



firelight
FOUNDATION

Financial Statements

For the Years Ended September 30, 2009 and 2008

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Report Thereon



FIRELIGHT FOUNDATION

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RAFFA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Firelight Foundation

CONSULTING

ACCOUNTING

TECHNOLOGY

*Certified Public
Accountants*

We have audited the accompanying statements of financial position of the Firelight Foundation (Firelight) as of September 30, 2009 and 2008, 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 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 September 30, 2009 and 2008, 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 made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of functional expenses for the years ended September 30, 2009 and 2008, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

RAFFA, P.C.

Washington, DC
April 30, 2010

FIRELIGHT FOUNDATION
STATEMENTS OF FINANCIAL POSITION
September 30, 2009 and 2008

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 1,212,071	\$ 1,977,632
Prepaid expenses and other assets	7,366	23,630
Grants and pledges receivable	1,454,681	2,003,138
Investments	7,220,101	7,934,840
Inventory, Cradle Project books	43,026	43,216
Deposits	6,000	6,000
Property and equipment, net of accumulated depreciation and amortization of \$209,214 and \$165,092 respectively	88,098	128,939
TOTAL ASSETS	\$ 10,031,343	\$ 12,117,395
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 101,047	\$ 146,978
Grants payable	1,105,500	1,362,950
TOTAL LIABILITIES	1,206,547	1,509,928
Net Assets		
Unrestricted	6,989,489	8,930,466
Temporarily restricted	1,835,307	1,677,001
Total Net Assets	8,824,796	10,607,467
TOTAL LIABILITIES AND NET ASSETS	\$ 10,031,343	\$ 12,117,395

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

FIRELIGHT FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2009

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Investment Income:			
Interest, dividends and capital gain distributions	\$ 230,531	\$ -	\$ 230,531
Realized losses	(572,102)	-	(572,102)
Unrealized gains on investments	196,092	-	196,092
Total Investment Loss	(145,479)	-	(145,479)
Contributions	191,020	2,351,986	2,543,006
In-kind contributions	31,727	-	31,727
Other income	3,997	-	3,997
Net Assets Released from Restriction:			
Satisfaction of time restrictions	416,778	(416,778)	-
Satisfaction of program restrictions	1,776,902	(1,776,902)	-
TOTAL REVENUE AND SUPPORT	2,274,945	158,306	2,433,251
EXPENSES			
Program Services:			
Grants awarded	1,675,585	-	1,675,585
Program and grantmaking expenses	1,519,348	-	1,519,348
Total Program Services	3,194,933	-	3,194,933
Supporting Services:			
Management and general	734,802	-	734,802
Fundraising	286,187	-	286,187
Total Supporting Services	1,020,989	-	1,020,989
TOTAL EXPENSES	4,215,922	-	4,215,922
CHANGE IN NET ASSETS	(1,940,977)	158,306	(1,782,671)
NET ASSETS, BEGINNING OF YEAR	8,930,466	1,677,001	10,607,467
NET ASSETS, END OF YEAR	\$ 6,989,489	\$ 1,835,307	\$ 8,824,796

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

FIRELIGHT FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2008

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Investment Income:			
Interest, dividends and capital gain distributions	\$ 514,952	\$ -	\$ 514,952
Realized gains	(69,307)	-	(69,307)
Unrealized gains on investments	(1,935,029)	-	(1,935,029)
Total Investment Income	(1,489,384)	-	(1,489,384)
Contributions	530,605	3,004,404	3,535,009
In-kind contributions	136,050	-	136,050
Other income	15,699	-	15,699
Net Assets Released from Restriction:			
Satisfaction of time restrictions	346,367	(346,367)	-
Satisfaction of program restrictions	1,697,972	(1,697,972)	-
TOTAL REVENUE AND SUPPORT	1,237,309	960,065	2,197,374
EXPENSES			
Program Services:			
Grants awarded	1,970,496	-	1,970,496
Program and grantmaking expenses	1,677,401	-	1,677,401
Total Program Services	3,647,897	-	3,647,897
Supporting Services:			
Management and general	538,111	-	538,111
Fundraising	112,195	-	112,195
Total Supporting Services	650,306	-	650,306
TOTAL EXPENSES	4,298,203	-	4,298,203
Change in net assets before provision for current and deferred federal excise taxes and losses	(3,060,894)	960,065	(2,100,829)
Loss on disposal of fixed assets	4,575	-	4,575
Loss on foreign currency transaction	-	13,700	13,700
Provision for deferred federal excise taxes	(17,339)	-	(17,339)
CHANGE IN NET ASSETS	(3,048,130)	946,365	(2,101,765)
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	11,978,596	730,636	12,709,232
NET ASSETS, END OF YEAR	\$ 8,930,466	\$ 1,677,001	\$ 10,607,467

