



FIRELIGHT FOUNDATION

Financial Statements and Supplemental Information

For the Years Ended June 30, 2017 and 2016



**and
Report Thereon**



FIRELIGHT FOUNDATION

TABLE OF CONTENTS
For the Years Ended June 30, 2017 and 2016

	<i>Page</i>
Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities.....	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-16
Supplemental Information	
Supplemental Schedules of Functional Expenses.....	17-18



Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Firelight Foundation

We have audited the accompanying financial statements of the Firelight Foundation (Firelight), which comprise the statements of financial position as of June 30, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and 2016, 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.
November 9, 2017

FIRELIGHT FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 859,222	\$ 712,668
Grants and pledges receivable, net	447,808	2,959,485
Investments – General	1,171,175	903,327
Investments – Funds functioning as a quasi-endowment	3,417,910	3,310,424
Prepaid expenses and other assets	25,845	41,968
Property and equipment, net of accumulated depreciation of \$49,244 and \$84,630, respectively	<u>4,481</u>	<u>11,329</u>
TOTAL ASSETS	<u><u>\$ 5,926,441</u></u>	<u><u>\$ 7,939,201</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 149,733	\$ 95,967
Grants payable	-	98,500
Refundable advance	<u>63,052</u>	<u>29,784</u>
TOTAL LIABILITIES	<u>212,785</u>	<u>224,251</u>
Net Assets		
Unrestricted	3,453,545	3,310,424
Temporarily restricted	<u>2,260,111</u>	<u>4,404,526</u>
TOTAL NET ASSETS	<u>5,713,656</u>	<u>7,714,950</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,926,441</u></u>	<u><u>\$ 7,939,201</u></u>

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

FIRELIGHT FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 257,864	\$ 1,406,391	\$ 1,664,255
Investment gains, net	448,664	-	448,664
Other income	254,105	-	254,105
Net assets released from restrictions:			
Satisfaction of time restrictions	250,233	(250,233)	-
Satisfaction of program restrictions	2,797,480	(2,797,480)	-
TOTAL REVENUE AND SUPPORT	4,008,346	(1,641,322)	2,367,024
Transfer of Fiscal Sponsorship	-	(503,093)	(503,093)
EXPENSES			
Program Services:			
Grants awarded	1,112,345	-	1,112,345
Program and grant-making expenses	1,791,751	-	1,791,751
Total Program Services	2,904,096	-	2,904,096
Supporting Services:			
Management and general	707,721	-	707,721
Fundraising	253,408	-	253,408
Total Supporting Services	961,129	-	961,129
TOTAL EXPENSES	3,865,225	-	3,865,225
CHANGE IN NET ASSETS	143,121	(2,144,415)	(2,001,294)
NET ASSETS, BEGINNING OF YEAR	3,310,424	4,404,526	7,714,950
NET ASSETS, END OF YEAR	<u>\$ 3,453,545</u>	<u>\$ 2,260,111</u>	<u>\$ 5,713,656</u>

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

FIRELIGHT FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 240,157	\$ 3,395,341	\$ 3,635,498
Investment losses, net	(107,245)	-	(107,245)
Other income	144,621	-	144,621
Net assets released from restrictions:			
Satisfaction of time restrictions	241,060	(241,060)	-
Satisfaction of program restrictions	2,299,519	(2,299,519)	-
TOTAL REVENUE AND SUPPORT	2,818,112	854,762	3,672,874
EXPENSES			
Program Services:			
Grants awarded	1,206,215	-	1,206,215
Program and grant-making expenses	1,202,500	-	1,202,500
Total Program Services	2,408,715	-	2,408,715
Supporting Services:			
Management and general	688,693	-	688,693
Fundraising	116,996	-	116,996
Total Supporting Services	805,689	-	805,689
TOTAL EXPENSES	3,214,404	-	3,214,404
CHANGE IN NET ASSETS	(396,292)	854,762	458,470
NET ASSETS, BEGINNING OF YEAR	3,706,716	3,549,764	7,256,480
NET ASSETS, END OF YEAR	\$ 3,310,424	\$ 4,404,526	\$ 7,714,950

