



firelight
FOUNDATION

Financial Statements

For the Years Ended June 30, 2012 and 2011



**and
Report Thereon**



FIRELIGHT FOUNDATION

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For the Years Ended June 30, 2012 and 2011

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Firelight Foundation

We have audited the accompanying statements of financial position of the Firelight Foundation (Firelight) as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Firelight's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedule of functional expenses for the years ended June 30, 2012 and 2011 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 information has 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 information is fairly stated in all material respects in relation to the financial statements as a whole.



Raffa, P.C.

Washington, D.C.
October 16, 2012

FIRELIGHT FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 1,241,889	\$ 2,380,978
Grants and pledges receivable	3,245,221	3,036,443
Prepaid expenses and other assets	118,787	47,599
Property and equipment, net of accumulated depreciation of \$46,871 and \$33,560, respectively	21,820	20,014
TOTAL ASSETS	\$ 4,627,717	\$ 5,485,034
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 213,055	\$ 173,834
Grants payable	703,700	396,500
Funds held as fiscal agent	10,216	31,925
TOTAL LIABILITIES	926,971	602,259
Net Assets		
Unrestricted	3,226	389,870
Temporarily restricted	3,697,520	4,492,905
TOTAL NET ASSETS	3,700,746	4,882,775
TOTAL LIABILITIES AND NET ASSETS	\$ 4,627,717	\$ 5,485,034

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

FIRELIGHT FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 813,120	\$ 2,322,500	\$ 3,135,620
Service fees	37,500	-	37,500
Investment gains, (losses)	(6,807)	-	(6,807)
Other income	11,946	-	11,946
Net assets released from restrictions:			
Satisfaction of time restrictions	445,562	(445,562)	-
Satisfaction of program restrictions	2,672,323	(2,672,323)	-
TOTAL REVENUE AND SUPPORT	<u>3,973,644</u>	<u>(795,385)</u>	<u>3,178,259</u>
EXPENSES			
Program Services:			
Grants awarded	2,095,600	-	2,095,600
Program and grant-making expenses	1,464,997	-	1,464,997
Total Program Services	<u>3,560,597</u>	<u>-</u>	<u>3,560,597</u>
Supporting Services:			
Management and general	532,563	-	532,563
Fundraising	281,694	-	281,694
Total Supporting Services	<u>814,257</u>	<u>-</u>	<u>814,257</u>
TOTAL EXPENSES	<u>4,374,854</u>	<u>-</u>	<u>4,374,854</u>
Change in net assets before gain on currency translation	(401,210)	(795,385)	(1,196,595)
Currency translation gain	14,566	-	14,566
CHANGE IN NET ASSETS	(386,644)	(795,385)	(1,182,029)
NET ASSETS, BEGINNING OF YEAR	<u>389,870</u>	<u>4,492,905</u>	<u>4,882,775</u>
NET ASSETS, END OF YEAR	<u>\$ 3,226</u>	<u>\$ 3,697,520</u>	<u>\$ 3,700,746</u>

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

FIRELIGHT FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 1,979,825	\$ 7,009,541	\$ 8,989,366
Service fees	51,500	-	51,500
Investment gains, (losses)	9,835	-	9,835
Other income	1,783	-	1,783
Net assets released from restrictions:			
Satisfaction of time restrictions	419,293	(419,293)	-
Satisfaction of program restrictions	2,097,343	(2,097,343)	-
	4,559,579	4,492,905	9,052,484
EXPENSES			
Program Services:			
Grants awarded	2,062,600	-	2,062,600
Program and grant-making expenses	1,336,677	-	1,336,677
	3,399,277	-	3,399,277
Supporting Services:			
Management and general	497,457	-	497,457
Fundraising	245,608	-	245,608
	743,065	-	743,065
	4,142,342	-	4,142,342
Change in net assets before gain on currency translation	417,237	4,492,905	4,910,142
Currency translation gain	15,632	-	15,632
Inventory valuation loss	(42,999)	-	(42,999)
CHANGE IN NET ASSETS	389,870	4,492,905	4,882,775
NET ASSETS, AT INCEPTION (JULY 1, 2010)	-	-	-
NET ASSETS, END OF YEAR	\$ 389,870	\$ 4,492,905	\$ 4,882,775

