

SPARK VENTURES

AUDITED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2010 and 2009

SPARK VENTURES
AUDITED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES.....	3
STATEMENTS OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS.....	5-8
SUPPLEMENTARY INFORMATION	
Statements of Functional Expenses.....	9-10

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Spark Ventures

We have audited the accompanying statements of financial position of Spark Ventures as of June 30, 2010 and 2009 and the related statements of activities and cash flows for the years then ended. The financial statements are the responsibility of the Spark Ventures' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of functional expenses on pages 9 and 10 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Shapiro, Olesfky & Company

Northbrook, Illinois
August 13, 2010

Spark Ventures
Statements of Financial Position
June 30, 2010 and 2009

Assets	<u>2010</u>	<u>2009</u>
Current Assets		
Cash and Cash Equivalents (Note 2B)	\$ 208,614	\$ 208,030
Unconditional Promises to Give	-	25,000
Assets Held for Sale	485	-
Loans Receivable	7,664	-
Grants Receivable (Note 4)	<u>75,000</u>	<u>75,000</u>
Total Current Assets	<u>291,763</u>	<u>308,030</u>
Property and Equipment		
Furniture and Equipment, Net of Accumulated Depreciation (Note 2G)	<u>6,247</u>	<u>4,317</u>
Total Property and Equipment	<u>6,247</u>	<u>4,317</u>
Other Assets		
Partner Loan Receivable (Note 3)	<u>35,000</u>	<u>-</u>
Total Other Assets	<u>35,000</u>	<u>-</u>
Total Assets	<u><u>\$ 333,010</u></u>	<u><u>\$ 312,347</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	<u>\$ 1,860</u>	<u>\$ 432</u>
Total Current Liabilities/ Total Liabilities	<u>1,860</u>	<u>432</u>
Net Assets		
Unrestricted	225,475	137,123
Temporarily Restricted (Note 5)	105,675	174,792
Permanently Restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>331,150</u>	<u>311,915</u>
Total Liabilities and Net Assets	<u><u>\$ 333,010</u></u>	<u><u>\$ 312,347</u></u>

See Accompanying Notes to Financial Statements.

Spark Ventures
Statements of Activities
For the Years Ended June 30, 2010 and 2009

	2010		2009	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Revenue and Other Support:				
Contributions	\$ 271,996	\$ 148,174	\$ 322,915	\$ 226,975
Underwriting	4,825	-	48,320	-
In-kind Contributions	7,839	-	505	-
Other Income	21	-	1,185	-
Net Assets Released from restrictions in Satisfaction of Program Restrictions	174,792	(174,792)	-	-
Total Revenue and Other Support	459,473	(26,618)	372,925	226,975
Expenses:				
Program Services:				
Partner Programs	215,447	3,250	180,449	-
Services to Sponsors	3,723	-	10,982	-
Education and Awareness	25,367	-	61,291	-
Transformation Trips	-	39,249	-	52,183
Total Program Services	244,537	42,499	252,722	52,183
Support Services:				
Fundraising	75,606	-	66,031	-
General and Administrative	50,978	-	62,114	-
Total Support Services	126,584	-	128,145	-
Total Expenses	371,121	42,499	380,867	52,183
Change in Net Assets	88,352	(69,117)	(7,942)	174,792
Net Assets - Beginning of Year	137,123	174,792	145,065	-
Net Assets - End of Year	\$ 225,475	\$ 105,675	\$ 137,123	\$ 174,792
		\$ -		\$ -
		\$ 331,150		\$ 311,915

See Accompanying Notes to Financial Statements.