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

FIRELIGHT FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2017 and 2016
(Decrease) Increase in Cash and Cash Equivalents

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (2,001,294)	\$ 458,470
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized (gains) losses	64,385	(173,357)
Unrealized (gains) losses	(396,157)	421,480
Depreciation	7,717	8,701
Change in the allowance for doubtful accounts	203,099	-
Changes in assets and liabilities:		
Grants and pledges receivable	2,308,578	(1,578,942)
Prepaid expenses and other assets	16,123	5,476
Accounts payable and accrued expenses	53,766	(28,593)
Grants payable	(98,500)	(289,600)
Refundable advance	<u>33,268</u>	<u>(48,223)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>190,985</u>	<u>(1,224,588)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of investments	336,822	3,011,152
Purchase of investments	(380,384)	(2,895,217)
Purchase of property and equipment	<u>(869)</u>	<u>(4,464)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(44,431)</u>	<u>111,471</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	146,554	(1,113,117)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>712,668</u>	<u>1,825,785</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 859,222</u></u>	<u><u>\$ 712,668</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, 2017 and 2016

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 collectibility. Management annually adjusts the allowance account based upon its estimate of those grants and pledges receivable it believes to be uncollectible.

Investments

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

Property and Equipment

Property and equipment are 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, 2017 and 2016

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 regardless of whether or not they are expended in the year 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 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, 2017 and 2016

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, which include Funds Functioning as an Endowment, consisted of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Equity funds	\$ 3,478,490	\$ 3,076,674
Fixed-income funds	<u>1,110,595</u>	<u>1,137,077</u>
Total Investments	<u>\$ 4,589,085</u>	<u>\$ 4,213,751</u>

Investment returns are summarized as follows for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Realized gains (losses)	\$ (64,385)	\$ 173,357
Unrealized gains (losses)	396,157	(421,480)
Interest and dividends	150,436	174,265
Investment fees	<u>(33,544)</u>	<u>(33,387)</u>
Total Investment Income (Loss)	<u>\$ 448,664</u>	<u>\$ (107,245)</u>

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2017 and 2016

3. Fair Value Measurement

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 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.

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, 2017:

	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity funds:				
Large cap growth	\$ 1,007,955	\$ 1,007,955	\$ -	\$ -
International – developed and emerging markets	858,846	858,846	-	-
Mid cap blend	538,281	538,281	-	-
International – small/medium blend	361,730	361,730	-	-
Absolute return	287,830	287,830	-	-
Natural resources/ commodities	217,030	217,030	-	-
International – small mid cap growth	149,207	149,207	-	-
Emerging markets	57,611	57,611	-	-
Total Equity Funds	<u>3,478,490</u>	<u>3,478,490</u>	<u>-</u>	<u>-</u>

Continued

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2017 and 2016

3. Fair Value Measurement (continued)

<i>(Continued)</i>	<u>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>
Fixed-income funds:				
Domestic intermediate	\$ 738,215	\$ 738,215	\$ -	\$ -
Domestic short term	<u>372,380</u>	<u>372,380</u>	<u>-</u>	<u>-</u>
Total Fixed-Income Funds	<u>1,110,595</u>	<u>1,110,595</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,589,085</u>	<u>\$ 4,589,085</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2016:

	<u>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>
Equity funds:				
Large cap growth	\$ 859,214	\$ 859,214	\$ -	\$ -
International – developed and emerging markets	566,343	566,343	-	-
Mid and large cap blend	517,827	517,827	-	-
International – small/medium blend	462,797	462,797	-	-
Absolute return	265,550	265,550	-	-
International large cap blend	189,488	189,488	-	-
Natural resources/commodities	166,035	166,035	-	-
Emerging markets	<u>49,420</u>	<u>49,420</u>	<u>-</u>	<u>-</u>
Total Equity Funds	<u>3,076,674</u>	<u>3,076,674</u>	<u>-</u>	<u>-</u>
Fixed-income funds:				
Domestic intermediate	761,782	761,782	-	-
Domestic short term	<u>375,295</u>	<u>375,295</u>	<u>-</u>	<u>-</u>
Total Fixed-Income Funds	<u>1,137,077</u>	<u>1,137,077</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,213,751</u>	<u>\$ 4,213,751</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2017 and 2016

3. Fair Value Measurement (continued)

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.