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

FIRELIGHT FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2012 and 2011
(Decrease) Increase in Cash and Cash Equivalents

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,182,029)	\$ 4,882,775
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Realized losses (gains)	7,307	(9,018)
Depreciation	13,311	33,560
Donated fixed assets	-	(53,574)
Donated stock	(99,796)	(175,000)
Changes in assets and liabilities:		
Grants and pledges receivable	(208,778)	(3,036,443)
Prepaid expenses and other assets	(71,188)	(47,599)
Accounts payable and accrued expenses	39,221	173,834
Grants payable	307,200	396,500
Funds held as fiscal agent	(21,709)	31,925
	<u>(1,216,461)</u>	<u>2,196,960</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
	<u>(1,216,461)</u>	<u>2,196,960</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	92,489	184,018
Purchase of property and equipment	(15,117)	-
	<u>77,372</u>	<u>184,018</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES		
	<u>77,372</u>	<u>184,018</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		
	<u>(1,139,089)</u>	<u>2,380,978</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,380,978</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,241,889</u>	<u>\$ 2,380,978</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Noncash investing activities:		
Donated stock	<u>\$ 99,796</u>	<u>\$ 175,000</u>

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

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2012 and 2011

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 support children in need, particularly those who have been orphaned or affected by HIV/AIDS. Firelight's geographic focus is Sub-Saharan Africa, where the HIV/AIDS pandemic has robbed children of their parents, their homes, their education and their future.

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.

Firelight was created by Firelight Endowment, a related organization (see Note 11). As part of the process of creating Firelight, several funders agreed to pay the remaining amounts owed to Firelight Endowment to Firelight, and permitted Firelight Endowment to transfer unspent funds that had already been received by Firelight Endowment to Firelight. The net amount transferred to Firelight was \$1,586,799, and is included in grants and contributions revenue for the year ended June 30, 2011.

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.

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, 2012 and 2011

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 \$400,000 of Firelight's unrestricted net assets to serve as a reserve (see Note 6).
- Temporarily restricted net assets result from contributions that are specifically restricted by donors for various programs or 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 if such donor stipulations are not fully met in the year the award is received. 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 statement 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. 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 contributions in the accompanying statements of activities.

In-Kind Contributions

In-kind contributions include donated services, equipment, and inventory and are recognized as revenue and expenses when provided at their estimated fair value at the date of donation.

Grants Payable

Unconditional grants and contributions are recorded as expenses when approved by Firelight's Board of Directors. Multiyear grants are recorded in the financial statements at their net present value using an appropriate rate of return as of the date the gift is made in cases where such a discount is material. Grant funds must be used in accordance with the grant agreement.

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2012 and 2011

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

Grants Payable (continued)

If the recipient organization is unable to use the funds for the purposes stated in the grant agreement, they are required to return the funds to Firelight.

Functional Allocation of Expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the accompanying statement 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 requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Grants and Pledges Receivable

Grants and pledges receivable represent contributions from nonprofit organizations, corporations and individuals. As of June 30, 2012 and 2011, all receivables are considered fully collectible and are expected to be collected as follows:

	<u>2012</u>	<u>2011</u>
Less than one year	\$ 2,793,676	\$ 1,906,220
One to five years, net of discounts of \$4,029 and \$4,305, respectively	<u>451,545</u>	<u>1,130,223</u>
Total Grants and Pledges Receivable	<u>\$ 3,245,221</u>	<u>\$ 3,036,443</u>

3. Grants Payable

Firelight distributes grants to various organizations. Firelight had unconditionally promised to give grant awards totaling \$703,700 and \$396,500 as of June 30, 2012 and 2011, respectively. For the year ended June 30, 2012, \$270,000 of the grant awards are due to be paid within two years, and the remainder are payable within one year. The June 30, 2012 long-term grants payable were not discounted to present value due to the immateriality of the discount. All grant awards for the year ending June 30, 2011 were payable within one year.

