

**SPARK VENTURES**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2012 AND 2011**

**SPARK VENTURES**

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## INDEPENDENT AUDITOR'S REPORT

September 19, 2012

To the Board of Directors of  
Spark Ventures

We have audited the accompanying statement of financial position of Spark Ventures (a nonprofit organization, the "Organization") as of June 30, 2012, and the related statements of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Organization as of June 30, 2011, were audited by other auditors whose report dated August 13, 2011, expressed an unqualified opinion on those statements.

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 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 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, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Spark Ventures taken as a whole. The supplementary information on page 12-13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements referred to above and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**SPARK VENTURES**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b><u>Assets</u></b>		
Cash & Cash Equivalents	\$ 143,297	\$ 203,300
Prepaid Expenses & Other Assets	42,556	35,521
Pledge Receivable	2,373	-
Loans Receivable	-	1,500
Total Current Assets	188,226	240,321
Land, Property and Equipment, Net of Accumulated Depreciation of \$4,672	5,886	6,942
Partnership Loan Receivable	105,000	100,000
Total Assets	\$ 299,112	\$ 347,263
 <b><u>Liabilities and Net Assets</u></b>		
<b><u>Liabilities</u></b>		
Accounts Payable	\$ 12,245	\$ 8,555
Deferred Income	53,250	31,328
Total Liabilities	65,495	39,883
 <b><u>Net Assets</u></b>		
Unrestricted	220,617	307,380
Temporarily Restricted	13,000	-
Total Net Assets	233,617	307,380
<b><u>Total Liabilities and Net Assets</u></b>	<b>\$ 299,112</b>	<b>\$ 347,263</b>

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, 2012 AND 2011**

	<u>2012</u>			<u>2011</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE:</b>						
Contributions	\$ 425,668	\$ 13,000	\$ 438,668	\$ 374,465	\$ -	\$ 374,465
In-kind Contributions	26,704	-	26,704	31,062	-	31,062
Program Service Revenue	48,481	-	48,481	26,580	-	26,580
Interest Income	8	-	8	12	-	12
Net Assets Released from Restrictions	-	-	-	105,675	(105,675)	-
<b>Total Revenue</b>	<u>500,861</u>	<u>13,000</u>	<u>513,861</u>	<u>537,794</u>	<u>(105,675)</u>	<u>432,119</u>
<b>EXPENSES:</b>						
Program Services	424,752	-	424,752	311,982	-	311,982
Management and General	29,752	-	29,752	27,621	-	27,621
Fundraising	133,120	-	133,120	116,286	-	116,286
<b>Total Expenses</b>	<u>587,624</u>	<u>-</u>	<u>587,624</u>	<u>455,889</u>	<u>-</u>	<u>455,889</u>
<b>Change in Net Assets</b>	(86,763)	13,000	(73,763)	81,905	(105,675)	(23,770)
<b>TOTAL NET ASSETS:</b>						
Net Assets -Beginning of Year	<u>307,380</u>	<u>-</u>	<u>307,380</u>	<u>225,475</u>	<u>105,675</u>	<u>331,150</u>
Net Assets- End of Year	<u>\$ 220,617</u>	<u>\$ 13,000</u>	<u>\$ 233,617</u>	<u>\$ 307,380</u>	<u>\$ -</u>	<u>\$ 307,380</u>

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

**SPARK VENTURES**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2012 AND 2011**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Change in net assets	\$ (73,763)	\$ (23,770)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation and amortization	1,056	1,856
(Increase) Decrease in pledge and loans receivables	(873)	75,000
(Increase) Decrease in prepaid expenses and other assets	(7,035)	(35,036)
(Increase) Decrease in partnership loan receivable	(5,000)	6,164
Increase (Decrease) in accounts payable	3,690	6,695
Increase (Decrease) in deferred revenue	<u>21,922</u>	<u>31,328</u>
Net Cash Provided (Used) by Operating Activities	<u>(60,003)</u>	<u>62,237</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment in equipment	-	(2,551)
Loan made to partner	-	(65,000)
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>(67,551)</u>
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	 (60,003)	 (5,314)
 CASH AND CASH EQUIVALENTS - Beginning of Year	 <u>203,300</u>	 <u>208,614</u>
 CASH AND CASH EQUIVALENTS - End of Year	 <u>\$ 143,297</u>	 <u>\$ 203,300</u>

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

**SPARK VENTURES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**(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.

