

Spark Ventures

Independent Auditor's Report and Financial Statements
June 30, 2018 and 2017

AUDIT REPORT



SPARK VENTURES

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	2
Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets.....	4
Statements of Cash Flows.....	5
Notes to the Financial Statements.....	6
Supplementary Information:	
Statements of Functional Expenses.....	13

INDEPENDENT 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, 2018, and 2017, 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, 2018, and 2017, 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.

Report on Supplementary Information

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
December 13, 2018

SPARK VENTURES
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017

<u>Assets</u>	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	\$ 214,264	\$ 169,092
Pledges Receivable	4,000	95,781
Prepaid Expenses	-	2,468
Total Current Assets	<u>218,264</u>	<u>267,341</u>
Total Assets	<u><u>\$ 218,264</u></u>	<u><u>\$ 267,341</u></u>
<u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Accounts Payable	\$ 384	\$ 17,501
Total Liabilities	<u>384</u>	<u>17,501</u>
<u>Net Assets</u>		
Unrestricted	179,934	249,840
Temporarily Restricted	37,946	-
Total Net Assets	<u>217,880</u>	<u>249,840</u>
Total Liabilities and Net Assets	<u><u>\$ 218,264</u></u>	<u><u>\$ 267,341</u></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, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE:						
Contributions	\$ 427,711	\$ 37,946	\$ 465,657	\$ 572,885	\$ -	\$ 572,885
In-kind Contributions	56,087	-	56,087	37,978	-	37,978
Program Service Revenue	86,383	-	86,383	163,532	-	163,532
Interest Income	111	-	111	25	-	25
Other Revenue	15,028	-	15,028	77,602	-	77,602
Total Revenue	585,320	37,946	623,266	852,022	-	852,022
EXPENSES:						
Program Services	523,905	-	523,905	597,012	-	597,012
Management and General	51,190	-	51,190	100,969	-	100,969
Fundraising	80,131	-	80,131	162,718	-	162,718
Total Expenses	655,226	-	655,226	860,699	-	860,699
Change in Net Assets	(69,906)	37,946	(31,960)	(8,677)	-	(8,677)
TOTAL NET ASSETS:						
Net Assets - Beginning of Fiscal Year	249,840	-	249,840	258,517	-	258,517
Net Assets - End of Fiscal Year	\$ 179,934	\$ 37,946	\$ 217,880	\$ 249,840	\$ -	\$ 249,840

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

SPARK VENTURES
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2018</u>	<u>2017</u>
Change in Net Assets	\$ (31,960)	\$ (8,677)
Adjustments to Reconcile Change in Net Assets to		
Cash Provided (Used) by Operating Activities:		
(Increase) Decrease in Pledges Receivable	91,781	(3,444)
(Increase) Decrease in Prepaid Expenses	2,468	4,342
Increase (Decrease) in Accounts Payable	(17,117)	(8,902)
Increase (Decrease) in Deferred Revenue	-	(6,780)
Net Cash Provided (Used) by Operating Activities	<u>45,172</u>	<u>(23,461)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Program Related Equity Investment	-	87,310
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>87,310</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>-</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	45,172	63,849
 CASH AND CASH EQUIVALENTS - Beginning of Fiscal Year	<u>169,092</u>	<u>105,243</u>
 CASH AND CASH EQUIVALENTS - End of Fiscal Year	<u>\$ 214,264</u>	<u>\$ 169,092</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 180</u>	<u>\$ -</u>

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

SPARK VENTURES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(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. The Organization partners 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, Nicaragua, and Mexico through programs that provide these children with education, food, shelter, health care and emotional support. The Organization also uses funds to enhance and expand the 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 Ventures 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, 2018, and 2017:

SPARK VENTURES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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, 2018, and 2017.

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 maintained \$37,946, and \$0 of temporarily restricted net assets as of June 30, 2018, and 2017, respectively.

Unrestricted nets 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, 2018, and 2017, 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 Equivalentents

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

Prepaid Expenses

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

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.

SPARK VENTURES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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 \$1,000 or more. Depreciation expense amounted to \$0, for the years ended June 30, 2018, and 2017.

