



## **Financial Statements**

*For the Years Ended June 30, 2014 and 2013*



**and  
Report Thereon**



**FIRELIGHT FOUNDATION**

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**For the Years Ended June 30, 2014 and 2013**

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*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of the  
Firelight Foundation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Firelight Foundation (Firelight), which comprise the statements of financial position as of June 30, 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplemental schedules of functional expenses have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

*Raffa, P.C.*

**Raffa, P.C.**

Washington, D.C.  
October 17, 2014

**FIRELIGHT FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2014 and 2013**

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	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 990,461	\$ 1,020,249
Grants and pledges receivable	900,233	2,603,024
Investments	4,900,807	5,636,089
Prepaid expenses and other assets	75,442	75,348
Property and equipment, net of accumulated depreciation of \$75,184 and \$63,516, respectively	<u>32,252</u>	<u>19,145</u>
TOTAL ASSETS	<u><u>\$ 6,899,195</u></u>	<u><u>\$ 9,353,855</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 189,881	\$ 188,765
Grants payable	755,500	1,360,500
Funds held as fiscal agent	<u>44,237</u>	<u>48,145</u>
TOTAL LIABILITIES	<u>989,618</u>	<u>1,597,410</u>
Net Assets		
Unrestricted	4,487,718	4,398,080
Temporarily restricted	<u>1,421,859</u>	<u>3,358,365</u>
TOTAL NET ASSETS	<u>5,909,577</u>	<u>7,756,445</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 6,899,195</u></u>	<u><u>\$ 9,353,855</u></u>

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

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

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

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

**FIRELIGHT FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2013**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>			
Grants and contributions - Firelight Endowment	\$ 4,528,419	\$ -	\$ 4,528,419
Grants and contributions - Other	830,933	3,525,219	4,356,152
Service fees	18,000	-	18,000
Investment gains (losses), net	129,079	-	129,079
Other income	121,629	-	121,629
Net assets released from restrictions:			
Satisfaction of time restrictions	640,929	(640,929)	-
Satisfaction of program restrictions	3,223,445	(3,223,445)	-
	<b>9,492,434</b>	<b>(339,155)</b>	<b>9,153,279</b>
<b>TOTAL REVENUE AND SUPPORT</b>			
<b>EXPENSES</b>			
Program Services:			
Grants awarded	2,574,400	-	2,574,400
Program and grant-making expenses	1,584,737	-	1,584,737
	<b>4,159,137</b>	<b>-</b>	<b>4,159,137</b>
Supporting Services:			
Management and general	592,792	-	592,792
Fundraising	344,814	-	344,814
	<b>937,606</b>	<b>-</b>	<b>937,606</b>
<b>TOTAL EXPENSES</b>			
	<b>5,096,743</b>	<b>-</b>	<b>5,096,743</b>
Change in net assets before loss on currency translation	4,395,691	(339,155)	4,056,536
Currency translation loss	(837)	-	(837)
<b>CHANGE IN NET ASSETS</b>	<b>4,394,854</b>	<b>(339,155)</b>	<b>4,055,699</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>3,226</b>	<b>3,697,520</b>	<b>3,700,746</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 4,398,080</b>	<b>\$ 3,358,365</b>	<b>\$ 7,756,445</b>

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

**FIRELIGHT FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2014 and 2013**  
**(Decrease) Increase in Cash and Cash Equivalents**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,846,868)	\$ 4,055,699
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Realized gains	(35,530)	(84,189)
Unrealized gains	(452,168)	(36,030)
Depreciation	11,744	14,150
Changes in assets and liabilities:		
Grants and pledges receivable	1,702,791	642,197
Prepaid expenses and other assets	(94)	43,439
Accounts payable and accrued expenses	1,116	(24,290)
Grants payable	(605,000)	656,800
Funds held as fiscal agent	(3,908)	37,929
	<u>(1,227,917)</u>	<u>5,305,705</u>
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sales and maturities of investments	1,242,980	262,727
Purchase of investments	(20,000)	(5,778,597)
Purchase of property and equipment	(24,851)	(11,475)
	<u>1,198,129</u>	<u>(5,527,345)</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(29,788)	(221,640)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,020,249</u>	<u>1,241,889</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 990,461</u>	<u>\$ 1,020,249</u>

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

# FIRELIGHT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2014 and 2013

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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 identify, fund, and strengthen promising community organizations that support the health, resilience, and education of children in Africa.

