

Spark Ventures

Independent Auditor's Report and Financial Statements
June 30, 2021 and 2020

AUDIT REPORT



SPARK VENTURES

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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 statements of financial position as of June 30, 2021, and 2020, 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, 2021, and 2020, 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
November 1, 2021

SPARK VENTURES
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS:		
Cash and Cash Equivalents	\$ 578,103	\$ 440,456
Pledges Receivable	1,000	2,000
Prepaid Expenses	-	2,920
Total Assets	<u>579,103</u>	<u>445,376</u>
 LIABILITIES AND NET ASSETS:		
<u>Liabilities</u>		
Accounts Payable	5,143	833
Accrued Expenses	10,470	6,624
Deferred Income	8,040	16,040
Paycheck Protection Program Loan	22,927	25,140
Total Liabilities	<u>46,580</u>	<u>48,637</u>
 <u>Net Assets</u>		
Without Donor Restrictions	468,813	352,464
With Donor Restrictions	63,710	44,275
Total Net Assets	<u>532,523</u>	<u>396,739</u>
 Total Liabilities and Net Assets	 <u>\$ 579,103</u>	 <u>\$ 445,376</u>

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, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT & REVENUE:			
<u>Public Support</u>			
Contributions	\$ 508,393	\$ 198,999	\$ 707,392
In-kind Contributions	24,500	-	24,500
Released from Restrictions	179,564	(179,564)	-
Total Public Support	<u>712,457</u>	<u>19,435</u>	<u>731,892</u>
<u>Revenue</u>			
Program Service Revenue	85,133	-	85,133
Interest Income	66	-	66
Total Revenue	<u>85,199</u>	<u>-</u>	<u>85,199</u>
Total Public Support & Revenue	<u>797,656</u>	<u>19,435</u>	<u>817,091</u>
EXPENSES:			
Program Services	560,619	-	560,619
Management and General	36,905	-	36,905
Fundraising	83,783	-	83,783
Total Expenses	<u>681,307</u>	<u>-</u>	<u>681,307</u>
Change in Net Assets	116,349	19,435	135,784
TOTAL NET ASSETS:			
Net Assets - Beginning of Fiscal Year	<u>352,464</u>	<u>44,275</u>	<u>396,739</u>
Net Assets - End of Fiscal Year	<u>\$ 468,813</u>	<u>\$ 63,710</u>	<u>\$ 532,523</u>

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

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

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

SPARK VENTURES
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 135,784	\$ 103,144
Adjustments to Reconcile Change in Net Assets to		
Cash Provided (Used) by Operating Activities:		
(Increase) Decrease in Pledges Receivable	1,000	252
(Increase) Decrease in Prepaid Expenses	2,920	(2,920)
Increase (Decrease) in Accounts Payable	4,310	(4,190)
Increase (Decrease) in Deferred Income	(8,000)	16,040
Increase (Decrease) in Accrued Expenses	3,846	4,374
Net Cash Provided (Used) by Operating Activities	<u>139,860</u>	<u>116,700</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program Loan	<u>22,927</u>	<u>25,140</u>
Net Cash Provided (Used) by Financing Activities	<u>22,927</u>	<u>25,140</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	162,787	141,840
NONCASH FLOWS FROM FINANCING ACTIVITIES:		
Forgiveness from Paycheck Protection Program Loan	(25,140)	-
CASH AND CASH EQUIVALENTS - Beginning of Fiscal Year	<u>440,456</u>	<u>298,616</u>
CASH AND CASH EQUIVALENTS - End of Fiscal Year	<u>\$ 578,103</u>	<u>\$ 440,456</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
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Programs	Management and General	Fundraising	Total
Program Operations	\$ 362,540	\$ -	\$ -	\$ 362,540
Salaries and Benefits	113,752	25,232	36,111	175,095
Outreach and Events	18,167	-	18,167	36,334
Event Expense	12,250	-	12,250	24,500
Professional Services	12,806	2,841	4,065	19,712
Bank Service Charge	7,656	1,698	2,431	11,785
Employee Benefits	7,154	1,587	2,271	11,012
Payroll Taxes	7,079	1,570	2,247	10,896
Marketing	6,047	1,341	1,920	9,308
Occupancy	4,741	1,052	1,505	7,298
Insurance	2,499	554	793	3,846
Supplies	1,481	328	470	2,279
Payroll Processing Fees	1,356	301	430	2,087
Travel	1,282	-	549	1,831
Meals and Entertainment	1,045	232	332	1,609
Equipment	764	169	242	1,175
Total Expenses	\$ 560,619	\$ 36,905	\$ 83,783	\$ 681,307

