



**firelight**  
FOUNDATION

**Financial Statements**

*For the Year Ended June 30, 2011*



**and**  
**Report Thereon**



# **FIRELIGHT FOUNDATION**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the  
Firelight Foundation

CONSULTING  
ACCOUNTING  
TECHNOLOGY

*Certified Public  
Accountants*

We have audited the accompanying statement of financial position of the Firelight Foundation (Firelight) as of June 30, 2011, and the related statements of activities and cash flows for the year 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 audit.

We conducted our audit 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 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 audit provides 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, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of functional expenses for the year ended June 30, 2011, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**RAFFA, P.C.**

Washington, DC  
October 6, 2011

**FIRELIGHT FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2011**

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**ASSETS**

Cash and cash equivalents	\$ 2,380,978
Grants and pledges receivable	3,036,443
Prepaid expenses and other assets	47,599
Property and equipment, net of accumulated depreciation of \$33,560	<u>20,014</u>

TOTAL ASSETS	<u><u>\$ 5,485,034</u></u>
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**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable and accrued expenses	\$ 173,834
Grants payable	396,500
Funds held as fiscal agent	<u>31,925</u>

TOTAL LIABILITIES	<u>602,259</u>
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**Net Assets**

Unrestricted	389,870
Temporarily restricted	<u>4,492,905</u>

TOTAL NET ASSETS	<u>4,882,775</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,485,034</u></u>
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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 earnings	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)	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>4,559,579</b>	<b>4,492,905</b>	<b>9,052,484</b>
EXPENSES			
Program Services:			
Grants awarded	2,062,600	-	2,062,600
Program and grant-making expenses	1,336,677	-	1,336,677
<b>Total Program Services</b>	<b>3,399,277</b>	<b>-</b>	<b>3,399,277</b>
Supporting Services:			
Management and general	497,457	-	497,457
Fundraising	245,608	-	245,608
<b>Total Supporting Services</b>	<b>743,065</b>	<b>-</b>	<b>743,065</b>
<b>TOTAL EXPENSES</b>	<b>4,142,342</b>	<b>-</b>	<b>4,142,342</b>
Change in net assets before gain on currency translation and inventory valuation loss	417,237	4,492,905	4,910,142
Currency translation gain	15,632	-	15,632
Inventory valuation loss	(42,999)	-	(42,999)
<b>CHANGE IN NET ASSETS</b>	<b>389,870</b>	<b>4,492,905</b>	<b>4,882,775</b>
NET ASSETS, AT INCEPTION (JULY 1, 2010)	-	-	-
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 389,870</b>	<b>\$ 4,492,905</b>	<b>\$ 4,882,775</b>

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

**FIRELIGHT FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2011  
Increase (Decrease) in Cash and Cash Equivalents

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CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 4,882,775
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Realized gains	(9,018)
Depreciation	33,560
Donated fixed assets	(53,574)
Donated stock	(175,000)
Changes in assets and liabilities:	
Grants and pledges receivable	(3,036,443)
Prepaid expenses and other assets	(47,599)
Accounts payable and accrued expenses	173,834
Grants payable	396,500
Funds held as fiscal agent	31,925

NET CASH PROVIDED BY OPERATING ACTIVITIES	2,196,960
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CASH FLOWS FROM INVESTING ACTIVITIES

Investment sales	184,018
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NET CASH PROVIDED BY INVESTING ACTIVITIES	184,018
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NET INCREASE IN CASH	2,380,978
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CASH AND CASH EQUIVALENTS, AT INCEPTION (JULY 1, 2010)	-
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CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,380,978
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SUPPLEMENTAL CASH FLOW INFORMATION

Noncash investing activities:	
Donated stock	\$ 175,000

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

# **FIRELIGHT FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2011**

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### **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 in the accompanying statement of activities.

#### **Cash Equivalents**

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

#### **Investments**

Investments consist of common stock, when donated. It is Firelight's policy to sell donated stock as soon as possible, once the stock is received. There were no investments at June 30, 2011.