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

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

#### **Cash Equivalents**

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

#### **Investments**

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

#### **Property and Equipment**

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

# FIRELIGHT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2014 and 2013

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### 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 8).
- Temporarily restricted net assets result from contributions that are specifically restricted by donors for various programs for use in future periods.

#### **Revenue Recognition**

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

Unconditional promises to give that are expected to be collected within one-year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. 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 stock, services, equipment, and inventory and are recognized as revenue and expenses when provided 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.

#### **Grants Payable**

Unconditional grants and contributions are recorded as expenses when approved by Firelight's Board of Directors. Multi-year 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. 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.

# FIRELIGHT FOUNDATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2014 and 2013

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

#### **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.

#### **Change in Accounting Principle**

Firelight adopted the FASB Accounting Standards Update 2012-05, *Statement of Cash Flows: Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*, which requires the recognition of donated securities that have no donor-imposed restriction and that are nearly immediately converted into cash, as cash from operating activities. During the years ended June 30, 2014 and 2013, Firelight received \$8,653 and \$4,277,002 of donated securities that were nearly immediately converted into cash and recognized as cash from operating activities in the accompanying statement of cash flows.

#### **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. Investments

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

	<u>2014</u>	<u>2013</u>
Equity funds	\$ 3,349,268	\$ 3,765,676
Fixed-income funds	<u>1,551,539</u>	<u>1,870,413</u>
Total	<u>\$ 4,900,807</u>	<u>\$ 5,636,089</u>

Investment returns are summarized as follows:

	<u>2014</u>	<u>2013</u>
Realized gains	\$ 35,530	\$ 84,189
Capital gain distributions	48,835	792
Unrealized gains	452,168	36,030
Interest and dividends	<u>82,140</u>	<u>27,532</u>
Total	<u>\$ 618,673</u>	<u>\$ 148,543</u>

Continued

## FIRELIGHT FOUNDATION

### NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2014 and 2013

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#### 2. Investments (continued)

Also included in investment gains (losses) in the accompanying statements of activities are investment fees of \$37,668 and \$19,464 paid for the years ended June 30, 2014 and 2013, respectively.

#### 3. Fair Value Measurements

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

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

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

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

**FIRELIGHT FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2014 and 2013**

3. Fair Value Measurements (continued)

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

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

**FIRELIGHT FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2014 and 2013**

3. Fair Value Measurements (continued)

The following table summarizes Firelight's assets measured at fair value on a recurring basis as of June 30, 2013:

	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Equity funds:				
Large cap growth	\$ 379,674	\$ 379,674	\$ -	\$ -
Large cap blend	1,113,551	1,113,551	-	-
International large cap blend	720,023	720,023	-	-
International-small/medium blend	372,136	372,136	-	-
Natural resources/ commodities	394,560	395,560	-	-
Emerging market	452,313	452,313	-	-
Hedged equity	<u>333,419</u>	<u>333,419</u>	<u>-</u>	<u>-</u>
Total Equity funds	<u>3,765,676</u>	<u>3,765,676</u>	<u>-</u>	<u>-</u>
Fixed-income funds:				
Domestic	1,323,828	1,323,828	-	-
International	205,579	205,579	-	-
Absolute return	<u>341,006</u>	<u>341,006</u>	<u>-</u>	<u>-</u>
Total Fixed-Income Funds	<u>1,870,413</u>	<u>1,870,413</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,636,089</u>	<u>\$ 5,636,089</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.

4. Grants and Pledges Receivable

Grants and pledges receivable represent contributions from nonprofit organizations, corporations and individuals. The long term grants receivable were discounted to present value as of June 30, 2013, at the risk free rate of return on the date promise was received.

