

**FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2019**

**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, 2020, 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, 2020, and the change in its net assets, functional expenses and 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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### **Report on Summarized Comparative Information**

We have previously audited Spark's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 25, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Gelman Rosenberg & Freedman*

July 28, 2021

## SPARK MICROGRANTS, INC.

**STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

**ASSETS**

	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,100,394	\$ 453,024
Contributions receivable	1,471,453	925,170
Employee advances	19,383	21,435
Prepaid expenses	<u>20,980</u>	<u>16,172</u>
Total current assets	<u>2,612,210</u>	<u>1,415,801</u>
<b>FIXED ASSETS</b>		
Fixed assets, net of accumulated depreciation of \$19,354	<u>21,314</u>	<u>25,713</u>
<b>NONCURRENT ASSETS</b>		
Security deposits	-	700
Contributions receivable, net of current portion	<u>921,375</u>	<u>685,125</u>
Total noncurrent assets	<u>921,375</u>	<u>685,825</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,554,899</u></b>	<b><u>\$ 2,127,339</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Loan payable	\$ 54,500	\$ -
Accounts payable and accrued liabilities	<u>300,435</u>	<u>245,272</u>
Total liabilities	<u>354,935</u>	<u>245,272</u>
<b>NET ASSETS</b>		
Without donor restrictions	569,054	299,686
With donor restrictions	<u>2,630,910</u>	<u>1,582,381</u>
Total net assets	<u>3,199,964</u>	<u>1,882,067</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,554,899</u></b>	<b><u>\$ 2,127,339</u></b>

## SPARK MICROGRANTS, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 1,283,565	\$ 2,289,790	\$ 3,573,355	\$ 2,447,928
Other	(12,492)	-	(12,492)	(10,560)
Net assets released from donor restrictions	<u>1,241,261</u>	<u>(1,241,261)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,512,334</u>	<u>1,048,529</u>	<u>3,560,863</u>	<u>2,437,368</u>
<b>EXPENSES</b>				
Program Services	1,756,457	-	1,756,457	1,659,473
Management and General	418,006	-	418,006	444,226
Fundraising	<u>68,503</u>	<u>-</u>	<u>68,503</u>	<u>56,684</u>
Total expenses	<u>2,242,966</u>	<u>-</u>	<u>2,242,966</u>	<u>2,160,383</u>
Change in net assets	269,368	1,048,529	1,317,897	276,985
Net assets at beginning of year	<u>299,686</u>	<u>1,582,381</u>	<u>1,882,067</u>	<u>1,605,082</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 569,054</u></b>	<b><u>\$ 2,630,910</u></b>	<b><u>\$ 3,199,964</u></b>	<b><u>\$ 1,882,067</u></b>

## SPARK MICROGRANTS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	<b>2020</b>			<b>2019</b>	
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>	<b>Total Expenses</b>
Personnel	\$ 956,118	\$ 314,340	\$ 39,293	\$ 1,309,751	\$ 1,096,718
Microgrants	587,991	-	-	587,991	560,839
Travel	28,865	9,490	1,186	39,541	137,680
Occupancy	5,945	18,083	743	24,771	55,026
Meetings	11,049	3,633	454	15,136	108,885
Contract services	-	38,717	21,472	60,189	46,357
Telecommunications	53,195	17,489	2,186	72,870	84,887
Events	-	-	1,232	1,232	934
Information technology	5,513	1,813	227	7,553	20,671
Business and banking fees	2,306	3,920	1,307	7,533	8,982
Office expenses	3,939	1,295	162	5,396	20,566
Equipment and maintenance	2,607	857	107	3,571	6,953
Printing and copying	517	170	21	708	2,207
Depreciation	-	4,398	-	4,398	4,504
Insurance	2,748	903	113	3,764	5,174
Program training and partnership costs	95,664	-	-	95,664	-
Miscellaneous	-	2,898	-	2,898	-
<b>TOTAL</b>	<b>\$ 1,756,457</b>	<b>\$ 418,006</b>	<b>\$ 68,503</b>	<b>\$ 2,242,966</b>	<b>\$ 2,160,383</b>

