
SPARK response to last several emails

Matt Kirk <[REDACTED]> Wed, Oct 25, 2023 at 12:46 PM
To: Jaime Heaps <[REDACTED]>
Cc: Stephen Marotto <[REDACTED]>, Brett Geithman <bgeithman@lcmschools.org>, John Carroll <jcarroll@marinschools.org>, Jon Weinberg <[REDACTED]>, Kristina Neal <[REDACTED]>, Sara Ryba <sryba@sparkschools.org> <[REDACTED]>

Hi Jaime,

Thanks for posting the restated financials on the website. I have started to review, and had a few questions regarding expenses:

- **Entertainment** - In the 2021 Statement of Functional Expenses, Entertainment is listed as an expense bucket costing \$41,199 for the year. \$40,449 is listed as a program service expense. This expense line item is unusual, and I do not see it listed as an expense item in the form 990 for any of the 32 other school district nonprofits in my prior benchmarking analysis from the June 1 letter. Two questions:

- 1) **Are all these expenses directly related to the annual Spring Spark party or another fundraising event? If so, can you explain why they are not instead being considered direct expenses in 8(b) on the Statement of Revenue?**
- 2) **If not related to a fundraising event, can you explain what these expenses are for?**

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response or note to any line in this Part IX.

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21.	910,448.	910,448.		
2 Grants and other assistance to domestic individuals. See Part IV, line 22.				
3 Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16.				
4 Benefits paid to or for members.				
5 Compensation of current officers, directors, trustees, and key employees.	99,930.	0.	99,930.	0.
6 Compensation not included above to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	0.	0.	0.	0.
7 Other salaries and wages.	101,874.		81,499.	20,375.
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).				
9 Other employee benefits.				
10 Payroll taxes.	15,438.		12,350.	3,088.
11 Fees for services (nonemployees):				
a Management.				
b Legal.	3,010.		3,010.	
c Accounting.				
d Lobbying.				
e Professional fundraising services. See Part IV, line 17.				
f Investment management fees.				
g Other. (If line 11g amount exceeds 10% of line 25, column (A), amount, list line 11g expenses on Schedule O.)	529.		529.	
12 Advertising and promotion.	2,344.			2,344.
13 Office expenses.				
14 Information technology.				
15 Royalties.				
16 Occupancy.				
17 Travel.				
18 Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19 Conferences, conventions, and meetings.				
20 Interest.				
21 Payments to affiliates.				
22 Depreciation, depletion, and amortization.				
23 Insurance.				
24 Other expenses. Itemize expenses not covered above. (List miscellaneous expenses on line 24e. If line 24e amount exceeds 10% of line 25, column (A), amount, list line 24e expenses on Schedule O.)				
a ENTERTAINMENT	41,199.	40,449.	750.	
b CREDIT CARD PROCESSING FEE	21,448.	21,448.		
c OFFICE/GENERAL ADMIN EXP	14,687.		14,687.	
d AUCTION EQUIPMENT	11,903.	11,903.		
e All other expenses.	9,171.	1,507.	7,664.	
25 Total functional expenses. Add lines 1 through 24e.	1,231,981.	985,755.	220,419.	25,807.
26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

- Credit Card Processing Fees - In the 2021 Statement of Functional Expenses, these fees are listed as a program service expense. Can you explain why Spark is not considering these management or fundraising expenses (as they are typically treated in other peer 990s, including for the Redwood High School Foundation pasted below)?



