

**THE SPROUT FUND**

**Financial Statements**

**December 31, 2008 and 2007**

# THE SPROUT FUND

## Financial Statements

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December 31, 2008 and 2007

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**ALPERN ROSENTHAL**  
INSPIRING OPPORTUNITIES

**Independent Auditors' Report**

**To the Board of Directors**  
**The Sprout Fund**  
Pittsburgh, Pennsylvania

We have audited the accompanying statements of financial position of The Sprout Fund (a not-for-profit corporation) as of December 31, 2008 and 2007, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year ended December 31, 2008 and for the period from November 1, 2007 (inception - Note 2) to December 31, 2007. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 that our audits provide 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 The Sprout Fund as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the year and period then ended in conformity with accounting principles generally accepted in the United States of America.

*Alpern Rosenthal*

November 10, 2009

*Certified Public Accountants and Business Advisors*

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# THE SPROUT FUND

## Statements of Financial Position

| <b>December 31</b>                      | <b>2008</b>                | <b>2007</b>                |
|---|----------------------------|----------------------------|
| <b>ASSETS</b>                           |                            |                            |
| Cash and cash equivalents               | \$ 990,019                 | \$ 1,617,089               |
| Pledges receivables - Note 2            | 660,182                    | 370,951                    |
| Property and equipment - net - Note 3   | <u>22,280</u>              | <u>22,233</u>              |
| <b>Total Assets</b>                     | <b><u>\$ 1,672,481</u></b> | <b><u>\$ 2,010,273</u></b> |
| <b>LIABILITIES AND NET ASSETS</b>       |                            |                            |
| <b>Liabilities</b>                      |                            |                            |
| Accounts payable                        | \$ 144,334                 | \$ 110,558                 |
| Accrued expenses                        | <u>9,436</u>               | <u>-</u>                   |
| <b>Total Liabilities</b>                | <b><u>153,770</u></b>      | <b><u>110,558</u></b>      |
| <b>Net Assets</b>                       |                            |                            |
| Unrestricted                            | 525,197                    | 537,538                    |
| Temporarily restricted - Note 4         | <u>993,514</u>             | <u>1,362,177</u>           |
| <b>Total Net Assets</b>                 | <b><u>1,518,711</u></b>    | <b><u>1,899,715</u></b>    |
| <b>Total Liabilities and Net Assets</b> | <b><u>\$ 1,672,481</u></b> | <b><u>\$ 2,010,273</u></b> |

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

## THE SPROUT FUND

### Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2008

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>        |
|--|---------------------|-----------------------------------|---------------------|
| <b>Support and Revenue</b>                   |                     |                                   |                     |
| Government grant revenue                     | \$ 26,885           | \$ -                              | \$ 26,885           |
| Contributions                                | 587,497             | 900,000                           | 1,487,497           |
| Special event fundraising                    | 122,976             | -                                 | 122,976             |
| Interest income                              | 22,467              | -                                 | 22,467              |
|  | <u>759,825</u>      | <u>900,000</u>                    | <u>1,659,825</u>    |
| <b>Net Assets Released From Restrictions</b> | <u>1,268,663</u>    | <u>(1,268,663)</u>                | <u>-</u>            |
| <b>Total Support and Revenue</b>             | <u>2,028,488</u>    | <u>(368,663)</u>                  | <u>1,659,825</u>    |
| <b>Expenses</b>                              |                     |                                   |                     |
| Program services                             | 1,659,402           | -                                 | 1,659,402           |
| Fundraising                                  | 210,314             | -                                 | 210,314             |
| Administration                               | 171,113             | -                                 | 171,113             |
| <b>Total Expenses</b>                        | <u>2,040,829</u>    | <u>-</u>                          | <u>2,040,829</u>    |
| <b>Total Decrease in<br/>Net Assets</b>      | (12,341)            | (368,663)                         | (381,004)           |
| <b>Net Assets - Beginning of year</b>        | <u>537,538</u>      | <u>1,362,177</u>                  | <u>1,899,715</u>    |
| <b>Net Assets - End of year</b>              | <u>\$ 525,197</u>   | <u>\$ 993,514</u>                 | <u>\$ 1,518,711</u> |

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

## THE SPROUT FUND

### Statement of Activities and Changes in Net Assets

For the Period November 1, 2007 (Inception) to December 31, 2007

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>        |
|--|---------------------|-----------------------------------|---------------------|
| <b>Support and Revenue</b>   |                     |                                   |                     |
| Government grant revenue   | \$ 5,950            | \$ -                              | \$ 5,950            |
| Contributions  | 688,469             | 1,393,318                         | 2,081,787           |
| Special event fundraising  | 46,791              | -                                 | 46,791              |
| Interest income  | 6,528               | -                                 | 6,528               |
|  | <u>747,738</u>      | <u>1,393,318</u>                  | <u>2,141,056</u>    |
| <b>Net Assets Released From Restrictions</b>                         | <u>31,141</u>       | <u>(31,141)</u>                   | <u>-</u>            |
| <b>Total Support and Revenue</b>                                     | <u>778,879</u>      | <u>1,362,177</u>                  | <u>2,141,056</u>    |
| <b>Expenses</b>  |                     |                                   |                     |
| Program services   | 175,638             | -                                 | 175,638             |
| Administration   | 65,053              | -                                 | 65,053              |
| Fundraising  | 650                 | -                                 | 650                 |
| <b>Total Expenses</b>  | <u>241,341</u>      | <u>-</u>                          | <u>241,341</u>      |
| <b>Total Increase in Net Assets -<br/>Net Assets - End of period</b> | <u>\$ 537,538</u>   | <u>\$ 1,362,177</u>               | <u>\$ 1,899,715</u> |

