

SPARK VENTURES
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

SPARK VENTURES

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DEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Spark Ventures

We have audited the accompanying financial statements of Spark Ventures (a nonprofit organization "the Organization") which comprise the statement of financial position as of June 30, 2015, and 2014, 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 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 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 Spark Ventures as of June 30, 2015, and 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 13 and 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lopez & Co. CPAs Ltd

Chicago, IL
September 21, 2015

SPARK VENTURES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

<u>Assets</u>	<u>2015</u>	<u>2014</u>
Cash and Cash Equivalents	\$ 402,816	\$ 235,326
Prepaid Expenses and Other Assets	32,793	28,685
Pledges Receivable	43,858	279,117
Total Current Assets	<u>479,467</u>	<u>543,128</u>
Property and Equipment, Net of Accumulated Depreciation of \$10,048 and \$8,896	510	1,663
Loan Receivable	200,352	200,352
Total Assets	<u>\$ 680,329</u>	<u>\$ 745,143</u>
 <u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Accounts Payable	\$ 4,413	\$ 2,561
Deferred Income	73,180	66,490
Pledge Payable	200,352	-
Total Liabilities	<u>277,945</u>	<u>69,051</u>
 <u>Net Assets</u>		
Unrestricted	<u>402,384</u>	<u>676,092</u>
Total Net Assets	<u>402,384</u>	<u>676,092</u>
 <u>Total Liabilities and Net Assets</u>	 <u>\$ 680,329</u>	 <u>\$ 745,143</u>

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

SPARK VENTURES
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2015 AND 2014

	2015			2014		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE:						
Contributions	\$ 677,855	\$ -	\$ 677,855	\$ 867,550	\$ -	\$ 867,550
In-kind Contributions	62,002	-	62,002	41,867	-	41,867
Program Service Revenue	137,657	-	137,657	83,787	-	83,787
Interest Income	22	-	22	11	-	11
Net Assets Released from Restrictions	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenue	877,536	-	877,536	993,215	-	993,215
			877,536			
EXPENSES:						
Program Services	819,901	-	819,901	529,059	-	529,059
Management and General	73,542	-	73,542	41,537	-	41,537
Fundraising	257,801	-	257,801	177,992	-	177,992
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	1,151,244	-	1,151,244	748,588	-	748,588
Change in Net Assets	(273,708)	-	(273,708)	244,627	-	244,627
TOTAL NET ASSETS:						
Net Assets -Beginning of Year	676,092	-	676,092	431,465	-	431,465
Net Assets- End of Year	<u>\$ 402,384</u>	<u>\$ -</u>	<u>\$ 402,384</u>	<u>\$ 676,092</u>	<u>\$ -</u>	<u>\$ 676,092</u>

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

SPARK VENTURES
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2015</u>	<u>2014</u>
Change in net assets	\$ (273,708)	\$ 244,627
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation and amortization	1,152	2,112
(Increase) Decrease in pledges receivable	235,259	(122,672)
(Increase) Decrease in prepaid expenses and other assets	(4,108)	(3,604)
(Increase) Decrease in partnership loan receivable	-	(90,652)
Increase (Decrease) in accounts payable	1,852	(10,505)
Increase (Decrease) in deferred revenue	6,691	49,780
Increase (Decrease) in pledges payable	200,352	-
Net Cash Provided (Used) by Operating Activities	<u>167,490</u>	<u>69,086</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>-</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	167,490	69,086
 CASH AND CASH EQUIVALENTS - Beginning of Year	<u>235,326</u>	<u>166,240</u>
 CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 402,816</u>	<u>\$ 235,326</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>

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

SPARK VENTURES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

(1) History and Nature of Organization

Spark Ventures (“the Organization”) is a Chicago-based nonprofit with international partnerships that provide children in poverty with nutrition, education and healthcare. They partner with grassroots organizations serving children in developing countries. The Organization strengthens and sustains these partners by providing human resources, strategic guidance and financial capital. The Organization and its partners launch businesses whose profits ensure meaningful impact for children and their communities for generations to come.

Partner Programs

The Organization assists about 500 vulnerable children in Zambia and Nicaragua through programs that provide these children with education, food, shelter, health care and emotional support. The Organization also uses funds to enhance and expand effectiveness of partner programs, develop and train personnel and execute capital projects.

Education & Awareness

The Organization educates and raises awareness by communicating the needs and vision of partner organizations as well as sharing information regarding the conditions and realities within the partner country.

Partnership Trips

The Organization provides international service learning and volunteer travel opportunities to its partner organizations. Additionally, a portion of the trip costs goes toward supporting the partner organization.

Services to Supporters

The Organization utilizes funds to gather and disseminate information to Spark supporters concerning the children they support including personal profiles, photos and stories of transformation. This information helps to educate investors on the context of the beneficiaries and their communities.

