	<u>3,558,114</u>	<u>2,764,400</u>	<u>6,322,514</u>
<b>EXPENSES</b>			
Program Services:			
Childhood development and education	1,666,992	-	1,666,992
Child rights and child protection	1,290,685	-	1,290,685
Ending child marriage	81,451	-	81,451
Covid-19 emergency response	<u>5,918</u>	<u>-</u>	<u>5,918</u>
<b>Total Program Services</b>	<u>3,045,046</u>	<u>-</u>	<u>3,045,046</u>
Supporting Services:			
Management and general	685,482	-	685,482
Fundraising	<u>103,816</u>	<u>-</u>	<u>103,816</u>
<b>Total Supporting Services</b>	<u>789,298</u>	<u>-</u>	<u>789,298</u>
<b>TOTAL EXPENSES</b>	<u>3,834,344</u>	<u>-</u>	<u>3,834,344</u>
<b>CHANGE IN NET ASSETS</b>	(276,230)	2,764,400	2,488,170
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>3,211,888</u>	<u>4,321,750</u>	<u>7,533,638</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 2,935,658</u></u>	<u><u>\$ 7,086,150</u></u>	<u><u>\$ 10,021,808</u></u>

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

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

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

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				
	Childhood Development and Education	Child Rights and Child Protection	Ending Child Marriage	COVID-19 Emergency Responses	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Grants	\$ 674,715	\$ 250,199	\$ -	\$ -	\$ 924,914	\$ 16,000	\$ -	\$ 16,000	\$ 940,914
Personnel	276,356	414,304	29,400	-	720,060	489,641	89,276	578,917	1,298,977
Consulting expense	117,854	119,436	22,852	-	260,142	71,832	1,651	73,483	333,625
Fiscal sponsorship consultants	330,016	208,029	-	-	538,045	-	-	-	538,045
Travel, conferences, meetings	186,442	250,076	29,087	5,800	471,405	11,362	680	12,042	483,447
Office expenses	6,316	47,898	52	43	54,309	59,666	7,409	67,075	121,384
Other expenses	75,293	743	60	75	76,171	22,266	3,520	25,786	101,957
Occupancy	-	-	-	-	-	14,715	1,280	15,995	15,995
<b>TOTAL EXPENSES</b>	<b><u>\$ 1,666,992</u></b>	<b><u>\$ 1,290,685</u></b>	<b><u>\$ 81,451</u></b>	<b><u>\$ 5,918</u></b>	<b><u>\$ 3,045,046</u></b>	<b><u>\$ 685,482</u></b>	<b><u>\$ 103,816</u></b>	<b><u>\$ 789,298</u></b>	<b><u>\$ 3,834,344</u></b>

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

**FIRELIGHT FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2021 and 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,868,175)	\$ 2,488,170
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized (gains) losses	(60,655)	62,339
Unrealized gains	(655,495)	(55,199)
Depreciation	6,827	7,017
PPP loan forgiveness	(123,202)	-
Changes in assets and liabilities:		
Grants and pledges receivable	2,615,790	(2,892,153)
Prepaid expenses and other assets	42,163	(23,549)
Accounts payable	(319)	(22,167)
Grants payable	7,356	32,765
Refundable advance	-	(7,500)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(35,710)</b>	<b>(410,277)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sales and maturities of investments	511,599	1,068,058
Purchase of investments	(290,500)	(964,499)
Purchase of property and equipment	(1,694)	(3,259)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>219,405</b>	<b>100,300</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds received from note payable	-	123,202
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>-</b>	<b>123,202</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>183,695</b>	<b>(186,775)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>1,995,522</b>	<b>2,182,297</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 2,179,217</b>	<b>\$ 1,995,522</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Noncash financing activities:		
PPP loan forgiveness	<b>\$ 123,202</b>	<b>\$ -</b>

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

# FIRELIGHT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2021 and 2020

---

### 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 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, 2021 and 2020

---

### 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 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, 2021 and 2020, 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 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. Expenses directly attributed to specific functional areas are reported as expenses of those functional areas. Salaries and

# FIRELIGHT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2021 and 2020

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

#### **Functional Allocation of Expenses (continued)**

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>2021</u>	<u>2020</u>
Equity funds	\$ 2,321,013	\$ 1,938,997
Fixed-income funds	<u>1,425,879</u>	<u>1,312,844</u>
Total Investments	<u>\$ 3,746,892</u>	<u>\$ 3,251,841</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.