Select a schedule Form 990



Form 990 (2021)

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response or note to any line in this Part IX

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21	1,283,061	1,283,061		
2 Grants and other assistance to domestic individuals. See Part IV, line 22	250,067	250,067		
3 Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16.	0			
4 Benefits paid to or for members	0			
5 Compensation of current officers, directors, trustees, and key employees	53,068	53,068		
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7 Other salaries and wages	67,846	33,923	33,923	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	0			
9 Other employee benefits	7,089	3,544	3,545	
10 Payroll taxes	38,934	19,467	19,467	
11 Fees for services (non-employees):				
a Management	0			
b Legal	3,840		3,840	
c Accounting	0			
d Lobbying	0			
e Professional fundraising services. See Part IV, line 17	0			
f Investment management fees	0			
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	2,389	1,195	1,194	
12 Advertising and promotion	12,079	12,079		
13 Office expenses	87		87	
14 Information technology	17,927		17,927	
15 Royalties	0			
16 Occupancy	1,781		1,781	
17 Travel	0			
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19 Conferences, conventions, and meetings	0			
20 Interest	0			
21 Payments to affiliates	0			
22 Depreciation, depletion, and amortization	0			
23 Insurance	2,419		2,419	
24 Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a EVENTS/AWARDS	41,050	41,050		
b CREDIT CARD PROCESSING FEE	15,531		15,531	
c Postage and Shipping	865		865	
d DUES AND MEMBERSHIPS	220		220	
e All other expenses	158		158	
25 Total functional expenses. Add lines 1 through 24e	1,798,411	1,697,454	100,957	0
26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Thank you,
Matt

On Fri, Oct 20, 2023 at 10:00 AM Jaime Heaps [REDACTED] wrote:
Hi Stephen,

If you look at the top of the page, which we recently reposted, it just references accounting, not audit. Looks like we didn't update the bottom of the page yet, because we were planning on updating it anyway for 22-23 data. To avoid confusion, we just changed that part, but you will see new language and numbers in that section shortly anyway.

Regards,
Jaime Heaps
Sent from my iPhone

On Oct 20, 2023, at 5:57 AM, Stephen Marotto [REDACTED] wrote:

Hi Jaime,

Since you mention audits, I do wonder about something and perhaps you can help me understand.

Spark specifically uses the words "external auditor" within its discussion of its operating expenses recently posted to its website (see screenshot below).

But last I heard, Spark does not engage in an annual external audit, nor ever has.

This confuses me to say the least. Perhaps you can shed some light on this?

Thanks,
Stephen



On Thu, Oct 19, 2023 at 1:01 PM Jaime Heaps [REDACTED] wrote:
Matt,

While Ellie Strasser is a SPARK board member, she was not authorized to either negotiate or act as a liaison for the SPARK board or the organization, and therefore could not have been speaking on SPARK's behalf. Therefore, this must have been simply a conversation between friends.

To be clear, at no time has the SPARK Board offered, or considered to offer, for you or anyone associated with you to audit SPARK. Given that you are an "interested party," an audit by you would not be appropriate. Your offer for a "volunteer audit" is therefore declined. SPARK already has community reviews of its financials done by volunteers -- our volunteer treasurers and other representatives who are elected SPARK board members and community parents who are well respected by their peers and have well-established finance backgrounds.

As far as your donation offer, SPARK does not accept contingent donations.

Furthermore, you are no doubt aware that your demand for a 95.8% ratio (as you define it, despite its irrelevance as a metric for SPARK) as a requirement for any donation from you is not achievable unless we fire the Executive Director, and other part-time employees as well. As you have been informed of the Executive Director's compensation, and can do math, you know that's the case. So the only reasonable interpretation of your offer is that you are saying that you will donate only if we fire Sara Ryba. This is an objectionable offer, and is declined.

The SPARK board has determined that its investment in paid staff, including its Executive Director, is accretive to its fundraising efforts, and therefore terminating the Executive Director in order to meet your demand would be damaging to SPARK and the community it serves.

We are disappointed that based on your email you appear to intend not to donate to SPARK and support its mission to enable a better education experience for all the kids in the district, including yours. If you are looking for a way to support SPARK outside of a monetary donation, perhaps you would be willing to donate your time instead? There are specific areas where SPARK has determined that we need a hand, including outreach for SparkBiz and Auction solicitation support.

Failing that, this concludes our communication with you.

Jaime Heaps
on behalf of the SPARK Board