Spark Ventures
 Statements of Cash Flows
 For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ <u>19,235</u>	\$ <u>166,850</u>
Adjustments to Reconcile Change in Net Assets to Net		
Cash Provided by Operating Activities		
Depreciation Expense	1,280	480
(Increase) Decrease in Unconditional Promises to Give	25,000	(25,000)
(Increase) Decrease in Loans Receivable	(7,664)	-
(Increase) Decrease in Assets Held for Sale	(485)	-
(Increase) Decrease in Grants Receivable	-	(75,000)
Increase (Decrease) in Accounts Payable	<u>1,428</u>	<u>432</u>
Net Cash Provided by Operating Activities	<u>38,794</u>	<u>67,762</u>
Cash Flows from Investing Activities:		
Purchases of Furniture and Equipment	(3,210)	(4,797)
Loan made to Partner (Note 3)	<u>(35,000)</u>	<u>-</u>
Net Cash Used in Investing Activities	<u>(38,210)</u>	<u>(4,797)</u>
Net Increase in Cash and Cash Equivalents (Note 2B)	<u>584</u>	<u>62,965</u>
Cash and Cash Equivalents - Beginning of Year	<u>208,030</u>	<u>145,065</u>
Cash and Cash Equivalents - End of Year	<u>\$ 208,614</u>	<u>\$ 208,030</u>

See Accompanying Notes to the Financial Statements.

SPARK VENTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009

1. ORGANIZATION

Spark Ventures (Spark), an Illinois not-for-profit corporation with headquarters in Chicago, Illinois, exists to form partnerships with high impact organizations around the world that help vulnerable children achieve their potential. In 2007, Spark formed a unique partnership with Hope Ministries in Zambia to stabilize, strengthen and sustain them by providing training, development and resources.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accounting financial statements have been prepared using the accrual basis of accounting.

Net assets, revenue, gains, and other support and expenses in the accompanying financial statements are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Spark and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated by the board for specific purposes at any time.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restriction that may or will be met with either actions of Spark and/or the passage of time. When a restriction expires, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released restrictions.

Permanently Restricted Net Assets – Permanently restricted net assets represent resources subject to donor-imposed stipulations to be invested in perpetuity, and only the income may be available for program operations. As of June 30, 2010 and 2009, Spark did not have any permanently restricted assets.

B. Cash and Cash Equivalents

Cash and cash equivalents with maturities of three months or less from the date of acquisition are considered cash and cash equivalents.

SPARK VENTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009

C. Contributions

Contributions are recorded as received. Spark reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified into unrestricted net assets and reported in the statement of activities as net assets released from restrictions. In-kind donations received are recorded at their fair value on the date received.

D. Income Taxes

Spark has been recognized as exempt from federal income taxes on income related to its exempt purposes under Section 501(a) of the Internal Revenue Code of 1986 (IRC) as an organization described in Section 501(c)(3) of the IRC. Spark did not generate any unrelated business income during the years ended June 30, 2010 and 2009.

E. Functional Expense Allocation

The cost of providing the various programs and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services.

Services to sponsors program represents costs used to enhance the sponsor-child relationship. Funds are used to gather and disseminate information to sponsors concerning their sponsored child, process correspondence between the sponsor and the child and educate sponsors on the environment and circumstances of the sponsored child.

Education and awareness program represents costs associated with communicating the needs and vision of partner organizations, as well as sharing information regarding the conditions and realities within the partner country.

Transformation trips program represents costs associated with service learning and volunteer travel to our partner organization. Additionally, a portion of the trip cost goes toward supporting the partner organization.

Partner programs represent costs to assist over 300 children through programs that provide these children with education, food, shelter, health care and emotional support. Spark also uses funds to enhance and expand effectiveness of partner programs, develop and train personnel and execute capital projects.

SPARK VENTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009

F. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported accounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue, gains, and other support and expenses during the reported period. Actual results could differ significantly from those estimates.

G. Property and Equipment

Furniture and equipment are capitalized at cost. The furniture and equipment are being depreciated over their estimated useful lives of five years using a straight-line method, with a half of a year's depreciation recognized in the years of acquisition and disposal. Depreciation expense for the years ended June 30, 2010 and 2009, was \$1,280 and \$ 480 respectively. Accumulated depreciation for the years ended June 30, 2010 and 2009, was \$1,760 and \$480.

3. PARTNER LOAN RECEIVABLE

During 2010, Spark entered into a loan agreement to advance \$100,000 to Hope Ministries to help fund the land purchase, construction and operations for a poultry farm. As of June 30, 2010, \$35,000 has been disbursed to Hope Ministries in accordance with this agreement. 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 Spark to Hope Ministries. Interest will be charged at a rate above the U.S. prime and below the in-country (Zambia) commercial rates. As of June 30, 2010, no interest has been charged.