## SPARK MICROGRANTS, INC.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,317,897	\$ 276,985
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,398	4,504
Change in discount on long term receivables	13,750	34,375
(Increase) decrease in:		
Contributions receivable	(796,283)	(225,722)
Employee advances	2,052	(17,978)
Prepaid expenses	(4,808)	5,585
Security deposits	700	-
Increase in:		
Accounts payable and accrued liabilities	<u>109,664</u>	<u>132,437</u>
Net cash provided by operating activities	<u>647,370</u>	<u>210,186</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	<u>-</u>	<u>(12,458)</u>
Net cash used by investing activities	<u>-</u>	<u>(12,458)</u>
Net increase in cash and cash equivalents	647,370	197,728
Cash and cash equivalents at beginning of year	<u>453,024</u>	<u>255,296</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 1,100,394</u></b>	<b><u>\$ 453,024</u></b>



## SPARK MICROGRANTS, INC.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

#### 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 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 2020, Spark adopted 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. Analysis of the various provisions of this standard resulted in no significant changes in the way Spark recognized revenue; however, the presentation and disclosures of revenue have been enhanced. Spark has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

##### 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, 2020**

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

Cash and cash equivalents (continued) -

Spark had approximately \$28,994 of cash and cash equivalents on hand and in financial institutions in foreign countries at December 31, 2020. 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 include vehicles, furniture and equipment, and are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally five to ten years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense for the year ended December 31, 2020 totaled \$4,398.

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, 2020, 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.

Revenue recognition -

The majority of Spark's revenue is received through awards from 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 financial statements.

**SPARK MICROGRANTS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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

Revenue recognition (continued) -

Grant funding 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 and a barrier. Revenue is recognized when the condition or conditions are satisfied. Typically, these agreements also contain a right of return or right of release from obligation provision and the entity has limited discretion over how funds transferred should be spent. As such, Spark recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. As of December 31, 2020, Spark had not received any conditional awards.

Revenues classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers* and record revenue when the performance obligations are met; the revenue is recorded directly to without donor restrictions and the transaction price is based on the criteria stipulated in the agreements. There were no revenue transactions that met the criteria for recognition under this standard.

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.

Economic uncertainties -

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

SPARK MICROGRANTS, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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

New accounting pronouncements (not yet adopted) -

ASU 2019-01, *Leases* (Topic 842), 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. 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 ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. **CONTRIBUTIONS RECEIVABLE**

During the year, contributors to Spark have made written promises to give of which \$2,446,453 remained outstanding as of December 31, 2020. 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 a 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, 2020 are expected to be collected as follows:

Less than one year	\$ 1,471,453
One to five years	<u>975,000</u>
Total	2,446,453
Less: Allowance to discount balance to present value	<u>(53,625)</u>
<b>NET CONTRIBUTIONS RECEIVABLE</b>	<b><u>\$ 2,392,828</u></b>

3. **PAYCHECK PROTECTION PROGRAM**

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 (PPP). The promissory note required 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.

During the year ended December 31, 2020, Spark expended and tracked the PPP funds for purposes outlined in the CARES Act guidance. Subsequent to fiscal year-end, Spark applied for forgiveness, and upon acceptance of the application, will record revenue from debt extinguishment. Spark expects full forgiveness of the loan during 2021, accordingly, has recorded the loan as a current liability in the accompanying Statement of Financial Position.

**SPARK MICROGRANTS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**4. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at December 31, 2020:

Time restricted	\$ 2,530,910
Rwanda operations	<u>100,000</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 2,630,910</u></b>

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	\$ 1,062,505
Organization development	15,500
Rwanda operations	148,256
Burundi operations	<u>15,000</u>
<b>NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 1,241,261</u></b>

**5. 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	\$ 1,100,394
Contributions receivable	<u>1,471,453</u>
Subtotal financial assets available within one year	2,571,847
Less: Donor restricted funds not available for general operations within one year	<u>(1,075,000)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 1,496,847</u></b>

Spark has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2020, Spark has financial assets equal to approximately eight months of operating 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, 2020 totaled \$14,109, 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 July 28, 2021, the date the financial statements were issued.