# **FIRELIGHT FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2011**

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

### **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 statement of activities.

### **Classification of Net Assets**

The net assets of Firelight 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. \$400,000 of Firelight's unrestricted net assets has been designated by the Board of Directors 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 statement 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 statement of activities.

**Continued**



**FIRELIGHT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2011**

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

**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. 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, 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 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

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

Due within 1 year	\$ 1,906,220
Due in 1 to 5 years, net of discount of \$4,305	<u>1,130,223</u>
Total	<u>\$ 3,036,443</u>

Continued

## **FIRELIGHT FOUNDATION**

### **NOTES TO FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2011**

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3. Grants Payable

Firelight distributes grants to various organizations. As of June 30, 2011, Firelight has unconditionally promised to give \$396,500 in grant awards. All grants are due to be paid within one year and are used for the following purposes:

Operational support	\$ 150,500
Organizational capacity building	102,000
Early childhood development	101,000
Economic strengthening	17,000
Psychosocial support	17,000
Education	<u>9,000</u>
Total Grants Payable	<u>\$ 396,500</u>

4. Funds Held as Fiscal Agent

As of June 30, 2011, Firelight held \$31,925 as a fiscal agent for other parties. 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 statement of financial position, as Firelight has no control over the ultimate disbursement of the funds.

5. Temporarily Restricted Net Assets

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

Grant making	\$ 2,021,987
Capacity building	803,903
Program, communications and organizational learning	488,701
Advocacy	141,586
Time restricted for use in future periods	<u>1,036,728</u>
Total	<u>\$ 4,492,905</u>

Continued

# **FIRELIGHT FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2011**

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### **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 year ended June 30, 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 was \$87,442 for the year ended June 30, 2011, and is included in occupancy in the accompanying supplemental schedule 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 as follows:

For the Year Ending June 30,	
2012	\$ 86,121
2013	<u>36,329</u>
Total	<u>\$ 122,450</u>

### **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 was \$20,689 for the year ended June 30, 2011, and is included in salaries and benefits in the accompanying supplemental schedule of functional expenses.

## **FIRELIGHT FOUNDATION**

### **NOTES TO FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2011**

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9. 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 (IRC) and has been classified as a public charity under Section 170(b)(1)(A)(vi) of the IRC.

In accordance with Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, Firelight has evaluated its income tax positions for the year ended June 30, 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, 2011, Firelight had approximately \$1,631,000 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 year ended June 30, 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, 2011, \$500,000 is included in grants receivable and is expected to be received during the years ending June 30, 2012 and 2013.

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 \$51,500 for the year ended June 30, 2011. As of June 30, 2011, \$9,000 was owed to Firelight under this agreement and is included in prepaid expenses and other assets in the accompanying statement of financial position.

## **FIRELIGHT FOUNDATION**

### **NOTES TO FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2011**

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11. Related Party Transactions (continued)

Firelight also entered into a revolving loan agreement with Firelight Endowment. Under this agreement, Firelight has the ability to borrow up to \$1,000,000 for working capital purposes from Firelight Endowment. Interest on any amounts borrowed under the agreement would be at the prime rate listed in *The Wall Street Journal*, which was 3.25% as of June 30, 2011. The agreement matures on June 29, 2012. Firelight currently has no plans to borrow any funds under this agreement, and there are no amounts outstanding on the agreement as of June 30, 2011.

12. Subsequent Events

Firelight's management has evaluated events and transactions for potential recognition or disclosure through October 6, 2011, the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, these financial statements.

## **SUPPLEMENTAL INFORMATION**

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

	Program Services		Supporting Services		
	Grants Awarded	Program and Grant-Making Expenses	Management and General	Fundraising	Total
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
TOTAL	<u>\$ 2,062,600</u>	<u>\$ 1,336,677</u>	<u>\$ 497,457</u>	<u>\$ 245,608</u>	<u>\$ 4,142,342</u>