*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.

**FIRELIGHT FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2021 and 2020**

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>	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
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 FOUNDATION

### NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2021 and 2020

#### 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, 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	-	-
Real estate fund	<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>

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, 2021 and 2020**

3. Grants and Pledges Receivable (continued)

As of June 30, 2021, and 2020, all receivables were expected to be collected as follows:

	2021	2020
Less than one year	\$ 2,092,889	\$ 2,728,247
One to five years	250,000	2,234,000
Total Grants and Pledges Receivable	2,342,889	4,962,247
Less: Discount to Present Value	(1,117)	(4,685)
Grants and Pledges Receivable, Net	\$ 2,341,772	\$ 4,957,562

4. Grants Payable

Firelight distributes grants to various organizations. Firelight had unconditionally promised to give grant awards totaling \$40,121 and \$32,765 as of June 30, 2021 and 2020, respectively.

5. Net Assets With Donor Restrictions

As of June 30, 2021, and 2020, Firelight's net assets with donor restrictions are restricted for the following purposes or periods.

	2021	2020
Subject to expenditure for a specified purpose:		
Child development and education programs	\$ 1,987,503	\$ 3,157,109
Child rights and child protection programs	1,879,474	2,552,308
Ending child marriage programs	83,238	150,709
COVID-19 emergency response program	59,203	452,557
	4,009,418	6,312,683
Subject to the passage of time	547,172	773,467
Total	\$ 4,556,590	\$ 7,086,150

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, 2021 and 2020

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

##### **Endowment Composition and Activity**

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

	<u>2021</u>	<u>2020</u>
FFE net assets, beginning of year	\$ 3,413,309	\$ 3,498,273
Investment return:		
Interest and dividends and other income	79,129	98,246
Realized and unrealized gains (losses)	<u>716,150</u>	<u>(7,140)</u>
Total Investment Return	795,279	91,106
Investment fees	(27,194)	(26,070)
Appropriation of assets	<u>(276,000)</u>	<u>(150,000)</u>
FFE Net Assets, End of Year	<u>\$ 3,905,394</u>	<u>\$ 3,413,309</u>

The board-designated endowment, FFE, was composed of \$3,746,892 and \$3,251,841 held in investments for the years ended June 30, 2021 and 2020, respectively, and \$158,502 and \$161,468 held in cash for the years ended June 30, 2020, and 2019, 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 \$258,000 and \$341,000 of invested funds "owed to" operations as of June 30, 2021 and 2020, respectively.

## FIRELIGHT FOUNDATION

### NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2021 and 2020

---

#### 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 been 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 \$13,585 and \$13,055 for the years ended June 30, 2021 and 2020, respectively, and is included in occupancy in the accompanying statements of functional expenses. The future minimum lease payment under this lease for the year ending June 30, 2022 was \$1,155.

#### 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 \$11,215 and \$12,436 for the years ended June 30, 2021 and 2020, 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 \$234,064, which were recorded as transfer of fiscal sponsorship in the accompanying statement of activities for \$311,588.

## FIRELIGHT FOUNDATION

### NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2021 and 2020

---

#### 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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, 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, 2021, and 2020, Firelight had approximately \$1,300,000 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, 2021 and 2020, 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.

#### 13. Uncertainties

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

### NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2021 and 2020

#### 14. 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>2021</u>	<u>2020</u>
Financial Assets:		
Cash and cash equivalents	\$ 2,179,217	\$ 1,995,522
Grants receivable due within one year	2,092,889	2,728,247
Investments	<u>3,746,892</u>	<u>3,251,841</u>
Total Financial Assets	8,018,998	7,975,610
Less amounts not available to be used within one year:		
Board-designated cash	(158,502)	(161,468)
Board-designated investments	(3,746,892)	(3,251,841)
Plus estimated endowment appropriation for next year	<u>560,000</u>	<u>570,000</u>
Total Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 4,673,604</u>	<u>\$ 5,132,301</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 \$3,900,000. 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.

#### 15. Subsequent Events

Firelight's management has evaluated, for potential recognition or disclosure, events and transactions, through October 28, 2021, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.