

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2017**

SPARK MICROGRANTS, INC.

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Spark Microgrants, Inc.
New York, New York

We have audited the accompanying financial statements of Spark Microgrants, Inc. (Spark), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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 as of December 31, 2018, and the change 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.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • WWW.GRFCPA.COM

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Report on Summarized Comparative Information

We have previously audited Spark's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 20, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Gelman Rosenberg & Freedman". The signature is written in a cursive, flowing style.

January 8, 2020

SPARK MICROGRANTS, INC.

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 255,296	\$ 647,927
Contributions receivable	1,324,448	807,440
Employee advances	3,457	-
Prepaid expenses	<u>21,757</u>	<u>16,776</u>
Total current assets	<u>1,604,958</u>	<u>1,472,143</u>
FIXED ASSETS		
Vehicles, net of accumulated depreciation of \$10,547	<u>17,759</u>	<u>24,518</u>
NONCURRENT ASSETS		
Security deposits	700	700
Contributions receivable, net of current portion	<u>94,500</u>	<u>813,399</u>
Total noncurrent assets	<u>95,200</u>	<u>814,099</u>
TOTAL ASSETS	<u>\$ 1,717,917</u>	<u>\$ 2,310,760</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ <u>112,835</u>	\$ <u>125,335</u>
NET ASSETS		
Without donor restrictions	558,832	344,064
With donor restrictions	<u>1,046,250</u>	<u>1,841,361</u>
Total net assets	<u>1,605,082</u>	<u>2,185,425</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,717,917</u>	<u>\$ 2,310,760</u>

SPARK MICROGRANTS, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 717,356	\$ 371,589	\$ 1,088,945	\$ 2,008,685
Other revenue	26,110	-	26,110	39,687
Net assets released from donor restrictions	<u>1,166,700</u>	<u>(1,166,700)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,910,166</u>	<u>(795,111)</u>	<u>1,115,055</u>	<u>2,048,372</u>
EXPENSES				
Program Services	1,259,141	-	1,259,141	1,022,407
Management and General	378,122	-	378,122	305,322
Fundraising	<u>58,135</u>	<u>-</u>	<u>58,135</u>	<u>41,436</u>
Total expenses	<u>1,695,398</u>	<u>-</u>	<u>1,695,398</u>	<u>1,369,165</u>
Change in net assets	214,768	(795,111)	(580,343)	679,207
Net assets at beginning of year	<u>344,064</u>	<u>1,841,361</u>	<u>2,185,425</u>	<u>1,506,218</u>
NET ASSETS AT END OF YEAR	<u>\$ 558,832</u>	<u>\$ 1,046,250</u>	<u>\$ 1,605,082</u>	<u>\$ 2,185,425</u>

SPARK MICROGRANTS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018			2017	
	Program Services	Management and General	Fundraising	Total	Total
Personnel	\$ 784,220	\$ 220,623	\$ 16,918	\$ 1,021,761	\$ 815,704
Microgrants	220,733	-	-	220,733	172,967
Travel	98,867	20,567	2,571	122,005	103,703
Occupancy	49,654	37,874	926	88,454	95,508
Meetings	39,456	16,080	5,360	60,896	24,779
Contract services	-	56,545	2,936	59,481	54,322
Telecommunications	33,474	7,889	986	42,349	33,625
Events	-	-	25,548	25,548	-
Information technology	10,469	3,442	430	14,341	16,207
Business and banking fees	4,767	5,603	1,868	12,238	8,428
Office expenses	9,585	2,138	267	11,990	15,147
Equipment and maintenance	5,265	1,731	216	7,212	7,513
Printing and copying	1,446	475	59	1,980	3,476
Depreciation	-	4,759	-	4,759	5,809
Insurance	1,205	396	50	1,651	6,855
Miscellaneous	-	-	-	-	5,122
TOTAL	\$1,259,141	\$ 378,122	\$ 58,135	\$ 1,695,398	\$ 1,369,165

SPARK MICROGRANTS, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (580,343)	\$ 679,207
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	4,759	5,809
Loss on disposal	2,000	-
Discount on long-term receivables	(31,101)	30,646
Decrease (increase) in:		
Contributions receivable	232,992	(695,399)
Employee advances	(3,457)	-
Prepaid expenses	(4,981)	3,698
Security deposits	-	364
(Decrease) increase in:		
Accounts payable and accrued liabilities	<u>(12,500)</u>	<u>19,999</u>
Net cash (used) provided by operating activities	<u>(392,631)</u>	<u>44,324</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	<u>-</u>	<u>(18,752)</u>
Net cash used by investing activities	<u>-</u>	<u>(18,752)</u>
Net (decrease) increase in cash and cash equivalents	(392,631)	25,572
Cash and cash equivalents at beginning of year	<u>647,927</u>	<u>622,355</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 255,296</u>	<u>\$ 647,927</u>