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

FIRELIGHT FOUNDATION

STATEMENTS OF CASH FLOWS

**For the Years Ended September 30, 2009 and 2008
Increase (Decrease) in Cash and Cash Equivalents**

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,782,671)	\$ (2,101,765)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Realized losses on investments	572,102	69,307
Unrealized (gains) losses on investments	(196,092)	1,935,029
Depreciation	44,122	43,178
Loss on disposal of equipment	-	4,575
Provision for deferred federal excise tax (benefit) expense	-	(17,368)
Changes in Assets and Liabilities:		
Prepaid expenses and other assets	16,264	(9,622)
Grants and pledges receivable	548,457	(1,092,495)
Inventory, Cradle Project books	190	(43,216)
Accounts payable and accrued expenses	(45,931)	3,079
Grants payable	(257,450)	134,856
	<u>(1,101,009)</u>	<u>(1,074,442)</u>
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(900,773)	(3,421,191)
Sales and maturities of investments	1,239,502	4,198,518
Purchases of equipment	(3,281)	(41,883)
	<u>335,448</u>	<u>735,444</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(765,561)	(338,998)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,977,632</u>	<u>2,316,630</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,212,071</u>	<u>\$ 1,977,632</u>

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

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS **For the Years Ended September 30, 2009 and 2008**

1. Organization and Summary of Significant Accounting Policies

Organization

The Firelight Foundation (Firelight) is a private foundation and was incorporated under the laws of California in 1999. 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 re-grants to partner organizations based on the effectiveness of their programs and the partner's potential for strengthening capacities and fostering exchange.

These activities are primarily supported by income from Firelight's investment portfolio and from individual, corporate and foundation contributions.

New Accounting Pronouncement

Firelight adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 105-10, *FASB Codification* (the Codification). The Codification is the single source of authoritative U.S. generally accepted accounting principles (GAAP). Accordingly, references to GAAP have been updated for the appropriate Codification reference.

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, fixed income funds, a real estate fund, a commodities fund and a hedge fund. Investments are reflected in the accompanying financial statements at 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 common stock, fixed income funds, real estate funds and commodities funds. The estimated fair value of the hedge fund, which is generally subject to certain withdrawal restrictions, was provided by Firelight's external investment manager and

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS **For the Years Ended September 30, 2009 and 2008**

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

Investments (continued)

may be based upon historical cost, appraisals, obtainable prices for similar assets, or other estimates. As part of the respective underlying strategies, the investment managers employ various financial strategies, all of which carry a certain degree of risk of investment loss. Specifically, market risk relates to the possibility that invested assets within a particular strategy may experience losses due to prevailing market conditions. Because of the inherent uncertainty of the valuation of Firelight's hedge fund investment account, the value used for this investment may differ significantly from the value that would have been used had a ready market for the investment existed. Future confirming events may also affect the estimates of fair value, including the ultimate liquidation of the investments.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line basis 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.

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.
- 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 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.

Continued

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS **For the Years Ended September 30, 2009 and 2008**

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

Revenue Recognition (continued)

Unconditional promises to give that are expected to be collected within one year are recorded at 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 the estimate 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 various 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 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.