4. FOUNDATION GRANT

Spark received a Challenge Grant from a foundation for the year ended June 30, 2010. The grant was structured to match the \$150,000 goal to be raised during a six-month period (September 2009 – February 2010), if and only if the goal was reached. The campaign was successful. Per the terms of the grant, payment from the foundation is made in two equal installments of \$75,000. The first installment of \$75,000 was received in June, 2010. The remaining payment for the year ending June 30, 2010, is due to be received on/or before December 31, 2010, and has been classified as a receivable as of year end.

SPARK VENTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Building of Shelby Goldstein Schoolhouse	\$ -	\$ 44,610
Future Partner Development Transfers	<u>105,675</u>	<u>130,182</u>
Total Temporarily Restricted Net Assets	<u>\$ 105,675</u>	<u>\$ 174,792</u>

Net assets were released during the year ended June 30, 2010 from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

Purpose restriction accomplished:

Shelby Goldstein Schoolhouse completed	\$ 44,610
Partner development transfers paid	<u>130,182</u>
Total restrictions released	<u>\$ 174,792</u>

Spark Ventures
Statement of Functional Expenses
For the Year Ended
June 30, 2010

	Program Services				Support Services			Total Expenses
	Partner Programs	Services to Sponsors	Education and Awareness	Transformation Trips	Fundraising	General and Administrative	Total Support Service Expenses	
Partner operations	\$ 120,132	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,132
Professional services	564	-	50	-	4,035	13,406	17,441	18,055
Occupancy	48	12	3,382	262	4,234	6,386	10,620	14,324
Outreach and events	-	-	8,016	-	14,176	-	14,176	22,192
Travel	12,403	1,578	3,006	37,802	1,979	88	2,067	56,856
Supplies	2,798	812	1,497	730	3,242	1,720	4,962	10,799
Postage and freight	87	586	204	-	1,855	261	2,116	2,993
Marketing	-	690	8,592	184	13,630	952	14,582	24,048
Meals and entertainment	493	12	472	259	1,023	952	1,975	3,211
Salaries and benefits	66,010	-	-	-	28,534	25,695	54,229	120,239
Donated Goods and services	-	-	-	-	2,634	-	2,634	2,634
Equipment	16,162	33	148	12	264	1,518	1,782	18,137
Total Expenses	\$ 218,697	\$ 3,723	\$ 25,367	\$ 39,249	\$ 75,606	\$ 50,978	\$ 126,584	\$ 413,620

See Accompanying Notes to the Financial Statements.

Spark Ventures
Statement of Functional Expenses
For the Year Ended
June 30, 2009

Partner Programs	Program Services				Support Services			Total Expenses
	Services to Sponsors	Education and Awareness	Transformation Trips	Total Program Expenses	Fundraising	General and Administrative	Total Support Service Expenses	
Partner operations	\$ 155,817	\$ -	\$ -	\$ -	\$ 8,208	\$ 16,040	\$ 24,248	\$ 155,817
Professional services	-	-	-	-	-	4,697	4,697	24,248
Occupancy	-	-	-	-	-	-	-	4,697
Outreach and events	-	23,800	-	23,800	27,616	-	27,616	51,416
Travel	12,305	27,034	43,619	82,958	-	8,163	8,163	91,121
Supplies	-	2,418	-	2,418	854	4,355	5,209	7,627
Postage and freight	-	-	-	-	883	-	883	883
Marketing	-	-	-	3,606	3,316	5,435	8,751	12,357
Salaries and benefits	10,277	8,564	8,564	34,256	25,154	21,621	46,775	81,031
Other expenses	2,050	-	-	2,050	-	1,803	1,803	3,853
Total Expenses	\$ 180,449	\$ 10,982	\$ 61,291	\$ 304,905	\$ 66,031	\$ 62,114	\$ 128,145	\$ 433,050

See Accompanying Notes to the Financial Statements.