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

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

	Programs	Management and General	Fundraising	Total
Program Operations	\$ 298,991	\$ -	\$ -	\$ 298,991
Salaries and Benefits	105,622	21,880	32,605	160,107
Outreach and Events	40,895	-	40,895	81,790
Professional Services	18,949	-	18,949	37,898
Travel	15,091	-	384	15,475
Event Expense	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
Bank Service Charge	3,847	797	1,187	5,831
Employee Benefits	2,918	604	901	4,423
Payroll Processing Fees	2,676	554	826	4,056
Occupancy	2,669	553	824	4,046
Insurance	2,023	419	624	3,066
Postage and Delivery	1,380	286	426	2,092
Conferences and Meetings	1,062	220	328	1,610
Supplies	580	120	179	879
Equipment	275	57	85	417
Other Expenses	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
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(1) History and Nature of Organization

Spark Ventures (“the Organization”) is a Chicago-based nonprofit that works with one domestic and three international partners who provide children in poverty with education, nutrition, and healthcare as well as jobs, capacity building and entrepreneurial opportunities for teens & adults. The Organization partners with grassroots organizations serving vulnerable communities in the United States and developing countries. The Organization strengthens and sustains these partners by providing human resources, strategic guidance and financial capital. The Organization and its partners collaborate to launch revenue-generating initiatives whose profits contribute to meaningful impact for individuals and their communities for generations to come.

Partner Programs

The Organization assists about 800 vulnerable children, teens and adults in Zambia, Nicaragua, Mexico and Chicago 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 teens and adults. 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 partners’ countries and communities.

Partnership Trips

The Organization provides domestic volunteer opportunities as well as international service learning and volunteer travel opportunities to visit and engage first-hand with its partner organizations. Additionally, a portion of the trip costs goes toward supporting the partner organization. Partnership trips were suspended for the year ended June 30, 2021 due to COVID restrictions & safety concerns.

Services to Supporters

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:

SPARK VENTURES
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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 \$63,710, and \$44,275 of net assets with donor restrictions as of June 30, 2021, and 2020, 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 958-606, *Revenue from Contracts with Customers*. 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.

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, 2021, and 2020, 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.

SPARK VENTURES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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	\$ 578,103
Pledges Receivable	1,000
	<u>\$ 579,103</u>

\$63,710 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, 2021, all assets were fully depreciated. The Organization recorded no depreciation expense for the years ended June 30, 2021, and 2020.

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

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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, 2021, and 2020.

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.

(3) Paycheck Protection Program Loan

On February 2, 2021, the Organization received loan proceeds in the amount of \$22,927 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 five 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 February 2, 2026. 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. The Organization is required to repay any remaining balance of \$22,927, plus interest accrued at 1% per annum in monthly payments beginning on October 2, 2022. Principal and interest payments will be required through the maturity date of February 2, 2026.

The PPP loan obligation of \$25,140 as of June 30, 2020, was forgiven on April 5, 2021, and recognized as revenue for the year ended June 30, 2021.

The future principal payments required under the PPP loan are as follows:

Years ending December 31:	<u>Amount</u>
2023	\$ 4,967
2024	6,680
2025	6,746
2026	4,534
Thereafter	-
Total	<u>\$ 22,927</u>

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(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, 2021, and 2020, the Organization had \$491,972 and \$353,793, respectively, which exceeded the aggregate insured limit by \$241,972 and \$103,793, leaving that amount at risk. At June 30, 2021, and 2020, the Organization also maintained \$86,021, and \$85,913, 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) 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 2021, and 2020, the Organization recorded in-kind donations amounting to \$24,500 and \$81,789, 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.

(7) 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.

(8) Subsequent Events

The Organization has evaluated subsequent events through November 1, 2021, 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.