	2018	2017
Furniture & Equipment	\$ 10,558	\$ 10,558
Accumulated Depreciation	(10,558)	(10,558)
	\$ -	\$ -

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).

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, 2018, and 2017.

SPARK VENTURES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

The Organization files form 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 fiscal year 2015.

(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, 2018, and 2017, the Organization had no accounts that exceeded the aggregate insured limit at any banking institutions. However, at June 30, 2018, and 2017, the Organization maintained \$85,670, and \$85,570, respectively in cash in a brokerage account not insured by the FDIC.

(4) Fair Value of Financial Instruments

In determining fair value, the Plan uses various valuation approaches within the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820-10 “Fair Value Measurements and Disclosures” fair value measurement network. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

FASB ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizing the use of unobservable inputs by requiring that the most observable inputs be used when available. FASB ASC 820-10 defines the levels within the hierarchy base on the reliability of inputs as follows:

Level 1 – Valuations based on adjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets.

Level 3 – Valuations derived from valuation techniques in which one or more of significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

SPARK VENTURES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Fair Values of assets and liabilities measured on a recurring basis at June 30, 2018, and 2017, are as follows:

	Fair Value Measurements at Reporting Date Using:	
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
<u>June 30, 2018</u>		
<u>Assets</u>		
Cash	\$ 214,264	\$ 214,264
Pledges Receivable	4,000	4,000
Total Assets	218,264	218,264
<u>Liabilities</u>		
Accounts Payable	384	384
Total Liabilities	\$ 384	\$ 384

	Fair Value Measurements at Reporting Date Using:	
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
<u>June 30, 2017</u>		
<u>Assets</u>		
Cash	\$ 169,092	\$ 169,092
Pledges Receivable	95,781	95,781
Prepaid Expenses	2,468	2,468
Total Assets	267,341	267,341
<u>Liabilities</u>		
Accounts Payable	17,501	17,501
Total Liabilities	\$ 17,501	\$ 17,501

SPARK VENTURES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(5) Program Related Equity Investment

The Organization had a 50% joint venture interest in Las Tias Ventures (a Nicaraguan corporation), an unconsolidated affiliate that is involved in the development and operations of an agricultural project. As of April 2018, and 2017, the Organization has a 27.43%, and 31.74%, respectively, joint venture interest in Las Tias Ventures.

The tables below set forth the carrying values of the Organization's equity investment in the unconsolidated affiliate, and the Organization's share of their earnings or losses, as of and for the year ended June 30, 2018, and 2017. The Organization accounts for its investment in the unconsolidated affiliate by the equity method. The Organization records its share of such earnings (losses) in the Statement of Functional Expenses as "Losses on Program Related Equity Investment" and the carrying value of the Organization's investment in the unconsolidated affiliate is recorded in the Statements of Financial Position as "Program Related Equity Investment."

	<u>2018</u>	<u>2017</u>
Assets		
Las Tias Ventures	\$ -	\$ -
Program Related Equity Investment	<u>\$ -</u>	<u>\$ -</u>
Earnings		
Las Tias Ventures	\$ (34,157)	\$ (103,455)
Losses on Program Related Equity Investment	<u>\$ (34,157)</u>	<u>\$ (103,455)</u>

(6) Related-Party Transactions

- a) The Organization entered into a transaction with a related party, a member of its board of directors during the fiscal year 2017. As of June 30th, 2017, the individual was no longer a member of the board.
- b) During the fiscal year 2017, the Organization entered into a transaction with a related party, the Chief Executive Officer ("CEO"). The Organization sold its impact travel program to a separate entity managed by the CEO. Consideration was based on a valuation performed by an independent appraiser. No cash was exchanged in the transaction. Purchase price is paid in the form of in-kind as of June 30, 2018.

SPARK VENTURES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Impact Travel Program:

	<u>2018</u>	<u>2017</u>
Assets		
Ignite	\$ -	\$ 73,000
Pledges Receivable	<u>\$ -</u>	<u>\$ 73,000</u>
Earnings		
Ignite	\$ -	\$ 73,000
Other Revenue	<u>\$ -</u>	<u>\$ 73,000</u>

(7) 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 2018, and 2017, the Organization recorded in-kind donations amounting to \$56,087 and \$37,978, 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.

