Spark Ventures

Independent Auditor’s Report and Financial Statements
June 30, 2020 and 2019

AUDIT REPORT

LOPEZ & CO
CERTIFIED PUBLIC ACCOUNTANTS

SPARK VENTURES

TABLE OF CONTENTS

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, 2020, and 2019, and the related statements of activities, functional expenses, 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, 2020, and 2019, 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.

Lopez & Co. CPAs Ltd

Chicago, IL
December 16, 2020

SPARK VENTURES
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2020 AND 2019

Assets	2020	2019
Cash and Cash Equivalents	$ 440,456	$ 298,616
Pledges Receivable	2,000	2,252
Prepaid Expenses	2,920	-
Total Current Assets	445,376	300,868
Total Assets	$ 445,376	$ 300,868
Liabilities and Net Assets		
Liabilities		
Accounts Payable	$ 833	$ 5,023
Accrued Expenses	6,624	2,250
Deferred Income	16,040	-
Paycheck Protection Program Loan	25,140	-
Total Liabilities	48,637	7,273
Net Assets		
Without Donor Restrictions	352,464	256,911
With Donor Restrictions	44,275	36,684
Total Net Assets	396,739	293,595
Total Liabilities and Net Assets	$ 445,376	$ 300,868

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

SPARK VENTURES
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT & REVENUE:			
PUBLIC SUPPORT:			
Contributions	$ 415,420	$ 147,145	$ 562,565
In-kind Contributions	81,789	-	81,789
Released from Restrictions	139,554	(139,554)	-
Total Public Support	636,763	7,591	644,354
REVENUE:			
Program Service Revenue	113,195	-	113,195
Interest Income	75	-	75
Total Revenue	113,270	-	113,270
Total Public Support & Revenue	750,033	7,591	757,624
EXPENSES:			
Program Services	519,274	-	519,274
Management and General	30,109	-	30,109
Fundraising	105,097	-	105,097
Total Expenses	654,480	-	654,480
Change in Net Assets	95,553	7,591	103,144
TOTAL NET ASSETS:			
Net Assets - Beginning of Fiscal Year	256,911	36,684	293,595
Net Assets - End of Fiscal Year	$ 352,464	$ 44,275	$ 396,739

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

SPARK VENTURES
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT & REVENUE:			
PUBLIC SUPPORT:			
Contributions	$ 378,533	$ 179,612	$ 558,145
In-kind Contributions	13,175	-	13,175
Released from Restrictions	180,874	(180,874)	-
Total Public Support	572,582	(1,262)	571,320
REVENUE:			
Program Service Revenue	103,371	-	103,371
Interest Income	515	-	515
Total Revenue	103,886	-	103,886
Total Public Support & Revenue	676,468	(1,262)	675,206
EXPENSES:			
Program Services	481,888	-	481,888
Management and General	45,549	-	45,549
Fundraising	72,054	-	72,054
Total Expenses	599,491	-	599,491
Change in Net Assets	76,977	(1,262)	75,715
TOTAL NET ASSETS:			
Net Assets - Beginning of Fiscal Year	179,934	37,946	217,880
Net Assets - End of Fiscal Year	$ 256,911	$ 36,684	$ 293,595

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

SPARK VENTURES
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ 103,144	$ 75,715
Adjustments to Reconcile Change in Net Assets to		
Cash Provided (Used) by Operating Activities:		
(Increase) Decrease in Pledges Receivable	252	1,748
(Increase) Decrease in Prepaid Expenses	(2,920)	-
Increase (Decrease) in Accounts Payable	(4,190)	4,639
Increase (Decrease) in Deferred Income	16,040	
Increase (Decrease) in Accrued Expenses	4,374	2,250
Net Cash Provided (Used) by Operating Activities	116,700	84,352
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net Cash Provided (Used) by Investing Activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program Loan	25,140	-
Net Cash Provided (Used) by Financing Activities	25,140	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	141,840	84,352
CASH AND CASH EQUIVALENTS - Beginning of Fiscal Year	298,616	214,264
CASH AND CASH EQUIVALENTS - End of Fiscal Year	$ 440,456	$ 298,616
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ -	$ 40

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

SPARK VENTURES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

Expenses	Programs	Management and General	Fundraising	Total
Program Expense	$ 298,991	$ -	$ -	$ 298,991
Salaries and Benefits	105,622	21,880	32,605	160,107
Event Expense	40,895	-	40,895	81,790
Outreach and Events	18,949	-	18,949	37,898
Travel	15,091	-	384	15,475
Professional Services	10,085	2,089	3,113	15,287
Payroll Taxes	6,924	1,434	2,138	10,496
Marketing	5,168	1,071	1,596	7,835
Employee Benefits	3,847	797	1,187	5,831
Occupancy	2,918	604	901	4,423
Insurance	2,676	554	826	4,056
Bank Service Charge	2,669	553	824	4,046
Meals and Entertainment	2,023	419	624	3,066
Payroll Processing Fees	1,380	286	426	2,092
Supplies	1,062	220	328	1,610
Equipment	580	120	179	879
Postage and Delivery	275	57	85	417
Staff Development	119	25	37	181
Total Expenses	$ 519,274	$ 30,109	$ 105,097	$ 654,480