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended September 30, 2009 and 2008

2. Investments

Firelight's investments consisted of the following:

	<u>September 30, 2009</u>		<u>September 30, 2008</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Common stock	\$ 3,975,899	\$ 3,926,495	\$ 5,083,745	\$ 4,910,443
Fixed income funds	2,210,826	2,246,534	2,223,621	2,164,212
Hedge fund	600,000	627,696	600,000	680,104
Real estate fund	175,913	143,107	125,792	82,970
Commodities fund	<u>272,768</u>	<u>276,269</u>	<u>100,512</u>	<u>97,111</u>
Total	<u>\$ 7,235,406</u>	<u>\$ 7,220,101</u>	<u>\$ 8,133,670</u>	<u>\$ 7,934,840</u>

Investment returns are summarized as follows:

	<u>2009</u>	<u>2008</u>
Realized (losses) gains	\$ (572,102)	\$ (69,307)
Capital gain distributions	42,097	225,205
Unrealized (losses) gains	196,092	(1,935,029)
Interest and dividends	<u>74,329</u>	<u>247,244</u>
Total	<u>\$ (259,584)</u>	<u>\$ (1,531,887)</u>

Also included in interest, dividends and capital gain distributions in the accompanying statements of activities is interest of \$114,105 and \$42,503 for the years ended September 30, 2009 and 2008, respectively, earned on cash and cash equivalents.

3. Grants and Pledges Receivable

Grants and pledges receivable represent contributions from nonprofit organizations, corporations and individuals and are for the restricted purposes specified in the grant agreements, which include grantmaking and other program support as well as unrestricted support of the general operations of Firelight.

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended September 30, 2009 and 2008

3. Grants and Pledges Receivable (continued)

Contributions that are expected to be collected after one year are recorded at their present value using a discount rate between 1.34% and 2.69% for the respective periods of collection. All grants and pledges receivable are considered fully collectible and were due as follows:

	2009	2008
Less than one year	\$ 1,188,934	\$ 1,523,400
One to five years	269,250	493,000
Total Grants and Pledges Receivable	1,458,184	2,016,400
Less: Unamortized Discount to Present Value	(3,503)	(13,262)
Net Grants and Pledged Receivable	\$ 1,454,681	\$ 2,003,138

As of September 30, 2009 and 2008, \$626,514 and \$179,600, respectively, of total grants and pledges receivable was made to Firelight in a foreign currency. Due to currency fluctuations between year-end and when the actual payment was received, Firelight will recognize a foreign currency transaction gain of \$31,144 and \$30,200, respectively, related to this receivable during the years ending September 30, 2010 and 2009, respectively.

4. Grants Payable

Firelight distributes grants to various organizations. As of September 30, 2009 and 2008, Firelight has unconditionally promised to give \$1,105,500 and \$1,362,950, respectively, in grant awards. All grants payable are due to be paid within one year.

Grants payable are due for the following purposes:

	2009	2008
Intermediary community grantmaking	\$ 267,000	\$ -
Operational support	205,600	32,000
Education	190,000	416,850
Economic strengthening	148,600	303,700
Organizational capacity building	74,100	-
Food/nutrition/agriculture	64,000	54,500
Psychological support	57,000	233,500
Health and HIV prevention/treatment	45,200	121,000
Child protection/rights	26,000	168,400
Living environments	18,000	33,000
Centralized NGO equivalency determination repository	5,000	-
Evaluation	5,000	-
Total Grants Payable	\$ 1,105,500	\$ 1,362,950

Continued

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended September 30, 2009 and 2008

5. Temporarily Restricted Net Assets

Firelight's temporarily restricted net assets are available for the following purposes or time periods as of September 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Grants to organizations in various specified countries for various specified purposes	\$ 1,064,992	\$ 1,260,303
Other programs	497,438	72,864
General operations, for use in 2009-2011	<u>272,877</u>	<u>343,834</u>
Total	<u>\$ 1,835,307</u>	<u>\$ 1,677,001</u>

6. Commitment

In October 2005, Firelight entered into an operating lease for its current office space in Santa Cruz, California. The lease commenced December 1, 2005, and expired November 30, 2008. The lease provides for monthly rental payments, as well as an annual share of the landlord's operating expenses. Annual lease payments started at approximately \$63,000 per year with increases each year to be based upon the Consumer Price Index for the San Francisco-Oakland-San Jose area. In November 2008, the operating lease was extended through November 2010. Rent expense under this lease was \$88,757 and \$87,928, for the years ended September 30, 2009 and 2008, respectively, and is included in occupancy in the accompanying supplemental schedules of functional expenses.

Future minimum lease payments under the lease are as follows:

<u>For the Year Ending September 30,</u>	
2010	\$ 90,608
2011	<u>15,175</u>
Total	<u>\$ 105,783</u>

7. 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 \$25,340 and \$24,835 for the years ended September 30, 2009 and 2008, respectively, and is included in salaries and benefits in the accompanying supplemental schedules of functional expenses.