Partner Programs

The Organization assists over 300 vulnerable children in Africa 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.

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 Sponsors

The Organization enhances the sponsor-child relationship. Funds are used to gather and disseminate information to sponsors concerning their sponsored child, to process correspondence between the sponsor and the child and to educate sponsors on the environment and circumstances of the sponsored child.

**(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, 2012 and 2011:

**SPARK VENTURES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**(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, 2012 and 2011.

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 \$13,000 and \$0 as of June 30, 2012 and 2011, respectively.

Unrestricted net 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, 2012 and 2011, 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.



**SPARK VENTURES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**(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, 2012 and 2011, amounted to \$1,056 and \$3,616, respectively.

	<u>2012</u>	<u>2011</u>
Furniture & Equipment	\$ 10,558	\$ 9,863
Accumulated Depreciation	<u>(4,672)</u>	<u>(3,616)</u>
	<u>\$ 5,886</u>	<u>\$ 6,247</u>

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).

**SPARK VENTURES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**(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, 2012 and 2011.

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 2009.

**(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, 2012 and 2011, 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.

**SPARK VENTURES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**(4) Fair Value of Financial Instruments (continued)**

The estimated fair values of the Organization's financial instruments for June 30, 2012, are as follows:

	<u>Cost</u>	<u>Fair Value</u>
Cash	143,297	143,297
Pledge Receivable	2,373	2,373
Partner Loan Receivable	105,000	94,000
Accounts Payable	12,245	12,245

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, \$105,000 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, 2012 and 2011.

**(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 2012 and 2011, \$10,312 and \$31,062, 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, 2012**

<b>Expenses</b>	Program Services				Total Programs	Mgmt and General	Fund Raising	Total
	Partner Programs	Education & Awareness	Partnership Trips	Sponsor Services				
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
<b>Total Expenses</b>	<b>\$ 285,899</b>	<b>\$ 69,123</b>	<b>\$ 67,654</b>	<b>\$ 2,076</b>	<b>\$ 424,752</b>	<b>\$ 29,752</b>	<b>\$ 133,120</b>	<b>\$ 587,624</b>

**SPARK VENTURES**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2011**

<b>Expenses</b>	Program Services				Total Programs	Mgmt and General	Fund Raising	Total
	Partner Programs	Education & Awareness	Partnership Trips	Sponsor Services				
Partner Activity	\$ 98,650	\$ -	\$ 7	\$ -	\$ 98,657	\$ -	\$ -	\$ 98,657
Professional Services	5,518	1,694	65	-	7,277	980	10,917	19,174
Occupancy	3,448	-	31	-	3,479	622	2,487	6,588
Outreach & Events	-	15,114	-	-	15,114	-	15,381	30,495
Travel	22,120	455	23,560	-	46,135	200	932	47,267
Supplies	526	528	423	838	2,315	962	646	3,923
Postage & Delivery	285	2,042	515	737	3,579	248	1,031	4,858
Marketing	713	9,651	1,011	2,345	13,720	279	5,555	19,554
Meals & Entertainment	362	1,376	198	65	2,001	485	1,212	3,698
Salaries and Benefits	108,716	186	-	-	108,902	23,085	56,614	188,601
Donated Goods & Services	1,913	7,552	-	-	9,465	383	20,395	30,243
Equipment	1,210	25	71	32	1,338	377	1,116	2,831
<b>Total Expenses</b>	<b>\$ 243,461</b>	<b>\$ 38,623</b>	<b>\$ 25,881</b>	<b>\$ 4,017</b>	<b>\$ 311,982</b>	<b>\$ 27,621</b>	<b>\$ 116,286</b>	<b>\$ 455,889</b>