

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2018**

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, 2019, 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, 2019, 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.

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Report on Summarized Comparative Information

We have previously audited Spark's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 8, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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.

August 25, 2020

SPARK MICROGRANTS, INC.

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 453,024	\$ 255,296
Contributions receivable	925,170	1,324,448
Employee advances	21,435	3,457
Prepaid expenses	<u>16,172</u>	<u>21,757</u>
Total current assets	<u>1,415,801</u>	<u>1,604,958</u>
FIXED ASSETS		
Vehicles, net of accumulated depreciation of \$14,955	<u>25,713</u>	<u>17,759</u>
NONCURRENT ASSETS		
Security deposits	700	700
Contributions receivable, net of current portion	<u>685,125</u>	<u>94,500</u>
Total noncurrent assets	<u>685,825</u>	<u>95,200</u>
TOTAL ASSETS	<u>\$ 2,127,339</u>	<u>\$ 1,717,917</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ <u>245,272</u>	\$ <u>112,835</u>
NET ASSETS		
Without donor restrictions	299,686	558,832
With donor restrictions	<u>1,582,381</u>	<u>1,046,250</u>
Total net assets	<u>1,882,067</u>	<u>1,605,082</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,127,339</u>	<u>\$ 1,717,917</u>

SPARK MICROGRANTS, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 558,342	\$ 1,889,586	\$ 2,447,928	\$ 1,088,945
Other	(10,560)	-	(10,560)	26,110
Net assets released from donor restrictions	<u>1,353,455</u>	<u>(1,353,455)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,901,237</u>	<u>536,131</u>	<u>2,437,368</u>	<u>1,115,055</u>
EXPENSES				
Program Services	1,659,473	-	1,659,473	1,259,141
Management and General	444,226	-	444,226	378,122
Fundraising	<u>56,684</u>	<u>-</u>	<u>56,684</u>	<u>58,135</u>
Total expenses	<u>2,160,383</u>	<u>-</u>	<u>2,160,383</u>	<u>1,695,398</u>
Change in net assets	(259,146)	536,131	276,985	(580,343)
Net assets at beginning of year	<u>558,832</u>	<u>1,046,250</u>	<u>1,605,082</u>	<u>2,185,425</u>
NET ASSETS AT END OF YEAR	<u>\$ 299,686</u>	<u>\$ 1,582,381</u>	<u>\$ 1,882,067</u>	<u>\$ 1,605,082</u>

SPARK MICROGRANTS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019			2018	
	Program Services	Management and General	Fundraising	Total Expenses	Total Expenses
Personnel	\$ 800,604	\$ 263,212	\$ 32,902	\$ 1,096,718	\$ 1,021,761
Microgrants	560,839	-	-	560,839	220,733
Travel	100,507	33,043	4,130	137,680	122,005
Occupancy	13,206	40,169	1,651	55,026	88,454
Meetings	78,974	22,433	7,478	108,885	60,896
Contract services	-	42,524	3,833	46,357	59,481
Telecommunications	61,967	20,373	2,547	84,887	42,349
Events	-	-	934	934	25,548
Information technology	15,090	4,961	620	20,671	14,341
Business and banking fees	2,809	4,630	1,543	8,982	12,238
Office expenses	15,013	4,936	617	20,566	11,990
Equipment and maintenance	5,075	1,669	209	6,953	7,212
Printing and copying	1,612	530	65	2,207	1,980
Depreciation	-	4,504	-	4,504	4,759
Insurance	3,777	1,242	155	5,174	1,651
TOTAL	\$1,659,473	\$ 444,226	\$ 56,684	\$ 2,160,383	\$ 1,695,398

SPARK MICROGRANTS, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 276,985	\$ (580,343)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	4,504	4,759
Loss on disposal of fixed assets	-	2,000
Change in discount on long term receivables	34,375	(31,101)
(Increase) decrease in:		
Contributions receivable	(225,722)	232,992
Employee advances	(17,978)	(3,457)
Prepaid expenses	5,585	(4,981)
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>132,437</u>	<u>(12,500)</u>
Net cash provided (used) by operating activities	<u>210,186</u>	<u>(392,631)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	<u>(12,458)</u>	<u>-</u>
Net cash used by investing activities	<u>(12,458)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	197,728	(392,631)
Cash and cash equivalents at beginning of year	<u>255,296</u>	<u>647,927</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 453,024</u>	<u>\$ 255,296</u>

SPARK MICROGRANTS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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 of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

New accounting pronouncements adopted -

During 2019, Spark adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. Spark adopted the ASU using a modified prospective basis.