Continued

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS **For the Years Ended September 30, 2009 and 2008**

8. Income Taxes

Firelight is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified as a private foundation under Section 509(a) of the IRC. As a private foundation, Firelight is subject to an excise tax of 1% or 2% on its net investment income, which excludes unrealized gains and losses. The applicable excise tax rate is dependent upon the amount of qualifying distributions made by Firelight, and additional excise tax penalties may be assessed if certain minimum distributions are not made.

It is Firelight's policy to make annual qualifying distributions in excess of the minimum required. For the years ended September 30, 2009 and 2008, Firelight was subject to an excise tax rate of 1%.

The provision for federal excise tax consists of a current provision on realized net investment income (interest, dividends and net realized capital gains, less expenses incurred in the production of investment income) and a deferred provision on net unrealized appreciation of investments.

The current federal excise tax expense of \$2,600 and \$12,094 for the years ended September 30, 2009 and 2008, respectively, represents current income taxes and is included in administrative costs in the accompanying supplemental schedules of functional expenses. As of September 30, 2009 and 2008, Firelight had no excise tax payable.

There was no deferred excise tax liability as of September 30, 2009 or 2008. Deferred excise tax represents the federal excise tax liability on the net unrealized appreciation on investments.

The FASB has issued additional guidance for accounting for uncertainty in income taxes recognized in an organization's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The accounting standards also provide guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Any cumulative effort from the change in accounting principle resulting from the application of the new accounting standard is to be recognized as an adjustment to opening net assets.

The FASB allows non-public companies the option to elect to defer the application of the accounting standard described above to fiscal years beginning after December 15, 2008. Firelight has elected to defer application of this accounting standard. Firelight will adopt the provisions of this accounting standard during the year ending September 30, 2010. Firelight reviews and assesses all ongoing activities annually to identify any changes in the scope of the activities and revenue sources and the tax treatment thereof to identify any uncertain tax positions. Firelight's management believes there will be no material impact to Firelight's financial statements as a result of the adoption of this new accounting standard.

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended September 30, 2009 and 2008

9. Fair Value Measurements

Firelight adopted the provisions of the Fair Value Measurements topic of the FASB ASC for financial assets and liabilities measured on a recurring basis, which was effective for fiscal years beginning after November 15, 2007. The ASC defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. The ASC emphasizes that fair value is a market-based measurement, not an entity-specific measurement and, therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the ASC established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby market participant assumptions are developed based on market data obtained from independent sources, and unobservable, whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances. The three levels of fair value hierarchy are described as follows:

Level 1—Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that Firelight has the ability to access.

Level 2—Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3—Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Effective September 30, 2009, Firelight elected to adopt the measurement provisions of Accounting Standards Update No. 2009-12, *Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*, to its alternative investments. The guidance amends the *Fair Value Measurements* topic and permits, as a practical expedient, fair value of investments within its scope to be estimated using net asset value or its equivalent. Net asset value, in many instances, may not equal fair value that would be calculated pursuant to the *Fair Value Measurements* topic.

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended September 30, 2009 and 2008

9. Fair Value Measurements (continued)

As of September 30, 2009, only Firelight's investments were measured at fair value on a recurring basis. The following table summarizes Firelight's investments measured at fair value on a recurring basis as of September 30, 2009:

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>Total</u>			
Common stock	\$ 3,926,495	\$ 3,926,495	\$ -	\$ -
Hedge fund	627,696	-	-	627,696
Real estate fund	143,107	143,107	-	-
Fixed income funds	2,246,534	2,017,922	228,612	-
Commodities fund	<u>276,269</u>	<u>276,269</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,220,101</u>	<u>\$ 6,363,793</u>	<u>\$ 228,612</u>	<u>\$ 627,696</u>

Firelight used the following methods and significant assumptions to estimate fair value for assets and liabilities recorded at fair value:

Common Stock, Real Estate Funds, Fixed Income Funds and Commodities Funds—Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. These instruments, which would generally be classified within Level 2 of the valuation hierarchy, include U.S. Treasury inflation protection securities.