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

SPARK VENTURES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

Expenses	Programs	Management and General	Fundraising	Total
Program Expense	$ 292,046	$ -	$ -	$ 292,046
Salaries and Benefits	89,166	31,551	16,461	137,178
Outreach and Events	41,145	-	41,145	82,290
Professional Services	10,147	3,590	1,873	15,610
Travel	13,448	-	623	14,071
Event Expense	6,521	-	6,521	13,042
Payroll Taxes	6,956	2,461	1,284	10,701
Marketing	5,842	2,067	1,078	8,987
Bank Service Charge	5,596	1,980	1,033	8,609
Employee Benefits	2,543	900	470	3,913
Payroll Processing Fees	1,725	610	318	2,653
Occupancy	1,603	567	296	2,466
Insurance	1,424	504	263	2,191
Postage and Delivery	1,093	387	202	1,682
Conferences and Meetings	1,044	369	193	1,606
Supplies	827	293	153	1,273
Equipment	683	242	126	1,051
Other Expenses	53	19	10	82
Interest	26	9	5	40
Total Expenses	$ 481,888	$ 45,549	$ 72,054	$ 599,491

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

(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 as well as jobs, capacity building and entrepreneurial opportunities for adults. The Organization partners with grassroots organizations serving vulnerable communities 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.

<u>Partner Programs</u>

The Organization assists about 600 vulnerable children and adults in Zambia, Nicaragua, and Mexico through programs that provide the children with education, food, shelter, health care and emotional support as well as vocational workshops, entrepreneurial opportunities and jobs for vulnerable adults. The Organization also uses funds to enhance and expand the effectiveness of partner programs, develop and train personnel, and execute capital projects.

<u>Education & Awareness</u>

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.

<u>Partnership Trips</u>

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.

<u>Services to Supporters</u>

The Organization utilizes funds to gather and disseminate information to Spark Ventures supporters concerning the beneficiaries 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 Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The Organization is required to report information regarding its financial position according to two classes of net assets:

Net Assets with Donor Restrictions: Net assets subject to donor imposed stipulation that may or will be met by performance obligations of the Organization. The Organization maintained $44,275, and $36,684 of net assets with donor restrictions as of June 30, 2020, and 2019, respectively.

Net Assets without Donor Restrictions: 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 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, 2020, and 2019, 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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated to specific program services based on direct benefit obtained. All remaining costs are considered general support to all programs and the Organization in general. Those supporting costs are allocated based on estimates of time and effort.

Liquidity and Availability of Financial Assets

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and Cash Equivalents	$ 440,456
Accounts Receviable	2,000
	$ 442,456

$44,275 of the financial assets are subject to donor or other contractual restrictions, but the remaining financial assets are available for general expenditure. As a part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization will seek external financing sources.

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. As of June 30, 2020, all assets were fully depreciated. The Organization recorded no depreciation expense for the years ended June 30, 2020, and 2019.

	2020	2019
Furniture & Equipment	$ 8,007	$ 10,558
Accumulated Depreciation	(8,007)	(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, 2020, and 2019.

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 2016.

New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958).* The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled *net assets without donor restrictions* and *net assets with donor restrictions*, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the place-in-service approach to recognize the expirations or restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Organization has adopted this ASU for the year ended June 30, 2020.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in Accounting Standards Codification (ASC) 605, *Revenue Recognition*. ASU No. 2014-19 provides for a single five-step model to be applied to all revenue contracts with customers. The ASU also requires additional financial statement disclosures about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. The Organization has adopted this ASU for the year ended June 30, 2020. The Organization reevaluated all of its current contracts under Topic 606 and determined that the adoption of this ASU did not result in a change to the accounting for any of the in-scope revenue streams; as such, no cumulative effective adjustment was recorded.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The ASU improves current guidance on determining whether transactions are contributions or exchange contracts. The ASU also requires determining if a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The Organization has adopted this ASU for the year ended June 30, 2020.

(3) Paycheck Protection Program Loan

On May 1, 2020, the Organization received loan proceeds in the amount of $25,140 under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying organizations in amounts up to 2.5 times the Organization's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period", of 8 or 24 weeks, as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. The Organization intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

The Organization has met all requirements to have the loan forgiven. However, to the extent that the Organization is not granted forgiveness, the Organization will be required to pay interest on the PPP loan at a rate of 1% per annum. If the application for forgiveness is not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity date of August 16, 2023. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event.

The Organization has recorded a note payable and will record forgiveness upon being legally released from the loan obligation. No forgiveness income has been recorded for the year ended June 30, 2020. The Organization is required to repay any remaining balance of $25,140, plus interest accrued at 1% per annum in monthly payments beginning on August 16, 2021. Principal and interest payments will be required through the maturity date of August 16, 2023.

(4) 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, 2020, and 2019, the Organization had $103,793 and $0, respectively, which exceeded the aggregate insured limit. At June 30, 2020, and 2019, the Organization also maintained $85,913, and $85,838, respectively in cash in a brokerage account not insured by the FDIC.

(5) 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 instrument is cash. For this financial instrument, carrying value approximates fair value.

(6) 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 June 30, 2020, the Organization donated its shares back to Las Tias Ventures, and therefore, no longer had a joint venture interest in Las Tias Ventures. As of June 30, 2019 the Organization had a 14.88%, joint venture interest, however, the Organization had not participated in a capital call since January 29, 2018.

(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 2020, and 2019, the Organization recorded in-kind donations amounting to $81,789 and $13,175, 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) COVID

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Organization is closely monitoring its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization's donors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

(9) Subsequent Events

The Organization has evaluated subsequent events through December 16, 2020, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events that would require recognition or disclosure in the financial statements.