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2012 and 2011

3. Grants Payable (continued)

The grant awards payable are for the following purposes:

	2012	2011
Operational support	\$ 340,000	\$ 150,500
Economic strengthening	172,200	17,000
Organizational capacity building	93,500	102,000
Child protection/Rights	60,000	-
Psychosocial support	30,000	17,000
Early childhood development	8,000	101,000
Education	-	9,000
Total	\$ 703,700	\$ 396,500

4. Funds Held as Fiscal Agent

As of June 30, 2012 and 2011, Firelight held \$10,216 and \$31,925 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 control over the ultimate disbursement of the funds.

5. Temporarily Restricted Net Assets

As of June 30, 2012 and 2011, Firelight's temporarily restricted net assets are available for the following purposes or time periods:

	2012	2011
Grant making	\$ 1,491,427	\$ 2,021,987
Capacity building	390,610	803,903
Organizational learning	316,602	488,701
Advocacy	49,603	141,586
Personnel	752,512	-
Other program expenses	128,974	-
Time restricted for use in future periods	567,792	1,036,728
Total	\$ 3,697,520	\$ 4,492,905

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2012 and 2011

6. Board-Designated Assets

Firelight's Board has internally designated \$400,000 of Firelight's unrestricted net assets to serve as a reserve, to shield Firelight's grant-making program against economic downturns and/or other circumstances that might lead funders to contribute less than would be necessary to fully fund Firelight's programs in any given year. Under certain conditions, the designated funds may be released upon the approval of the full Board. The board-designated reserve was held in cash during the years ended June 30, 2012 and 2011. Therefore, there were no investment returns related to the balance.

7. Commitments

In October 2010, Firelight entered into an operating lease for its current office space in Santa Cruz, California. The lease expires on November 30, 2012. The lease provides 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 \$87,721 and \$87,442 for the years ended June 30, 2012 and 2011, respectively, and is included in occupancy expense in the accompanying supplemental schedules of functional expenses. As of July 1, 2010, Firelight Endowment – a related organization – entered into an agreement to reimburse Firelight for space used on a month-to-month basis.

Future minimum lease payments under the agreement are \$36,329 for the year ending June 30, 2013.

8. 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 \$30,647 and \$20,689 for the years ended June 30, 2012 and 2011, respectively, and is included in salaries and benefits in the accompanying supplemental schedule of functional expenses.

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2012 and 2011

9. 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, 2012 and 2011 as Firelight had no net unrelated business income.

In accordance with Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, Firelight has evaluated its income tax positions for the years ended June 30, 2012 and 2011, 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.

10. 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 of \$250,000 per depositor per institution. As of June 30, 2012 and 2011, Firelight had approximately \$872,000 and \$1,631,000 respectively, composed of money market accounts in excess of the FDIC-insured limit. Firelight monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash and cash equivalents.

11. Related Party Transactions

As discussed in Note 1, Firelight was created by Firelight Endowment. Firelight and Firelight Endowment shared three Board members during the years ended June 30, 2012 and 2011. However, in future years, neither entity will control the appointment of a majority of the Board members to the other organization.

During the year ended June 30, 2011, Firelight received an unrestricted contribution from Firelight Endowment in the amount of \$1,500,000. As of June 30, 2012 and 2011, \$250,000 and \$500,000, respectively, is included in grants receivable.

Firelight entered into a service agreement with Firelight Endowment for various administrative and programmatic support services. The monthly services include office rent, management services, information technology support, and grant-tracking services for outstanding grants, subject to expenditure responsibility reporting. Pursuant to the cost sharing agreement, Firelight Endowment's reimbursements to Firelight totaled \$37,500 and \$51,500 for the years

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2012 and 2011

11. Related Party Transactions (continued)

ended June 30, 2012 and 2011, respectively. Firelight Endowment owed Firelight a total of \$9,000 under this agreement as of June 30, 2011, and this amount is included in prepaid expenses and other assets in the accompanying statements of financial position. No amounts were due under this agreement as of June 30, 2012.

