SPARK VENTURES

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

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 statement of financial position as of June 30, 2013, and 2012, 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, 2013, and 2012, 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 12 and 13 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.

Lang & Co. CPAs Ltd
Chicago, IL
October 1, 2013

SPARK VENTURES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	2013	2012
Assets		
Cash & Cash Equivalents	$ 166,240	$ 143,297
Prepaid Expenses & Other Assets	25,081	42,556
Pledges Receivable	156,445	2,373
Total Current Assets	347,766	188,226
Land, Property and Equipment, Net of Accumulated Depreciation of $6,784 and $4,672	3,774	5,886
Partnership Loan Receivable	109,700	105,000
Total Assets	$ 461,240	$ 299,112
Liabilities and Net Assets		
Liabilities		
Accounts Payable	$ 13,066	$ 12,245
Deferred Income	16,710	53,250
Total Liabilities	29,776	65,495
Net Assets		
Unrestricted	431,465	220,617
Temporarily Restricted	-	13,000
Total Net Assets	431,465	233,617
Total Liabilities and Net Assets	$ 461,240	$ 299,112

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

SPARK VENTURES
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE:						
Contributions	$ 892,143	$ -	$ 892,143	$ 425,668	$ 13,000	$ 438,668
In-kind Contributions	34,634	-	34,634	26,704	-	26,704
Program Service Revenue	44,402	-	44,402	48,481	-	48,481
Interest Income	6	-	6	8	-	8
Net Assets Released from Restrictions	13,000	(13,000)	-	-	-	-
Total Revenue	984,185	(13,000)	971,185	500,861	13,000	513,861
EXPENSES:						
Program Services	557,605	-	557,605	424,752	-	424,752
Management and General	35,283	-	35,283	29,752	-	29,752
Fundraising	180,448	-	180,448	133,120	-	133,120
Total Expenses	773,337	-	773,337	587,624	-	587,624
Change in Net Assets	210,848	(13,000)	197,848	(86,763)	13,000	(73,763)
TOTAL NET ASSETS:						
Net Assets -Beginning of Year	220,617	13,000	233,617	307,380	-	307,380
Net Assets- End of Year	$ 431,465	$ -	$ 431,465	$ 220,617	$ 13,000	$ 233,617

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

SPARK VENTURES
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 197,848	$ (73,763)
Adjustments to reconcile change in net assets to		
cash provided (used) by operating activities:		
Depreciation and amortization	2,112	1,056
(Increase) Decrease in pledge receivables	(154,072)	(873)
(Increase) Decrease in prepaid expenses and other assets	17,475	(7,035)
(Increase) Decrease in partnership loan receivable	(4,700)	(5,000)
Increase (Decrease) in accounts payable	821	3,690
Increase (Decrease) in deferred revenue	(36,540)	21,922
Net Cash Provided (Used) by Operating Activities	22,943	(60,003)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in equipment	-	-
Net Cash Provided (Used) by Investing Activities	-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	22,943	(60,003)
CASH AND CASH EQUIVALENTS - Beginning of Year	143,297	203,300
CASH AND CASH EQUIVALENTS - End of Year	$ 166,240	$ 143,297

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. 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.

<u>Partner Programs</u>

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.

<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 Investors</u>

The Organization utilizes funds to gather and disseminate information to Spark supporters (investors) 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 (formerly SFAS No. 117) 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, 2013 and 2012:

(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, 2013 and 2012.

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 temporarily restricted net assets in the amount of $0 and $13,000 as of June 30, 2013 and 2012, 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” (formerly SFAS No. 116), “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, 2013 and 2012, 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.

(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, 2013 and 2012, amounted to $ 1,056.

	2013	2012
Furniture & Equipment	$ 10,558	$ 10,558
Accumulated Depreciation	(6,784)	(4,672)
	$ 3,774	$ 5,886

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).

(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, 2013 and 2012.

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 2010.