4. Grants and Pledges Receivable

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

As of June 30, 2017 and 2016, all receivables were expected to be collected as follows:

	<u>2017</u>	<u>2016</u>
Less than one year	\$ 650,907	\$ 2,272,984
One to five years	<u>-</u>	<u>686,501</u>
Total Grants and Pledges Receivable	650,907	2,959,485
Less: Allowance for Doubtful Accounts	<u>(203,099)</u>	<u>-</u>
Grants and Contributions Receivable	<u>\$ 447,808</u>	<u>\$ 2,959,485</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 years ended June 30, 2017 and 2016.

5. Grants Payable

Firelight distributes grants to various organizations. Firelight had no grants payable as of June 30, 2017. Firelight had unconditionally promised to give grant awards totaling \$98,500 as of June 30, 2016, which were paid during the year ended June 30, 2017.

6. Temporarily Restricted Net Assets

As of June 30, 2017 and 2016, Firelight's temporarily restricted net assets were available for the following purposes or time periods:

	<u>2017</u>	<u>2016</u>
Grant making	\$ 735,460	\$ 1,520,592
Capacity building	750,687	970,259
Advocacy	119,439	652,126
Time restricted for use in future periods	133,904	515,589
Personnel	166,609	399,606
Organizational learning	279,612	326,577
Other program expenses	<u>74,399</u>	<u>19,777</u>
Total	<u>\$ 2,260,111</u>	<u>\$ 4,404,526</u>

Continued

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2017 and 2016

7. 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

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

	<u>2017</u>	<u>2016</u>
FFE net assets, beginning of year	\$ 3,310,424	\$ 3,706,716
Investment return		
Interest and dividends and other income	64,709	174,305
Realized and unrealized gains (losses)	<u>299,276</u>	<u>(248,123)</u>
Total Investment Return (Loss)	363,985	(73,818)
Investment fees	(25,331)	(33,427)
Appropriation of assets	<u>(200,000)</u>	<u>(180,000)</u>
Long-term reserve	3,449,078	3,419,471
Due to operations	<u>-</u>	<u>(109,047)</u>
FFE Net Assets End of Year	<u>\$ 3,449,078</u>	<u>\$ 3,310,424</u>

The board designated endowment, FFE, was composed of \$3,417,910 and \$3,310,424 held in investments for the years ended June 30, 2017 and 2016, respectively, and \$31,168 held in cash for the year ended June 30, 2017.

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.

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2017 and 2016

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

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 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, 2017 and 2016, Firelight had \$0 and \$109,407 of invested funds "owed to" operations, respectively.

8. Commitments

Firelight's operating lease for its current office space in Santa Cruz, California, was terminated on April 26, 2017, prior to the November 30, 2018, end of the lease term, due to severe damage to the space as a result of fire. Rent expense associated with the lease totaled \$31,298 and \$87,225 for the years ended June 30, 2017 and 2016, respectively, and is included in the accompanying supplemental schedules of functional expenses.

On July 24, 2017, Firelight entered into a lease for a property at 903 Pacific Avenue, Santa Cruz, CA with an effective date of August 15, 2017. The terms of this lease extend through July 31, 2019. The future minimum lease payments under this lease for the following two years are as follows:

For the Year Ending June 30,	
2018	\$ 9,075
2019	<u>11,025</u>
Total	<u>\$ 20,100</u>

9. Pension Plan

Firelight maintains a tax-deferred Savings Incentive Match Plan for Employees Individual Retirement Account (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 \$16,002 and \$15,119 for the years ended June 30, 2017 and 2016, respectively, and is included in salaries and benefits in the accompanying supplemental schedules of functional expenses.