SPARK MICROGRANTS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Spark Microgrants, Inc. (Spark), is a non-profit organization, incorporated in the State of Delaware and located in New York, NY. Spark supports communities facing rural poverty to design, implement and manage their own social impact projects. Spark provides community-wide, village planning facilitation and seed funds of \$8,000 per community for the realization of community-driven projects, such as farms, schools and electricity lines; no interest or repayment of the funds granted is requested. To date, Spark has partnered with over 200 communities in Rwanda, Uganda, Burundi and beyond who have engaged in the Spark process and have launched local initiatives.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted during the year ended December 31, 2018 and applied retrospectively.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Spark's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Cash and cash equivalents -

Spark considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, Spark maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Spark had approximately \$54,353 of cash and cash equivalents held at financial institutions in foreign countries at December 31, 2018. The majority of funds held in foreign countries are uninsured.

Contributions receivable -

Contributions receivable are recorded at their net realizable value, which approximates fair value. Contributions receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. All promises to give are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of \$1,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to ten years.

SPARK MICROGRANTS, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Fixed assets (continued) -

The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense for the year ended December 31, 2018 totaled \$4,759.

Income taxes -

Spark is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is only subject to tax on unrelated business income. Spark is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2018, Spark has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes, and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements. Contributions and grants received in advance of incurring the related expenses are recorded as "net assets with donor restrictions".

Foreign currency translation -

The U.S. Dollar is the functional currency for Spark's worldwide operations. Transactions in currencies other than U.S. Dollars are translated into dollars at the rate of exchange in effect during the month of the transaction.

SPARK MICROGRANTS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Foreign currency translation (continued) -

Assets and liabilities denominated in currencies other than U.S. Dollars are translated into dollars at the exchange rate in effect at the date of the Statement of Financial Position.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

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 Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of Spark are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of ASU 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes.

Net assets previously classified as of December 31, 2017 as unrestricted net assets in the amount of \$344,064 are now classified as "net assets without donor restrictions". Net assets previously classified as temporarily restricted net assets in the amount of \$1,841,361, respectively, are now classified as "net assets with donor restrictions".

New accounting pronouncements (not yet adopted) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by one year; thus, the effective date is for fiscal years beginning after December 15, 2018. Early adoption is permitted. Spark has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution.

SPARK MICROGRANTS, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

New accounting pronouncements (not yet adopted) (continued) -

The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. Spark has not yet decided on a transition method. This ASU is effective for fiscal years beginning after December 15, 2018.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

Spark plans to adopt the new ASUs at the respective required implementation dates.

2. **CONTRIBUTIONS RECEIVABLE**

During the year, contributors to Spark have made written promises to give of which \$1,424,448 remained outstanding as of December 31, 2018. Contributions that are expected to be collected in future years are recorded at fair value, measured as the present value of their estimated future cash flows (after the application of a present value discount rate). The discount on those amounts due beyond one year of the Statement of Financial Position date is computed using risk-free interest rate (5%) applicable to the year in which the awards are received; any discount amortization is included in contributions revenue. Management is of the opinion that all contributions are fully collectible.

Contributions receivable as of December 31, 2018 are expected to be collected as follows:

Less than one year	\$ 1,324,448
One to five years	<u>100,000</u>
Total	1,424,448
Less: Allowance to discount balance to present value	<u>(5,500)</u>
NET CONTRIBUTIONS RECEIVABLE	<u>\$ 1,418,948</u>

3. **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at December 31, 2018:

Time restricted	\$ 927,083
Uganda operations	<u>119,167</u>
NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 1,046,250</u>

SPARK MICROGRANTS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

3. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Time restricted	\$ 759,716
Organization development	117,298
Rwanda operations	68,906
Uganda operations	96,442
Burundi operations	<u>124,338</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 1,166,700</u>

4. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 255,296
Contributions receivable	<u>1,324,448</u>
Subtotal financial assets available within one year	1,579,744
Less: Donor restricted funds	<u>(1,046,250)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 533,494</u>

Spark has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2018, Spark has financial assets equal to approximately four months of operating expenses.

5. DONATED FACILITIES

During the year ended December 31, 2018, Spark occupied its principal office space in New York City at no cost (and on a month to month basis). Fair value was determined based on the local area rental rate per square foot. The value of the donated office space was \$36,000 for the year ended December 31, 2018, and is included in "Other revenue" in the accompanying Statement of Activities and Change in Net Assets and Occupancy expense in the accompanying Statement of Functional Expenses.

6. LEASE COMMITMENTS

Spark leases office space and shared housing for its employees in various locations. The terms of these leases range in length from three to twelve months and payments range from \$100 to \$1,000 per month. Rent expense for the year ended December 31, 2018 totaled \$71,256, and is included in Occupancy expense in the accompanying Statement of Functional Expenses.

7. SUBSEQUENT EVENTS

In preparing these financial statements, Spark has evaluated events and transactions for potential recognition or disclosure through January 8, 2020, the date the financial statements were issued.