(3) Certain Vulnerabilities and Concentrations

The Organization also maintained certain bank accounts insured by the Federal Deposit Insurance Corporation up to an aggregate amount of $250,000 for each depositor in each depository institution, with unlimited coverage on non-interest bearing accounts. At June 30, 2013 and 2012, the Organization had no accounts that exceeded the aggregate insured limit.

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.

(4) Fair Value of Financial Instruments (continued)

The estimated fair values of the Organization's financial instruments for June 30, 2013, are as follows:

	Cost	Fair Value
Cash	166,240	166,240
Pledge Receivable	156,445	156,445
Loan Receivable	109,700	102,040
Accounts Payable	13,095	13,095

Cash, pledge 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

During 2011, The Organization entered into a loan agreement to advance $100,000 to one of its partner organizations to help fund the land purchase, construction and operations for a poultry farm. There is no listed collateral with the agreement. In total, $109,700 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 will increase yearly based on the profitability of the farm and in accordance with the agreement, and 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, 2013 and 2012.

(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, are 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 2013 and 2012, $34,634 and $10,312, respectively, were recognized for this professional service. 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.

SUPPLEMENTARY INFORMATION

SPARK VENTURES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013

	Program Services						
	Partner Programs	Education & Awareness	Partnership Trips	Total Programs	Mgmt and General	Fund Raising	Total
Expenses							
Partner Activity	$ 156,079	$ -	$ 2,323	$ 158,401	$ -	$ -	$ 158,401
Professional Services	8,796	360	1,254	10,410	1,754	11,057	23,221
Occupancy	9,455	17	-	9,472	5,761	7,508	22,741
Outreach & Events	5	33,556	-	33,561	1	25,809	59,371
Travel	21,672	11,324	122,121	155,117	203	5,020	160,340
Supplies	7,094	520	491	8,104	514	2,064	10,682
Postage & Delivery	380	1,061	30	1,471	9	833	2,313
Marketing	1,737	12,679	120	14,536	212	6,852	21,600
Meals & Entertainment	557	3,258	104	3,919	24	267	4,210
Salaries and Benefits	155,726	957	105	156,787	24,208	85,456	266,452
Donated Goods & Services	-	4,105	-	4,105	-	30,329	34,434
Equipment	1,722	-	-	1,722	486	5,252	7,460
Depreciation	-	-	-	-	2,112	-	2,112
Total Expenses	$ 363,222	$ 67,836	$ 126,548	$ 557,605	$ 35,283	$ 180,448	$ 773,337

SPARK VENTURES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012

	Program Services							
	Partner Programs	Education & Awareness	Partnership Trips	Sponsor Services	Total Programs	Mgmt and General	Fund Raising	Total
Expenses								
Partner Activity	$ 119,770	$ -	$ -	$ -	$ 119,770	$ -	$ -	$ 119,770
Professional Services	3,604	2,350	448	-	6,402	935	10,600	17,937
Occupancy	4,326	-	-	-	4,326	944	2,917	8,187
Outreach & Events	964	29,134	210	-	30,308	320	20,913	51,541
Travel	25,318	1,014	65,971	816	93,119	368	667	94,154
Supplies	1,357	1,456	547	118	3,478	837	1,600	5,915
Postage & Delivery	431	1,690	31	463	2,615	229	1,331	4,175
Marketing	956	18,024	287	657	19,924	218	5,809	25,951
Meals & Entertainment	1,065	1,544	147	22	2,778	183	676	3,637
Salaries and Benefits	126,733	69	13	-	126,815	24,414	75,168	226,397
Donated Goods & Services	-	13,542	-	-	13,542	-	12,496	26,038
Equipment	1,375	300	-	-	1,675	248	943	2,866
Depreciation	-	-	-	-	-	1,056	-	1,056
Total Expenses	$ 285,899	$ 69,123	$ 67,654	$ 2,076	$ 424,752	$ 29,752	$ 133,120	$ 587,624