**FIRELIGHT FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2014 and 2013**

4. Grants and Pledges Receivable (continued)

As of June 30, 2014 and 2013, all receivables are considered fully collectible and are expected to be collected as follows:

	2014	2013
Less than one year	\$ 900,233	\$ 1,784,557
One to five years, net of a discount of \$0 and \$4,029, respectively	-	818,467
Total Grants and Pledges Receivable	\$ 900,233	\$ 2,603,024

5. Grants Payable

Firelight distributes grants to various organizations. Firelight had unconditionally promised to give grant awards totaling \$755,500 and \$1,360,500 as of June 30, 2014 and 2013, respectively. For the year ended June 30, 2014, \$90,000 of the grant awards were due to be paid within two years, and the remainder were payable within one year. For the year ended June 30, 2013, \$421,500 of the grant awards are due to be paid within two years, and the remainder were payable within one year. The June 30, 2014 and 2013 long-term grants payable were not discounted to present value due to the immateriality of the discount.

The grant awards payable are for the following purposes:

	2014	2013
Early childhood development	\$ 295,000	\$ 447,000
Community grant-maker	139,500	100,000
Organizational capacity building	132,000	501,500
Operational support	110,500	187,000
Child protection/Rights	41,000	30,000
Learning support	30,000	-
Economic strengthening	7,500	85,000
Physical welfare	-	10,000
Total	\$ 755,500	\$ 1,360,500

6. Funds Held as Fiscal Agent

As of June 30, 2014 and 2013, Firelight held \$44,237 and \$48,145 of funds held as a fiscal agent for other parties, respectively. These funds will be delivered to the ultimate recipients in the upcoming year, as directed by the providers of the funds. This amount is shown as funds held as fiscal agent in the accompanying statements of financial position, as Firelight has no variance power over the ultimate recipient of the funds.

Continued

**FIRELIGHT FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2014 and 2013**

7. Temporarily Restricted Net Assets

As of June 30, 2014 and 2013, Firelight's temporarily restricted net assets are available for the following purposes or time periods:

	2014	2013
Grant making	\$ 231,441	\$ 1,335,475
Personnel	298,085	643,854
Advocacy	7,816	426,508
Time restricted for use in future periods	130,712	355,167
Other program expenses	291,228	303,822
Capacity building	401,331	172,619
Organizational learning	61,246	120,920
Total	\$ 1,421,859	\$ 3,358,365

8. Funds Functioning as an Endowment (FFE)

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

**Endowment Composition and Activity**

As of June 30, 2014 and 2013, Firelight's board-designated net assets totaling \$4,487,718, and \$400,000 respectively were all unrestricted.

As of June 30, 2014, Firelight's endowment and board-designated net assets had the following activity:

FFE net assets, June 30, 2013		\$ 400,000
Investment return:		
Investment income		117,872
Net appreciation (realized & unrealized)		285,328
Total investment return		403,200
Contributions		4,309,001
Investment fees		(27,047)
Appropriation of assets		(124,000)
Long-term reserve net assets (including cash equivalents), June 30, 2014		4,961,154
Due to operations		(473,436)
FFE net assets, June 30, 2014		\$ 4,487,718

Continued

## FIRELIGHT FOUNDATION

### NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2014 and 2013

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

##### **Endowment Composition and Activity (continued)**

As of June 30, 2013, Firelight's board-designated net assets were held entirely in cash and therefore had no appreciation.

##### **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 should be 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 shall be invested at least 90% in marketable securities. To ensure marketability and liquidity, equity investments shall be executed through nationally recognized exchanges.

To provide general control over illiquidity, at least 90% of the portfolio should be invested in assets with daily liquidity. Remaining assets may be invested in assets with a 1 to 3 year lock up and annual liquidity.

##### **Spending Policy**

Firelight's policy is to make available on July 1 of each year, as expendable income, an amount equal to the greater of the yearly return of the previous fiscal year or four percent of the average of the long-term reserve funds' total market value for the four quarters ending March 31 of the previous fiscal year. The Board may also authorize withdrawal of the principal of the quasi-endowment should it be determined to be in the best interest of Firelight. As of June 30, 2014 Firelight had \$473,436 of invested funds "owed to" operations. No funds were "owed to" operations at June 30, 2013.

#### 9. Commitments

Firelight's operating lease for its current office space in Santa Cruz, California expires on November 30, 2014. Firelight entered into a lease renewal on August 25, 2014, which extended the lease through November 30, 2016. The leases provide for monthly rental payments, as well as an annual share of the landlord's operating expenses. Rent increases each year based on the Consumer Price Index for the San Francisco-Oakland-San Jose area. Rent expense associated with the lease totaled \$83,557 and \$84,198 for the years ended June 30, 2014 and 2013, respectively, and is included in occupancy expense in the accompanying supplemental schedules of functional expenses.