Firelight also entered into a revolving loan agreement with Firelight Endowment in 2011. Under this agreement, Firelight had the ability to borrow up to \$1,000,000 for working capital purposes from Firelight Endowment. The agreement matured on June 29, 2012, and was not renewed. Firelight did not borrow any funds under this agreement, and there are no amounts outstanding on the agreement as of June 30, 2012.

12. Subsequent Events

Firelight's management has evaluated events and transactions for potential recognition or disclosure through October 16, 2012, the date the financial statements were available to be issued. There were no subsequent events that require recognition in these financial statements. The following events require disclosure:

On September 5, 2012, the Firelight Endowment Board resolved to dissolve the Firelight Endowment and transfer the bulk of its assets of approximately \$4.4 million, to Firelight. The transfer is expected to take place before December 31, 2012.

In addition, Firelight renewed its office lease on September 6, 2012, for a two-year term through November 30, 2014. Future minimum payments due under the lease are as follows:

For the year ending <u>June 30,</u>	
2013	\$ 47,869
2014	83,557
2015	<u>35,261</u>
Total	<u>\$ 166,687</u>

SUPPLEMENTAL INFORMATION

FIRELIGHT FOUNDATION
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2012

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Grants Awarded</u>	<u>Program and Grant-Making Expenses</u>	<u>Management and General</u>	<u>Fundraising</u>	
Grants	\$ 2,095,600	\$ -	\$ -	\$ -	\$ 2,095,600
Salaries and benefits	-	742,437	338,848	213,967	1,295,252
Direct grant-making expenses	-	380,034	-	-	380,034
Professional fees	-	101,362	85,277	3,974	190,613
Travel, conferences and meetings	-	136,539	3,594	21,921	162,054
Occupancy	-	59,279	26,325	16,623	102,227
Office expenses	-	8,911	37,796	4,967	51,674
Subscriptions and staff costs	-	19,395	14,595	14,533	48,523
Other expenses	-	9,389	12,316	3,510	25,215
Depreciation	-	7,630	3,482	2,199	13,311
Board meetings	-	21	10,330	-	10,351
TOTAL	<u><u>\$ 2,095,600</u></u>	<u><u>\$ 1,464,997</u></u>	<u><u>\$ 532,563</u></u>	<u><u>\$ 281,694</u></u>	<u><u>\$ 4,374,854</u></u>

FIRELIGHT FOUNDATION
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2011

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Grants Awarded</u>	<u>Program and Grant-Making Expenses</u>	<u>Management and General</u>	<u>Fundraising</u>	
Grants	\$ 2,062,600	\$ -	\$ -	\$ -	\$ 2,062,600
Salaries and benefits	-	629,774	246,834	163,540	1,040,148
Direct grant-making expenses	-	274,706	-	-	274,706
Travel, conferences and meetings	-	236,442	3,177	22,028	261,647
Professional fees	-	53,451	151,127	6,500	211,078
Occupancy	-	61,699	23,158	16,069	100,926
Other expenses	-	19,730	15,856	7,909	43,495
Office expenses	-	29,716	26,215	6,927	62,858
Subscriptions and staff costs	-	6,276	8,555	15,770	30,601
Depreciation	-	20,517	7,700	5,343	33,560
Board meetings	-	4,366	14,835	1,522	20,723
	<u>-</u>	<u>4,366</u>	<u>14,835</u>	<u>1,522</u>	<u>20,723</u>
TOTAL	<u>\$ 2,062,600</u>	<u>\$ 1,336,677</u>	<u>\$ 497,457</u>	<u>\$ 245,608</u>	<u>\$ 4,142,342</u>