10. 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

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS **For the Years Ended June 30, 2017 and 2016**

10. Income Taxes (continued)

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, 2017 and 2016, as Firelight had no net unrelated business income.

Firelight reviews and assesses all activities annually to identify any changes in the scope of the activities and revenue sources and the tax treatment thereof to identify any uncertainty in income taxes. For the years ended June 30, 2017 and 2016, no provision for income taxes was made, as Firelight had no net unrelated business income and did not identify any uncertainty in income taxes requiring recognition or disclosure in these financial statements. Firelight's tax returns are subject to possible examination by the taxing authorities. For federal purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

11. Concentration of Credit Risk

Firelight's cash is held in accounts at certain commercial financial institutions, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit per depositor per institution. As of June 30, 2017 and 2016, Firelight had approximately \$203,112 and \$205,000, 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, 2017 and 2016, Firelight had approximately \$31,958 and \$19,000, 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.

12. Transfer of Fiscal Sponsorship

Firelight Foundation acted as the fiscal sponsor for the Faith to Action Initiative, an organization which serves as a resource for Christian groups, churches and individuals seeking to respond to the needs of orphans and vulnerable children in Africa and around the world. Effective January 13, 2017, Tides Center replaced Firelight as Faith to Action's fiscal sponsor. At that time, Firelight transferred all assets relating to the fiscal sponsorship to Tides Center, including a grant receivable from Oak Foundation in the amount of \$460,000, and several smaller grants received from Faith to Action member organizations totaling \$43,093.

13. Reclassifications

Certain 2016 amounts have been reclassified to conform to the 2017 financial statement presentation.

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2017 and 2016

14. Subsequent Events

Firelight's management has evaluated events and transactions for potential recognition or disclosure through November 9, 2017, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements other than the signing of a new lease agreement which is more fully described in Note 8, Commitments.

SUPPLEMENTAL INFORMATION

FIRELIGHT FOUNDATION
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

	<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>
Grants	\$ 1,112,345	\$ -	\$ -	\$ -	\$ 1,112,345
Salaries and benefits	-	576,698	356,045	185,483	1,118,226
Program support	-	972,006	-	-	972,006
Bad debt expense	-	-	203,099	-	203,099
Travel, conferences and meetings	-	135,461	7,261	27,886	170,608
Consulting expense	-	39,556	98,087	16,861	154,504
Office expenses	-	30,770	17,773	10,122	58,665
Occupancy	-	23,523	14,070	9,751	47,344
Other expenses	-	13,737	11,386	3,305	28,428
	<u>-</u>	<u>13,737</u>	<u>11,386</u>	<u>3,305</u>	<u>28,428</u>
TOTAL	<u><u>\$ 1,112,345</u></u>	<u><u>\$ 1,791,751</u></u>	<u><u>\$ 707,721</u></u>	<u><u>\$ 253,408</u></u>	<u><u>\$ 3,865,225</u></u>

FIRELIGHT FOUNDATION
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

	<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>
Grants	\$ 1,206,215	\$ -	\$ -	\$ -	\$ 1,206,215
Salaries and benefits	-	363,344	460,842	68,888	893,074
Consulting expense	-	689,895	119,590	3,416	812,901
Occupancy	-	43,832	55,729	12,619	112,180
Travel, conferences and meetings	-	57,154	9,668	16,609	83,431
Office expenses	-	19,695	21,080	13,061	53,836
Other expenses	-	25,040	17,294	1,732	44,066
Depreciation	-	3,540	4,490	671	8,701
	<u>-</u>	<u>3,540</u>	<u>4,490</u>	<u>671</u>	<u>8,701</u>
TOTAL	<u>\$ 1,206,215</u>	<u>\$ 1,202,500</u>	<u>\$ 688,693</u>	<u>\$ 116,996</u>	<u>\$ 3,214,404</u>