Hedge Fund—Fair value is determined based on the fund's net asset value (NAV) as provided by the investee fund management or general partner of the respective entity.

The hedge fund is considered to be an alternative investment based on the valuation methods described above. There are no lock-up periods associated with the hedge fund, nor is Firelight obligated to remit any additional funding to the fund. Liquidity from the hedge fund is generally available on a quarterly basis and a notice of redemption is required to be made 60 days prior to the redemption date.

Continued

FIRELIGHT FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended September 30, 2009 and 2008

9. Fair Value Measurements (continued)

The following table summarizes the activity for the fair value measurements using unobservable inputs (Level 3) for the year ended September 30, 2009.

Beginning balance, October 1, 2008	\$ 680,104
Unrealized losses	(46,200)
Management fees	<u>(6,208)</u>
Balance at September 30, 2009	<u>\$ 627,696</u>
The amount of realized and unrealized losses for the year ended September 30, 2009, included in the change in net assets, attributable to the change in unrealized gains or losses relating to assets still held at September 30, 2009	
	<u>\$ 46,200</u>

10. Restatement of 2007 Net Assets

The net assets in the accompanying statement of activities for the year ended September 30, 2007, have been restated to reflect the receipt of a multi-year unconditional pledge in accordance with Accounting Standards for Contributions Received and Contributions Made. The effect of the restatement in the accompanying financial statements was to increase the net asset balance by \$200,000 as of September 30, 2007.

11. Subsequent Event

In preparing these financial statements, Firelight has evaluated transactions and events for potential recognition or disclosure through April 30, 2010, the date the financial statements were available to be issued.

Subsequent to September 30, 2009, Firelight authorized a name change from "Firelight Foundation" to "Firelight Endowment." In addition, Firelight authorized the creation of a public charity with the name "Firelight Foundation." At the time of creation of the new entity, the Foundation currently plans to transfer most employees, contractual obligations and fixed assets to the new entity. Additionally, Firelight is in discussions with certain grantors to transfer the majority of the grants and pledges receivable in the accompanying statement of financial position for the year ended September 30, 2009, to the new public charity, Firelight Foundation. Firelight Endowment will enter into a services agreement with the newly established public charity for various administrative and programmatic support services.

SUPPLEMENTAL INFORMATION

FIRELIGHT FOUNDATION
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2009

Program Services

	<u>Grants Awarded</u>	<u>Program and Grant Making Expenses</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 1,675,585	\$ -	\$ -	\$ -	\$ 1,675,585
Salaries and benefits	-	905,459	363,545	174,762	1,443,766
Office expenses	-	50,974	19,575	20,227	90,776
Professional fees	-	130,764	142,389	17,127	290,280
Direct grantmaking expenses	-	253,443	-	-	253,443
Occupancy	-	56,617	21,742	22,466	100,825
Travel, conferences and meetings	-	71,628	37,233	19,813	128,674
Administrative costs	-	4,642	80,544	19,182	104,368
Board meetings	-	20,939	7,225	-	28,164
Other expenses	-	106	53,034	2,779	55,919
Depreciation	-	24,776	9,515	9,831	44,122
	<u>\$ 1,675,585</u>	<u>\$ 1,519,348</u>	<u>\$ 734,802</u>	<u>\$ 286,187</u>	<u>\$ 4,215,922</u>

FIRELIGHT FOUNDATION
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2008

	Program Services				
	Grants Awarded	Program and Grant Making Expenses	Management and General	Fundraising	Total
Grants	\$ 1,970,496	\$ -	\$ -	\$ -	\$ 1,970,496
Salaries and benefits	-	831,216	261,677	63,913	1,156,806
Office expenses	-	56,385	53,984	1,950	112,319
Professional fees	-	109,481	40,573	15,918	165,972
Direct grantmaking expenses	-	297,879	-	-	297,879
Occupancy	-	75,786	22,022	5,489	103,297
Travel, conferences and meetings	-	133,616	6,450	15,325	155,391
Administrative costs	-	79,066	92,781	6,429	178,276
Board meetings	-	50,185	351	-	50,536
Other expenses	-	12,108	51,068	877	64,053
Depreciation	-	31,679	9,205	2,294	43,178
	\$ 1,970,496	\$ 1,677,401	\$ 538,111	\$ 112,195	\$ 4,298,203