Continued

## FIRELIGHT FOUNDATION

### NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2014 and 2013

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9. Commitments (continued)

Future minimum lease payments under the lease are as follows:

For the year ending June 30,	
2015	\$ 84,625
2016	86,106
2017	<u>36,318</u>
Total	<u>\$ 207,049</u>

10. 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 \$30,004 and \$32,154 for the years ended June 30, 2014 and 2013, respectively, and is included in salaries and benefits in the accompanying supplemental schedules of functional expenses.

11. 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, 2014 and 2013, 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, 2014 and 2013, and determined that there were no material uncertain tax positions. Accordingly, Firelight has not recognized any liability for unrecognized income tax. It is Firelight's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

As of June 30, 2014, tax years reasonably considered open and subject to examination include returns for the years ended June 30, 2011 through June 30, 2013. There is no provision for income tax for the years ended June 30, 2014 or 2013, as Firelight had no unrelated business income.

## FIRELIGHT FOUNDATION

### NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2014 and 2013

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#### 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, 2014 and 2013, Firelight had approximately \$118,000 and \$65,000 respectively, composed of cash accounts in excess of the FDIC limits. 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, 2014 and 2013, Firelight had approximately \$401,000 and \$433,000 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. Related Party Transactions

Firelight was created by Firelight Endowment. Firelight and Firelight Endowment shared two Board members during the year ended June 30, 2013. Firelight Endowment ceased operations during the year ended June 30, 2013 and contributed the bulk of its assets, approximately \$4.5 million, to Firelight.

During the first six months of the year ended June 30, 2013, Firelight had 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 \$18,000 for the year ended June 30, 2013. No amounts were due under this agreement as of June 30, 2013.

#### 14. Reclassifications

Certain 2013 expenses have been reclassified to conform to the 2014 financial statement presentation.

#### 15. Subsequent Events

Firelight's management has evaluated events and transactions for potential recognition or disclosure through October 17, 2014, the date the financial statements were available to be issued.

Firelight renewed its lease on August 24, 2014. Note 9 includes the future minimum lease payments due under this new agreement. There were no other subsequent events required to be disclosed in these financial statements.

**SUPPLEMENTAL INFORMATION**

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

	<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>	
Salaries and benefits	\$ -	\$ 648,060	\$ 428,377	\$ 275,752	\$ 1,352,189
Grants	1,260,600	-	-	-	1,260,600
Direct grant-making expenses	-	584,240	-	-	584,240
Travel, conferences and meetings	-	160,109	16,942	20,150	197,201
Professional fees	-	23,873	92,850	15,065	131,788
Bad Debt Expense	124,402	-	-	-	124,402
Occupancy	-	50,231	31,881	20,523	102,635
Office expenses	-	7,283	35,898	6,211	49,392
Other expenses	-	8,424	14,341	10,171	32,936
Depreciation	-	5,629	3,720	2,395	11,744
TOTAL	<u>\$ 1,385,002</u>	<u>\$ 1,487,849</u>	<u>\$ 624,009</u>	<u>\$ 350,267</u>	<u>\$ 3,847,127</u>

**FIRELIGHT FOUNDATION**  
**SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2013**

	<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	\$ 2,549,400	\$ -	\$ -	\$ -	\$ 2,549,400
Salaries and benefits	-	803,429	379,573	266,566	1,449,568
Professional fees	-	274,159	94,647	5,304	374,110
Travel, conferences and meetings	-	205,985	10,575	32,468	249,028
Direct grant-making expenses	-	195,878	-	-	195,878
Occupancy	-	57,118	25,877	18,173	101,168
Office expenses	-	10,336	37,892	2,998	51,226
Subscriptions and staff costs	-	5,829	31,581	11,779	49,189
Other expenses	-	24,164	8,940	4,922	38,026
Bad debt expense	25,000	-	-	-	25,000
Depreciation	-	7,839	3,707	2,604	14,150
<b>TOTAL</b>	<u><u>\$ 2,574,400</u></u>	<u><u>\$ 1,584,737</u></u>	<u><u>\$ 592,792</u></u>	<u><u>\$ 344,814</u></u>	<u><u>\$ 5,096,743</u></u>