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

## THE SPROUT FUND

### Statement of Functional Expenses

For the Year Ended December 31, 2008

|                                | <u>Program<br/>Services</u> | <u>Administration<br/>and Fundraising</u> | <u>Total</u>        |
|--------------------------------|-----------------------------|---|---------------------|
| Grants, awards and commissions | \$ 1,213,189                | \$ -                                      | \$ 1,213,189        |
| Other programmatic costs       | 169,035                     | 128,660                                   | 297,695             |
| Salaries                       | 188,921                     | 141,771                                   | 330,692             |
| Employee benefits              | 32,312                      | 18,509                                    | 50,821              |
| Employer payroll taxes         | 13,905                      | 12,401                                    | 26,306              |
| Contract services              | 973                         | 41,600                                    | 42,573              |
| Facilities and equipment       | 12,481                      | 8,676                                     | 21,157              |
| Rent                           | 16,282                      | 11,318                                    | 27,600              |
| Operations                     | 10,142                      | 9,655                                     | 19,797              |
| Marketing                      | 805                         | 559                                       | 1,364               |
| Insurance                      | -                           | 6,691                                     | 6,691               |
| Travel and meetings            | 1,357                       | 951                                       | 2,308               |
| Other                          | -                           | 636                                       | 636                 |
| <b>Total Expenses</b>          | <u>\$ 1,659,402</u>         | <u>\$ 381,427</u>                         | <u>\$ 2,040,829</u> |

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

## THE SPROUT FUND

### Statement of Functional Expenses

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For the Period November 1, 2007 (Inception) to December 31, 2007

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|                                | <u>Program<br/>Services</u> | <u>Administration<br/>and Fundraising</u> | <u>Total</u>      |
|--------------------------------|-----------------------------|---|-------------------|
| Grants, awards and commissions | \$ 113,164                  | \$ -                                      | \$ 113,164        |
| Other programmatic costs       | 41,336                      | -   | 41,336            |
| Salaries                       | 17,842                      | 28,962                                    | 46,804            |
| Employee benefits              | 2,848                       | 2,568                                     | 5,416             |
| Employer payroll taxes         | -                           | 4,510                                     | 4,510             |
| Contract services              | -                           | 6,373                                     | 6,373             |
| Facilities and equipment       | -                           | 3,623                                     | 3,623             |
| Rent                           | -                           | 6,900                                     | 6,900             |
| Operations                     | -                           | 3,987                                     | 3,987             |
| Marketing                      | -                           | 55  | 55                |
| Insurance                      | -                           | 8,587                                     | 8,587             |
| Travel and meetings            | 448                         | -   | 448               |
| Other                          | -                           | 138                                       | 138               |
| <b>Total Expenses</b>          | <u>\$ 175,638</u>           | <u>\$ 65,703</u>                          | <u>\$ 241,341</u> |

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



## THE SPROUT FUND

### Statements of Cash Flows

| For the Periods Ended December 31  | 2008<br>(Year)              | 2007<br>(2 Months)          |
|--|-----------------------------|-----------------------------|
| <b>Cash Provided by (Used for) Operating Activities</b>  |                             |                             |
| Total increase (decrease) in net assets  | \$ (381,004)                | \$ 1,899,715                |
| Adjustments to reconcile change in net assets<br>to net cash provided by (used for) operating activities |                             |                             |
| Depreciation   | 5,471                       | 823                         |
| Contributed property   | -                           | (15,173)                    |
| Changes in   |                             |                             |
| Accounts receivable  | (289,231)                   | (370,951)                   |
| Accounts payable   | 43,212                      | 110,558                     |
| <u>                    </u>  | <u>                    </u> | <u>                    </u> |
| <b>Net Cash Provided by (Used for)<br/>Operating Activities</b>  | <u>(621,552)</u>            | <u>1,624,972</u>            |
| <b>Cash Used for Investing Activities</b>  |                             |                             |
| Purchase of equipment  | <u>(5,518)</u>              | <u>(7,883)</u>              |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>  | (627,070)                   | 1,617,089                   |
| <b>Cash and Cash Equivalents - Beginning of period</b>   | <u>1,617,089</u>            | <u>-</u>                    |
| <b>Cash and Cash Equivalents - End of period</b>   | <u>\$ 990,019</u>           | <u>\$ 1,617,089</u>         |

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

# THE SPROUT FUND

## Notes to the Financial Statements

### Note 1 - Summary of Significant Accounting Policies

#### A. Organization

The Sprout Fund is a private, not-for-profit organization that supports innovative ideas and grassroots community projects that are catalyzing change in Pittsburgh. Sprout is designed to facilitate community-led solutions to regional challenges and supports efforts to create a thriving, progressive, and culturally diverse region. With strong working relationships to many community organizations and regional stakeholders, The Sprout Fund is one of Southwestern Pennsylvania's leading agencies on issues related to civic engagement, talent attraction and retention, public art, and catalytic small-scale funding.