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 MICROGRANTS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

Cash and cash equivalents (continued) -

Spark had approximately \$14,360 of cash and cash equivalents held at financial institutions in foreign countries at December 31, 2019. 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.

The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense for the year ended December 31, 2019 totaled \$4,504.

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, 2019, 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.

Contributions and grants -

The majority of Spark's revenue is received through awards from individuals, foundations, corporations and other entities. Contributions and grants are recognized in the appropriate category of net assets in the period received. Spark performs an analysis of each award to determine if the revenue streams follow the contributions rules or if considered an exchange transaction depending on whether the transaction is reciprocal or nonreciprocal.

For awards qualifying under the contributions rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the condition on which they depend are substantially met. Awards qualifying as contributions that are unconditional that have 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 consolidated financial statements.

SPARK MICROGRANTS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

Contributions and grants (continued) -

Funds received in advance of incurring the related expenses is recorded as "net assets with donor restrictions".

Awards qualifying as conditional contributions contain a right of return (or a right of release) and significant performance barriers. Revenue is recognized when the condition or conditions are satisfied. Accordingly, Spark recognizes revenue under conditional contributions when a barrier has been overcome. Funds received in advance under conditional awards are recorded as refundable advances.

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.

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.

New accounting pronouncements (not yet adopted) -

FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. During 2020, the FASB delayed the implementation date under ASU 2020-05 for an additional year. Organizations may elect to adopt the guidance for annual reporting periods beginning after December 15, 2019 and for interim periods within annual reporting periods beginning after December 15, 2020. Early adoption is still permitted.

FASB issued ASU 2019-01, *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. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted.

SPARK MICROGRANTS, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

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

The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

Spark plans to adopt the new ASUs at the required implementation dates and management is currently in the process of evaluating the adoption method and the impact of the new standards on its accompanying financial statements.

2. **CONTRIBUTIONS RECEIVABLE**

During the year, contributors to Spark have made written promises to give of which \$1,650,170 remained outstanding as of December 31, 2019. 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 (5.5%) 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, 2019 are expected to be collected as follows:

Less than one year	\$ 925,170
One to five years	<u>725,000</u>
Total	1,650,170
Less: Allowance to discount balance to present value	<u>(39,875)</u>
NET CONTRIBUTIONS RECEIVABLE	<u>\$ 1,610,295</u>

3. **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at December 31, 2019:

Time restricted	\$ 1,415,625
Organizational development	15,500
Rwanda operations	136,256
Burundi operations	<u>15,000</u>
NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 1,582,381</u>

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

Passage of time	\$ 1,202,083
Organization development	22,205
Rwanda operations	10,000
Uganda operations	<u>119,167</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 1,353,455</u>

SPARK MICROGRANTS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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	\$ 453,024
Contributions receivable	<u>925,170</u>
Subtotal financial assets available within one year	1,378,194
Less: Donor restricted funds not available for general operations within one year	<u>(1,107,381)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 270,813</u>

Spark has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2019, Spark has financial assets equal to approximately two months of operating expenses.

5. 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, 2019 totaled \$34,694, and is included in Occupancy expense in the accompanying Statement of Functional Expenses.

6. SUBSEQUENT EVENTS

In preparing these financial statements, Spark has evaluated events and transactions for potential recognition or disclosure through August 25, 2020, the date the financial statements were issued.

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may impact Spark's operations. The overall potential impact is unknown at this time.

On May 6, 2020, Spark entered into a two-year promissory note agreement in the amount of \$54,000 (with a 1% fixed interest rate) under the Paycheck Protection Program. The promissory note requires monthly principal and interest payments amortized over the term of the promissory note beginning November 2020, unless otherwise forgiven. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part.