(2) Summary of Significant Accounting Policies

Basis of Presentation and Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Codification (FASB ASC) 958-205 Not for Profit Entities, Presentation of Financial Statements. The Organization is required to report information regarding its financial position according to three classes of net assets as of June 30, 2015, and 2014:

SPARK VENTURES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

(2) Summary of Significant Accounting Policies (Continued)

Permanently restricted net assets: Net assets subject to donor imposed stipulation that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization held no amount as permanently restricted net assets as of June 30, 2015 and 2014.

Temporarily restricted net assets: Net assets subject to donor imposed stipulation that may or will be met by actions of the Organization and/or passage of time. The Organization held no temporarily restricted net assets as of June 30, 2015, and 2014, respectively.

Unrestricted net assets: Net assets not subject to donor imposed restrictions.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as reclassifications between applicable classes of assets.

Revenue Recognition and Receivables

The Organization accounts for contributions in accordance with FASB ASC 958-605, "Not for Profit Entities, Revenue Recognition", "Accounting for Contributions Received and Contributions Made." Contributions, including unconditional promises-to-give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions from unconditional promises to give that are to be received after one year are discounted at an appropriate discount rate based on an average Federal Funds rate.

Receivables are stated at unpaid balances, less an allowance for doubtful accounts when applicable. The Organization provides for losses on receivables using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of agencies and others to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected. At June 30, 2015 and 2014, receivables are considered by management to be fully collectible within a year and accordingly, no allowance for doubtful accounts is determined to be necessary.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Prepaid Expenses

Expenses incurred in the subsequent period, but paid for in the current period are properly classified as prepaid expenses.

SPARK VENTURES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

(2) Summary of Significant Accounting Policies (Continued)

Deferred Income

Revenue received in the current period for program services not yet performed are properly classified as deferred income.

Functional Allocation of Expenses

The costs of providing various program and supporting services have been summarized and allocated among programs and supporting services on a functional basis in the statement of functional expenses. Accordingly, certain costs are considered supporting services to all programs and to the Organization in general.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property, Equipment and Depreciation

Property and equipment are recorded at cost. Depreciation is calculated using the straight-line method over a period of 3 to 10 years based on the estimated useful lives of the assets. The Organization generally capitalizes items costing \$500 or more. Depreciation expense for the years ended June 30, 2015 and 2014 amounted to \$1,152, and \$2,112 respectively.

	<u>2015</u>	<u>2014</u>
Furniture & Equipment	\$ 10,558	\$ 10,558
Accumulated Depreciation	<u>(10,048)</u>	<u>(8,895)</u>
	<u>\$ 510</u>	<u>\$ 1,663</u>

Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in income.

Income Taxes

The Organization is recognized as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income. It qualifies for charitable contribution deductions under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

SPARK VENTURES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

(2) Summary of Significant Accounting Policies (Continued)

Uncertain Tax Position

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended June 30, 2015 and 2014.

The Organization files forms 990 in the U.S. federal jurisdiction and the State of Illinois. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2011.

(3) Certain Vulnerabilities and Concentrations

The Organization also maintained certain bank accounts insured by the Federal Deposit Insurance Corporation ("FDIC") up to an aggregate amount of \$250,000 for each depositor in each depository institution. At June 30, 2015 and 2014, the Organization had no accounts that exceeded the aggregate insured limit at any banking institutions. However, at June 30, 2015, the Organization maintained a \$275,665 cash balance in a brokerage account not insured by the FDIC.

The Organization runs programs and has a receivable with a foreign entity in Zambia. Among the risks are changes in existing tax laws, possible limitations on foreign investment and income repatriation, government price or foreign exchange controls, and restrictions on currency exchange. Account balances relating to foreign operations are reflected in the financial statements in United States dollars.

(4) Fair Value of Financial Instruments

Financial Accounting Standards Board (FASB) Accounting Standards Code (ASC) 820-10 "Fair Value Measurements and Disclosures" requires disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash, accounts receivable, partner loan receivable, and accounts payable.

SPARK VENTURES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

(4) Fair Value of Financial Instruments (continued)

The estimated fair values of the Organization's financial instruments for June 30, 2015, are as follows:

	<u>Cost</u>	<u>Fair Value</u>
Cash	402,816	402,816
Pledges Receivable	43,858	43,858
Loan Receivable	200,352	200,352
Accounts Payable	2,836	2,836
Pledges Payable	200,352	200,352

Cash, pledges receivable and accounts payable are level 1 assets and liabilities valued according to a quoted price generally without adjustment. Partner Loan Receivable is a long term loan and was discounted accordingly based on observable inputs of similar financial instruments in the market.

(5) Partner Loan Receivable and Pledge Payable

During 2011, the Organization entered into a loan agreement to advance funds to one of its partner organizations (Hope Ministries) to help fund the land purchase, construction and operations for a poultry farm. There is no listed collateral with the agreement. In total, \$200,352 has been disbursed to the partner organization in accordance with this agreement and the loan is scheduled to mature December 31, 2019. The loan repayment amounts are based on the profitability of the farm and in accordance with the agreement, will be realized through a reduction of the monthly program funding from the Organization to the partner organization. Interest will be charged at a rate of 2% annually, except for the first two years when the interest rate is 0%. No interest has been charged as of June 30, 2015, and 2014.