(8) Subsequent Events

The Organization has evaluated subsequent events for potential recognition and/or disclosure through December 13, 2018, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

SPARK VENTURES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

Expenses	Program Services			Total Programs	Mgmt and General	Fundraising	Total
	Partner Programs	Education & Awareness	Partnership Trips				
Salaries and Benefits	\$ 29,761	\$ 29,761	\$ 6,613	\$ 66,135	\$ 15,116	\$ 13,227	\$ 94,478
Employee Benefits	1,114	1,114	247	2,475	566	495	3,536
Payroll Taxes	2,937	2,937	653	6,527	1,492	1,305	9,324
Program Expense	189,833	-	-	189,833	74	64	189,971
Professional Services	9,946	34,468	-	44,414	10,152	8,883	63,449
Occupancy	1,644	1,661	-	3,305	755	661	4,721
Outreach and Events	-	35,341	-	35,341	-	35,341	70,682
Insurance	3,270	3,270	-	6,540	1,495	1,308	9,343
Travel	18,318	6,392	16,235	40,945	-	-	40,945
Bank Service Charge	888	-	-	888	203	178	1,269
Supplies	511	511	-	1,022	234	204	1,460
Postage and Delivery	672	672	-	1,344	307	269	1,920
Marketing	-	30,402	-	30,402	6,949	6,080	43,431
Fund Raising Fees	-	7,997	-	7,997	1,828	1,599	11,424
Meals and Entertainment	672	672	-	1,344	307	269	1,920
Staff Development	129	129	29	287	66	58	411
Event Expense	-	39,261	-	39,261	8,974	7,852	56,087
Equipment	-	541	-	541	124	108	773
Payroll Processing Fee	681	681	151	1,513	346	303	2,162
Bad Debt	-	9,100	-	9,100	2,080	1,820	13,000
Interest	-	126	-	126	29	25	180
Losses on Program Related Equity Investment	34,157	-	-	34,157	-	-	34,157
Depreciation	-	-	-	-	-	-	-
Other Expenses	-	408	-	408	93	82	583
Total Expenses	\$ 294,533	\$ 205,444	\$ 23,928	\$ 523,905	\$ 51,190	\$ 80,131	\$ 655,226

SPARK VENTURES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

Expenses	Program Services			Total Programs	Mgmt and General	Fundraising	Total
	Partner Programs	Education & Awareness	Partnership Trips				
Salaries and Benefits	\$ 57,784	\$ 57,784	\$ -	\$ 115,568	\$ 9,875	\$ 42,555	\$ 167,998
Employee Benefits	3,097	3,097	-	6,194	529	2,281	9,004
Payroll Taxes	5,748	5,748	-	11,496	982	4,233	16,711
Program Expense	188,797	-	-	188,797	-	-	188,797
Professional Services	-	-	-	-	75,406	-	75,406
Occupancy	5,297	5,297	-	10,594	905	3,901	15,400
Outreach and Events	-	53,782	-	53,782	-	53,782	107,564
Insurance	-	-	-	-	9,652	-	9,652
Travel	9,392	1,139	82,157	92,688	-	2,278	94,966
Bank Service Charge	-	-	-	-	859	-	859
Supplies	407	407	-	814	70	300	1,184
Postage and Delivery	728	728	-	1,456	124	536	2,116
Marketing	2,493	2,493	499	5,485	1,995	2,493	9,973
Fund Raising Fees	-	-	-	-	-	9,919	9,919
Conferences and Meetings	2,023	2,023	-	4,046	346	1,490	5,882
Staff Development	325	325	-	650	56	240	946
Event Expense	-	-	-	-	-	37,978	37,978
Equipment	144	145	-	289	25	107	421
Payroll Processing Fee	849	849	-	1,698	145	625	2,468
Losses on Program Related Equity Investment	103,455	-	-	103,455	-	-	103,455
Depreciation	-	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-
Total Expenses	\$ 380,539	\$ 133,817	\$ 82,656	\$ 597,012	\$ 100,969	\$ 162,718	\$ 860,699