The Sprout Fund's mission is to work to positively affect the civic and philanthropic community by providing an entry point for young, creative, and civically engaged people to become involved and active in their communities and by supporting projects and initiatives that improve the image of the greater Pittsburgh region.

The Sprout Fund is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

#### B. Basis of Accounting

The financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles.

#### C. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### D. Cash and Cash Equivalents

The Organization considers all highly liquid investments with original maturities of less than three months as cash equivalents. Substantially all of the Organization's cash is held at one financial institution.

## THE SPROUT FUND

### Notes to the Financial Statements (Continued)

#### Note 1 - Summary of Significant Accounting Policies (Continued)

##### E. Revenue and Support

Revenue is recognized when earned.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions.

In 2008, approximately 79% of the Organization's contributions were from two donors and in 2007, 45% from one donor.

##### F. Promises to Give

Unconditional promises to give (pledges receivable) are recognized as revenues or gains in the period the promise is received as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

##### G. Depreciation

Property and equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the related assets. Improvements are depreciated over the lesser of the economic useful life or the remaining life the Organization's lease.

##### H. Fair Value Measurements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157 (SFAS 157), *Fair Value Measurements*. SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. The provisions of SFAS 157 were effective for the Organization's financial assets and liabilities for the fiscal year beginning January 1, 2008. This statement did not have a material impact on the Organization's financial statements.

# THE SPROUT FUND

## Notes to the Financial Statements (Continued)

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### I. Recent Accounting Pronouncements

The FASB issued Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109*. FIN 48 recognizes that the ultimate deductibility of positions taken or expected to be taken on tax returns is often uncertain. It provides guidance on when tax positions claimed by an entity can be recognized and guidance on the dollar amount at which those positions are recorded. In order to recognize the benefits associated with a tax position taken, the entity must conclude that the ultimate realization of the deduction is more likely than not. If the ultimate realization of the tax position is more likely than not, the benefit associated with the position is recognized at the largest dollar amount that has more than a 50% likelihood of being realized upon ultimate settlement.

The Interpretation was originally effective for not-for-profit entities for fiscal years beginning after December 15, 2006. FASB Staff Position No. FIN 48-3 permits not-for-profit organizations to defer the effective date of FIN 48 until fiscal years beginning after December 15, 2008. The Organization has elected to defer the application of FIN 48 and does not expect the provisions of FIN 48 to have a material impact on its future financial statements.

#### J. Consideration of Subsequent Events

These financial statements were approved and authorized for issue by management and the President of the Sprout Fund on November 10, 2009.

### Note 2 - Pledges Receivables

Receivables consist of the following at December 31:

|                           | <u>2008</u>      | <u>2007</u>      |
|---------------------------|------------------|------------------|
| Public Art Program        | \$ 60,000        | \$100,000        |
| Spark Program             | 550,000          | -                |
| Community Connections     | 27,500           | 215,001          |
| Operations                | <u>22,682</u>    | <u>55,950</u>    |
| Total pledges receivables | <u>\$660,182</u> | <u>\$370,951</u> |

Approximately \$110,000 of the receivables is expected to be collected within one year, and the remainder in 2010 and 2011. There were no conditional promises outstanding as of December 31, 2008 and 2007.

## THE SPROUT FUND

### Notes to the Financial Statements (Continued)

#### Note 3 - Property and Equipment

Property and equipment consists of the following at December 31:

|   | <u>2008</u>      | <u>2007</u>      |
|---|------------------|------------------|
| Leasehold improvements                                      | \$ 23,056        | \$ 23,056        |
| Computers   | 2,975            | -                |
| Furniture and fixtures                                      | <u>2,543</u>     | <u>-</u>         |
|   | 28,574           | 23,056           |
| Less: Accumulated depreciation                              | <u>6,294</u>     | <u>823</u>       |
| Property and equipment - net of<br>accumulated depreciation | <u>\$ 22,280</u> | <u>\$ 22,233</u> |

#### Note 4 - Restrictions on Net Assets

Temporarily restricted net assets consist of funds restricted for the following purposes at December 31:

|                                  | <u>2008</u>       | <u>2007</u>        |
|----------------------------------|-------------------|--------------------|
| Community Connections            | \$ 73,396         | \$1,212,177        |
| Spark Program                    | 870,118           | -                  |
| Time                             | -                 | 50,000             |
| Public Art                       | <u>50,000</u>     | <u>100,000</u>     |
| Total restrictions on net assets | <u>\$ 993,514</u> | <u>\$1,362,177</u> |

#### Note 5 - Lease Obligation

The Sprout Fund occupies facilities under a lease agreement, which expires in June 2012. The lease requires minimum annual rents of \$27,600. Total rent expense was approximately \$28,000 in 2008 and \$7,000 in 2007.