Terms for the loan agreement were renegotiated during the current fiscal year whereby the Organization pledged the full loan amount to Hope Ministries and will be paid to Hope Ministries as maturities become due. The full pledged amount is recorded as a pledge payable.

(6) In-Kind Donations

The Organization records various types of in-kind support, including services, materials and other tangible assets. GAAP requires recognition of professional services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, is provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Most of the services received by the Organization do not meet these criteria. In 2015 and 2014, the Organization recorded in-kind donations amounting to \$63,307 and \$41,487 respectively, representing primarily, goods donated to the Organization and subsequently sold at auction during special events. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses or assets.

SPARK VENTURES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

(7) Subsequent Events

The Organization has evaluated subsequent events for potential recognition and/or disclosure through September 21, 2015, the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

SPARK VENTURES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

Expenses	Partner Programs	Education & Awareness	Partnership Trips	Total Programs	Mgmt and General	Fund Raising	Total
Salaries and Benefits	\$ 143,710	\$ 2,153	\$ 174	\$ 146,038	\$ 51,431	\$ 60,554	\$ 258,023
Employee Benefits	11,177	-	-	11,177	3,596	6,492	21,265
Payroll Taxes	13,071	-	-	13,071	4,693	6,067	23,831
Program Expense	232,138	3,591	-	235,729	-	-	235,729
Professional Services	28,836	2,493	-	31,329	974	3,664	35,967
Occupancy	9,551	-	77	9,628	3,076	4,542	17,246
Outreach & Events	14	30,717	-	30,731	5	41,140	71,876
Insurance	4,933	-	-	4,933	1,794	2,242	8,969
Travel	3,840	11,196	83,964	99,000	399	3,326	102,725
Bank Service Charge	734	-	281	1,015	146	182	1,343
Supplies	1,328	1,245	108	2,681	1,194	2,380	6,255
Postage & Delivery	894	1,015	-	1,909	257	758	2,924
Marketing	9,763	9,219	487	19,469	3,527	52,267	75,263
Fund Raising Fees	125	-	-	125	45	13,032	13,202
Conferences and Meetings	2,047	1,592	32	3,671	590	1,712	5,973
Staff Development	826	174	-	1,000	211	941	2,152
Event Expense	450	5,080	36	5,566	-	57,741	63,307
Equipment	1,540	52	-	1,592	130	298	2,020
Payroll Processing Fee	886	-	-	886	322	463	1,671
Depreciation	-	-	-	-	1,152	-	1,152
Pledged contributions to Hope Ministries	200,352	-	-	200,352	-	-	200,352
Total Expenses	\$ 666,214	\$ 68,527	\$ 85,159	\$ 819,901	\$ 73,542	\$ 257,801	\$ 1,151,244

SPARK VENTURES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014

Expenses	Program Services				Total Programs	Mgmt and General	Fund Raising	Total
	Partner Programs	Education & Awareness	Partnership Trips					
Salaries and Benefits	\$ 136,372	\$ -	\$ 885	\$ 137,257	\$ 26,088	\$ 57,573	\$ 220,919	
Employee Benefits	8,411	-	-	8,411	1,734	7,194	17,338	
Payroll Taxes	14,731	-	-	14,731	2,947	11,785	29,463	
Program Expense	179,427	-	-	179,427	-	-	179,427	
Professional Services	2,320	-	-	2,320	464	1,856	4,640	
Occupancy	9,130	-	25	9,155	2,026	6,966	18,147	
Outreach & Events	-	25,712	-	25,712	29	22,879	48,620	
Insurance	1,344	-	-	1,344	269	1,074	2,686	
Travel	29,976	10,250	80,362	120,589	950	4,106	125,645	
Bank Service Charge	1,286	-	667	1,953	15	74	2,042	
Supplies	1,794	793	1,294	3,881	584	5,847	10,312	
Postage & Delivery	367	1,249	-	1,616	74	2,435	4,125	
Marketing	806	12,582	531	13,918	94	6,837	20,850	
Fund Raising Fees	51	-	-	51	-	8,272	8,323	
Conferences and Meetings	1,157	2,334	-	3,492	130	1,032	4,653	
Staff Development	938	565	-	1,503	148	1,375	3,026	
Event Expense	-	1,667	278	1,946	3,350	37,658	42,954	
Equipment	967	38	-	1,005	375	432	1,812	
Payroll Processing Fee	748	-	-	748	150	598	1,496	
Depreciation	-	-	-	-	2,112	-	2,112	
Total Expenses	\$ 389,826	\$ 55,191	\$ 84,042	\$ 529,059	\$ 41,537	\$ 177,992	\$ 748,588	